

## Practice Management

### Strategic Planning for Pain Practice Growth

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Strategy formation involves understanding the environment and strengths and weaknesses of a practice to develop a game plan to achieve goals. It starts with the creation of a mission statement that defines a long-term vision of what the practice seeks to be and the markets it seeks to serve. Once the mission of the practice is understood, the target markets and competition must be analyzed prior to defining the goals. Once a strategic plan is developed, communication with all employees is crucial. Everything that the practice does should be in support of the strategic plan and in pursuit of obtaining the goals contained within.

Once created, the strategic plan is the foundation of the practice and should only be changed for compelling reasons such as a competitive threat, environmental changes, or trends in purchasing behavior. Reviewing the strategic plan once a year, making periodic reappraisals and fine-tuning adjustments as the environment changes is crucial. This helps ensure that the practice avoids complacency and affirms that it is in the right business and achieving the desired results.

**Keywords:** Strategic planning, mission statement, target markets, competitive analysis, SWOT, goals.

"Efficiency is doing things right.  
Effectiveness is doing the right things."  
- Zig Ziglar

The business of medicine has changed substantially over the past 10 years and it continues to evolve. Decreasing reimbursement, increasing costs, and competition pressure physicians' practices. Health care, once controlled by physicians and hospitals, is now driven by multiple market forces, including managed care and government regulations. It is now more important than ever that a medical practice operate as a cost-effective and competitive business.

Physicians, employers, and managed care executives are all disappointed with managed care's struggle to manage disease and control cost. More and more physicians and practice managers realize that creative solutions and sound business judgment are required to survive.

Creating a pain management practice is dramatically different from creating an operating room-based anesthesia or other type of medical or surgical practice because the referral process is much more competitive. Building a successful pain management practice takes time and hard work, but it is achievable by any competent physician who is willing to plan for success. To build a successful pain management practice, a physician does not need a business degree but does need to be business-oriented and forward thinking. There is an old saying: "Failing to plan is planning to fail."

#### AN EFFECTIVE STRATEGIC PLAN

An effective strategic plan is a straightforward document that defines the practice that a physician desires to develop. No two practices will have the same strategic plan. Strategy formation involves the assessment of the practice's capabilities and environmental opportunities and threats in order to create a direction that emanates from top management. Information about the past and present, and the ability to forecast the future are vital to strategy formation. Successful practices strive to understand their current environment and to create a unique vision with result-oriented goals which will take the practice from where it is now to where it should go. The goal of a successful practice is to define and then achieve the purpose of the practice.

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Strategic plans can serve two very different purposes. First and foremost, a strategic plan is used within the practice to guide in building it into what a physician wants to have. Second, a strategic plan can be used in conjunction with the marketing plan and financial plan to obtain financial backing from investors.

A strategic plan need not be a complex or lengthy document. In most cases, the strategic plan can be two or three typewritten pages in length. The key to creating an effective strategic plan is to thoroughly analyze the current health-care environment and define the practice a physician desires to establish (for new practices) or evolve into (for existing practices), write the plan down on paper, and then implement it. This process helps communicate to partners and staff the definition, purpose, vision, and comprehensive plan that will be deliberately and consistently pursued to accomplish the established mission. A strategic plan gives the physician the ability to see the forest and not just the trees.

In creating a strategic plan, a physician should provide the framework and a strong sense of direction to the practice that allows it to focus precious resources towards the specific goals of the practice and provides a formal, step-by-step, long-range approach to accomplishing those goals.

The strategic plan is not a document that is set on a shelf and forgotten. An effective strategic plan is the blueprint to building a practice. A physician should put a great deal of thought into creating the plan, communicating its contents, and then striving to accomplish its goals. Once created, the strategic plan is the foundation of the practice and should only be changed for compelling reasons such as a competitive threat, environmental changes, or trends in purchasing behavior. The strategic plan should be reviewed once a year, as the environment changes, making periodic reappraisal and fine-tuning adjustments if necessary. This helps ensure that the practice avoids complacency and affirms that it is in the right business and achieving the desired results. The key to outperforming the competition is imaginative strategy formulation and, when environmental changes demand it, reformulation. The strategic plan should consist of the following:

- Mission statement
- Target markets
- Competitive analysis
- Strengths, weaknesses, opportunities, and threats
- Goals of the practice

## MISSION STATEMENT

“Success is a product of unremitting attention to purpose.”

