

# Strategies & Solutions

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## In This Issue

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Scenario planning is a valuable tool to employ during several stages of strategic planning. Effective use can help organizations better prepare for uncertain future conditions, minimize risks and impacts that may occur, and maximize organizational adaptability and nimbleness.

## Topic Trends

Using the example scenario analysis on the next page, the implications for Memorial Hospital depend on its current situation. If an undersized primary care base, a small group of employed physicians two-thirds of whom are specialists, and physician satisfaction scores comparable to national medians exist, the hospital is not well-positioned to be the preferred

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## Managing Uncertainty with Scenario Planning

Health care organizations have been challenged to plan in an uncertain environment for at least the past decade, but to say that the stakes have never been higher or the degree of uncertainty greater is not hyperbole. And even once hard choices are made and plans are in place, responding to curve balls from shifting market dynamics, competitor initiatives, and legislative and regulatory changes intensifies the challenge.

Scenario planning is an effective tool that can be used at several points during the strategic planning process.

- Giving thoughtful consideration to multiple future scenarios as part of the environmental assessment can help leadership reach agreement on the future circumstances they should plan for.
- Scenario planning during the strategy formulation phase provides a framework for contingency plans that direct responses to environmental change.
- As the strategic plan is nearing completion, examining alternative scenarios can confirm the highest priority initiatives that should be pursued.

An example scenario analysis is shown on the following page, with details about how the health care organization's current situation impacts the scenario included in the Topic Trends sidebar.

choice of independent, unaligned physicians and must address several gaps concurrently.

If Memorial Hospital has physician satisfaction scores approaching the top decile and offers a range of alignment options, including employment in its multispecialty group that is about half primary care and half specialists, the hospital is much more attractive to unaligned physicians and its strategies can focus on cultivating and strengthening relationships with the highest quality practices.

### Example Scenario Analysis: Physician Consolidation and Alignment

<b>Proposed scenario</b>	<ul style="list-style-type: none"> <li>Physicians increasingly align with only one hospital/health system</li> </ul>
<b>Description/rationale</b>	<ul style="list-style-type: none"> <li>Tightens linkages among hospitals and physicians, including clinical integration, information technology, and economic partnerships</li> <li>Shifts mix from independent to employed physicians</li> <li>Erodes referral base and source of specialty admissions of hospitals/health systems not chosen</li> </ul> <p>Likely combines practices into large multi-specialty or single specialty groups</p>
<b>Key considerations</b>	<ul style="list-style-type: none"> <li>Specialists and/or primary care</li> <li>Capital resources</li> <li>Employment and/or other models</li> <li>Strength of existing relationships</li> </ul>
<b>Likelihood</b>	<ul style="list-style-type: none"> <li>Moderate to high</li> </ul>
<b>Degree of risk for Memorial Hospital</b>	<ul style="list-style-type: none"> <li>Moderate</li> </ul>

#### Relevant Reading



"Innovation in Healthcare Leadership: The Time is Now," by Alan Zuckerman

Primary Care in an Era of Health Care Reform: Strategies for Reorienting the Health Care Delivery System Toward Primary Care, a white paper by HS&S

[View more articles and publications at the HS&S Strategy University Library](#)

### Incorporating Scenario Planning into Strategic Planning

Potential approaches for conducting scenario planning in two phases of the strategic planning process are illustrated below. When developing alternative scenarios, the future situations described must be clearly different from the status quo and from each other, and should be characterized by more than organic or incremental change. Some scenarios considered should require the organization to alter its current path forward.

#### Environmental Assessment: Articulating a Most Likely Future Scenario

- Describe 3-4 potential scenarios (other than status quo) for a select number of variables (e.g., pay-for-performance, market consolidation)
  - Consider national and state trends and local market dynamics
  - Include at least one potential scenario that represents a dramatic shift in the current trajectory or more rapid acceleration in the rate of change
- Survey physician, management and board leadership to obtain input regarding which of the potential scenarios related to each variable is most likely to occur
  - Examine areas of relative consensus and areas of divergent opinions overall and for each of the respondent groups
- Develop composite scenario across all variables, exploring divergent opinions to refine most likely scenario
- Determine critical success factors under the most likely scenario

## Upcoming Events



Join Alan Zuckerman for his two-day ACHE cluster

"Advanced Strategic Planning to Transform Your Organization"

April 8-9 in Kiawah Island, SC

[View more info and registration details](#)

[Learn more about upcoming HS&S presentations by visiting the HS&S Strategy University Event Center](#)

## Strategy Formulation: Exploring Contingency Strategies

- Review assumptions about the future environment developed during the environmental assessment phase
- Describe alternative outcomes related to one or more of the assumptions
  - Some outcomes could have implications for the broader health care marketplace (e.g., economic conditions or state health care policy changes)
  - Others could disproportionately impact your organization (e.g., changing physician group dynamics, current differentiation is no longer a competitive advantage, new affiliations or alignment among physicians, hospitals, and/or payors)
- Include a few wild cards that significantly change the game or rewrite the rules
- Assess likelihood that each scenario will occur and the associated risk level
- Identify warning signs that might precede each scenario

## Now What? Acting on the Scenarios

To make scenario planning more than an academic exercise, the findings and conclusions from the steps outlined above must be reflected in the strategic plan's final recommendations. The critical planning issues, goals, and initiatives should be developed and refined with the answers to the following questions in mind.

1. ***What are the core competencies essential to future success?***  
Do those core competencies exist in our organization? Are the existing core competencies nascent, well-developed, or somewhere in between? If the core competencies are not present, how quickly must they be developed and what internal and/or external resources will be needed?
2. ***What are the implications for our organization if a scenario takes place?***  
Will specific strategies need to be emphasized or deemphasized? What new competencies must be acquired or learned and fostered to address gaps or improve positioning? How is our financial position, service mix, physician partnerships, or facility needs likely to change? Will new relationships be needed and/or existing relationships need to change?
3. ***Is our organization ready to respond?***  
If the answer is largely yes, the current level of readiness should be maintained and identified warning signs should be monitored closely. If the answer is no, what actions must be taken to prepare for the scenario or try to minimize its impact? The identified degree of risk associated with the scenario and the likelihood that it will occur should be taken into account before committing resources to one or more of the

required actions.

***What are the highest priorities to be addressed?***

What strategies must be pursued regardless of the scenario(s) that occur? What essential core competencies are under-developed and represent the most significant gaps? Which strategies become priorities if, but only if, a specific scenario occurs?

Choices made during strategic planning set the organization on a path forward that assumes a future set of circumstances and conditions. Conducting scenario planning enables health care organizations to be more attuned to possible weaknesses, threats, and impacts that could occur along the way, and to consider strategies that will carry them through a variety of changes on the horizon so that risks are minimized and adaptability and nimbleness are core elements of the strategic plan.

For more information on scenario planning, contact [Maria Finarelli](mailto:mfinarelli@hss-inc.com) at (703) 255-2889 or [mfinarelli@hss-inc.com](mailto:mfinarelli@hss-inc.com).



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