Vision Lead Organizations

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President & CEO
Marquis Companies & Consonus Healthcare

Overview

- Strategic Planning – General Discussion
- Strategic Planning – Process Overview
- Strategic Planning - Actual
Strategic Planning – General Discussion

Whirlwind VS. Strategic

**Whirlwind**: The Whirlwind is your Day Job. It’s the massive amount of energy that’s necessary just to keep your operation going on a day-to-day basis; and, ironically, it’s also the thing that makes it so hard to execute anything new. – *The 4 Disciplines of Execution*

**Strategic**: How you differentiate and position your business in relation to the competition. How you win the war.

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**Question**

Do you currently have annual strategic planning meetings?
Strategic Planning – General Discussion

**Value Creation**

\[
\text{Value} = \frac{\text{EBITDAR}}{\text{cap rate}}
\]

Question:

Do you know the value of your facility?

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDAR</td>
<td>$500,000</td>
<td>$600,000</td>
<td>$400,000</td>
<td>$700,000</td>
</tr>
<tr>
<td>CAP RATE</td>
<td>.125</td>
<td>.125</td>
<td>.125</td>
<td>.125</td>
</tr>
<tr>
<td>VALUE</td>
<td>$4,000,000</td>
<td>$4,800,000</td>
<td>$3,200,000</td>
<td>$5,600,000</td>
</tr>
</tbody>
</table>
Strategic Planning – Process Overview

Step 1: Identify Driving Forces
- Economic, political, and social drivers influencing the environment.
- Can be threats, opportunities, or both.

Step 2: Scenario Planning

Step 3: Competitive Analysis

Step 4: Internal Strengths & Weaknesses

Step 5: Sort & Prioritize Driving Forces, Threats, Strengths, & Weaknesses

Step 6: Identify Opportunities

Step 7: Plan Development & Execution

Strategic Planning – Process

Step 1: Identify Driving Forces

Driving Forces: Economic, political and social drivers influencing the environment. Driving Forces can be threats, opportunities, or both.

National/Global
- PAC & LTC Ecosystem
Strategic Planning – Process

Step 1
Identify Driving Forces

PERSISTENT VS EMERGING

National/Global PAC & LTC Ecosystem

National/Global PAC & LTC Ecosystem

Strategic Planning – Process

Step 2
Scenario Planning

What are the **two** most important driving forces/threats?

- Certain/probable?
- Impactful?
Strategic Planning – Process

Step 2: Scenario Planning

- OPTIMAL
- OPTIMAL/LIMITED
- DRIVING FORCE #1
- DRIVING FORCE #2
- MOST LIKELY FUTURE
- LIMIT/DOMESTIC
- LIMITED/OPTIMAL
- LIMITED/LIMITED
- OPTIMAL

Step 3: Competitive Analysis

Who are your competitors?
Question

How many competitors do you have in your market?

Strategic Planning - Process

Step 3

Competitive Analysis

Current Situation

Competitive Analysis & Market Share Trends
Question

Do you know your market share?

Strategic Planning - Process

Step 3

Competitive Analysis

Areas to Assess Competition:
- Physical Environment
- Capitalization
- Owned vs Leased
- Operational Execution
- Quality Results
- Leadership Team
- PAC Episodic Care Capabilities
- Marketing/Sales
- Current Financial Results
Strategic Planning - Process

Step 4: Internal Strengths & Weaknesses

**INTERNAL ENVIRONMENT**

**STRENGTHS**

- within our control
  - Physical Environment
  - Capitalization
  - Owned vs Leased
  - Operational Execution
  - Quality Results
  - Leadership Team
  - PAC Episodic Care Capabilities
  - Marketing/Sales
  - Current Financial Results

**WEAKNESSES**

- within our control

Areas to Assess Self:

- Physical Environment
- Capitalization
- Owned vs Leased
- Operational Execution
- Quality Results
- Leadership Team
- PAC Episodic Care Capabilities
- Marketing/Sales
- Current Financial Results

Strategic Planning - Process

Step 5: Sort & Prioritize Driving Forces, Threats, Strengths & Weaknesses

- Emerging vs. Persistent
- Level of threat/Impact on organization
  - 3 = minimal to no impact
  - 2 = impactful
  - 1 = sink ship
- Level of Certainty
  - Certain
  - Probable
  - Uncertain
### Strategic Planning - Process

#### Step 5

**Sort & Prioritize Threats, Strengths & Weaknesses**

<table>
<thead>
<tr>
<th></th>
<th>National/Global Emerging Forces</th>
<th>LTC/PAC Ecosystems Emerging Forces</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Threat (3)</td>
<td>• Certain • Probable • Uncertain</td>
<td>• Certain • Probable • Uncertain</td>
</tr>
<tr>
<td>Impactful (2)</td>
<td>• Certain • Probable • Uncertain</td>
<td>• Certain • Probable • Uncertain</td>
</tr>
<tr>
<td>Sink Ship (1)</td>
<td>• Certain • Probable • Uncertain</td>
<td>• Certain • Probable • Uncertain</td>
</tr>
</tbody>
</table>
Strategic Planning – Process

Step 6: Identify Opportunities

1. What are our current competitive advantages?
2. What are our current competitive disadvantages?
3. What is our position in the marketplace?
4. How will we fail/win in the future?
5. What do we need to be doing in the next 5 years?
6. Do we have the capabilities to win?

