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7 Steps to Healthcare Strategic Planning

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In healthcare today, challenges surface almost daily in terms of finance, reform, government mandates and policy, technology, and customer satisfaction. It is crucial that healthcare leaders step back and continually assess the organization's strategic plan. In fact, strategic thinking, assessing and modeling are becoming requirements for an organization to survive the turbulent healthcare climate.

Strategic planning provides a roadmap to where the company is going, and directions on how to get there. It is used to guide all decisions, including those regarding capital, technology, staff and other resources.

Various business analysis techniques can be used in strategic planning, including SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats), PEST analysis (Political, Economic, Social, and Technological), to define direction. Throughout the process, strategic planning is the formal consideration of an organization's future course. All strategic planning deals with at least one of three key business questions:

- "What do we do?"
- "For whom do we do it?"
- "How do we excel?"

Strategic planning helps us see the bigger picture when it is easier to get lost in the day-to-day operational issues. Big picture issues include:

- Service or technology portfolios
- Competitive and regulatory pressures and changes
- Success factors
- Functional business models and departmental alignment
- Goals and objectives
- Organizational culture
- Core competencies
- Current conditions

We can then create proactive strategies to move from current state to desired state. Information technology is a large part of this equation. Therefore, it is important to be very familiar with the current state of IT, and what you will need in this area to meet future goals.

Historically, organizations have developed strategic plans for three-to-five years. However, with healthcare reform, new technology, and staffing issues in the industry, the strategic planning process has become more frequent, and rightly so.

7 Steps to Strategic Planning

We at Hayes recommend the following seven-step process for strategic planning:

Step 1 – Review/Develop Vision & Mission

Although many organizations have created vision, mission, goals and objectives, these elements need to be reviewed on a continuous basis. The reason lies in the ever-changing environment and business constraints forced upon organizations through government, payors, competition, physicians, patients, vendors etc.

Each internal department's vision and mission must be aligned and supportive of the overall business strategy.

The mission of an organization is the reason it exists. Usually the mission takes the form of a statement, which conveys a sense of purpose to the employees, patients, physicians and the community. The mission sets the tone for goals and objectives.

Information Technology Strategic Planning

There is a mutually dependent relationship between the organizational strategic plan and the information technology strategic plan. It is essential that when creating the overall strategic plan, a parallel process is performed to create or adjust the IT strategic plan. They inform each other. For example, if an organization's leaders decide to start an accountable care organization (ACO), they need to understand the ability of the IT group to support it.

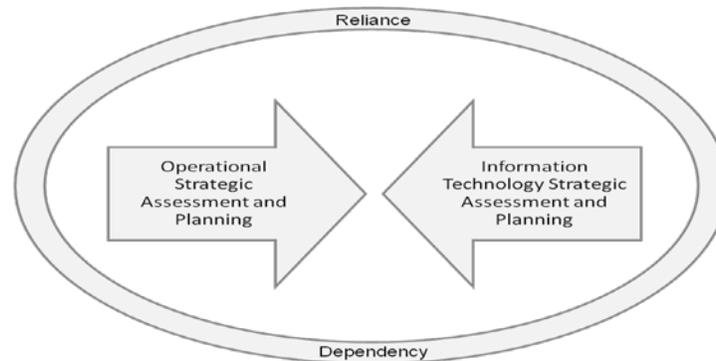


Figure 1: Organizational and IT Plans' Dependency

Any organization planning to develop new delivery models such as home health expansion, accountable care processes, etc., will require both operational and information technology strategic changes.

Step 2 - Business and Operational Analysis

One of the key objectives of strategic planning is to understand internal strengths and weaknesses as well as external threats and opportunities, i.e. a SWOT analysis. It is critical to engage stakeholders from across the organization – and vendors as well - to provide their points of view. This involvement will not only improve your plan, it will create organizational ownership, which will be important for executing and sustaining the plan.

Look at these aspects from an internal and external perspective:

- Company culture
- Company image
- Organizational structure
- Key staff and overall personnel
- Access to resources
- Operational efficiency
- Operational capacity
- Market awareness
- Financial resources
- Information systems and resources

The findings from this exercise greatly inform the strategic plan. For example, one Hayes client observed changes in the external environment which prompted the decision to

move toward an acquisition and merge model. This plan required significant strategic and tactical changes.

