



## Simultaneous Short-Term and Long-Range Planning

*Does your organization have the right strategic plan?*

An effective, impactful and achievable strategic plan must address immediate and long-term factors that will affect areas such as outpatient, inpatient and post-acute care; retail and physician services; and telehealth. The plan must also address issues around organizational alignment, population health, the transition from fee-for-service to value-based payment models, provider shortages, virtual and actual geographic footprint, and the potential impacts of genomic information and artificial intelligence.

### Balancing Board and Management Roles for Effective Planning

How much time should a board spend considering strategic issues? The Governance Institute recommends that boards spend at least 50 percent of their meeting time discussing strategy. Richard J. Umbdenstock, former CEO of the American Hospital Association,

once observed that every board meeting should purposefully address the following questions:

- Does the health system/hospital have the right strategic plan?
- If yes, is it being implemented effectively?
- If no, is the right leadership team in place?

### Ensuring the Right Strategic Plan: A Practical Exercise and Application

Many of the strategic plans that we see in health systems and hospitals could be classified more accurately as operations improvement/resource allocation plans. An exercise that we often engage in with boards is to walk through their strategic plans in real time, with everyone reading and marking each goal, pillar and strategy with an “S” (strategic), “O” (operations) or “B” (both). What usually becomes quickly

evident is the number of items that are clearly labeled as operations.

Consider this simple exercise: Using the continuum below, have each board member individually circle the numeric rating he or she would give the organization’s strategic plan.

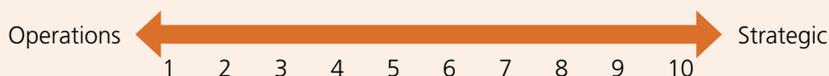
Next, have each director place an “X” at the number on the continuum where he or she thinks the organization’s strategic plan *should be* going forward. This can stimulate discussions with the board (and management) on what it would take to sustain this level of performance (if where the plan is now and where the board believes the plan should be are equal). If there is a gap in the two designations, raise questions to discuss what it would take to move toward the ideal state with the strategic plan.

### The Board’s Role in Strategy: Recommended Practices

The Governance Institute recommends several practices regarding the board’s role in strategy and planning. Highly effective boards should:

- Spend more than one-half of the time in most board meetings discussing strategic issues instead of listening to reports

### Strategic Plan Continuum



- Evaluate the organization’s mission statement annually to ensure its ongoing appropriateness
- Engage in ongoing education regarding industry trends and key strategic issues facing the organization
- Consider whether major decisions will affect the organization’s mission before approving them
- Ensure the adoption of strategies that meet the needs of the community as identified through a community health needs assessment
- Monitor the effectiveness of strategies that are intended to consistently align the clinical and economic interests of physicians and the hospital/health system

**The Case for Simultaneous Short-Term and Long-Range Planning**

**Short-term considerations:** Some hospitals and health systems have been reluctant to formally plan beyond a three-year horizon due to the uncertainty and confusion in the industry.

This type of environment requires that governing boards and their executive teams step back from traditional plans and develop nimble, resilient and immediate initiatives to deal with evolving and new regulations and programs. This includes changes such as mandatory bundles for specific services, one- and two-sided risk arrangements, new payment models and reimbursement requirements impacting revenue, payment for

value versus fee-for-service, and quality penalties and incentives. Other factors include changes brought on by consolidations, alliances, technology, disruptive innovations and evolving delivery models. These all require significant strategic choices to be made on expedited time frames.

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In the short term, consider adopting an accelerated approach to planning, with the following essential elements and steps to create an effective, nimble, resilient, market-based strategic plan:

- **Mission, vision and values validation:** These should have a view to the future with a 15- to 20-year horizon.
  - Is your mission the driving purpose of the organization?
  - Is your vision a clear picture of your future—a promise of what you will become?
  - Are your values principles that guide daily behaviors and difficult decisions?
- **Strategic direction:** Confirm the strategic direction and priorities needed, with an eye toward future needs in a seven- to 10-year horizon. Conduct a focused strengths, weaknesses, opportunities and threats exercise (focus on the top five items in

each category; eliminate long meandering lists).

- **Goals/pillars:** Confirm or revise goals/pillars by focusing on the strengths that differentiate the organization from competitors in the market. Focus on critical and unique areas that position the organization for stronger performance. An accelerated strategic plan should optimize resources and capabilities, and identify activities to stop, sustain or extend. (Establish goals/pillars for a time horizon of five to seven years.)
- **Metrics:** Identify two or three metrics for each goal/pillar that are relevant across departments and service lines. Create incentives that require these units to work cooperatively to achieve them. Metrics should be for a three-year period.
- **Strategies:** Strategies should focus on services and programs that will increase quality, improve access and patient experience, reduce per-unit costs, increase per-unit revenues, and strengthen consumer loyalty. Create approximately five to seven strategies for each goal, generally with a time frame of 18 to 36 months.
- **Responsibility:** Identify an individual accountable for each goal/pillar. These designated individuals will be responsible for working with their staff to develop specific tactics and operational plans to implement at the department

and service-line levels across the organization.

- **Accountability:** Create an accountability schedule and reporting process (monthly or quarterly) to track and monitor progress. Make necessary adjustments along the way.
- **One-page plan:** Ideally, each associate of the organization should be able to see where he or she fits into the successful implementation of the strategic plan. Consider using a one-page summary for the strategic plan that communicates all of the elements.

**Long-range considerations:** If the board has not considered long-range planning in the recent past, consider the following approach. Long-range planning could be delegated to an ad hoc board committee or task force. The group would be charged with the responsibility of exploring implications of possible future trends and scenarios and their potential disruptions to traditional approaches to healthcare delivery. Factors to consider could include areas such as:

- Evolving technologies, shifting consumer behaviors, and expanding tangible and virtual access points, including social media
- Partnerships and alliances (examine a broad variety of potential relationships)
- Future facility needs, geographic footprint expansion (actual and virtual)

- Evolving leadership structure and responsibilities, board capabilities and talents, board structure and composition
- Big data and corresponding analytics capabilities needed to manage population health, financial risk and patient care
- What-if scenarios:
  - Single payer (at state and national levels)
  - Nontraditional “outsider” disruptions—Apple, Google, Amazon, something new
  - Proliferation of bundled payment arrangements
  - Medicare insolvency, significant shifts to Medicare Advantage
  - Medicaid expansion, significant shifts to managed care, other program alterations
  - Fewer payers (consolidations, regulatory constraints, etc.)
  - Fewer hospitals (20 percent or more reduction)
  - Significant changes to critical access hospital reimbursement (impact on rural areas)
  - Larger, fewer dominant health systems (state and national)
  - Other thought-stimulating conditions

The purpose of these explorations is to thoughtfully consider future organizational impacts separate from the pressures created by a short-term, time-sensitive planning process.

The relevant results of these deliberations can be shared periodically at board meetings or a planning retreat for consideration in

shorter-range strategic plans as appropriate.

### The Ultimate Competitive Advantage: Execution

Governing boards must find renewed determination to address the toughest challenges that face the organizations they are responsible for guiding—from physician shortages and reimbursement cuts to declining patient volume, increasing expenses, and intensifying consumer demands and competition.

*In the short term, consider adopting an accelerated approach to planning that will create an effective, nimble, resilient, market-based strategic plan.*

Boards must have the ability to effectively assess current and future trends and their implications for performance toward achieving the organization’s mission and vision. Adopting an accelerated short-term, market-driven strategic planning process, as well as simultaneously considering potential long-range future scenarios, will provide a balanced approach to making strategic plans less operational and more strategic, while allowing the board to hold management responsible for execution. ▲



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