Strategic Planning & Retreats for Practices

What you need to know, want to know, and may be afraid to find out

In Brief

Strategic planning has always been an essential part of business culture, but not historically a part of the medical practice management culture, and even less so for oncology practices. Today the landscape has changed dramatically.

Since the Medicare Modernization Act (MMA), both oncology practices and hospital outpatient cancer centers have experienced dramatic revenue reductions. During that same period, marketplace competition has increased. Questions about affiliations, mergers, practice consolidation, governance, and joint ventures abound. Operational issues such as standardization, benchmarking, office staffing ratios, productivity measures, and the addition of nurse practitioners and physician assistants have become pressing. Clinical concerns include guidelines, pathways, outcomes, measures, patient satisfaction, and cost/break-even analytics of clinical treatment options. Simply put, strategic planning is now *essential* for oncology practices—both to understand their own business as well as those environmental factors that will shape their survival as a viable business model in the future. And yet, a troubling distance is emerging between practices that are preparing themselves, and those merely being buffeted by their daily reality. Here are practical strategies to help steer your practice through these challenging times.

For a practice, strategic planning is an ongoing process of internal and external evaluation with adjustments and refinements as indicated. Oncology practices should have a formal process for evaluation and discussion that takes place at least annually, with the key leadership of the practice isolated in a private environment for several hours to focus without interruption on the practice and its future direction. Usually termed a "strategic retreat," this discussion aims to align and focus the leadership on the business elements of the practice and to shape the guiding principles and strategies that will serve as parameters for the decisions and tasks during the coming year.

Keep in mind that the strategic retreat is not the time and place to tackle *all* the issues that confront oncology practices (e.g., many of the operational and clinical issues listed above). Rather, strategic planning is an essential part of ongoing practice management. During the retreat, the overarching decisions made—and perhaps taking care of two or three pressing tasks—will help set the practice's path for the coming year. A logical progression will then follow for addressing specific issues over the course of the next year.

Strategic retreats are most effective when conducted off-site and with the assistance of a third-party facilitator to add external perspective, moderate the discussion and agenda, and guide the retreat toward a successful and actionable conclusion.

Practices may choose to work early in the process with a consultant to prepare for the entire retreat or opt to tackle some of the initial information gathering on their own. Having basic environmental and practice information is necessary to prepare a traditional SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) that then serves as the building block of strategic planning. Often, much of this basic information is already available and in use by the practice. A practice may also want to conduct a pre-retreat survey to compile a profile of the physicians' perceptions of where they stand and where they are going.

It's All About the Data

To survive in today's healthcare environment, each practice must understand its operational and treatment-related costs, even if some external assistance is needed to accomplish this goal. In fact, many health plans and other businesses that contract for oncology services expect that a practice has such information readily at its fingertips, as any viable business should. Oncology practices can no longer rely solely on averages or national estimates (although those provide useful benchmarks). Instead practices must understand what it actually costs to open their door each morning and to provide each element of care (regimens, patient education, supportive care, and even disease management and other services that are currently not reimbursed).

To prepare for a strategic retreat, practices should collect practice statistics relating to patient volume, staffing, financials, and physician expectations, benchmarking where possible. For a starter list of these statistics, see box on page 29.

For the SWOT analysis, consider the following items:

Strengths

- Unique characteristics
- Quantified value/assets
- Positive key relationships
- Differentiating factors in local, regional, other markets
- Detailed, realistic understanding of market and financials

Weaknesses

- Discord internally or externally that detracts from the business
- Lack of knowledge/understanding of market and financials

