

---

# Business Plans

## Perspective from a Pediatric Nephrologist

---

David Hains, MD



**Riley Hospital for Children**  
Indiana University Health



**SCHOOL OF MEDICINE**  
INDIANA UNIVERSITY

# Mission/Vision/Strategy/Business

---

- How is a business plan different than a strategic plan?

# Mission/Vision/Strategy/Business

- How is a business plan different than a strategic plan?
  - **Strategic planning** is a road map for achieving the mission.
    - A 30,000-foot view of how a large, established organization will operate over a longer time period.
    - Takes into account existing infrastructure and prioritizing resources and people.
    - “Futuristic”

# Mission/Vision/Strategy/Business

- How is a business plan different than a strategic plan?
  - **Strategic planning** is a road map for achieving the mission.
    - A 30,000-foot view of how a large, established organization will operate over a longer time period.
    - Takes into account existing infrastructure and prioritizing resources and people.
    - “Futuristic”
  - **Business planning** is similar but is more granular and short-term.
    - Short term “pitch” for new investment.
    - Used to determine “viability” from the funding body.

# Strategic vs. Business Plans

- Simply:
  - Business plan: “who” and “what”
  - Strategic plan: “how” and “when”

# Elements of your business plan?

- Marketing plan
- Operational plan
- Financial plan

# Marketing plan elements

- What are you offering (new service, etc)?
- Who is the market/target/patient cohort?
- What is unique/novel?

# Operational plan elements

- Organizational structure
  - Very critical step
- Personnel needs
- Space needs
- Equipment/hardware needs

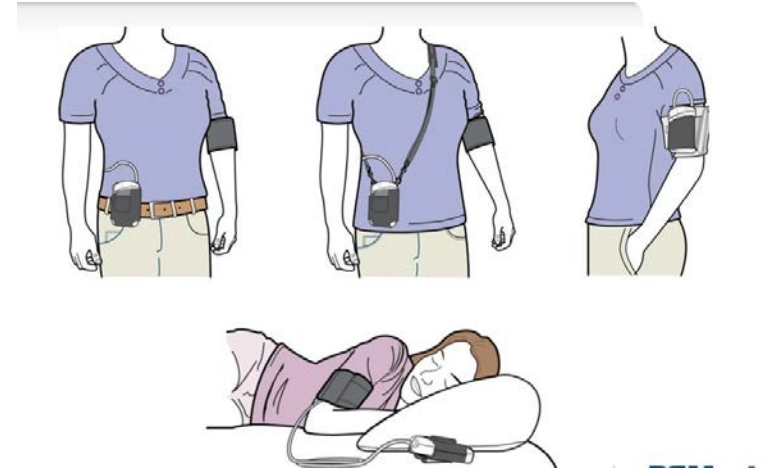


# Financial plan elements

- Costs and projected revenues
- Return on investment: when?
- This is your chance to really make a compelling case

# Example

- You read an article about how important it is for Peds Nephrology programs to stay state-of-the-art and utilize ambulatory blood pressure monitoring.
- You decide to develop this program at your institution.
- Where do we begin?



# Executive summary

---

- Summarize what this proposal is, why it will be important, and how it will be successful and impact your mission/vision.

# Executive summary

- The Division of Pediatric Nephrology will expand clinical services to utilize ambulatory blood pressure monitoring to expand clinical services, improve quality of care, reduce unnecessary testing, improve patient access, and generate new clinical revenue. This will allow the Division to further advance on (insert vision/mission).

# Market Analysis

- Current state-of-affairs in your program.
- What "gaps" exist or SWOT analysis?
- What are comparable programs or "competitors" doing?
- What is the potential market?

# Market analysis

- In 2019, the Division of Pediatric Nephrology saw 3000 patients. 50% of these patients had elevated blood pressure. Of the 1500 BP patients, 1000 existing patients were eligible for ABPM.
- What other aspects of the analysis could you add?

# Market analysis

- In 2019, the Division of Pediatric Nephrology saw 3000 patients. 50% of these patients had elevated blood pressure. Of the 1500 BP patients, 1000 existing patients were eligible for ABPM.
- What other aspects of the analysis could you add?
- New patient populations, new geographic areas, new service line, etc.