- Benjamin Disraeli

“Strategic planning is worthless – unless there is first a strategic vision.”

- John Naisbitt

The mission statement is one sentence that defines the long-term vision of what the practice seeks to be and the markets it seeks to serve. It should answer the question, “What is the purpose of the practice?” The mission statement describes what a physician wants the practice to be, not what it could be.

While the mission statement is a single sentence, it is critical because it expresses the ultimate goal of the practice. Furthermore, everything the practice accomplishes is done in support of the mission statement.

By defining the mission statement in specific terms, the practice will be able to focus precious resources more efficiently and effectively. The following questions can help define the mission of the practice.

- What type(s) of pain are to be treated (eg, acute, chronic, cancer)?
- Will the practice be multidisciplinary, interdisciplinary, or single specialty? If it is single specialty, will there be referrals to other specialists?
- Who will be the providers – eg, pain management anesthesiologists, physical medicine and rehabilitation physicians, neurologists, or others?
- Will the practice require physicians to be board certified or board eligible?
- Will the practice employ ancillary providers such as physical therapists, occupational therapists, psychologists, etc.; or will these services be available only via referral?
- What image does the practice want in the market? The market is the set of all actual and potential target buyers (medical community, insurance companies, patients, employers, etc.)?.

The mission statement is a unique aim that sets one practice apart from other practices by defining the nature and character of what the practice wants to ultimately accomplish.

## TARGET MARKETS

“Success follows doing what you want to do.  
There is no other way to be successful.”  
- Malcolm Forbes

The mission statement defines the ultimate goal of the practice. The target market defines which markets the practice wants to serve to achieve the goals. A target market is a set of customers whose needs and wants the practice plans to satisfy. A practice should have multiple sets of target markets.

The mission statement answers the question “What is the purpose of the practice?” The target market definition answers the question, “Who are the customers?” or, “Whom does the practice want as customers?”

There are many ways to group potential customers into target markets. A target market may be defined by demographic characteristics such as the gender or age (pediatric, adults, or geriatric) of patients. A target market can also be defined by identifying the list of diseases and conditions the practice wants to manage, such as back pain, cancer, or headaches. A target market can also be a group of doctors in a particular specialty from whom the practice would like to receive referrals, such as orthopedics, neurosurgery, or oncology, or a group of nurses who are employed by Workers Compensation companies as case-workers. A target market also can be a managed care company whose policyholders the practice would like to have as patients.

Once the practice defines target markets, then it needs to understand how large each market is and what the trends are within each market. This information indicates whether or not it is economically feasible to create a practice for this target market today and in the future.

Knowing the target market size and growth will allow the practice to better forecast the need for services and project growth rates that are realistic.

## COMPETITIVE ANALYSIS

To fully understand the market, the practice needs to understand the dynamics of the competition and then create the strategies that will differentiate the practice from competition. To understand the competition, it will be helpful

to ask the following questions:

- Who are they? What are their qualifications? In what specialty are they trained? Are they board certified? Are they board certified in pain management?
- What services are they providing? Where are they providing services? Will they be expanding services and/or locations?
- How are their services priced?
- How do they get their business? What doctors refer to them? How loyal are their referring doctors?
- Who are their target markets? What is their market share and current growth rate?
- Do they have contracts with major and/or significant managed care companies in the market? Do they have an exclusive contract with managed care companies?
- Do they have an exclusive contract to provide services at a given location (ie, a hospital or surgery center)? What is the geographical area that they serve? Is it growing or shrinking?
- How are they perceived in the market? Are they considered a leader or a follower? How effective is their marketing and advertising?
- How well does their business office operate?
- How well does their clinical office operate?
- What are their strengths? What are their weaknesses?
- Are they vulnerable?
- How successful are they in executing their strategy?
- How have they responded to changes in economic conditions and market trends?
- What will they most likely do in the future? How will they react to the practice's introduction or enhancement of available pain management services?

An understanding of competitors' business strategy is fundamental to developing a winning strategy. By understanding the competition the practice can answer the question, “How can we better serve the market?”

Many physicians neglect to ask these questions, perhaps because they feel that their service is superior or that there will be plenty of patients for all competitors. However, it is difficult to outmaneuver the competition without first understanding what it is doing in the marketplace. Ignoring or underestimating the competition can be a fatal mistake for the existence of the practice.

## SWOT

“We are all continually faced with a series of great opportunities brilliantly dis-

guised as insoluble problems.”

