Strategic Planning For Ambulatory Surgical Centers

Problem

Most Ambulatory Surgical Centers ("ASC") do not effectively utilize strategic (long-term) planning. As a result, many ASCs find themselves reacting to internal and external market forces and unpredictable financial results, which can leave them at a competitive disadvantage in the market.

Background

Ambulatory Surgical Centers ("ASC") are classified as small businesses. The median ASC occupies 13,000 square feet, employs 27.4 employees, provides services to 3,952 patients per year, and generates annual revenues of $5,647,000\(^1\). As small businesses, ASCs have limited resources and management depth, which leaves them at a significant disadvantage when competing against larger, more sophisticated businesses like hospitals and health systems. Each individual ASC must also compete against other ASCs operating in the same market, all drawing from the same limited pool of physician users and patients.

Strategic planning is crucial to the success of an individual ASC operating in an increasingly competitive market. A well designed and executed Strategic Plan gives the ASC management team the tools they need to effectively compete and manage business risks on a day-to-day basis, as well as helping ensure that the business is consistently successful and well positioned in the market for the long term. Unfortunately, very few ASCs have a Strategic Plan – which puts them at an even greater competitive disadvantage against hospitals and health systems that routinely utilize strategic planning. In addition, an ASC needs to develop strategies to differentiate it from competing ASCs in the same market.

Strategic planning involves much more than just developing the annual operation plan or budget, and delivers different benefits. Strategic planning is planning for the long-term success of the business – usually over a minimum of three (3) years and a maximum of five (5) years. A Strategic Plan is a document or work product that evaluates the business from both an internal and external perspective, establishes outcome-based goals for the organization, and highlights strategies and tactics to accomplish those goals. It also includes a vision statement describing the future of the business, and a detailed, itemized execution plan to make the vision a reality.

Why don’t more ASCs use strategic planning as a leadership tool? The answer may lie in the nature of the business: physician owners and their management teams have a medical/clinical background, and may not be trained or experienced in strategy development. They tend to focus on day-to-day operations and not on long-term strategies.

Solution

A solid Strategic Plan can turn a good ASC into a great business. ASCs will become more competitive in their local market and will perform more consistently over the long term by developing thoughtful strategic plans, establishing outcome-based goals, assigning accountability and deploying tactics to accomplish the desired strategic goals.

\(^1\) Info med Intellimarker – 2007 Ambulatory Surgical Centers Financial & Operational Benchmarking Study
Planning Process and Plan

For a Strategic Plan to be successful there must be “buy-in” – so it’s critical that all stakeholders be represented in the planning process. Physician board members and the ASC management team are ultimately responsible for the Strategic Plan, and should be involved in every step of the process. Additional stakeholders, such as other physician investors, non-investor physicians, and employees, can participate through completing surveys and questionnaires, and providing feedback on preliminary plans.

Establishing accountability for the execution of the plan is the key to success. An ASC could have a great Strategic Plan, but if the plan is not executed and there is no accountability to deliver desired results, the ASC will not fully benefit from the Strategic Plan.

The following diagram illustrates the strategic planning process:

A comprehensive Strategic Plan is composed of the following sections:

1. **Industry trends and analysis.** This section discusses the historical and projected growth of the industry, and identifies major trends. It also addresses existing and threatened government regulations.

2. **Market assessment.** This component of the plan discusses and evaluates local competition (hospitals, health systems, and other ASCs). Specifically, the market assessment should do the following:
   1. Identify market trends.
   2. Assess market demographics and demand for outpatient surgery.
   3. Address payor penetration, insurance coverage in the market and payor tactics.
   4. Evaluate demand for nurse personnel and anesthesia coverage.
   5. Describe the general economic climate and condition of the market.
3. **Internal business assessment.** This section identifies and discusses the strengths, weaknesses, threats and opportunities (SWOT analysis). The internal business assessment should do the following:
   1. Profile and evaluate physicians who perform surgery at the ASC.
   2. Explore and explain decline in case volume from physician users.
   3. Evaluate both the clinical and administrative staff.
   4. Address operating performance and statistics.

4. **Strategy.** This section highlights the ASC’s statement of values and mission statement. It should accomplish the following:
   1. Adequately describe and present the strategy goals and objective (the vision for the future).
   2. Clearly link each goal and objective with specific tactics to accomplish that specific goal and objective.
   3. Highlight required resources, and develop a plan to secure such resources.
   4. Establish a system of monitoring progress and accountability, to include performance metrics, routine reporting structure, personnel assignments, rewards system, milestones, etc.

**Recommendation**

Strategic planning is best accomplished by hiring an outside party to organize and facilitate the strategic planning process. An independent facilitator will add structure and accountability to the process, as well as taking on responsibility for gathering data, organizing planning sessions, and facilitating consensus building among stakeholders. This “hands-on” help during the strategic planning process allows the ASC management team to keep their focus where it needs to be – on the day-to-day responsibilities and operations of the ASC. A seasoned consultant can greatly improve the efficiency of the planning process by sharing ideas and experiences that have been proven successful in meeting objectives or diagnosing problems in this unique market. It is important to choose a consultant who is well acquainted with healthcare in general and the ASC industry in particular, with in-depth knowledge of the day-to-day operations of an ASC.

A Strategic Plan should be reviewed and updated at least annually, with additional reviews whenever a significant change occurs in the market or with the ASC. This annual review should include a reassessment of overall plan goals to ensure that they are still relevant, and to measure the progress made toward accomplishing the desired goals. The ASC leadership team should evaluate tactics for effectiveness and identify new tactics to replace ineffective ones. In addition, the team should modify the reporting and accountability structure based on progress to-date, and evaluate personnel based on their ability to execute their assigned tasks.

**Conclusion**

The benefits of developing and implementing a Strategic Plan far outweigh the effort and cost. A Strategic Plan can help an ASC improve coordination and communications amongst its stakeholders, respond more proactively to external market forces, and experience greater long-term business success.