

Strategic Financial Planning



hfma™

healthcare financial management association

www.hfma.org/sfp

The Compelling Case for Perpetual Strategic Planning

By Preston Gee

One of the key environmental elements driving the interest in, and value of, rolling strategic plans is the abbreviated time horizons that healthcare leaders now face. The condensed planning cycle is a result of many factors in the market, including increased competitive pressures, heightened scrutiny by the public and the press, and the general high-profile status and challenges of the healthcare sector.

Health care is consistently in the media headlines and, according to polls, on the public's mind. It is viewed by many as both problematic and emblematic—a reflection of the high costs and diminishing access that increasingly frustrate and perplex the country, collectively and individually. Consequently, calls to address the problem and initiate change can be heard from all sides, including employer groups and political figures, resulting in federal and state legislation and regulation and other high-profile efforts to improve the system. One well-known example is Massachusetts' decision to provide health insurance for all its residents. Another is the recently announced rebasing initiative, in which the Centers for Medicare and Medicaid Services

is recalibrating diagnosis related groups for the inpatient prospective payment system.

Dynamism in the Details

The painful reality of many strategic plans is that, once completed, they sit on the shelf for months—even years—until it is time to pull them down, dust them off, and start the planning process once again. This process is not so much strategic planning as organizational window dressing, and expensive window dressing at that.

For a plan to be truly effective, it needs to be dynamic and fluid. One of the great benefits of a perpetual planning process is that it makes the plan itself an integral part of the organization's strategic direction and long-range approach. Even the individual tactical components remain prominent on the radar screens of both senior executives and mid-level managers.

One of the criticisms of traditional planning, with its "looks good, see you in a year" approach, is that it is too blue-sky or high level; the wide chasm between purporting and reporting means that excitement and attention are dissipated. The natural ten-

dency in any industry is to get caught up in the pressing issues of the day and leave the longer-range issues and projects for an increasingly distant tomorrow. Typically, when that tomorrow finally rolls around, there is much 11th hour scrambling, complete with patchwork efforts and slipshod performance.

With a robust perpetual planning process, in contrast, the emphasis on accountability and progress and the frequent reporting and analysis of established metrics keeps the organization focused, its feet on the ground. If senior-level executives know they are going to be called on to provide periodic updates, they are much more likely to require accountability from their mid-level managers on the projects under their purview. That sense of urgency will permeate the organization.

Reality Check

In addition to increased accountability, perpetual planning offers the related benefit of frequent reality checks: Is the organization really capable of meeting the long-range goals outlined in the plan? For example, if an organization maps out

a three-year strategy to increase market share by 9 percent in orthopedics, and after six months, has achieved an increase of only 1 percent, the executives are faced with a decision: They can either moderate the goal to match the market reality, or they can increase the resources and the investment necessary to improve their performance.

Such an approach will serve the executive team well in persuading key stakeholders—the board, the physicians, and the employees of the hospital—that the leadership of the hospital is grounded in reality and intellectually honest. The willingness to adjust its goals or reallocate its resources when necessary speaks volumes about the ability of the organization to remain agile and competitive. One of the biggest criticisms of healthcare executives is their seeming inability to adjust to shifting market conditions. Perpetual planning provides an invaluable framework for constantly reassessing not only the organization's performance against the plan, but also the relevancy of the plan in the ever-changing environment.

Perpetual planning is not a panacea, but it may be one of the most valuable approaches to organizational adaptation in these turbulent times.

That Wonderful Synching Feeling

For a strategic plan to be effective and ultimately successful, it must be synchronized with the organization's budget. Otherwise (and this is too often the case), the two may be mutually exclusive and the fulfillment of long-range strategies virtually impossible. As patently obvious as this seems, it is disconcerting how many organizations do not synchronize their planning efforts with their budgetary process.

The strategic plan should drive the budget of an organization, not vice versa, and a rolling plan makes it more likely that this will occur. In fact, the budget should be an integral part of the

planning process, as outlined in the accompanying schematic, which shows the various components of the planning process—including the budget segment—along with the groups responsible and realistic timeframes. This ensures that the budget and strategic plan are symbiotic.

If an organization has a sophisticated service line approach, those business plans should also align with and be driven by the

organization's overarching strategic plan. This type of organizational choreography will go a long way in aligning interests, optimizing resources, and improving communication within the organization.

A Plan for All Seasons

Perpetual planning is not a panacea, but it may be one of the most valuable approaches to organizational adaptation in these turbulent times, as the healthcare industry becomes more complex and faces more frequent, far-reaching changes. Those organizations that have a process in place for frequently assessing and adjusting their goals and market alignment will have a significant competitive advantage over those entities that are locked into the traditional approach to strategic planning. ☞

Preston Gee is senior managing director, Phase 2 Consulting, Austin, Texas (epgee@phase2consulting.com). He is the author of numerous articles and several books on healthcare strategy and planning, including *Service Line Success: Eight Essential Rules* (Health Administration Press, 2003).

Perpetual Strategic Planning Example



Source: Phase 2 Consulting. Used with permission.

HFMA's Denials Management Toolkit—on CD!

HFMA's Denials Management Toolkit, a collection of eight interactive, comprehensive electronic tools, helps you manage your revenue cycle to prevent denied claims and resolve claims faster. The tools include a denial management crosswalk, claims denial tracking spreadsheet, a departmental dashboard, denials by payer report, denial tracking comparison, expected payment reporting, take-back pursuit sheet, and sample appeal letters. The tools can be used immediately by inputting your own hospital's information and generating reports that will help trend denials, identify problem areas, and work toward a satisfactory solution, ultimately increasing revenue for your organization. Get your copy today! For information on purchasing, go to www.hfma.org/library/revenue/, click on "Denials," then on "Tools."

Reprinted from the September 2006 issue of **Strategic Financial Planning**.

Copyright 2006 by Healthcare Financial Management Association, Two Westbrook Corporate Center, Suite 700, Westchester, IL 60154

For reprint information, call 1-800-252-HFMA