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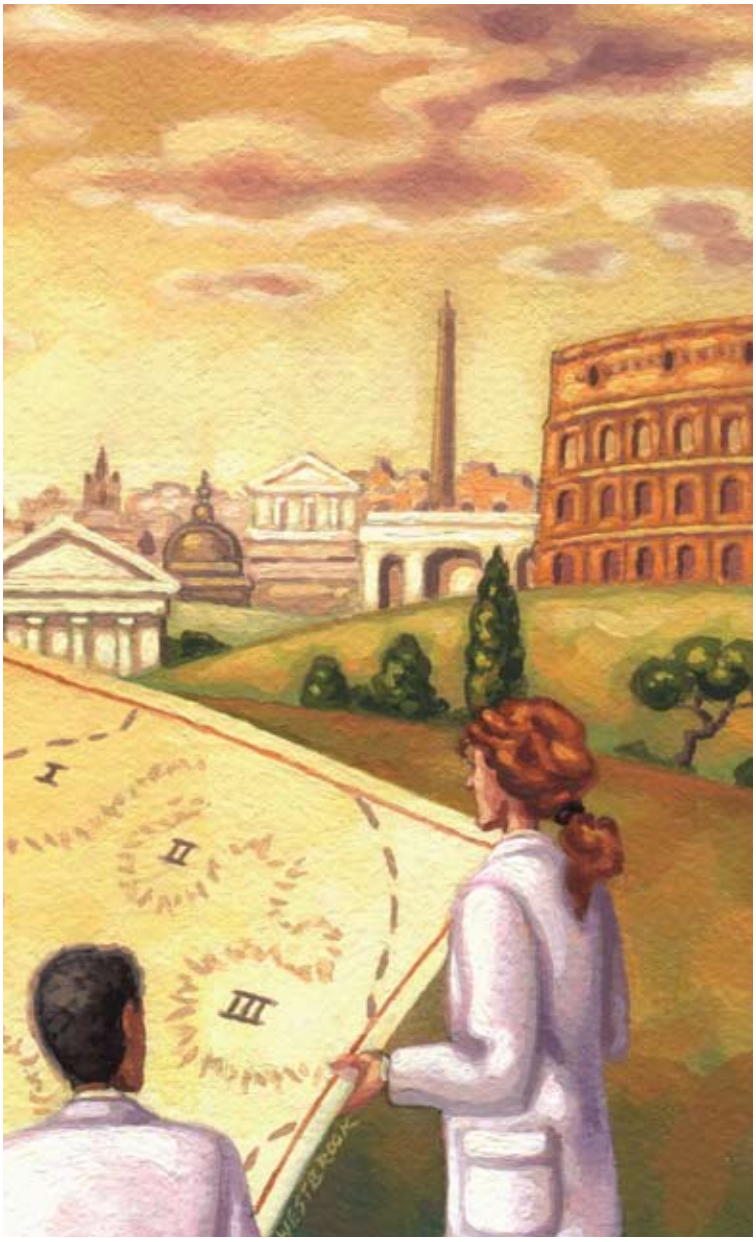

ILLUSTRATION/ERIC WESTBROOK

- Weak/rocky key relationships
- Lack of distinguishing factors in local, regional other markets
- No recognition/identification of value/assets

Opportunities

- Market changes (expected and unexpected) opening up new possibilities
- New potential or improved/enhanced key relationships
- Reconfigurations/expansion/enhancement of services/assets to reposition
- Physician expectations regarding financial and retirement plans

Threats

- Market changes (expected and unexpected) that are closing doors and creating barriers
- External players moving into oncology space or key relationships
- Physician expectations regarding financial and retirement plans

A common mistake for SWOT analysis is to defer to the expected. For example, while practices may feel their strength is their "quality of care" or "number of board-certified physicians," or "connection to patients," many patients consider these factors as "ground-level" qualifications for any oncology practice. Specifics are now essential. "Our patients love us" is simply not enough. The more effective answer would be "For the last three years, we ranked in the top 97 percent of the country in patient satisfaction." The statement "We provide the highest quality, cutting-edge care" is better communicated using these words: "We ranked in the top 95 percent of every category in ASCO's QOPI benchmarks" or "We have a 0.5 percent complication and admission rate for our breast cancer patients." Specific statements based on quantifiable data are of greater value.