Strategic Planning - Process

Step 7: Plan Development & Execution

- **Goals**: Broad statements for what the organization wants to achieve
- **Objectives**: Measurable & quantifiable
- **Strategies**: Short-term initiatives that help meet objectives
- **Tactics**: Action items & work plans
Strategic Planning - Process

Step 7 Plan Development & Execution

- Plan Management Tool-Automated
- Routine Follow Up
- CQI

Strategic Planning – Actual

Step 1 Identify Driving Forces

<table>
<thead>
<tr>
<th>National/Global</th>
<th>Persistent</th>
<th>Emerging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workforce – looming shortages</td>
<td>• Technology expanding impact in health management.</td>
<td></td>
</tr>
<tr>
<td>Economy – weak recovery (impact on State &amp; Federal budgets)</td>
<td>• Boomer Consumer attitudes on aging</td>
<td></td>
</tr>
<tr>
<td>Political Landscape</td>
<td>• ACA – transfer of risk to Managed Care</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• ACA – Triple Aim</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Cost</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Outcomes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Customer Experience</td>
<td></td>
</tr>
</tbody>
</table>
Strategic Planning – Actual

Step 1: Identify Driving Forces

LTC Ecosystem

Persistent
- Aging physical plants
- Organized labor expansion
- Physician Services in SNF environment
- Access to quality
- Medicaid Division to CBC
- Growth in HCBC
- Risk management – professional liability
- Medicaid/Medi-Cal Payment systems at risk due to State budget pressures

Emerging
- Health system & payer provider consolidation
- Technology solutions & need to deploy to stay connected to healthcare community (EMR, E-MAR, etc.)
- ACA – readmission penalties
- Impact – SNF readmission penalties
- ACA – payment reform
- ACA – PAC recovery & care coordination
- Outcomes Accountability
- Disease/Impairment management
- Physician Services
- HHC
- Transitions Mgmt
- New competitive PAC product
- ACA – risk transfer to managed care
- Dual Eligible Plans
- M.A.’s
- I-SNP’s
- ACA – Emergence of conveners & PAC coordinators
Strategic Planning – Actual

Step 2 Scenario Planning

What are the **two** most important driving forces/threats?

1. Revenue models & funding that enable providers to meet Federal/State mandates & market demands. = “Sustainable Revenue Models”

2. Develop PAC Coordinated Care & Recovery capabilities & our ability to differentiate with health systems & payers. = “Capabilities Convert to Market Share”

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### OPTIMAL

- Medi-Cal payment system enables N.F. providers to meet/exceed State & Federal mandates.
- Medicare payment reform enables providers to reduce total spend for the government, meet mandates, & cover expense & margin expectations.
- Can continue to invest in capabilities & improving consumer experience.
- Can be innovative with transformation.
- Develop preferred partnerships with health systems & payers that compensate for average LOS reduction.

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### LIMITED

- Medi-Cal payment system makes meeting/exceeding State & Federal mandates extremely challenging.
- Medicare payment reform does not enable providers to reduce total spend for the government, meet mandates, & cover expense & margin expectations.
- Cannot continue to invest in capabilities & improving consumer experience.
- Cannot be innovative with transformation.
- SNF providers become the lowest cost PAC solution & consumer PAC market share.

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### MOST LIKELY FUTURE

- Medi-Cal payment system makes meeting/exceeding State & Federal mandates extremely challenging.
- Medicare payment reform does not enable providers to reduce total spend for the government, meet mandates, & cover expense & margin expectations.
- Can continue to invest in capabilities & improving consumer experience.
- Can be innovative with transformation.
- Develop preferred partnerships with health systems & payers that compensate for average LOS reduction.

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### LIMITED

- Medi-Cal payment system makes meeting/exceeding State & Federal mandates extremely challenging.
- Medicare payment reform does not enable providers to reduce total spend for the government, meet mandates, & cover expense & margin expectations.
- Cannot continue to invest in capabilities & improving consumer experience.
- Cannot be innovative with transformation.
- Cannot develop preferred partnerships with health systems & payers that compensate for average LOS reduction.

