

Strategic Planning For Long-Term Care Providers

Long-term care providers are often reluctant to get involved in strategic planning because they fear that errors in such plans could lead to the facility's ruin. However, strategic planning experts at the recent annual meeting of the American Association of Homes for the Aging urged long-term care providers to aggressively pursue such plans for their facilities.

To begin establishing a strategic plan, according to John Gamble, principal of Marietta, GA-based Gamble & Associates, providers must establish a vision of where they want their facilities to be and an understanding of where their facilities are now. The organization's leaders must decide collectively to establish a strategic plan, or it will fail, Gamble stressed. Senior executives must provide the leadership and courage to look to the future.

William B. Ciferri, president and chief operating officer, Maple Knoll Management Company, Cincinnati, assured meeting participants that strategic planning is not as complex as it might seem. He explained that, as facility leaders revise the strategic plan each year, the process matures. "The time and money needed to plan decrease," he said.

STRATEGIC PLANNING MODEL

The strategic planning team should have six to eight members, including the facility's senior executives and a representative from the board of trustees. Before writing a strategic plan, team members must gather information on the facility's internal and external environments. The plan, Gamble explained, determines what the facility is going to do in light of the information gathered.

Many strategic planning models are available, noted Ciferri. He advised that planners evaluate the various models to find the best one to guide their facilities. Gamble and Ciferri offered the following model.

External Analysis Facility leaders should first look at who their customers are, where they are, what



Ciferri

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their needs are, and the priority of those needs. Leaders must ask, Should we be serving fewer or more customers? And they must research whether the facility is meeting customers' and potential customers' needs. Ciferri recommended several steps to obtain this information:

- Examine resident records to find out who is buying the facility's services.
- Hold informal focus group dinners with residents to find out why they are buying the services.
- Buy demographic data about the service area inexpensively from market research firms. (Facility-specific research can become costly, however.)

Another aspect of the external analysis is studying the facility's competitors: who they are, where they are located, why team members believe they are competitors, and what they are doing uniquely well. Ciferri recommended asking competitors for information on services they provide and their costs, staff-to-resident ratio, and plans for expansion. In exchange, facility leaders can send them a summary of the competition in the service area.

The final component of the external analysis is to anticipate legislative changes and prepare for them in advance, Gamble said.

Internal Inventory Next, the strategic planning team should look at its own facility. Team members must define what business the facility is in and what skills staff possess that allows it to be in that business. Team members will have varying ideas but must reach a consensus so they are working from the same set of definitions.

The strategic planning team must then evaluate the facility's relative strengths and weaknesses, which are always changing. To get a sense of the facility's relative weaknesses, Gamble suggested that team members ask, If there was one thing we could take from our competition, what would it be? To assess the facility's relative strengths, he said team members need to ask, What would be the thing we could least afford to find missing in our facility?

Opportunities Using the information from the external and internal inventories, strategic planning team members can evaluate the facility's opportunities and threats.

To determine opportunities, Gamble explained, the team should think freely about a situation such as what new services or business



opportunities they would invest in if money were not a constraint. Ciferri added that "the program and vision drive the finances, not the other way around." Sometimes a great opportunity is not even brought to the table, Gamble said, because managers let money problems get in the way.

After this "brainstorming," the strategic plan-

A DECADE OF OPPORTUNITY FOR LONG-TERM CARE PROVIDERS

In the 1990s long-term care providers will serve a population significantly different from the population they served in the past. They will also face changes in reimbursement patterns and in methods of integrating and delivering services. "The successful providers will be those that recognize these trends and proactively plan for their futures," James F. Standish, Jr., principal, Third Age Inc., Exton, PA, told long-term care providers at the recent meeting of the American Association of Homes for the Aging.

Long-term care providers face the difficult decision of whether to maintain the status quo or to venture into new markets and develop new services, Standish said. Social, fiscal, and industry trends are only a few of the many forces that will affect the long-term care industry into the next century, he explained.

SOCIAL TRENDS

The makeup of the elderly population will be profoundly different in the decade ahead than it was in the 1970s and 1980s, Standish said. He quoted statistics predicting that by the year 2000, 13 percent of the U.S. population will be age 65 or older. "However, I think what is more important is what's happening *within* that elderly population," Standish said.

Because the elderly population is growing so rapidly, it is becoming diverse and should not simply be lumped into one group, asserted Standish. He emphasized that tomorrow's elderly will have little in common with yesterday's elderly: They will have traveled farther, read more, seen more world changes, experienced more sexual and life-style experimentation, and

lived longer than any earlier generation.