While an oncology practice can start some of the self-evaluation process, in particular data collection and benchmarking, eventually, the practice will need advice and counsel for the remainder of the strategic planning journey. At this juncture, a strong strategic planning consultant will be useful. Why? The facilitator is the key to retreat success. Every practice is comprised of diverse personalities. A skilled facilitator brings a dose of reality to the retreat, while simultaneously helping participants better understand themselves and how to move forward past their current position.

Keep in mind that not all consultants have the same skill set or experience with some of the key issues an oncology practice may need to address. Oncology is changing so dramatically that it is essential to seek out a facilitator who is not only versed in the basics of strategic planning and practice operations, but who also can bring a clear view of the forces coming to bear from outside the practice's market area. No longer can practices take a provincial

The retreat process is demanding and requires the full attention of every participant.

view of their environment. Outside entities, including public and private payers, are driving significant issues related to oncology care. So your facilitator must be cognizant of trends in disease management, oncology management, specialty pharmacy, pharmacy benefit management, value-driven healthcare, technology, pay-for-performance, mergers and acquisitions, hospital-physician joint ventures, and especially public and private payer policies, including self-funded employers and business groups/coalitions. For tips on selecting a qualified facilitator, see "Who Will Facilitate?", on pages 30–31.

The Strategic Planning Retreat

Gearing up for the strategic planning process takes time, but that time is a well-spent investment in the future of your practice. Allow at least four to six weeks for pre-retreat survey planning and preparation before the scheduled retreat date. Although a one-and-a-half day retreat is ideal (allowing for concentration, a break, and more concentration), sometimes the process has to be compressed into one day due to scheduling issues.

Plan the retreat for a time when all members of the practice leadership can commit to being in the same room at the same time. The retreat process is demanding and requires the full attention of every participant. The practice administrator is an essential part both of the planning and the retreat itself. Many practices find it useful to also include key clinical leaders (such as nurse managers) for retreats that are not likely to address sensitive topics such as physician retirement, governance, or conflicts. Good food and well-planned breaks can also help contribute to the retreat's success.

The basic retreat agenda follows a fairly standard format. By the end of the retreat, the oncology practice should have a clear picture of its direction and clarification on issues/stop-points that may need to be reassessed. The practice should also have a clear timeline for specific tasks and personnel assignments, and checkpoints to assure that the momentum will continue. At a minimum, the retreat format should include:

- Introductions, rules of engagement, an outline of the process
- A facilitator overview, presentation on external forces shaping oncology (sets common ground for all participants in preparation for the rest of the retreat), other overviews of topics of particular interest to the group (clinical integration, networking, pay-for-performance, payer or competitor concerns, physician addition or retirements, etc.)
- A facilitator presentation and group discussion of pre-retreat survey findings and other gathered information
- Engagement and active discussion on both agreed-upon items developed pre-retreat and those issues arising at the retreat
- Propositions and evaluation related to discussion items
- Resolution, timelines, and assignments
- A wrap-up.

The dynamics during a retreat can be exhausting, exhilarating, excruciating, and enervating. Participants come to the table with their own expectations—both positive and negative—and everyone ends up being surprised. The discussion takes on a life of its own, and by the end of the day, participants should take away a new sense of direction, purpose, and commonality of understanding that is very satisfying.

Retreat Revelations

Strategic planning can be very energizing and cathartic. At the same time, the process will undoubtedly unveil some realities that may be hard for oncology practices to absorb. Potential revelations include:

1. A lack of basic understanding of the business of the oncology practice. In this scenario, practices must identify technological or other limitations that will need to be surmounted *immediately* to obtain basic operating information that the practices needed yesterday. More bluntly, you can't understand what you can't see. You would be surprised at how many oncology practices do not know what it costs them each day to open their doors. A practice that doesn't understand the basics of its business will not be in business for much longer.

