

SUBACUTE CARE: CREATING ALTERNATIVES

Business Strategies in Subacute Care

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Abstract: *To increase market share in a managed care environment, subacute care providers must confront several issues: business strategies, information technology and human resource management. The backbone of the subacute care facility is its human resources, its link to the world is information technology and its foundation is the business plan.*

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In the past 2 years, subacute care providers have seized the opportunity to increase market share in a managed care environment. Several issues now confront subacute care providers: (1) business strategies, (2) information technology and (3) human resource management.

Business strategies

The basic steps in developing a business plan include: visioning; goals/objectives; strengths, weaknesses, opportunities, and threats (SWOTs); analysis; market analysis and trending; and financial forecasting. The subacute care provider's vision should reflect what it wants to be in the future, and it also must be consistent with its mission. This may be difficult because of the financial constraints that payors have imposed on health care services. For instance, if the health care provider's current mission is to provide quality health care to the community, would providing "free" care affect the vision of its future viability? When setting goals and objectives, ask: "Are they measurable and realistic?"

What is often neglected, however, is recognizing the key players who perform the SWOTs analysis. For example, there is a tendency to have the analysis done by management staff who may not necessarily understand the community profile. Employees who are residents of the community can provide a more realistic and comprehensive assessment of the organization's strengths and weaknesses.

Rather than taking a sophisticated approach to market analysis, a subacute care provider can inexpensively

assess its own market by first reviewing its medical records for the past 2 years: identify by zip codes and diagnosis where their patients live and the types of patients they have served. A review can reveal if the facility has not been drawing referrals from certain zip codes within its service area. One method would be to conduct a community focus group at the facility. Either a structured or a nonstructured approach can be used. A questionnaire should ask the members of the focus group what they know about the facility, what they think the community needs in terms of programs and health care services, and any suggestions they have for the facility.

Patient satisfaction surveys help to plan for marketing strategies. Published data concerning market trends can be purchased from firms that specialize in market data. Another source would be the State Hospital Association's report on utilization of services in the acute care setting. Information contained in this report includes data on types of patients that have been discharged and if these patients were discharged to a skilled nursing facility or home health care. Data on payor mix also are available.

Financial forecasting should review the previous 3 years' performance in the areas of patient care revenues, ancillary net profits, total expenses, labor expenses, net operating income, margins, census and payor mix. These results would form the basis of the financial budget for current operations and projected business plans. In some organizations, unrealistic budgeted financial revenues have created tremen-

dous problems in terms of inability to break even or generate profits.

Information technology

In the past 2 years, many subacute care providers have acquired software for clinical outcomes measurements to attract managed care business. Some of the large for-profit long-term-care providers have developed and implemented an information system to support their operations.

The issues that subacute care providers must grapple with in terms of information technology include modeling, process and cost/benefits. When asked to assist an integrated delivery system of 14 hospitals and 2,000 physicians to prepare for managed care, Bill Dolton, the chief information officer of Promina Health System of Atlanta, said, "How difficult is it to build a road if you don't know where you are going? If you're going to run your business effectively, without a lot of trial and error, a strong business model has to come first. It costs too much to do it any other way."¹ Providers tend to describe their information processing needs and then look at the available software applications. Promina developed a business model and then patterned its information architecture on this model.

In business modeling, the subacute care provider must first identify what it is currently doing and what it plans to do in the future (visioning). The model then should reflect, at the minimum, four major components of the business model: the provider network, sales and marketing, finance and patient care delivery.

The *provider network* includes the payors of services that the facility currently has and those that they will likely do business with in the future. The subacute care provider needs to anticipate what these provider networks will require, including credentialing,

patient satisfaction survey reports, utilization and clinical outcomes reports.

In *sales and marketing*, customer profiles need to be defined. For instance, if there is predominance of cardiac disease as a diagnosis, then a formalized cardiac program may need to be developed and implemented. Automatic notices for follow-up care from a computer-generated program strengthen a facility's marketing and sales strategies for diversification of services.

The *financial model* should include cost accounting, productivity tracking, benchmarking, trending, account receivable management, resource utilization and profitability as well as external reporting. Knowing the costs of services cannot be overemphasized. Equally important is the management of accounts receivable.

The *patient care delivery system* should include care maps/critical pathways, quality management and utilization management, disease management, health assessment and wellness/prevention/health promotion as well

as external reports capabilities. These areas constitute the backbone of a system. Managed care organizations soon will require proof of quality outcomes generated by information systems as a means of market differentiation for contracting purposes.

Information technology that supports the business model entails a team representing management and the system's end users. Issues that should be addressed include the project's responsibilities, accountabilities, legal and security issues, core financial issues and the system's clinical function.

The costs and benefits of the business model and the subsequent information technology must be determined up front. The benefits are not readily discernable since it would take some years before the return on investment can be realized. Thus, many subacute care providers are at times hesitant to embark on such a project. In today's market, however, it is no longer a matter of "wait and see"; it is now a "do it or die" phenomenon. If the subacute care provider is not fi-

nancially positioned to invest in a major information technology project, then a personal computer (PC) and the Internet may be the "baby steps" to take. A subacute care provider can create its own Web site to market its business as well as provide education programs for its customers.

Human resources

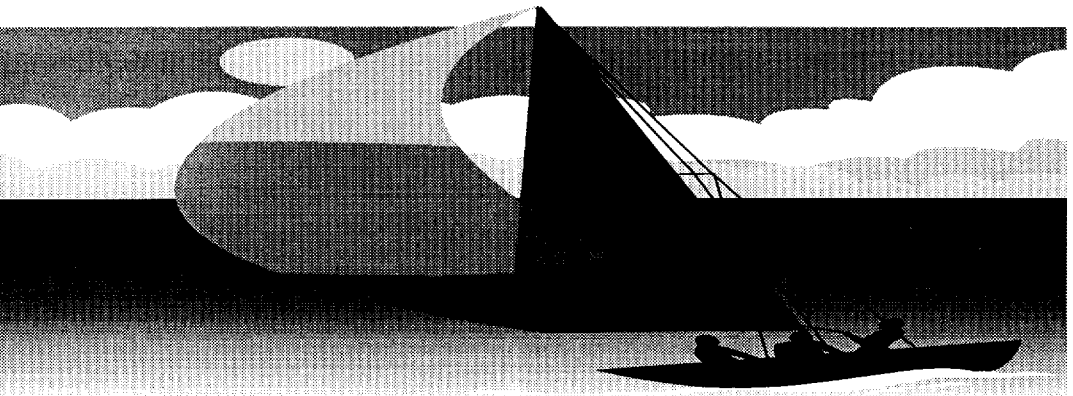
Consistency in delivering high quality, cost-effective services ensures quality clinical outcomes. With a high turnover rate, this consistency is grossly undermined. It is imperative that the subacute care provider deals with human resource management with the same vigor and energy as it does with its financial model. After all, employees who share the provider's vision and mission promote long-term viability and reasonable profitability for the subacute care program. ☞

Reference

1. Griffin, Jane. "Modeling the Enterprisewide Information Architecture." *Healthcare Informatics*, August, 1996, p. 50.

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