

Basics of Writing a Business Plan

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Background

- **Requests for business plans from physicians are increasing as reimbursement shrinks and competition for limited resources increases**
- **Medical business plans often involve funding of clinical program proposals and funds for new technology**

Rationale

- **Business plans are necessary to convince those who allocate resources that a vision (project) is achievable and will add value**
- **A well written business plan:**
 - **Formally analyzes risk**
 - **Estimates potential revenue and expenses**
 - **Identifies resources and tasks necessary to implement the proposal**

Process Overview

- **The business plan is conceived through strategic planning: conducting a needs assessment; brainstorming; generating buy-in; gathering internal and external data affecting the organization; formulating mission, vision, and value statements; and developing a plan for implementation of a novel and feasible idea**

Components

Executive summary

- **Business concept: unmet needs, types and benefits of services to be delivered**
- **Market analysis: target group, estimated volume, reasons group will use service**
- **Competitive analysis: alternatives to new service, basis for competitive advantage**
- **Business strategy: the unique selling proposition basis, measures of success**

Components

Executive summary

- **Financial requirements: capital required, planned use of capital to achieve goals**
- **Operations: Key personnel, compensation, space and equipment needs**
- **Summary of major accomplishments, current finances, implementation plan clarifying ROI versus risks**

Business Concept

- **Describes the current services provided and unmet needs justifying the investment**
 - **What is the value provided?**
 - **How is the value provided?**
 - **To whom is the value provided?**

Business Concept

- **Activities should be classified as:**
 - **Generalized vs. specialized**
 - **Urgent vs. elective**
 - **Refinement of existing or new service**
 - **Reimburse or unreimbursed by plans**

Market Analysis

- **Economic forecast, population trends, payer mix**
- **Estimated size of market for services**
- **Anticipated annual market growth rate and market share**
- **The niche market of the entity writing the business plan within the overall organization**
- **Conservative estimates tend to build trust and credibility**

Competitive Analysis

- **Impact of competing groups and technologies (other groups that can use the same or new technology)**
- **SWOT analysis is helpful for development of the analysis**
- **Competitive analysis flows into the unique selling proposition**

Business Strategy

- **Iterative process where hypotheses are tested in the market**
- **Communicates how organization positions itself and what services are offered**
- **Communicates a willingness to be accountable for delivering results**
- **Must consider price structures offered by Medicare and other insurers**

Business Strategy

- **Should be able to describe**
 - **Range of services provided**
 - **Benefits of the services to the community**
 - **Volume required to break even financially**
 - **Patients targeted to receive the services (referrals vs. direct targeting)**

Financial Plan

- **Lists sources of all revenue**
- **Lists all expenses (operational, equipment, depreciation, debt repayment)**
- **Projections usually presented for 3 years**
- **Assumptions should be transparent**
- **Helps to formulate amount of investment, cash-flow, and time to pay back investment**
- **Non-financial goals are clearly stated with contingencies on which claims are based**

Financial Plan

- **Contingency analyses reflect understanding of future projection uncertainties and assumptions**
- **Outcome scenarios address key concerns of organization (best, middle, least expected with probabilities and implications)**
- **Plan blends ambitious and realistic (conservative) thinking**

Financial Plan

- **Risk projection**
 - **How much will be lost if project fails?**
 - **Is success dependent on the organization's track record?**
 - **What might make the services obsolete?**
 - **Are non-replaceable people required?**
 - **Consequences of not funding the project**

Operations Plan

- **How the service functions on a continuing basis (personnel + space + equipment = smooth sailing)**
- **Describes team members; their functions, experience, and ability to excel; the need for recruitment, and compensation strategy**
- **Describes physical space and equipment needs and utilization (amount, source, constraints on use)**

Operations Plan

- **Should include section on quality and safety measures, performance benchmarks, and methods for measuring and improving outcomes**
- **Must discuss any accreditation, licensure, CON requirements**

Implementation Plan

- **Transforms the plan into a focused program**
- **Should state detailed start-up plans, barriers to the roll-out, and remedies (clear timetable and milestones)**
- **Must convince the C-suite that service will be delivered on time and within budget**
- **Addresses anticipated reactions of the competitors and responses to competition**

Business Plan Pearls

- **Plan needs to be enthusiastic, clear, detailed, convincing, realistic, and aligned with institutional priorities**
- **Numerous forces/pressures guarantee that the plan will not be static as it is developed - anticipate revisions**
- **Skills to write the entire plan are usually not commanded by one person**
- **Impeccable communication skills must be commanded to make the “ask”**

The Elevator Pitch

- **For (targeted patients)**
- **Who are dissatisfied with (what service)**
- **Our service is new (categorized)**
- **That provides (a key benefit or solution)**
- **Unlike (the current alternative)**
- **We are providing (key features of service)**

Moore GA. Crossing the chasm: marketing and selling high-tech products to mainstream customers. New York: Harper Business, 1999.