

Innovating for Sustainability – Best Practices for Finding & Launching New Service Lines

The Coalition for Behavioral Health Business Recovery Initiative



Presented by Joe Naughton-Travers, Senior Associate, *OPEN MINDS*

Wednesday, August 26th, 2020

Agenda

- I. Organizational Strategy & Product Portfolio Management
 - A. Service Line Planning In The Context Of Organizational Strategy
 - B. Service Line Analysis & Portfolio Management

- II. Creating a List & Prioritizing Ideas For Diversification
 - A. Developing a Market-Focused List of Ideas
 - B. A Structured Process For Prioritizing Service Line Diversification & Expansion Opportunities

- III. From Concept To Reality: Best Practice Service Line Development
 - A. Conducting A Feasibility Analysis
 - B. Final Service Line Development & Launch

- IV. Key Takeaways & Essential Tasks



I. Organizational Strategy & Product Portfolio Management



I.A. Service Line Planning In The Context Of Organizational Strategy

Decisions About Service Line Diversification Typically Made In Strategic Planning Process



Service Line & Portfolio Analysis Answers The Question: “Do You Have The Services You Need For Future Sustainability?”

Aids in deciding which services to:

- Phase out or eliminate
- Make investments in
- Optimize and improve
- Uses visual models to analyze service lines

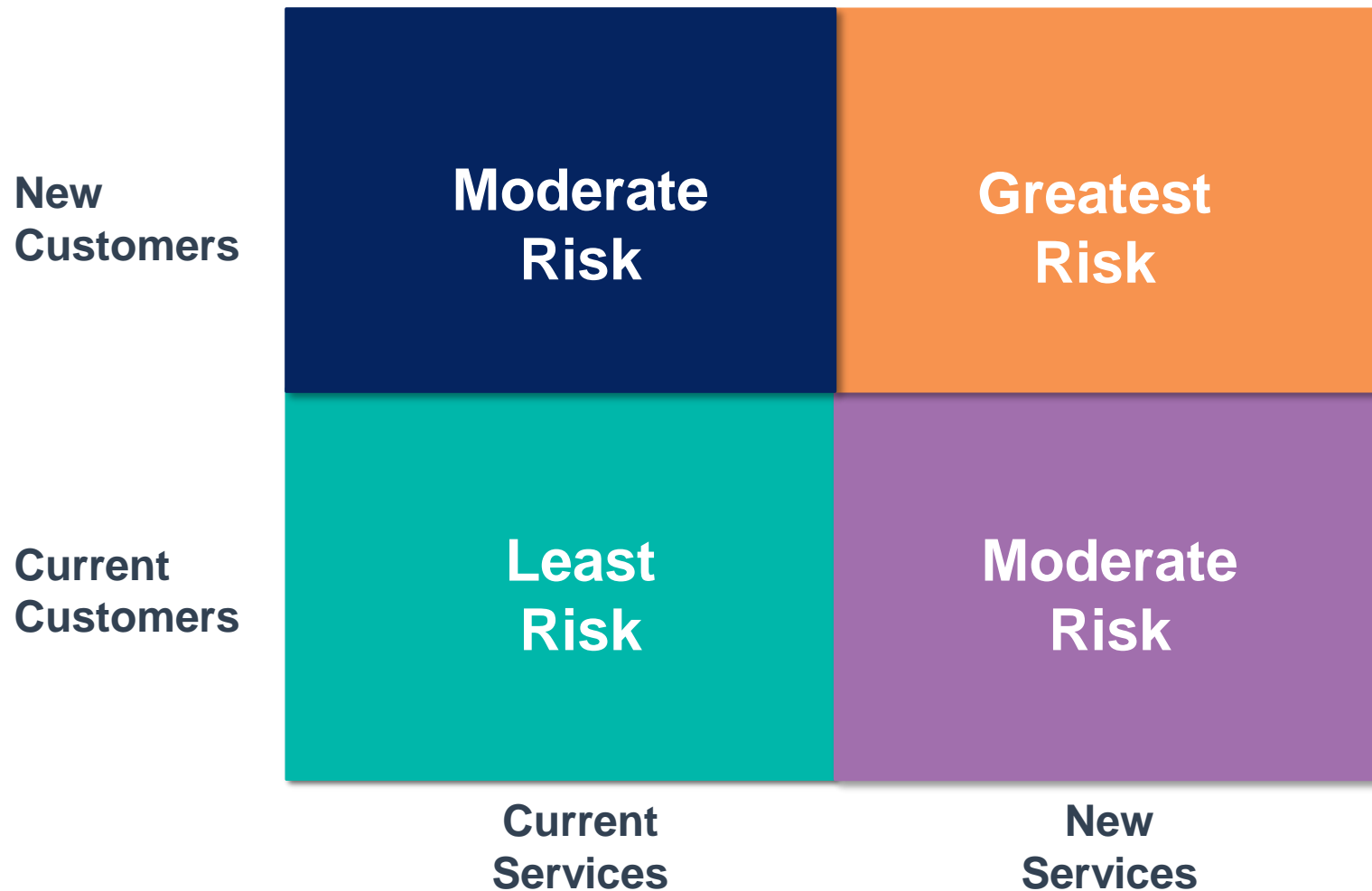
Used to describe and analyze mix of services

A strategic tool for resource allocation decision-making (money and people!)