Some of the changes among the elderly include more racial and ethnic diversity—more blacks, Hispanics, and Asians. More women will have their own pensions and will be better off economically. The four-generation family will become more prominent. Life expectancy will increase, and along with longer life will come more chronic and limiting illness. However, "we will see innovations in services to meet the challenges of these demographic profiles," asserted Standish.

FISCAL TRENDS

Federal and state governments continue to cut reimbursement, forcing providers to limit the services they offer.

This continual balancing of quality of care with limited financial resources makes the long-term care provider's task more difficult, noted Standish.

A major fiscal trend, Standish told participants, is an increase in long-term care insurance. Four years ago only 16 carriers offered long-term care insurance. Today, about 100 carriers offer it, insuring about 2 million people. Standish also believes managed care will increase in the long-term care delivery system.

Lack of capital is another important fiscal issue for long-term care providers, Standish explained, often forcing them to delay or even abandon projects. Lenders are selective in their evaluation of long-term care projects, looking for sponsors that have good financial track records and monetary reserves, he said.



Standish

INDUSTRY TRENDS

Two growing trends in long-term care are horizontal and vertical integration, noted Standish. Horizontal integration, when life service providers join together to offer common services in more than one location, allows economies of scale and diversification of services. Vertical integration occurs when providers link facility-based programs with services such as home care and community-based services for long-term care. The diversification that both types of integration provide has become a way for long-term care providers to attract and retain the local market, Standish explained.

"Another important trend is increased competition as both traditional and non-traditional providers develop their respective strategic plans and provide new or expanded services," noted Standish. Nontraditional providers entering the long-term care field include acute care hospitals, which are trying to provide the full continuum of services: independent living, personal or assisted care, nursing care, adult day care, home healthcare, and a variety of nonmedical support services for the elderly. Acute care facilities are also developing specialty services such as Alzheimer's units, respiratory care units, and restorative therapeutic services, Standish said.

The principal diversification strategies of long-term care facilities have been in the areas of retirement housing, assisted living, and more intensive services such as units for patients who have Alzheimer's disease, are comatose, or are on respirators. "The trends clearly indicate a continuance of both horizontal and vertical integration within our industry," concluded Standish.

ning team should look at their opportunities in terms of services, location, and the price they offer customers; examine the competitors' vulnerabilities and gaps in service; and review possible legislation.

Threats In determining the facility's vulnerabilities, Gamble suggested that the team consider where the threats come from, what the threats are, and, if the vulnerabilities can be corrected, how to do so. He recommended imagining a magazine cover with the headline, "Your Facility Closes," and then discussing what caused the imaginary closing.

STRATEGIC PLANNING PROCESS

Once the team has completed these analyses and gathered the necessary information, it can begin to create the strategic plan. Because the economic environment is always changing, Gamble encouraged long-term care providers to plan only three years in advance and to be prepared to constantly revise their assumptions.

The strategic planning process should take about 60 days. Gamble recommended that the team meet one day every two weeks during the first 30 days of the planning process and two days every two weeks for the next 30 days. He emphasized that team members must make time for planning even if they feel they have no time to spare. The team should adhere to a date to finalize the plan. Otherwise, they will never get out of the planning phase, Gamble noted. He also advised that the team meet off-site.

Ciferri suggested some general considerations for strategic planning:

- Do not get bogged down; keep the process moving.
- Start slow and keep it simple.
- Stick to the time frames the team has established.

At the first meeting the strategic planning team should create the facility's vision statement and give each team member an assignment such as completing part of the external analysis, said Gamble. Ciferri emphasized that the vision statement should be short and keyed to the organization's mission. "The mission establishes the field you're playing on," Ciferri explained.

At the second meeting members report on the information they have gathered. By the third session, the team should be able to identify the organization's threats and opportunities and understand how the facility can get from where it is currently to where the group envisions it, Gamble said.

At the fourth session the team should begin writing the facility's strategic plan. "It is amazing



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how much clearer you will be if you have to write down your intentions," Gamble asserted. He noted that the value of the plan cannot be measured by its thickness—the more clear and concise, the more valuable.

Gamble encouraged teams having communications problems to hire facilitators the first time they do strategic planning. A facilitator can help the team improve its communication process so that it does not need a facilitator the next year, added Ciferri.

MARKETING PLANNING PROCESS

Five years ago a weakness for many long-term care facilities was that they had no marketing strategies, Ciferri noted. Today, a sound marketing plan is vital for a long-term care facility to stay afloat, he asserted. Mary P. McMullin, corporate director of public relations, the Presbyterian Homes of New Jersey, Highstown, described how to establish a marketing plan and how it fits into the facility's strategic plan.

