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## Merge Strategic Plan into Business Plan

### Considering Merger or Expansion?

Although there is no one "right way" for medical practices to cope with managed care and the increasing pressure to improve market share, there is one way that seems to be preferred: practice growth.

There does seem to be safety in numbers, and through merger, expansion and affiliation, practices are seeking safety. At the same time, bigger practices often mean bigger headaches. The growth process is rarely simple, but it usually is costly and errors often plague the unprepared.

Be prepared. A well thought out, flexible business plan -- when implemented faithfully and adjusted as necessary -- can make practice growth easier. In some cases, it can even allow growth to occur.

As the manager or administrator of a practice considering its growth options, it is your job and responsibility to make sure the way your practice grows is optimal. Having a business plan and making sure your plan addresses practice growth can help you achieve the goals that prompt your practice to grow and do so with minimal trouble.

### **Manager's Mission: Comprehensive Business Planning**

Simply, in an increasingly competitive environment, the most successful medical practices are those that most closely resemble businesses. As managing physician or non-physician practice manager or administrator, you know from experience that medical practices are small businesses; you understand that your medical practice business is in competition with other business in the health care industry.

Thus, it is your mission to impress upon your physicians the importance of comprehensive business planning. There are two important corollaries to follow.

First, if your practice does not now have a business plan, you must develop one, even if that means doing all the preliminary work, presenting the plan to your physicians, then working, point by point, to generate a consensus while, at the same time, making sure that your plan retains its business sense.

Second, you must be certain that your business plan drives your practice's strategic plan. Many medical practices are developing strategic plans to deal with managed care, which is good. However, unless your strategic plan is based on strong business principles, there is a chance that your practice could be making costly mistakes. And unless your strategic plan is in harmony with your business plan, your practice could be making the right managed care moves but possibly in the wrong way or at the wrong time.

Thus, your practice should have a sound business plan, incorporate your managed care plans -- including plans for expansion or merger -- into your business plan, and make sure that your business plan drives your comprehensive plan. By doing so, you emphasize making the right business moves for your practice.

### **Road Map for the Future**

Explain to your physicians that **no** business plan can *guarantee* the continued success of any business, but simply having a business plan improves your chances of future success.

No one can predict the future. But by establishing goals for the future, developing detailed ways to achieve those goals, and including secondary and tertiary options, in effect you are plotting a course that includes alternate routes, in case you run into unexpected obstacles and difficulties.

Consider this analogy: your medical practice is a motor vehicle traveling from Point A to Point B into the future. Your comprehensive business plan is a road map on which you have plotted a course from where you are to where you want to be.

If you were trying to go from one major U.S. city to another, you may not even need a road map, if, for example, if you were headed from Atlanta to Boston. All you would need to do is get onto I-95 and head north. There are signs everywhere to tell you whether you are on track, headed in the right direction, and how far you have to go. If there are any problems, you can expect detours to be plainly marked. If you need help, you can stop at any of a number of information stations.

There are no highway signs, landmarks, or information stations as you travel into the future. You must draw your own map and make your own contingency plans, including detours. You must develop a timetable. You also must prepare for construction crews, rock slides, collapsed bridges, roadblocks, and accidents that you may encounter with no warning.

Thus, you must establish the business and strategic course your practice will follow, and work proactively to achieve your business goals. By building a degree of flexibility into your comprehensive plan, you can improve your ability to adapt to the changing health care environment without losing your focus on your goals.

In this uncertain environment, you obtain a decided advantage in the marketplace by developing and implementing a comprehensive business plan. Remember to plan not only the "what" but also the "how" of the steps you will be taking. Focus on cost, as change frequently is costly and costs frequently change over time.

Focus on cost thus emphasizes again the need to make your plan flexible. A static plan tends to become inaccurate -- or even dangerously obsolete -- over time. Thus, it is vital also to monitor and adjust your plan; keep it dynamic.

A typical five-step business plan follows:

#### **Five-Step Business Plan: Basic Points**

1. **Analysis:** Assess your practice and its environment. Determine, for example, your practice's patient, referral, and payor demographics, the profitability of your services, and your hours of operation. Identify and study your competitors, the area hospitals, and the managed-care plans in your region. Find out how your practice patterns and standards have changed. Identify your practice's current and potential allies, partners, and referrers.
2. **Goal Formation:** Work with your physicians to formalize their personal goals and establish your practice's goals for both the immediate and long-range future. Work to develop a consensus among the practice owners on each point in the plan. Appropriate matters to discuss include the following:
  - whether or not to expand;
    - if so, when and how;
  - whether to downsize and develop a niche practice
  - whether to sell your practice; for example, to a hospital or physician practice management company;
  - whether to enter into a merger
    - if so, what form the merger should take, for example:
      - virtual;
      - horizontal;
      - vertical;
      - group practice without walls; or
      - integrated group practice; and
  - which services your practice should/should not offer, now and in the future.

If you are the non-physician manager or administrator of a practice, your physicians may be reluctant to discuss certain matters of a more sensitive nature in your presence. Encourage your physicians to discuss these factors among themselves, if necessary and appropriate. Also emphasize that, once decided, these points will need to be incorporated into the plan, which means you must be aware of the consensus on each point, even if you are not party to the development of that consensus.

Such matters may include the following:

- how much more income they want to generate;
    - how to generate it, and
    - how to divide it;
  - whether any current physician plans to retire soon.
3. **Development:** Determine the best way to get from where you are now to where you want to be next year, five years from now, and beyond that. Make sure your plan is a *written document*, so nothing slips through the cracks or become uncertain over time. Start with a vision statement defining what your physicians want your practice to become, and how to make it so. Budget every step, including financing options.
  4. **Execution:** Do it. History has shown that developing a business plan then filing it away, never to be seen again, is a big mistake. Disappointment and confusion result when physicians cannot understand what went wrong with the plan. Typically, the answer is that the plan is sound -- perhaps even excellent -- but that even the best plan will fail if it is executed poorly or not at all.
  5. **Adjustment:** The health care environment is shifting rapidly. Shift with it. Periodically evaluate your plan to make sure it is working well. If you are not fulfilling your goals, find out what is wrong and fix it. If your local market changes, adapt immediately. If primary funding falls through, enable secondary funding options or postpone the funding-dependent action. At least annually, formally measure the plan's performance and make any necessary adjustments.

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