# Market analysis

- In 2019, the Division of Pediatric Nephrology saw 3000 patients. 50% of these patients had elevated blood pressure. Of the 1500 BP patients, 1000 existing patients were eligible for ABPM.
- What other aspects of the analysis could you add?
- New patient populations, new geographic areas, new service line, etc.
- What makes adding ABPM special? (who cares?)



# Operational plan elements

- Organizational structure
  - Very critical step
- Personnel needs
- Space needs
- Equipment/hardware needs

# Operational plan

- Organizational chart
  - Who is in charge?
  - If personnel are needed, what is their reporting structure?
  - Powerpoint to show basic titles and reporting tree.

# Operational plan

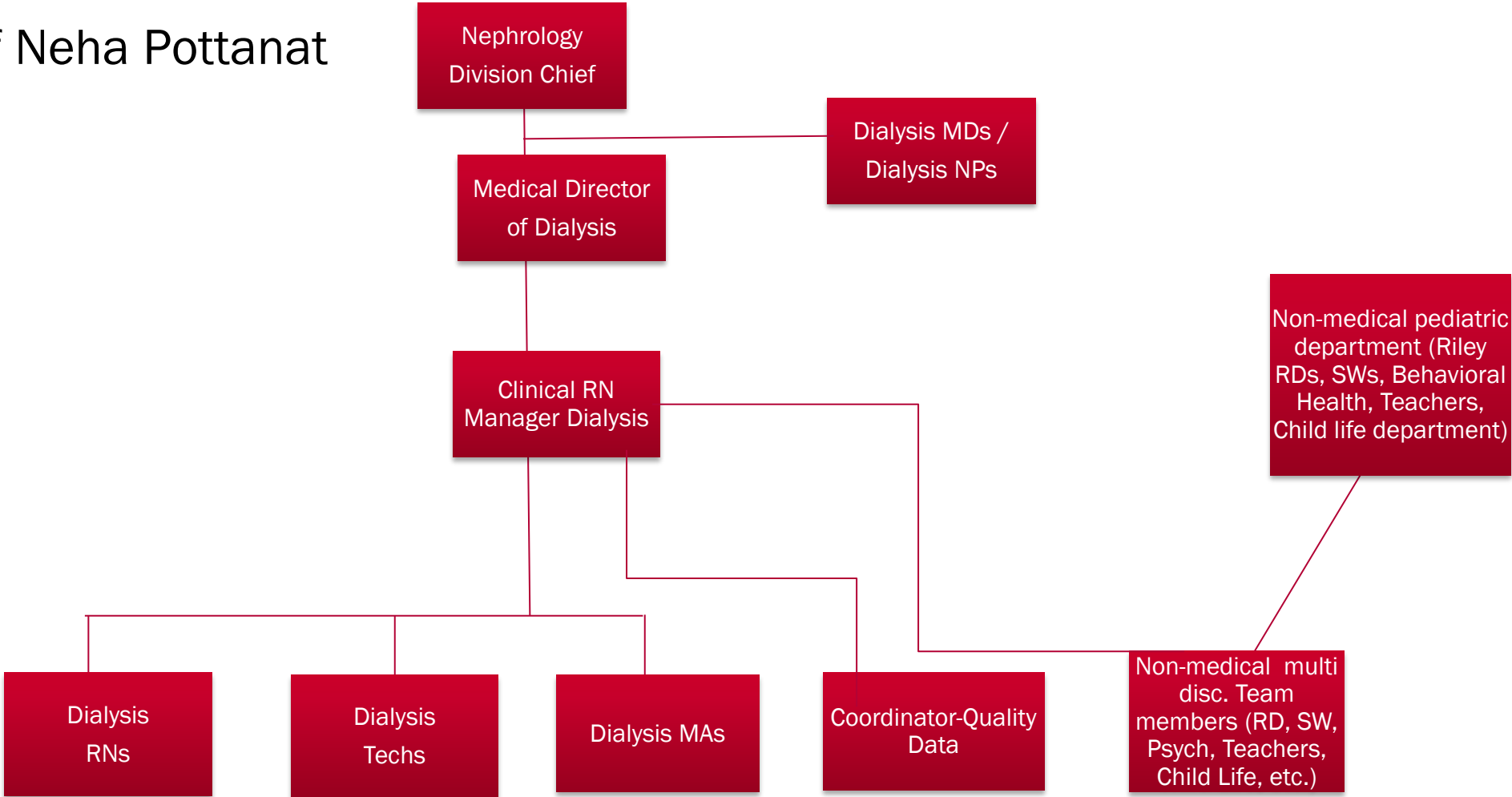
- Organizational chart
  - Who is in charge?
  - If personnel are needed, what is their reporting structure?
  - Powerpoint to show basic titles and reporting tree.