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Managed care consumes PAC savings
Question

What do you think the most likely scenario is?

Strategic Planning – Actual

Step 3

Competitive Analysis

<table>
<thead>
<tr>
<th>Facility</th>
<th>Facility 2</th>
<th>Facility 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Census</td>
<td>80</td>
<td>50</td>
</tr>
<tr>
<td>Actual PAC Census</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td>PAC Mkt. Share %</td>
<td>50%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Competitive Elements

<table>
<thead>
<tr>
<th></th>
<th>Facility 1</th>
<th>Facility 2</th>
<th>Facility 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical Environment</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Location to Hospital</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Quality Results</td>
<td>3</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>PAC Episodic Care Capabilities</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

Financial Position

<table>
<thead>
<tr>
<th></th>
<th>Facility 1</th>
<th>Facility 2</th>
<th>Facility 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalization</td>
<td>Strong</td>
<td>Weak</td>
<td>Weak</td>
</tr>
<tr>
<td>Owned vs. Leased</td>
<td>Owned</td>
<td>Lease</td>
<td>Lease</td>
</tr>
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Leadership

<table>
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<th>Facility 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership Team</td>
<td>Very Good</td>
<td>Average</td>
<td>Weak</td>
</tr>
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</table>
Strategic Planning – Actual

### Step 4
**Internal Strengths & Weaknesses**

<table>
<thead>
<tr>
<th>Competitive Elements</th>
<th>Facility 1</th>
<th>Facility 2</th>
<th>Facility 3</th>
<th>Your Facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Census</td>
<td>80</td>
<td>50</td>
<td>100</td>
<td>70</td>
</tr>
<tr>
<td>Actual PAC Census</td>
<td>50</td>
<td>25</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>PAC Mkt. Share %</td>
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<td>10%</td>
<td>15%</td>
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<th>Financial Position</th>
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<th>Weak</th>
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<th>Strong</th>
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</thead>
<tbody>
<tr>
<td>Owned vs. Leased</td>
<td></td>
<td>Owned</td>
<td>Lease</td>
<td>Lease</td>
<td>Owned</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>Leadership Team</th>
<th></th>
<th>Very Good</th>
<th>Average</th>
<th>Weak</th>
<th>Very Good</th>
</tr>
</thead>
</table>

**Strategic Planning – Actual**

### Step 5
**Sort & Prioritize**
 **Driving Forces Threats, Strengths & Weaknesses**

<table>
<thead>
<tr>
<th>National/Global Emerging Trends</th>
<th>LTC/PAC Ecosystems Emerging Forces</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Threat (5)</td>
<td></td>
</tr>
<tr>
<td>• Technology – pace of adoption of technology by health systems and consumers.</td>
<td></td>
</tr>
<tr>
<td>• Technology – social networking</td>
<td></td>
</tr>
<tr>
<td>• Technology – mobile devices that facilitate healthy aging and living.</td>
<td></td>
</tr>
<tr>
<td>• National policy on right to die</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Impactful (5)</td>
<td></td>
</tr>
<tr>
<td>• Senior Consumer – attitudes on aging, aging preferences, and focus on healthy wellness</td>
<td></td>
</tr>
<tr>
<td>• ACA – transfer of risk to managed care population management resulting in consumer migration to managed care</td>
<td></td>
</tr>
<tr>
<td>• ACA – Triple Aim Goal results in focus on reduction of cost per member per month, accountability for cost/value of outcomes, and consumer satisfaction with experience</td>
<td></td>
</tr>
<tr>
<td>• Technology – Medical solutions care Alzheimer’s</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>• ACA – needs to avoid hospital readmissions to reduce cost.</td>
<td></td>
</tr>
<tr>
<td>• ACA – needs to reduce LOS in per diem payment model or episodic payment model.</td>
<td></td>
</tr>
<tr>
<td>• ACA – needs to demonstrate outcomes and value of outcomes obtained.</td>
<td></td>
</tr>
<tr>
<td>• ACA – needs to manage population in long term living environments with multiple chronic diseases reduce avoidable hospital readmissions, maintain highest functional and quality of life.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Sink Ship (5)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Health systems – begin consolidating partners to a limited group of providers able to achieve triple aim goals.</td>
</tr>
</tbody>
</table>

