



# Strategic business planning for your practice

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When was the last time your oral surgery practice revised its strategic business plan? If your answer is “years ago” or “what business plan?” your practice is standing still or losing ground as others progress.

A strategic business plan is a vital document for internal and external reasons. From an internal perspective, it functions as a formal blueprint for where you are and where you are headed. From an external perspective, it is a demonstration to lenders and/or potential partners or merger affiliates of the practice’s market position and commitment to sustained profitability.

A good strategic business plan assesses the current practice situation, enumerates issues to be addressed, determines a course of action, provides for monitoring of progress and leaves room for adjustments to cover otherwise unforeseen circumstances or complications.

With all the changes occasioned by the economy, insurance industry, healthcare reform, changing patient populations – some foreseeable – now more than ever, it is essential for oral surgery practices to seek whatever advantages they can and differentiate themselves to retain and attract referral sources and patients.

The following are useful thoughts to help oral surgery practice owners and administrators revise or develop a viable strategic business plan to better run their practices and contend with internal and external changes.

## What is a strategic business plan?

A strategic business plan is a written practice document that:

- Outlines the oral surgery practice’s overall direction, philosophy and purpose.
- Examines and evaluates the practice’s current situation in terms of its strengths, weakness, opportunities and threats (classic SWOT analysis).

- Establishes long-term objectives or goals for the practice.
- Devises short-term strategies to reach the practice’s long-term objectives/goals.

Without a strategic business plan, you will be forced to take a reactive stance, responding ad hoc to developments and overtures generated by other entities, or you will forge ahead proactively but virtually blindly, guided by instinct alone.

On the other hand, with a well-thought-out strategic business plan, your practice will approach the future proactively and according to a measured set of actions. The principal issue is simple but vital: Who will control your future? The answer should be you.

A strategic business plan lays out, step-by-step, the process a practice needs to achieve its goals, whether dealing with improving patient care, developing the pool of referring providers, expanding the practice, increasing revenue, merging practices, joint venturing with a hospital, simply keeping the practice functioning or whatever your goals.

## Basics of strategic business planning

In virtually every type of business endeavor, the strategic business plan is the business’s blueprint for success. Simply put, oral surgery practices that are run like businesses are those that will achieve the most success in the increasingly changing healthcare business environment. Poor business planning is a main reason businesses and practices fail or are forced to enter ultimately poor arrangements.

Your plan should see into the future. You may not be able to predict specific events, but you should be able to spot trends and prepare for eventualities. Then, when it becomes clear which eventuality will become an actuality, you can make the necessary adjustment without needing to perform a comprehensive analysis, seek funding and implement change.

Preparation is key to a speedy response. If it takes you too long to adjust to a situation, chances are by the time you make your move, the situation will have altered, perhaps substantially.

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### 5-step strategic business plan process

**1. Analysis** – Assess your practice and its environment. Determine, for example, your patient, referral and payer demographics; the profitability of your services; and your hours of operation. Identify and study your competitors, area hospitals and the managed care plans in your region. Find out how the practice patterns and standards have changed. Identify current and potential allies, partners and referrers.

A thorough analysis of the state of your practice will include the following functions, reviews and assessments:

- Financial review and benchmarking the practice
- Budgeting, overhead management and profit enhancement
- Analysis of office premises (suitability and needs)
- Analysis of office equipment (suitability and needs)
- Analysis of billing, coding and accounts receivable management
- Demographic studies
- Ancillary income development
- Management information system review, assessment and product evaluations
- Staff recruiting, training and development
- Opportunities to merge or affiliate with other practices or providers
- Owner and associate compensation plan design