# Can be simple



# Can be complex

- Courtesy of Neha Pottanat



# Back to the ABPM Operational Plan

- Personnel needs
  - Are additional FTE needed?
  - If so, account for total cost and what % effort. Use # hours/40-hour work week.
- Space needs
  - Space is a commodity. Everywhere.
- Equipment needs
  - Understand the capital budget rules and schedule.

# Back to the ABPM Operational Plan

- Personnel needs
  - Are additional FTE needed?
  - If so, account for total cost and what % effort.
- Space needs
  - Space is a commodity. Everywhere.
- Equipment needs
  - Understand the capital budget rules and schedule.



\$\$\$\$

# Financial plan elements

- Costs and projected revenues
- Return on investment: when?
- This is your chance to really make a compelling case



# Costs and projections

- Can be conservative or aggressive.
- Talk to finance people to get reimbursed dollars (NOT CHARGES).
- Find real \$ amounts for personnel and equipment/hardware.
- Use Excel or something that can be manipulated/tracked over time.
- Consider a balance sheet to track ongoing losses/profits, but NOT necessary.
- Account for uncompensated time or existing personnel time/effort.

# Costs and projections (continued)

---

Back to our ABPM program...

What types of costs/revenues would you want to gather?

# Simple breakdown (Costs)

- 5 monitors. They cost \$1500/monitor. Need to factor in life expectancy.
- 1 computer. \$1500 one time with software/license.
- Assume a 7-day turnaround, thus 5 studies per week.
- A nurse needs an hour per monitor for scheduling, placement, downloading studies, etc. Thus 5 hours or 12.5% FTE nurse.
- Doc can read/bill studies in lieu of a new patient one clinic per week (3 wRVU lost).
- No space cost as minimal space needed for storage.

# Costs (continued)

---

- ABPM monitor cost = \$7500
  - Computer cost = \$1500
  - Nurse at 12.5% of \$75,000 = \$9375/year
  - 3 wRVU (\$61/RVU) x 30 weeks = \$5490/year
- 

Total: \$23,865

# Simple breakdown (Profits)

- Assume we have a 50/50 spread on payer mix.
- For private insurance, reimburse \$200/study.
- For Medicaid, reimburse \$100/study.
  - Average \$150/study if follows payer mix.
  - Doc billing get 0.3 wRVU per study.
- At 5 studies per week, we can expect \$750/week reimbursement.

# Profits (cont)

- Assume we have a 50/50 spread on payer mix.
- For private insurance, reimburse \$200/study.
- For Medicaid, reimburse \$100/study.
  - Average \$150/study if follows payer mix.
  - Doc billing get 0.3 wRVU per study.
- At 5 studies per week, we can expect \$750/week reimbursement.
- $\$750/\text{week} \times 45 \text{ weeks} = \$33750/\text{year}$

# Profits (cont)

- How long will it take to break even?
  - Total cost \$23,865 / \$750/week = 32 weeks
- If you set this up in a spreadsheet, you can play around with the numbers and scale.

# Nuances and Key Points

- Understand the key decision makers.
  - Proposal should be tailored/delivered to them.
- Use your institutional resources.
  - Finance, billing, leaders of other arenas.
  - Leaders of areas that may be impacted.
    - This helps get key people involved and better buy-in across the clinical landscape.
- Use the internet and colleagues for examples.
- Consider non-revenue generating and/or other mission critical benefits.
  - Reducing unnecessary testing, improving patient access, downstream benefits
- Consider outlining the potential losses/risks of not funding.



# Conclusions

- Business plans should be objective, financial outlines for a specific, short-term proposal.
- Should be a “pitch” to get investment in proposal.
- Know your audience and organizational chart for decision makers.
- Avoid jargon.
- I prefer short (1-2 pages MAX) with an offer to expand if people request.
- **DO NOT** significantly overestimate costs. A savvy person will pick up on it and it will damage your whole case.

# Acknowledgements

---

- Jon McCullers
- Wade Clapp