

# Strategic Planning for Healthcare Organizations

*Shaping Your Future Success*



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**Abstract:** Strategic planning is essential for all organizations to shape their future success. However, with the significant shifts occurring in the healthcare industry, organizations need to prioritize forward-looking initiatives now more than ever to prepare for and address these impending changes and challenges. In this whitepaper, we focus on the overall construct of strategic planning, as well as provide practical methods for formulating and communicating an effective plan.

**Key Words:** Strategic Planning, Goal Framework, Macro Environment Factors, Market Factors, Internal Factors

## WHAT IS THE PURPOSE OF AND INTENDED OUTCOMES OF STRATEGIC PLANNING?

The healthcare industry is consistently making more progress in embracing value-based and consumer-driven care. Thus, organizations must take the time to evaluate their current trajectory and ensure they are preparing, adjusting their course, and successfully adapting to this shift. While strategic planning cannot help an organization see the future nor protect against all potential concerns, it is an ongoing process that is meant to uncover potential threats and develop effective plans to address them. This process when done correctly allows for better capital planning and budgeting, serves as a roadmap for leaders when making operational decisions, and invests stakeholders in the goals of an organization.

Given the different points of focus in administration and clinical staff, we have seen many examples of the disconnect between the strategies of the business and the actions of the clinical staff. It is imperative, therefore, to keep clinical leaders involved in the strategic planning process and communicate the outcomes in a way that inspires, invests, and ultimately drives change for these individuals.

With the significant shifts occurring in the healthcare industry, organizations need to prioritize forward-looking initiatives now more than ever to prepare for and address these impending changes and challenges.

The chief goals of strategic planning are as follows:

- **Review the Current Issues.** Take stock of what is happening within the organization and its patient, payer, provider, and competitive market. Review areas on an ongoing basis where the organization is struggling as well as prospective issues facing the organization.
- **Complete Comprehensive Analyses.** Consider the current internal and external positioning of the organization, and evaluate ways to protect and improve the organization in the future. While many organizations complete a traditional SWOT analysis, there are other methods for performing the necessary in-depth quantitative and qualitative studies.
- **Establish a Vision.** Develop a clear vision for the organization, including its priorities. This vision should be well defined and easy to understand.
- **Identify Strategies and Tactics for Achieving the Vision.** Based on the analyses and vision, establish clear strategies for the organization. Then, identify specific tactics within each strategy that can be achieved methodically.
- **Communicate Goals of the Organization.** For a strategic plan to be effective, the organization must determine a way to communicate the goals across the organization and build them into the culture of the staff.

- **Strengthen the Organization.** Ultimately, the strategic planning process should help improve the organization. Recurrent completion of the assessment of progress in comparison to the plan should occur to drive accountability and allow for resetting of the strategies, as appropriate.

The correctly executed strategic planning process should result in a reliable and lasting tool for decision-making for the organization. This tool should serve as the foundation for all major capital planning functions and budget development. The strategic plan should undergo annual evaluation and continuous monitoring by key stakeholders to ensure its relevance and usefulness.

## WHAT IS THE FOUNDATION OF A STRATEGIC PLAN?

A strategic plan should be based on data-driven conclusions with the organization evaluating at least three primary areas:

1. Macro-Environment Factors
2. Market Factors
3. Internal Factors

These issues will be different for every organization and should be considered as the first step in a strategic planning process. These same matters will then form the foundation for every strategy, with each tied to specific data points. We note that smaller organizations may not have the budget to undertake such a comprehensive assessment; however, these items should still be considered and brought forth in interviews and analyses where possible.

### *MACRO-ENVIRONMENT FACTORS*

The macro-environment includes two primary distinctions – industry-wide dynamics and location-specific dynamics (i.e., regional or service area considerations). A few examples are as follows:

- **Regulatory.** Changes to federal or state regulations that affect the businesses or functions of the organization.
- **Financial.** Macro-financial implications, such as the status of the state or regional governments, local industries and community health, and/or changes to major payer reimbursement rates and the subsequent consequences.
- **Population.** Changing (and likely aging) population and any other factors affecting population size and structure (i.e., migration into or out of service area).
- **Healthcare Utilization.** Shifts in the way patients utilize healthcare services, including decreases to inpatient procedures and increases in consumerism.

### *MARKET FACTORS*

Next, the organization should evaluate how they stand in their specific market and the way they interact with other organizations in their service area as well as how specific market dynamics affect the potential strategies of the organization.

