

**Business Planning Guide
for
Community Health Centers**

National Association of Community Health Centers, Inc.

prepared by:

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I. Background and Introduction

The National Association of Community Health Centers (NACHC) is pleased to provide this business planning guide to its member health centers. The guide is provided as a practical tool to assist health center management, recognizing the significant number of new start and long established health centers that have limited planning experience and/or have requested assistance to improve internal planning efforts.

This guide is organized into five sections that include this introduction; a definition and description of a business plan, common uses of a business plan; a discussion of those who should participate in plan development; and finally a detailed description of the content of each section of a typical business plan.

II. Business Plan Definition

A business plan analyzes the benefits and risks, and investment and likely returns associated with pursuing a new initiative. In the case of health centers, a new initiative might be a new or expanded care site or service, or even re-engineering your organization's operations to optimize its effectiveness (e.g., decreased patient wait times, decreased no shows, increased patient throughput, increased cash collections, reduced denied claims). A business plan also documents the management and operations implications of implementing a new initiative and, as well, the steps required to proceed.

III. Business Plan Use

A well prepared business plan is a valuable tool that can aid management in fine tuning a business concept, securing outside project funding and/or financing, minimizing risk and maximizing return, and concept implementation.

IV. Planning Participants

Typically, an organization's executive team (i.e., CEO, COO, CFO, CMO, CIO, etc.) all play critical roles in the development and implementation of a business plan because they either possess the information and expertise required to do so and/or they manage staff members who do. While the roles of senior executives are key to the plan development process, the contributions of lower level staff should not be underestimated. Lower level staff have the depth of knowledge required to undertake a new initiative, facilitate its implementation and smooth operation. Thus, it's always a good idea to enlist input from lower level staff.

Remember that they, better than anyone, know how things are really done and what procedural changes will actually work in practice.

V. Plan Outline and Content

To facilitate your ability to develop a business plan, a typical plan outline is included at the end of this document as an attachment. The outline shows section titles, brief content descriptions of each section and also indicates where source data can typically be found. A more comprehensive description of the outline and the plan development process follows.

A. History and Background

This section of the business plan should provide the history and a description of your organization in detail sufficient for the reader to understand what your organization is and does, and the length, depth and breadth of your relevant experience and expertise. Accordingly, this section should include the following elements.

- Organizational name and age
- Location and number of care sites
- Organizational Mission and/or purpose
- Annual budget
- Overall organizational objectives
- Overview of governance and management structures
- Service/program description
- Number of staff (i.e., administrative, provider and support FTEs)
- Approximate number and geographic location of patients served annually
- Annual visit/encounter volume

B. Plan Focus

This section of the plan should provide a detailed description of the planned initiative, including factors that prompted its consideration, project goals, estimated implementation start and completion dates, any strategic advantages to be gained from the initiative and its required financial investment and expected annual returns. In addition, this section should describe how the planned initiative will further the achievement of stated organizational objectives.

C. Service Area and Target Market (Definition and Assessment)

This section of the plan is only necessary when the plan's focus is an expanded or new service or care site. Its point is to define and describe the new initiative's service area and target market and to estimate need for planned services. Accordingly, underlying analyses should include a review of likely competitors (e.g., primary care practitioners and care sites, etc.) and service area demographics.

A service area is the geographic location(s) that a new care site or service intends to serve. It is usually defined by zip code or census tract. Hence, the most practical way to define a service area is to plot service area zip codes or census tracts on a map.

A target market represents those service area residents who a new service or care site is intended to serve. It is usually defined by subject residents' gender, race or ethnicity, age and family income.

Competitor information represents the supply side required to estimate need. Therefore, your analyses should specify the capacity and practice location(s) of competing provider FTEs, by care site and medical specialty, and any similar service area services that will compete with your initiative. Competitor information can typically be obtained in two ways. First, surveying the target market can be very illuminating. A survey might include interviews with service area residents to secure information about their historical care seeking habits and local practitioners. A survey might also include a drive through the defined service area to better understand key factors like local travel and traffic patterns, geographic boundaries and barriers, and the availability and impact of public transportation. Second, competitor information can frequently be obtained from state Medicaid departments that maintain the practice locations and annual visit volumes of participating providers. Once you're fairly certain that you've adequately accounted for the supply or inventory of competing providers, you can then use statistics published by the Bureau of Primary Health Care (BPHC) or the Medical Group Management Association (MGMA) to estimate service area visit capacity. This information indicates the average number of annual office visits that are typically accommodated by one provider FTE by medical specialty. Multiplying the inventory of service area providers by average visit volumes yields an annual estimate of visit capacity or supply for the defined service area.

The demand side of determining need can be estimated by analyzing historical and projected service area demographic trends by age, gender, race or ethnicity and income. Demographic analyses should be supplemented by a review of common health status indicators. Additional insight into the target market can also be gained by conducting consumer interviews directed at understanding residents' health care needs and their historical care seeking habits. For example, what are their prevailing illnesses and where do they currently go for health care? Demographic statistics and health status indicators can usually be secured from the U.S. Census, local and state health departments or private sector vendors.

Finally, subtracting estimated service area demand from supply will allow you to estimate need for additional capacity that might be filled by your new care site or service.