Information is king. Your oncology practice must know its cost and break-even on each service, regimen, drug, and course of treatment. You must also know how well your practice is adhering to (or not adhering to) evidence-based guidelines. For example, know how many different ways a breast cancer patient is treated within your practice, and compare that data to others in your marketplace and nationally. If variations in treatment decisions exist, you must know if those variations are justified. Why? Because your payers and patients are going to expect this information—if they do not already do so.

Today's payers are asking difficult questions. *Why is your practice deviating from evidence-based guidelines? Why aren't your patients first getting Test X prior to the start of treatment? Is your physician looking at the patient's co-morbidities? Is your practice taking into account the reasonable value to be obtained against the 'harm' (both financial and other) that may be done by treating the cancer at this stage of the patient's life?* And your oncology practice will need to know the answers.

Practice Statistics Needed for Strategic Planning

Volume
- ✔ New patients and consults
- ✔ Number of patients
- ✔ Referring physicians and their referral trends
- ✔ Patient mix by major disease—in total, in active treatment, per physician all trending from prior year period

Staffing
- ✔ Per physician
- ✔ Other key factors

Financials
- ✔ Profit and loss
- ✔ Gross and net
- ✔ Accounts receivable trends
- ✔ Accounts payable trends
- ✔ Per payer break-even and contribution to margin
- ✔ Per regimen financials
- ✔ Per physician financials
- ✔ Practice expense financials (total, trended, variable, fixed, and break-even)

Physician Expectations
- ✔ For income
- ✔ For retirement
- ✔ Balance of work and family
- ✔ Research
- ✔ Teaching
- ✔ Leadership
- ✔ Hospital involvement

2. Life is what happens when you are making other plans. Markets are eroding, changing, and growing around you. An oncology practice may have its eyes opened after realizing that its competition may not be the practice down the road, but instead a rapidly morphing hospital system, satellite locations from a previously distant academic center, or a new freestanding cancer or infusion center being planned in the practice's own backyard. And because savvy cancer patients use the Internet to gather information, your competition may even be a renowned cancer program in the next state.

Often oncology practices are naïve about the payer market, including planned payer changes; public and private payer expectations—both short and long term; and the dramatic effect some of those changes will have on your practice, staff, and autonomy.

Payers and pharmacy benefit managers are wondering whether more cost-effective models for cancer care delivery exist outside of the private physician office. Questions are being raised about whether, in the face of physician and nurse shortages, other industries might be able to provide better solutions. If a physician practice today is relying on drug margins (as slight as they might be) to cover basic practice costs, it will soon be left behind. Practices that focus on negotiating fair rates for professional services that cover their full costs of care can afford to also negotiate for drug reimbursement rates that are perceived as more fair—and which *include* drug handling costs. However, the first requirement before starting such negotiations is to know your own numbers. The second requirement: be large enough to be invited to the negotiating table. Today's payers are more focused on hospital systems and large group practices; individual practices are often being ignored or left behind. And once that happens, these practices of four and five physicians are finding it increasingly challenging to stay in business. Mergers, consolidations, and collaborations will be an important part of key discussions at most small- to mid-size oncology practices during the next two years.

3. Expectations don't match reality. For a physician partner who is putting children through college, for example, the reality that the practice is not likely to generate trends in increasing income can be a tough realization. But the truth of the matter is that patient volume can shift in a matter of days, and practices that think they are strong may be surprised to find that referral bases and new patient volumes are drying up more rapidly than anticipated.

4. Strategic direction is *not* daily operations. Oncology practices must understand their current operational revenue and expenses in order to drive strategic planning decisions (especially in a retreat). However, a strategic planning retreat is not the time for a practice to critique, evaluate, or revamp practice operations. One of the biggest values of a retreat is the opportunity to rise above daily issues related to operations and look at the big picture, deciding upon a future course of action.