- **Competitive Position.** One of the primary items to evaluate in the market position is how the organization stacks up against its competition (both within its primary and secondary service areas) and areas where competition is gaining patient volumes.
- **Patient Patterns.** Organizations should also evaluate from where its patients are originating and how this may impact growth strategies. This review should include an analysis of where patients from its primary service area are out-migrating to and how geography plays into these decisions.
- **Partnerships.** Depending on the organization type, alignment or partnership with other community organizations will be crucial to understanding the dynamics of the market. This issue could refer to clinical partners as well as community or business partners.

### INTERNAL FACTORS

Finally, organizations should evaluate their current internal structure and how they are built to address both current and future patient needs. Additionally, as population health management continues to gain ground, organizations should ensure they are internally positioned to manage the care of their entire service area.

- **Financial.** A key consideration is how well the organization is performing financially and whether it can support certain strategic initiatives. Further, if the organization is under significant financial pressure, its most effective strategies may be different from those for an organization that is not under duress (i.e., consider what level of risk the organization can take).
- **Cultural.** For healthcare organizations, developing and maintaining a widespread, collaborative, inclusive culture is crucial to implementing strategic initiatives successfully. This initiative should come from the top down to the employees to ensure all are engaged in supporting the mission of the organization and understand their role in helping it meet its goals.
- **Provider Portfolio.** Consideration of employed and aligned providers within the organization and all specialties covered will also be a critical piece of analysis as well as evaluation of productivity and utilization across the entity.
- **Clinical Portfolio:** A major area of evaluation for organizations should be their clinical portfolio. This review includes “what”, “how”, and “where” services are provided. As consumerism in healthcare continues to rise, the “where” will be a key consideration, for initiatives like telehealth will continue to gain prominence. Organizations will need to consider how they will get services where they are most needed and what is easiest for patients to access.

### WHAT ARE EXAMPLES OF RELEVANT STRATEGIES?

As noted, strategies are the high-level goals of the organization over the near-term, typically no longer than 3-5 years. These are intended to guide decision-making over this period and ensure all employees are working toward the same outcome. While these goals are nuanced for each organization, we provide a few typical examples for healthcare organizations, below. Even if these are not the strategies for each organization to pursue, they are likely to be considered at some point (even to rule them out).

- Growth of Physical Presence
- Expansion of Provider Resources
- Improvement of Employee Satisfaction and Retention
- Optimization of Clinical Portfolio
- Strengthening of Partners (Clinical and Operational)

- Optimization of Continuum of Care
- Enhancement of Patient Access and Flow
- Reduction and Control of Costs
- Optimization of Payer Contracts
- Strengthening Care Processes
- Leveraging Technologies
- Improving Patient Satisfaction

Each area will be evaluated based on the findings of the initial assessments and modified to meet the needs of the organization; however, these are common, broad considerations.

## WHAT DOES THE STRATEGIC PLANNING PROCESS LOOK LIKE?

Strategic planning processes can vary depending on the size of the organization and level of investment available. However, we have outlined two common methods below--one targeted for a smaller organization or a physician practice and one for a large hospital or healthcare system. We note that many varieties of these processes and hybrid approaches may be used, but these illustrate the full range of options available to organizations.

Typically, a designated leader helps facilitate the strategic planning process and drives productive interactions throughout the review and analyses. While the facilitator can be an internal leader (i.e., a C-suite executive), this role is often filled by an independent outside party (i.e., a consultant or industry expert).

An external facilitator lends a certain formality to the process and can prove valuable in providing a third-party opinion on divisive matters. Additionally, this facilitator will be able to devote significant time to preparing materials (i.e., agendas, discussion points, background information, etc.) that create a structured process and highlight issues the organization may not have thought to address on their own. This mediator may be a sole consultant or facilitator, or it may encompass a full consulting team and analysts.

### *EXAMPLE STRATEGIC PLANNING PROCESS ONE: CONDENSED ASSESSMENT AND STRATEGIC RETREAT*

A strategic retreat is a dedicated period (typically one day) wherein a diverse set of clinical and administrative leaders meet to discuss current issues and establish a go-forward plan for the organization. Commonly, these result in a more condensed strategic plan or strategic roadmap and are less comprehensive than a full strategic plan. Usually the sessions are held annually to review the strategic plan in full and make minor adjustments based on changes to the organization and outcomes over the past year. (These retreats are analogous to the “Study” step in the widely-accepted Deming Cycle.) Additionally, these can be more cost-effective for smaller organizations as it requires much less time and analyses than engaging in a complete strategic planning process.