- Third-party payer plan evaluation and negotiations
- Compliance plan review

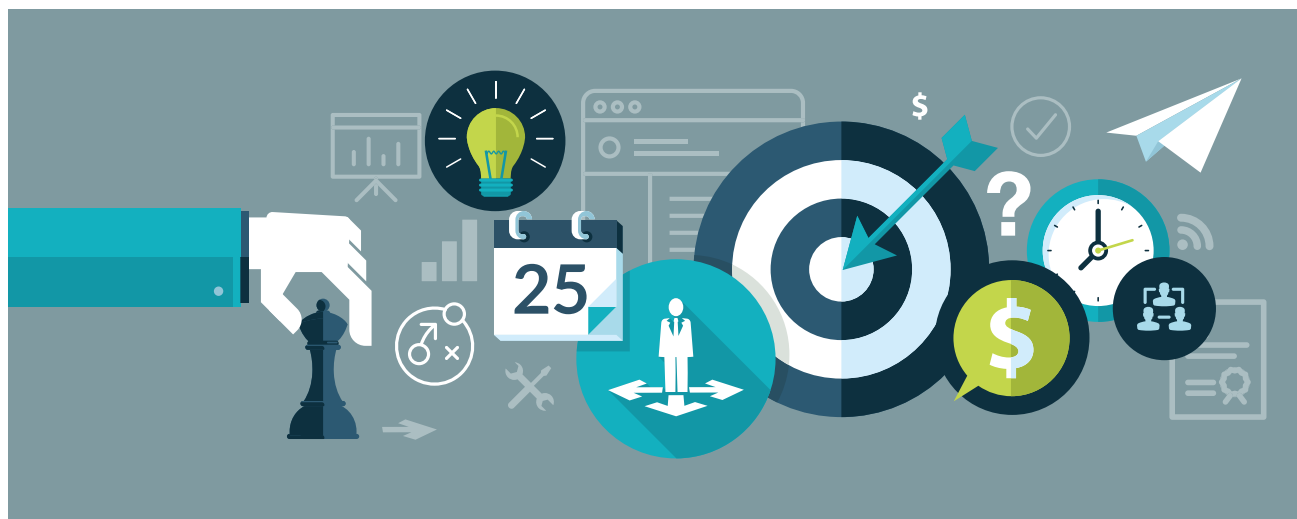
**2. Goal formation** – Formalize your personal and practice goals for the immediate and long-range future. Goals should be discussed and determined among all owners in a group practice; form consensus on each point.

Appropriate matters to discuss include expansion; downsizing; cost control; merger and affiliation options; revenue expansion; income division; services offered; geographic coverage; satellite offices; ancillary services; marketing and practice management; guidance; and autonomy issues. Do not simply develop a broad-ranging wish list. Go for more specific objectives that can be measured or quantified. (In business, this is the most reliable way to determine if you have accomplished something.)

Examples include increasing doctor production by X percent, increasing owner net income by Y percent, reducing general operating overhead by Z percent, opening a satellite office in a growing adjacent community, expanding services or procedures offered to patients and generating a targeted number of introductions/promotional encounters with new referral sources.

Note it is important to assign a deadline to goals. Otherwise, there is no commitment or motivation to meet the objective. Weekly progress reviews are recommended to ensure goals are not ignored.

**3. Development** – Determine the best way to get from where you are to where you want to be. This will typically mean the enlistment of outside service providers (e.g., management





consultant, equipment or real estate professional, financial planner, attorney) for at least some of the types of goals oral surgery practices want to meet. Plan for next year, three years, five years and beyond. Make sure your plan is a written document, so nothing slips through the cracks or becomes uncertain. Create a budget for every step, including financing options.

**4. Implementation** – Do it. Business owners and managers who just file away their strategic business plan almost always become sorely disappointed and confused, as they cannot understand what went wrong. Typically, the answer is simple: Even the best plan will fail if it is executed poorly or not at all.

**5. Monitoring and adjustment** – The healthcare environment is shifting rapidly. Shift with it. Periodically evaluate your plan to ensure it is working well.

If you are not fulfilling your goals, find out what is wrong and fix it. If the local market changes, adjust your plan immediately. At least semi-annually, formally measure the plan's performance relative to steps Nos. 1-4. If the plan is not working, make the necessary adjustments.

These five steps give a basic idea of the strategic business plan process. Remember to tailor your plan to your specific needs, practice, environment and goals. If this is your first experience with a strategic business plan, it probably will be necessary to have a professional guide you through your plan's development and implementation.

## Strategic business plan structure

A strategic business plan is a written practice document. A typical plan will include these sections and topics (though the following is by no means the exclusive form or content of a strategic business plan):

**1. Executive summary** – Although this appears at the beginning, you cannot write the summary until you have completed your plan's other parts. The summary is a brief statement that encompasses the highlights of other sections of your plan and allows the reader to gain a broad view of the elements. The summary gives the reader a concise assessment of the state of the practice and its future.



The summary also is particularly useful if you plan on sharing your plan with banks or other lending sources in connection with funding an expansion or major equipment acquisition, or if you are considering merging or affiliating with another practice or provider.

**2. Practice overview analysis** – Prepare an overview of your practice's finances, management/governance, personnel, facility (including layout, equipment and furniture) and practice operations:

- **Financial** – Break down your revenues by payment source, either patient pay or third-party payer. Include information showing the critical sources of your patients (such as high-volume referring dentists) and the amount of production generated for patients from those sources. Include an analysis of procedures offered, cost of delivering the procedure and profit generated from the procedure. Use this information to assess the possibility of dropping unprofitable services and investing greater resources toward more profitable procedures.