5. Even lone wolves travel in packs when times are tough. Clinical and quality initiatives are acceptable common grounds for collaboration, even consolidation. During a strategic retreat, practices may be surprised to find themselves contemplating the fact that practice autonomy may not get them to their desired goals. Practice consolidation may, in fact, offer greater potential to be able to continue to practice medicine. In turn, this reality may make for interesting consolidation patterns in different geographic regions. How often do you speak seriously with other cancer care providers in your town, county, state? And is it time to start?

A major payer once told a practice I worked with that the practice did not represent enough members to "bother" talking with about quality programs. The practice administrator left that meeting and immediately called all of her closest competitors. Within a week, they were discussing how to work together on common quality initiatives for their aggregated patients, and they got the attention of that payer. Today, more and more oncology practices are interested in new forms of collaboration and consolidation. And payers like that trend, finding it more useful to work with provider collaborations that represent larger segments of their regional markets than to deal with single practices—even if they are part of a larger national collaboration.

6. Reality is a sobering jump-start for practice harmony. At the beginning of a retreat, participants often need to make an effort to check both individual egos and past issues at the door for the sake of a successful discussion. By the end of the retreat, after all participants thoroughly understand the volatility of their situation and what is truly happening in the world surrounding them, it is remarkable to

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see the practice pull together and unite with a new sense of purpose and camaraderie.

7. Rome wasn't built in a day. The hardest factor to accept (and remember) about a strategic planning process is that prioritization is essential. Oncology practices, especially those that have not participated in strategic planning before, can be tempted to make a three-page laundry list of problems that must be solved. It can be interesting to watch the evolution of the prioritization process. For example, I know of one practice that entered a strategic planning process absolutely certain that it needed to change its governance structure. During early retreat discussions, however, it became clear that the practice was rapidly losing new patient volume and referrals due to an aggressive competitor moving into the market. The practice quickly realized that tinkering with the governance structure would be ineffectual, and its higher priority became defining and solidifying its marketplace position. And the rest of the retreat focused on specific goals and tasks to accomplish this goal. (The governance structure became a less complex reworking done in a partners' meeting later in the year.)

Another practice, faced with a similar disconnect between its earlier retreat goals and its market realities, accomplished its governance restructuring in a one-hour portion of the retreat, and then moved on to more critical market positioning issues.

8. Business leadership is critical for an oncology practice today. Gone are the days when a physician could spend a few hours a week tending to the practice's business without other leadership support, or a staff member could rise from the ranks and, without business training, meet the needs of running a practice. Oncology practices today demand seasoned, experienced business leadership. Even the best practice leaders cannot function in a vacuum. Networking and communication, professional development, and ongoing education, have all become essential to the survival of oncology practices. Tragically, it is often the practices who believe they are too "busy" to employ or support strong business leaders that are the ones most at risk for misjudging their markets, missing key policy and competitive changes, and finding their business model has become unsustainable. At the conclusion of a successful strategic planning retreat, most oncology practices come to understand the importance of a strong business leader.

Who Will Facilitate?

In priority order, here are questions to ask potential retreat facilitators:

1. **Do you understand oncology?** If they don't, walk away. No further questions are needed. If they claim to understand oncology, you need further information.
2. **Have you worked in or with oncology practices over the last five years and did that constitute at least half of your time?** If the answer is no, walk away. Too much has changed to try to educate these individuals now. Detailed knowledge of oncology, both pre-2004 and post-2004, is essential because of the positive and negative effects that the MMA has had throughout the industry.
3. **Do you thoroughly understand the following terms and what they mean to this practice: MMA, ASP, P4P, ESA, PQRI, QOP, and CAP.** If they do not know *all* of these acronyms, walk away.
4. **Do you personally talk with and read/observe the following industries and their activities/policies regarding oncology: managed care, specialty pharmacy, pharmacy benefit management,**