A strategic retreat should consist of two primary constituencies – administrative leadership and clinical leadership. It is important to have representatives from each group involved as it will allow for a more comprehensive understanding of the issues at hand, robust discussion, and extensive sharing of ideas. More importantly, physician engagement in the development and assessment of initiatives will be imperative in ensuring that they are actively carried out.

The format of the retreat can differ based on the organization, its culture, and its current needs. Typically, strategic retreats last an entire day (approximately 6-8 hours) and can include a social gathering (e.g., dinner with the participants the night before or after the retreat). As previously mentioned, the primary deliverable from the initiative will be a specific action plan. The document should outline the next steps for the organization, including who is responsible for each step and the intended timeline for completion of the initiative.

One of the key differentiators between this process and the more comprehensive strategic planning progression is the level of data analysis for the project. In this example, the organization's constituents bring forth much of the data based on internal studies rather than submitting raw data intended for analysis by a third party. Again, this process is more efficient and cost-effective and is typical for an annual review of an existing strategic plan or for organization's that have robust internal analyses that they wish to leverage.

The result will likely be a less comprehensive outcome/work product than a typical strategic plan, and it will typically be more cursory in nature. This may work as an amendment of sorts to an existing strategic plan or as a standalone document. Regardless, it is critical for the organization to support and uphold the go-forward decisions that result from the retreat and ensure all parties are held accountable for their responsibilities.

#### *EXAMPLE STRATEGIC PLANNING PROCESS TWO: DETAILED ASSESSMENT AND STRATEGIC PLAN DEVELOPMENT*

The second example is the more typical strategic planning process for larger hospitals and health systems. Here, the consultants or industry experts deliver a detailed data review and analyses, coupled with internal discussions and vetting processes prior to the development of a comprehensive strategic plan.

The primary difference in this example is the level of analysis completed before and after discussions regarding recommended outcomes as well as the depth of documentation of the action plan. If engaged, the external party would perform a full situational assessment and highlight areas of weakness and opportunity before bringing this to the organization for discussion. Otherwise, a stakeholder within the organization would be required to manage this process. Using the outside expert provides maximum benefit and ensures that all potential concerns are raised rather than relying on any single person within the organization to bring forth their concerns. This would include the review of all of the factors defined above and any others that are specific to the organization and its market.

Following this analysis, the facilitator (internal or external) would highlight the findings and discuss and build consensus around preliminary strategies with internal stakeholders. This presentation may be completed via a strategic retreat as outlined above or via working group meetings. Working group meetings, if pursued, may include a single working group or breakout groups dedicated to specific topics. Either way, the outcome of this process will be strategies that have been vetted and approved internally based on the recommendations of an appropriate cross-section of stakeholders.

These factors will then be built into the final strategic plan, which will be communicated across the organization and used as the foundation for decision-making going forward.

## HOW IS THE STRATEGIC PLAN COMMUNICATED AND IMPLEMENTED?

The development of a strategic plan can be difficult and require significant time and resources. Thus, it is imperative that once it is developed, it be communicated to the organization. The framework used is critical and should be seriously considered before it is distributed. While there is a wide array of strategic plan frameworks available, typically a strategic plan consists of five to seven strategies, as well as parallel tactics, timelines, and responsible parties. These are often tied to broader goals of the organization or the mission/values themselves.

Many strategic plans fall short of assigning these tactics to individuals with specific milestones, which is a key reason that organizations fail to achieve the strategies outlined in their plans. If no one is held accountable, it is difficult to drive change. The third party, depending on the scope of the strategies, may also assist in the implementation to ensure it is achieved successfully and timely.

## CONCLUSION

As healthcare organizations strive to succeed under the new value-based paradigms, increasing government oversight, and growing consumer-based care demands, strategic planning and employee engagement will be critical. Hospitals and physician practices should be cognizant of the importance of dedicating time and resources to the strategic planning process and involving clinical, operational, and administrative leadership in such activities.

Further, while the process may seem daunting, dedicating time to evaluating the organization on a larger scale (rather than solely day-to-day operational considerations) will likely illuminate issues that otherwise would have gone unnoticed until they came to light in a much more pressing, concerning, or damaging way. A third party can be vital in bringing these matters to the forefront of discussions and helping an organization better position itself for the future and for shaping its success.

*If you are interested in learning more about how Coker Group can assist in your strategic planning efforts, please contact us at [www.cokergroup.com](http://www.cokergroup.com).*