CensususHealth.com
Strategic Planning – Actual

Step 5
Driving Forces Threats, Strengths & Weaknesses

<table>
<thead>
<tr>
<th>National/Global Persistent Forces</th>
<th>US/PAC Ecosystem Persistent Forces</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No Threat</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Uncertain</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Impertual</strong></td>
<td></td>
</tr>
<tr>
<td>• Workforce - Learning shortages in many key professions (teaching, existing doctors, and inadequate response from the education and training communities)</td>
<td></td>
</tr>
<tr>
<td>• The economy continues to be weak with continued high rates of joblessness (improving), deficit spending, low interest rates, and federal and state budget pressures.</td>
<td></td>
</tr>
<tr>
<td>• The political landscape and our ability to influence government policy &amp; funding.</td>
<td></td>
</tr>
<tr>
<td><strong>Sink Ship</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Certain</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Probable</strong></td>
<td></td>
</tr>
</tbody>
</table>

Strategic Planning – Actual

Step 6
Identify Opportunities

1. What are our current competitive advantages?
   • Great quality results & 5 Star Rating
   • Well capitalized
   • Own our own real estate and are not over leveraged
   • 2nd best location in market place
   • Strong leadership team
Strategic Planning – Actual

Step 6
Identify Opportunities

2. What are our current competitive disadvantages?
   - Poor physical environment
   - Have not developed episodic care & recovery capabilities
   - No preferred relationships with hospital health systems or PMG’s

3. What is our current position in the marketplace?
   - 3rd most PAC market share
   - #3 facility in marketplace (generally)
Strategic Planning – Actual

Step 6  Identify Opportunities

4. How will we fail/win in the future?

<table>
<thead>
<tr>
<th>FAIL</th>
<th>WIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do not remodel existing physical plant to meet boomer consumer expectation</td>
<td>Remodel existing physical plant to meet boomer consumer expectation</td>
</tr>
<tr>
<td>Do not invest in episodic care &amp; recovery capabilities</td>
<td>Invest in episodic care &amp; recovery capabilities</td>
</tr>
<tr>
<td>Do not build relationship with hospital health systems and payers</td>
<td>Build relationships with hospital health systems and payers</td>
</tr>
</tbody>
</table>

Question

What other ways could you fail?
5. What do we need to be doing in the next 5 years?

- Transform physical environment
- Develop episodic care & recovery capabilities
- Develop hospital health system & payer relationships

6. Do we have the capabilities to win?
- Financial Capital
- Intellectual Capital
- Leadership
- Will & Energy
Strategic Planning – Actual

Step 6  Identify Opportunities

7. Can the Objective Necessary to Attain ROI be Reasonably Achieved?

GOALS

1. Develop a model of PAC episodic services & capabilities that will differentiate your facility/company and enable the capture/growth of market share from referring hospital health systems & managed care payers.

2. Develop a customer experience that will differentiate your facility/company from competitors and be highly valued by your consumer and/or their family.
Strategic Planning – Actual

Plan Execution

OBJECTIVES

Goal: Develop a model of PAC episodic services & capabilities that will differentiate your facility/company and enable the capture/growth of market share from referring hospital health systems & managed care payers.

Objective: Increase PAC admissions from ___ to ___ for FY ‘15.

STRATEGIES

Goal: Develop a model of PAC episodic services & capabilities that will differentiate your facility/company and enable the capture/growth of market share from referring hospital health systems & managed care payers.

Objective: Increase PAC admissions from ___ to ___ for FY ‘15.

Strategy #1: Develop the capability to acquire functional outcomes by payer, hospital, diagnosis, physician, etc.

Strategy #2: Develop comprehensive disease/impairment management protocols that are embedded into EMR & supported by clinical competencies.

Strategy #3: Develop physician & physician extender relationships that support

Strategy #4: Develop the capability to acquire benchmark & trend readmission data (as defined by CMS) by hospital, payer, physician, diagnosis, etc.

Strategy #5: Develop the capability to manage transitions from hospital-to-SNF-to-community

Strategy #6: Develop the capability to support and manage the discharged patient back into community (HHC).
Strategic Planning – Actual

Step 7

Plan Execution

OBJECTIVES

Goal: Develop a customer experience that will differentiate your facility/company from competitors and be highly valued by your consumer and/or their family.

Objective: Increase customer satisfaction scores from ___ to ___ by 12/2015

STRATEGIES

Goal: Develop a customer experience that will differentiate your facility/company from competitors and be highly valued by your consumer and/or their family.

Objective: Increase customer satisfaction scores from ___ to ___ by 12/2015

Strategy #1: Develop physical environment that will be valued by consumer & support recovery.
Strategy #2: Develop transportation service solution.
Strategy #3: Enhance admission experience.
Strategy #4: Develop & implement hospitality service model.
Strategic Planning – Actual

Step 7 Plan Execution

Strategic Planning – Cycle

Planning Cycle

Plan Annually

Variances
1. Strategies
2. Structure
3. Staff

Affect Strategies & Tactics
Ongoing

Measure Results
(Objectives)
Monthly Measure, Quarterly Meetings