- John W.  
Gardner

Many business books refer to the process of analyzing the practice as doing a “SWOT” analysis. “SWOT” is an acronym for a business’ strengths, weakness, opportunities, and threats. When identifying strengths and weaknesses, the practice should think of every aspect of the internal operations from the clinical procedures to the business office operations. A concise and honest appraisal of the practice’s strengths and weaknesses will greatly assist in seeking and developing opportunities that will allow the practice to capitalize on strengths and improve weaknesses.

To begin, a physician should focus internally on what makes the practice the best in serving the target markets. Then the areas where the most improvement is needed should be identified. Next, evaluation of the industry and other external market factors that may present opportunities or threats to the practice must be conducted. Once the strength of the practice is identified, find out if the competition either does not have this strength or performs it poorly, to find an opportunity. When an item that could negatively impact the practice is found, a threat is identified.

The SWOT analysis helps foster understanding of where the practice is now in the business world. A physician will use this information to help develop a successful marketing plan, one that will help to attain the goals set for the practice.

### GOALS OF THE PRACTICE

“Procrastination is a close relative of  
incompetence  
and a hand maiden of inefficiency.”  
- Alec MacKenzie

Defining the goals answers the question, “What do I want to accomplish in my practice?” A goal should be realistic and stated in specific, concrete terms against which actual results can be easily measured. Specific goals transform strategy into results-oriented measurable commitments.

Goals consists of three elements:

- Subject – What is the subject area of the goal?
- Time frame – When should the goal be accomplished?
- Measurement – How much should be accomplished?

In order to define a goal, a physician should begin by focusing on the mission statement, which will help to define the subject of the goals that the physician wants to accomplish. Then review the SWOT analysis for the factors that may affect the ability to succeed. Are there internal strengths or weaknesses that could become a goal? Are there opportunities or threats that could become a goal?

It is important that the goals defined have a time frame. The time frame gives a sense of urgency to accomplish a goal. Without a time frame, goals can easily be left unaccomplished. For example, the goal, “Someday the practice will have 1000 new patients per year,” is common; but all too often “someday” never arrives.

Goals must also have realistic measurements; both internal and external factors will affect how much the practice can realistically achieve. Internal factors have to do with the practice’s ability to accomplish goals. External factors have to do with what competitors, managed care companies, and/or the government are doing which may affect the ability or speed to accomplish the goals.

The physician should review the goals with staff members to obtain their input and assessment. When staff members are involved in shared decision making and goal setting, they are more likely to commit to accomplish the goals. Staff members who are given authority and responsibility to accomplish goals have higher job satisfaction because they feel valued and trusted. Further, staff members also gain a sense of control, ownership, pride, and involvement in the success of the practice. Some examples of goals are:

- To obtain an average of 10 new patients per week during the first year in practice.
- To receive new patient referrals from at least 100 different physicians by the end of the first year.
- To have at least 20 physicians by the end of the year who refer at least one patient per month.
- To increase the number of new patients per year at a rate of 20% annually.
- To hire a second pain management physician by the end of the second year of practice.
- To maintain an overhead expense ratio which does not exceed 40% of the gross charges of the practice.
- To establish a reputation for on-time service. New patients will not wait more than 3 business days to obtain a first time appointment. Patients will not wait more than 15 minutes in the reception area before being seen by a physician.

- To establish a reputation for outstanding patient care measured by patient satisfaction.
- To publish two articles on pain management annually.

Once the goals are defined, the following questions should be asked:

- Are the goals realistic and obtainable?
- Are there any factors that would aid or hinder the pursuit of these goals?
- Can the physician realistically expect to achieve the goals, considering the talent, resources, and limitations of the practice?

Once the practice defines realistic goals, the entire practice should focus on pursuing and obtaining these goals. Performance appraisals, promotions, and bonuses should be based upon accomplishing the goals. Those unwilling

or unable to commit themselves to the goals after counseling and coaching should be asked to leave the practice. Practices that focus on rewarding positive results, not on punishing mistakes, and that reward staff and physicians verbally and economically will foster a culture that nurtures success.

## CONCLUSION

It is incumbent upon management to evaluate strategy. This is true for both new and existing practices. Once strategy has been formulated and implemented, and results are occurring, then the evaluation process must begin again because the environment is constantly changing. In this sense, strategy evaluation is a continuous process. This process involves defining the mission and target markets; understanding the competition; and then assessing strengths, weaknesses, opportunities, and threats so that the practice can define and then achieve the goals.