D. Features, Functions and Benefits

This section of the plan should describe how the proposed project would facilitate the achievement of stated organizational objectives. For example, establishing a new care site in an impoverished area with a limited provider supply might fulfill an organizational objective to improve care access in an underserved community.

If your business plan is being developed to guide an internal re-engineering process, this section should describe how and to what extent expected benefits would be realized. For example, the plan might call for patient throughput or visit volume to increase by a certain number daily, or waiting room time to decrease by a specified number of minutes. Alternatively or in addition, the plan might call for a specified percentage decrease in the number of denied claims submitted to third-party payers or a specified increase in cash collections because front desk procedures will be restructured and staff trained to collect patient payments and insurance information before each office visit.

E. Implementation

This section of the plan provides a summary of the implementation process that will be undertaken to maximize the proposed venture's chances for success. The summary should include:

- descriptions of the board communications and approvals process;
- an overview of the need for and process to secure outside funding and/or financing;
- interviews that will be undertaken with key stakeholders including prospective clients;
- the need to and benefits associated with developing and implementing relevant policies and procedures;
- the need for and likely benefits associated with staff education; and
- any marketing plan.

As appropriate, each description should indicate how task implementation will advance the achievement of project goals. For example, development of a new service that meets the specific health needs of a given population could advance an organizational goal of offering patient focused health care services. As another example, a plan that focuses on reengineering internal operations could advance an organizational goal of reducing patient wait times and/or increasing patient satisfaction.

The task descriptions provided here are a summary of the implementation process that highlights key tasks. As such, the summary should be used only as a substitute for a detailed implementation plan that sequentially identifies each implementation task, assigns task responsibilities to appropriate staff and establishes task timeframes that include both a start and completion date. This level of detail is essential to avoid potentially costly missteps and omissions and should be included as an addendum to your business plan.

F. Operations Impact

This section of the plan typically describes the extent to which the proposed initiative will impact current operations. It further describes how management will address additional time demands associated with either implementing the proposed initiative or managing its operations. Finally, this plan section should describe the extent to which operations of the proposed initiative will be integrated into current functions and/or necessitate new operations procedures or staff. For example, development of a new care site might require your health center to employ additional administrative staff members, or reconfigure or expand information systems to accommodate additional volume.

G. Financial Highlights

This section of the plan should provide an overview of financial projections that are prepared as a necessary component of any business plan. This overview should disclose the investment required to implement the new initiative, the resulting annual returns from operations and the major underlying assumptions that form the bases for the financial projections.

Ideally, the financial projections should include both statements of income and expenses and cash flow that estimate the new initiative's financial performance for a period of at least two years after implementation. It is also commonplace and prudent to prepare sensitivity analyses as part of financial projections. As mentioned previously, financial projections are based on a series of underlying assumptions. Sensitivity analyses measure the impact of different underlying assumptions. For example, visit volume expressed at different levels can produce both best case and worse case financial projections that enable you to plan accordingly. Thus, sensitivity analyses also facilitate the development of a contingency plan that acknowledges variation from expected financial performance.

ATTACHMENT
Business Plan Outline

Business Plan Outline

Section Header	Content Description	Source Data
A. History & Background	<ul style="list-style-type: none"> • Organizational name and age • Current location and number of care sites • Organizational Mission and/or purpose • Annual budget • Organizational objectives • Overview of governance and management structures • Service/program description • Number of staff (i.e., administrative, provider and support FTEs) • Approximate number and geographic location of clients served • Visit/encounter volume 	<ul style="list-style-type: none"> • Articles of Incorporation • Bylaws • HRSA Grant Application • Audited Financial Statements • Management Reports • Cost Reports
B. Plan Focus	<ul style="list-style-type: none"> • Describe new initiative • Reasons for pursuit • Resulting strategic advantages and/or operations benefits • Required financial investment and expected returns • Implementation start and completion dates 	
C. Service Area and Target Market (Definition and Assessment)	<ul style="list-style-type: none"> • Service area definition • Target market definition • Demographic analysis • Provider supply and capacity • Service demand • Estimated need 	<ul style="list-style-type: none"> • Health Depts. • Medicaid • BPHC • U.S. Census • Vendors (e.g., MGMA, Intellimed/National Planning Data Corp.)
D. Features, Functions and Benefits	<ul style="list-style-type: none"> • Describe new initiative management and operations • Relationship to achievement of organizational strategic objective(s) 	

Business Plan Outline

Section Headers	Content Description	Source Data
E. Implementation	<ul style="list-style-type: none"> • Board communications and approvals process • Outside funding and financing • Stakeholder interviews • Benefits and need for relevant policies and procedures • Benefits and need for staff education • Marketing plan 	
F. Operations Impact	<ul style="list-style-type: none"> • New initiative's impact on current operations • Management of new initiative • Expansion and/or integration of existing support services 	
G. Financial Highlights	<ul style="list-style-type: none"> • Underlying assumptions for financial projections • Required investment • Annual returns 	
Addendum 1: Financial Projections	<ul style="list-style-type: none"> • Projected Statements of Revenue and Expenses • Projected Statements of Cash Flow • Detailed description of underlying assumptions • Sensitivity Analyses • Contingency Plan 	
Addendum 2: Implementation Plan	<ul style="list-style-type: none"> • Sequential list of tasks • Responsible party(ies) • Start and completion dates 	