Selected Sources of Practice Business Information

Association of Community Cancer Centers (ACCC)
www.accc-cancer.org

1. *Oncology Issues.* ACCC's journal is available online to members and paid subscribers.
2. Public Policy. Log onto ACCC's website to keep up-to-date with issues related to *both* physician offices and hospital-based cancer programs.
3. ACCC's Blackboard. An e-learning environment that provides easy access to oncology-related continuing education programs.
4. ACCC's Members-only listserv.
5. ACCC's Annual Meeting (held every spring).
6. ACCC's National Oncology Economics Conference (held every fall).
7. Free Regional Symposia held in different locations

Now that you have the tools, it's time for your practice to start planning for a strategic retreat *today*. And for those practices that are still dragging their feet, a few take home messages. First, understand that strategic planning takes time and commitment. Second, recognize that the pressing external environment today *demands* this introspective process. The effort invested in strategic planning will be time well spent in terms of your practice's survival. Finally, treating cancer is an evolutionary process, and providers are constantly looking for ways to do it better and with more

oncology management, disease management? If they don't answer to your satisfaction, walk away. These industries are shaping the world in which your practice operates and will continue to do so. Strategic planning that doesn't address these changes and new trends is as useful as trying to see if it's raining by looking in a mirror rather than out the window.

5. **Are you experienced in strategic planning? For practices? For larger institutions?** Experience with business basics is essential, but not as hard to find as a facilitator versed in these basics with a keen understanding of oncology strategic and environmental issues.
6. **Have you ever performed a SWOT analysis?** If they don't know what this means, walk away. It is planning 101.
7. **Are you experienced with diverse strategic as well as operational issues affecting practice decision-making?** This question is key. A facilitator who is primarily experienced in operational issues rather than strategic issues could allow the retreat and planning process to get bogged down in operational details. The strategic planning process should be elevated above such details, and provide a framework for eventual operational decision-making down the road.
8. **Are you comfortable leading meetings comprised primarily of physicians?** Strong and diverse personalities exist in any group of practicing physicians, and your facilitator should be comfortable listening, leading, and guiding what can be very intense discussions.
9. **What services do you provide?** You are looking for a guide with certain strengths, not a jack of all trades. The skill set that makes a good strategic facilitator is probably not the skill set that you would need in an auditor or operational reviewer. Strategic facilitators and consultants understand the global marketplace in which the practice is operating, and can be useful in building bridges to key relationships, designing leadership structure, building programs that address quality, pay-for-performance, value driven programs, marketing, and payer contracting and negotiations. Operational reviews involve billing and coding evaluations, practice benchmarking, and sometimes difficult recommendations regarding staffing and even practice leadership. Strategic facilitators who are willing to recommend other professionals to conduct operational reviews as a logical next step following the retreat may be to your advantage.

across the United States (held in the spring and in the fall).
8. Oncology State Society Annual Meetings (held throughout the year).

American Society of Clinical Oncology (ASCO)
www.asco.org

1. ASCO Practice Resources. On this web page, you can find information about electronic health records, access Medicare regulations and resources, and ask a coding question, among other activities. Log onto *http://www.asco.org/ASCO/Practice+Resources* to get started.
2. *Practical Tips for the Oncology Practice, 4th Edition*. Available for purchase on ASCO's website, this manual answers questions related to coding, reimbursement coverage and regulatory policies specific to oncology practice.
3. The *Journal of Oncology Practice*. ASCO's journal is available online for paid subscribers at *http://jop.ascopubs.org/*.

Assembly of Oncology Hematology Administrators (AOHA) of the Medical Group Management Association
www.mgma.com

1. AOHA's Annual National Conference.
2. MGMA's annual conferences on general practice management.
3. AOHA's active listserv.
4. *The ACMPE Guide to the Body of Knowledge for Medical Practice Management*. This resource can be downloaded online through MGMA's website.
5. Professional certification opportunities through the American College of Medical Practice Executives (ACMPE).

success and better outcomes for patients. That same sentiment applies, with some modification, to the need for strategic planning. You will *not* be practicing in three years the way you are practicing now. But you have a chance to get ahead of the change via strategic planning.

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