Step 3 - Develop and Select Strategic Options

All possible strategies should be developed based on the inputs. Then the list should be narrowed down to strategies that are within the guiding principles of the organization. Guiding principles identify the “ground rules” and parameters that will inform decision making for your organization. For example, will your organization consider merging with or acquiring another organization to meet its goals? Do you want to outsource certain functions?

Another decision-making criterion is your organizational capacity. For example, if a goal is to increase revenue in orthopedics by 7%, are there enough physicians to support that increase in volume? Do they specialize in the services that will meet that goal?

You should have a few strategies outlined before you go to step 4.

Step 4 - Establish Strategic Objectives

This step narrows the list even more by applying various models (financial, etc.) to each strategy to determine the effect it will have on the organization. This step is also where key measures and timelines are established or validated. Once the strategies are tested in this way, it can be put together to form the strategic plan. The plan's components should be specific, measurable, achievable, realistic and time-bound (SMART).

Step 5 - Strategy Execution Plan

Now a plan must be developed to implement the chosen strategic options. To be successful, you will need organizational ownership of the plan, which includes not only executive sponsorship, but also the active involvement of all staff members.

Communicate the plan to all levels of the organization. Find champions in all areas. Define what is “in it for them.” The clear (SMART) goals and staff involvement in the initial committees will help you now.

Step 6 - Establish Appropriate Budget and Resource Allocation

Quite often, once the strategic assessment and plan is complete, leadership may not be able to allocate or assign appropriate funding, staffing or other resources to specific initiatives. The result of improper or inadequate budgets and staffing usually ends with failed strategic initiatives. It is critical to receive leadership commitment on budget and resources before execution of the strategic plan.

Step 7 - Execution Review

One of the critical success factors for effective strategy deployment is constant and ongoing progress reviews. Appropriate reporting mechanisms must be included in the deployment. When issues, challenges, deviations or obstacles are identified, decisions and remediation are necessary – some which may even change the strategic direction. Therefore, it is important to decide who is involved in the review process, and what exactly is reviewed.

A depiction of the strategic planning process is below.

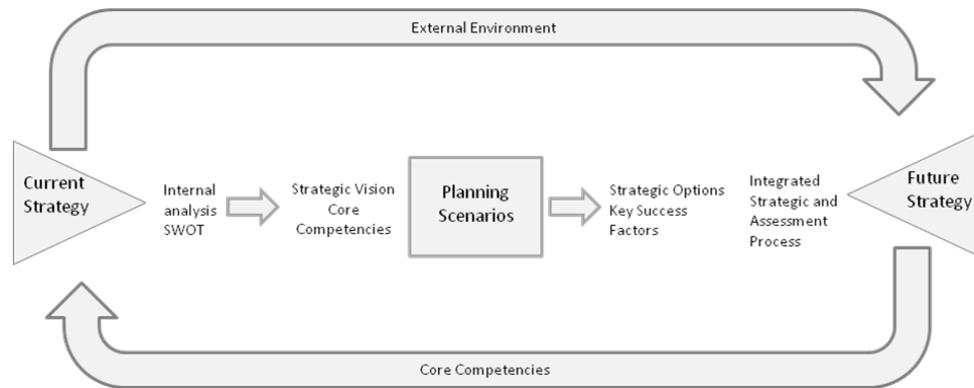


Figure 2: The Strategic Planning Process

Enjoy the benefits

Once the strategic planning process is complete and executed, healthcare organizations will experience its multitude of benefits. Strategic planning creates a culture of anticipation and innovation rather than one of reaction and defensiveness. It develops a coherent and defensible base for decision making, improves resource allocation, identifies high-performing and low-performing areas, and provides an opportunity to standardize and otherwise become more efficient, improving the revenue cycle. More importantly, strategic planning helps establish the processes for delivering high-quality care, and shapes the organization's future. Healthcare strategic planning must be an ongoing process. It will be more than worth the time spent!

About Hayes

Hayes works with healthcare organizations to increase net revenue and improve patient experience. Hayes has received multiple Best in KLAS awards since 2005*. Hayes is also ranked in *Healthcare Informatics' Top 100* and *Inc. 5000*.

Hayes consultants are subject-matter experts in [healthcare strategic planning](#), [revenue cycle improvement](#), [system implementation](#), federal healthcare initiatives such as [ICD-10 migration](#), preparing for [meaningful use](#), and [interim management](#). Hayes also offers billing compliance software, [MDaudit](#) to improve audit quality and productivity. To learn more about Hayes' services, visit www.HayesManagement.com or call us at 617-559-0404.

* Source: www.KLASresearch.com.