When compared to the reimbursement amounts you receive from third-party payers, you also can use this cost information to determine if you are losing money participating with a particular payer or plan. Conduct a thorough expense analysis of the entire practice – do not just consider your practice expenses as a single ratio of revenues (the overhead ratio) and compare it to last year. Overhead is a combination of expenses, some that have increased and others that may have decreased. Compare

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each expense account, line by line, to a national/regional standard and the practice's experience from the previous year(s). Focus on the individual accounts, and you will more readily recognize factors that have changed from previous periods. By comparing these accounts to national standards, you get a better idea whether an expense falls in a normal range or is an outlier.

- **Management/governance** – Examine how your practice is run from an executive perspective and the day-to-day management view. Do the owners of the practice exercise an appropriate level of control without wasting time as micro-managers?

The same question applies to the practice administrator in terms of his or her techniques with supervisors and staff. Does the practice management team meet regularly to address issues and coordinate decision-making? Is the practice better served by a governing process with one executive doctor or input from all members having a vote on all matters?

Maybe a combination of such approaches would be best under your practice's circumstances. Is the practice utilizing the expertise and guidance of outside advisors (such as accounting, legal, insurance, information technology and management consulting) to its best advantage?

- **Personnel** – Does your practice attract and retain high-caliber staff with competitive wages and benefits? Create an employee census that lists all personnel (and when hired) as well as their job titles, compensation rates and benefits provided. Assess your personnel needs for the next 12, 24 and 36 months. Review your compensation and benefits strategies as well as how you handle performance evaluations, hiring and firing. Determine if your practice is in a position to adopt a cross-training program for key job positions to prevent lost productivity in the event of unexpected absences, short-term disability and the like.

Critically consider whether your staff is oriented toward customer service (in addition to clinical care). Have you communicated the need to your staff for projecting a



culture of positive attitudes and maintaining a pleasant atmosphere in all interactions (with patients and coworkers)?

- **Facility, etc.** – Determine if your practice's physical space is sufficient for your operations in terms of square footage and layout. Will your space needs change in the short or long term? Do you need to modernize your equipment, update your furnishings or refresh the decor to a more appealing look? Are your computer hardware and software systems giving you the data and reports you need to manage your scheduling, billing, collections, receivables and payables in a timely fashion?
- **Operations** – Assess the day-to-day running of the office. In many respects, this assessment will incorporate issues and opportunities from other discussed areas (finances, management, personnel and facilities).

The idea is to figure out if systems and procedures you adopted are giving you optimal results. The analysis will range from the office schedule to the doctors' schedules to handling patient flow and emergency cases, employee compliance and productivity to inventory control to communications with patients, outside doctors, facilities and vendors. Determine deficiencies in office policies or procedures. Survey staff and patients for input on how they perceive the operations of the office and areas of potential improvement.

**3. Patient and referral analysis** – Learn the demographics of your community (market). Consider purchasing a study to help assess a shortage or oversupply of oral surgeons for



the regional population. The review should include statistics about the ratio of the population to the number of providers, whether it is a growing area, the amount the community spends on healthcare and the average household income. Make a list of referring dentists and other referral sources in your market, actual and potential. For the existing referral sources, critically assess your efforts to retain their loyalty – ask for their input on how your collaboration can be improved (clinically, operationally, etc.).

For potential referral sources, meet them, learn about their practice and ensure they know how a collaborative relationship with your practice will be a plus in terms patient care and business retention. Consider what opportunities your patient or referral populations present for new/additional services, such as cosmetic procedures or products, in your market.

**4. Marketing strategies** – Try to view marketing from the perspective of education and service instead of the viewpoint of getting more patients.

Certainly, increasing your patient volume is the key financial result, but marketing also is about attracting the kinds of patients you want to see and the type of care your practice delivers efficiently and profitably. Assess your competition in the market and how you will distinguish your practice from other oral surgery providers in the area.

If appropriate to your practice, include internal marketing strategies (encouraging existing patients to make referrals). Determine what methods and media make the most sense for your practice's external marketing (to potential patients and existing/potential referral sources). Prepare cost projections and develop a budget for the marketing functions you project

will result in the biggest bang for your buck, whether social activities, educational events for the public (or dentists and their staff), newsletters, TV/radio spots, website development, open houses, brochures, referral incentives, participation in community events and more.

**5. Appendices** – Include appendices in your strategic business plan to provide the necessary spreadsheets, illustrations, charts and graphs, etc., that represent data or content mentioned in the main body of the plan. Consider adding action plans, project assignments, timelines, organization charts, etc., as necessary or appropriate.

## Conclusion

Even if you have no grand and glorious plans for your practice, you should still have a strategic business plan to help you achieve smaller victories and more modest goals more easily and efficiently. It may sound like a lot of work – it is!

But a good business depends on a good plan with definite achievable goals and a workable way of meeting them. Ensure you devise a plan that reflects the consensus of your partners, includes funding options and is comprehensive, flexible and implemented. Monitor and adjust it as necessary. ■



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