The marketing director is responsible for writing the plan; however, the facility's senior executives and board of directors must approve it before it can be implemented, McMullin explained. The plan is used not only to analyze the facility's market, but also to study its competition and industry trends, she asserted. According to McMullin, the marketing plan ultimately justifies marketing expenses as well.

McMullin explained that it is crucial that the marketing plan be done in conjunction with budget planning. "You cannot do a budget without knowing what that action plan or strategy is." Many marketing models are available; McMullin offered the following.

Describe the Product The marketing director should first do an inventory to determine the types of units and services that are and are not selling, McMullin said. She suggested charting this each month. The marketing manager should then study the occupancy rates for the past three years, trying to determine if occupancy is cyclical and whether it is affected by the economy. McMullin also suggested looking at projected vacancies and current and projected waiting lists for each type of unit or service.

Define the Market Area Most facilities target persons within a 20-mile radius; however, this is often not the true market, McMullin said. She urged participants to track ZIP codes of both residents and inquiries. Through ZIP code tracking, the facility leaders may learn that the facility has a market in an area they did not consider before.

McMullin advised participants to establish good relationships with their competitors. She

explained that it is crucial to be familiar with competitors' current and proposed projects.

Know Inquiry Sources To use the facility's monetary resources for inquiries appropriately, the marketing director must investigate where inquiries are coming from, McMullin said. She explained that the best inquiry sources include referrals, local newspapers, regional magazines, and religious publications. She urged long-term care providers to learn what the community's level of knowledge and understanding of the facility is. Facility leaders should consider strategies to raise the community's awareness about the facility to enhance its market.

Know Traffic and Sales Patterns McMullin encouraged facility marketing managers to track the number of inquiries that come in weekly; the number of tours through the facility; and the number of phone, mail, and drop-in contacts. After several years, the marketing manager will be able to determine any trends in where inquiries originate.

Set Preliminary Goals and Objectives After gathering these data, the marketing manager should set preliminary goals and objectives so he or she can complete the marketing plan, noted McMullin.

Formulate an Action Plan On the basis of the information gathered, the marketing manager will be ready to plan advertising and telemarketing if appropriate, McMullin said. She suggested that the facility publish a calendar of events and direct marketing pieces to be distributed regularly throughout the service area. The facility's mission statement should be clear in every media piece. "It's what sets you apart from your competition," McMullin asserted.

Continue Public Relations Efforts A facility can get a large return on investment through public relations efforts, which are usually inexpensive, McMullin said. She encouraged facility marketing managers to issue press releases when the facility has a ground breaking for a new addition or is reaccredited. McMullin noted that sometimes six months after the press release is issued, the press may decide to use it. "Press releases really are invaluable to getting your name out there," she said. McMullin advised marketing managers to maintain a good relationship with local newspapers and radio and television stations and work to become the long-term care resource person to the local media.

Leaders from religious-sponsored facilities should give presentations at church-sponsored meetings. Often these groups are receptive to learning about the facility, McMullin said.

A facility representative should work with any trust officer or attorney who is helping a client



"Make sure your whole marketing plan is tied to your mission," said McMullin.

decide on a long-term care facility, McMullin suggested. The trust officer or attorney may refer other clients to the facility if the marketing or salesperson has been helpful in providing information about the facility's services.

McMullin suggested doing resident and employee satisfaction surveys. "I never leave employees out of the marketing process," she explained. "The way they talk about their jobs and their employer throughout the community can enhance the market share incredibly if they understand the product and feel they are doing good work and that their needs are being met."

Determine Staffing and Budget After gathering the marketing information, the marketing manager should determine the number of staff members and the amount of monetary resources that will be needed to reach the stated goals, explained McMullin.

MARKETING PLAN

Because the economic and competitive environments change quickly, the marketing plan should be simple and straightforward so it can be easily adapted, McMullin said. A sample format is shown in the **Box**.

McMullin urged participants to continually review the marketing plan. It is a tool to let the marketing manager know if the strategy needs to be refocused. The best thing to do, McMullin said, is to "put yourself in your residents' shoes. Make sure you're delivering what you say you're delivering. Make sure your sales and marketing staff know what you're delivering and that they are projecting it appropriately. And make sure your whole marketing plan is tied to your mission and organizational goals." —Michelle Hey

FORMAT FOR A MARKETING PLAN

INTRODUCTION

- Mission
- Market area
- Product
- Customer profile
- Sources

MARKET SUMMARY

- Location of prospective residents
- Future customer profile
- Local economy and real estate market
- Competition

MARKETING AND SALES OBJECTIVES

- Short-term goals
- Long-term goals
- Assumptions
- Desired customer profile

ANNUAL PLAN TIED TO BUDGET

- By calendar
- By task

EVALUATION SCHEDULE

- Monthly
- Quarterly