

As seen in **Hospital News**

**Business Planning for Cardiovascular Services...It Makes Dollars and Sense**

By Karen Hartman

Organizations that fail to plan, plan to fail! This principle is all the more true for hospitals relative to the opportunity to derive handsome profits and a competitive edge through effective business planning for cardiovascular services.

Cardiovascular services can represent over 40% of net revenue to an acute care hospital and is responsible for 20-40% of hospital admissions. In today's competitive environment for cardiovascular services, effective business planning is essential for the smooth, profitable functioning of this vital service line. Whether hospitals are deciding to enter a new market, expand the current service into a new wing, or determine the feasibility of a Heart Hospital, they must be assured that the long-term investment produces sound results.

A well-developed business plan for a cardiovascular service expansion will take an idea from concept to reality. In order to begin the process, the organization must answer the W's in business planning: 1) Who is on the team? 2) What effort will this require? 3) When is a business plan due? and 4) Where does the responsibility reside in the organization?

**Who:** A business planning team for the project, consisting of planning and marketing, facility management, finance, and clinical managers in cardiovascular operations should assemble and meet on a regular basis to set project goals and objectives, discuss work progress, decisions to be made, and any project barriers. The administrator responsible for the cardiovascular service line should provide leadership and direction to the project and synthesize the market and operations issues into strategies for effective financial performance.

**What:** Endorsement of the business planning effort by Senior Management is necessary to assure organizational attention and an on-time completion. This focus gives the project priority among other competing hospital interests and ensures the commitment of the time necessary to engage in the completion of the business plan. Further, the impact of cardiovascular services on the financial vitality of the organization and the halo effect to other clinical services warrants this level of attention. The Project Team must be prepared to assemble current statistics on the current performance of cardiovascular services and benchmarks for the industry.

**When:** Hospitals are familiar with planning due to the annual budget process. The budget approach typically reviews projected case volumes, updates to capital such as facility and equipment, manpower changes, and results in a financial management tool. A business plan is a very similar process and can be detailed to the cardiovascular service line. Hospitals are aware of the importance of budgetary planning in their day-to-day operations and need to apply these same principles when considering new or expanding services.

**Where:** The ultimate responsibility for the completion of an accurate and timely business plan should rest with the executive having responsibility for the cardiovascular service line. As Project Leader, this administrator must continue accountability for the tasks that are required, keep senior staff abreast of the progress of the project, and review the findings regularly—always questioning and evaluating the findings and whether the effort should continue.

At the start of the project, the organization defines the team members, who are assembled to set a reasonable timeline and develop a work plan that identifies the information requirements. The Project Team is well advised to schedule standing meetings throughout the course of the business planning effort. A data request is disseminated to the planning department to produce market share information, to the finance department for detail in building financial assumptions, and to various clinical departments such as the cath lab and cardiology for equipment and staff information.

The primary components of a business plan are market, operations and finance. For a cardiovascular study, the market review includes defining the

hospital's (particularly the cardiac division's) strengths, weaknesses, opportunities, and threats (SWOT). The SWOT is developed through interviews with key stakeholders such as administration, board members and key clinical management team members. The market demand analysis consists of assessing current industry trends, evaluating competition, defining the cardiac service area (CSA), evaluating out-migration statistics, population demographics, and utilization rates for the proposed services. The growing demand for cardiovascular services throughout the U.S. is predicated on the aging of the population and the growing utilization of the Baby Boomer generation.

The operations review includes the impact on facility, equipment, staffing and recruitment, hours of operation, existing services and the application of capacity projections related to new or expanded cardiovascular services. A thorough financial analysis is created using assumptions for the expected revenue, salaries, staffing efficiency, equipment costs, supply costs and facility investment. These values will generate the Revenue and Expense statements, Balance Sheet, Cash Flow Statements, and a calculated Return on Investment (ROI) and Payback Period.

Using the market projections, the operational impact and the associated financials, multiple scenarios will be modeled to determine the recommended strategies to adopt in the final plan for cardiovascular program development. Once the financial model is constructed, simple changes in project assumptions can be quickly evaluated by the Project Team against the impact on the bottom line for timely and accurate decision-making. A dedicated workshop day for the Project Team is advised to fully evaluate the various scenarios and gain group consensus to finalize the business plan. The critical success factors, the financial risks, and the operational impact to the organization are key considerations to the evaluation.

An Executive Summary introduces the business plan to the key stakeholders and is a very important item for hospital board members and senior management. This section of the business plan should be succinct yet inform and influence the hospital leadership to take the necessary action that will optimize profit and growth in cardiovascular services.

If the project is approved, a well-written business plan has several valuable long-term benefits. Lending institutions often require a business plan to evaluate bond ratings and access to venture capital. The business plan can also become the implementation guide for the project and will be referenced frequently, often becoming paper clipped and dog-eared. Budgetary compliance and first year results are often contrasted with the business plan projections. The full circle process provided through effective business planning is essential to sound decision making intended to capitalize on the many new business development opportunities in the cardiovascular arena.



Karen Hartman is Vice President of Corazon Consulting, LP, a national leader in specialized consulting services for cardiovascular program development from strategic business planning through clinical implementation.

Corazon combines business planning, market and financial analysis, feasibility studies, clinical operations, Heart Hospital design, best practice benchmarking, and staff education for newly established or existing cardiovascular programs.

Corazon is a 2003 Ernst & Young Entrepreneur of the Year Company.

Call 412-364-8200 or visit [www.corazon-consulting.com](http://www.corazon-consulting.com).