- We wouldn't need to be “strategic” about our planning if we had unlimited resources — we could just plan

Goal is optimal use of resources to achieve strategic objectives

Revenue Diversification & Risk





I.B. Service Line Analysis & Portfolio Management

Service Line & Portfolio Analysis

- Used to describe and analyze mix of services
- A strategic tool for resource allocation decision making (money and people!)
 - We wouldn't need to be “strategic” about our planning if we had unlimited resources — we could just plan
 - Goal is optimal use of resources to achieve strategic objectives
- Aids in deciding which services to:
 - Phase out or eliminate
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What Is Portfolio Management?

Assessing products or services at all stages of the product lifecycle – from concept to retirement – and deciding which to keep, which to grow and which to retire



- Value maximization - optimize ROI on investments
- Balance - high vs. low risk; multiple markets
- Business strategy alignment - alignment of service line investment with long-term organizational strategy
- Pipeline balance - balance between resources needed and resources available
- Sufficiency of current and future revenue

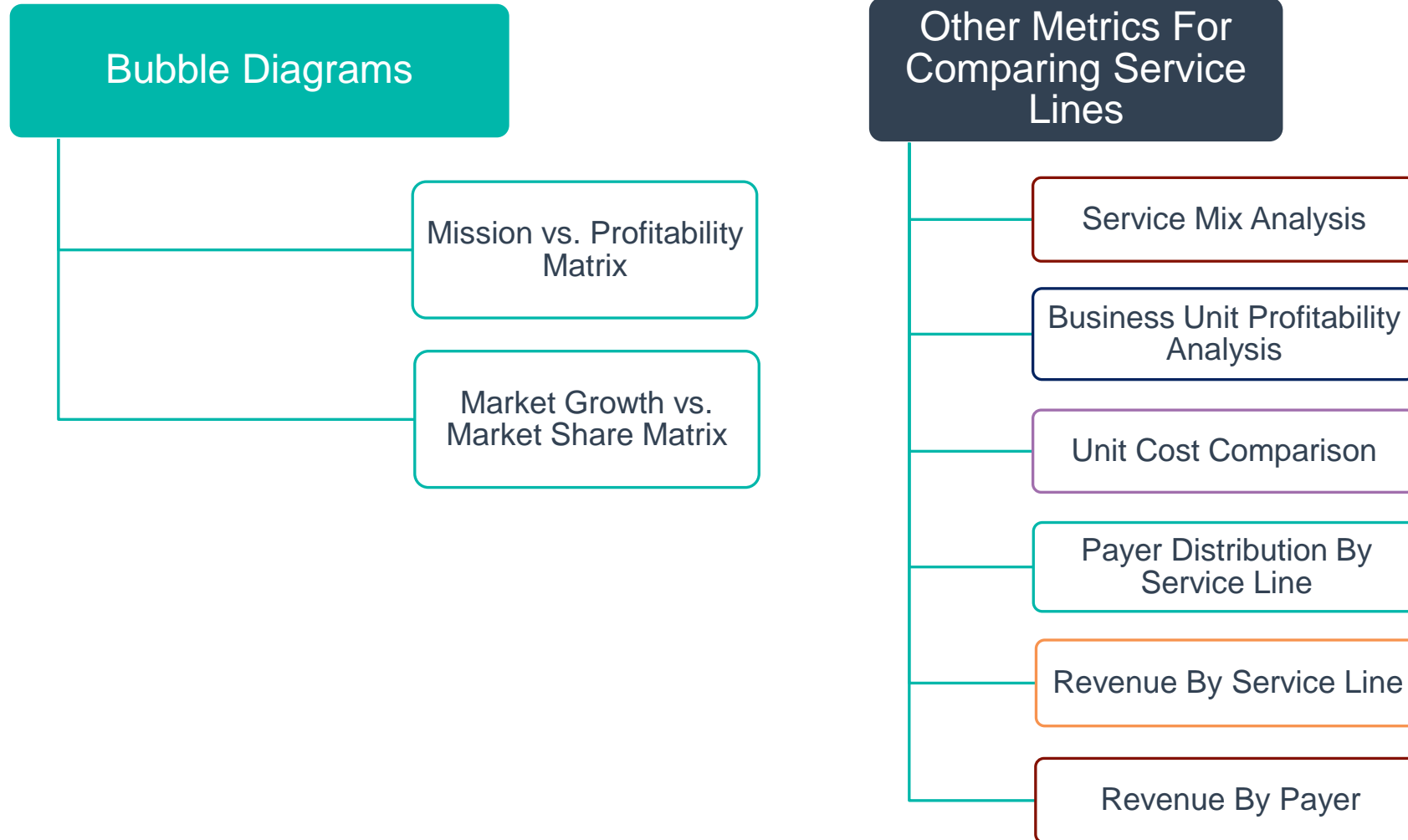
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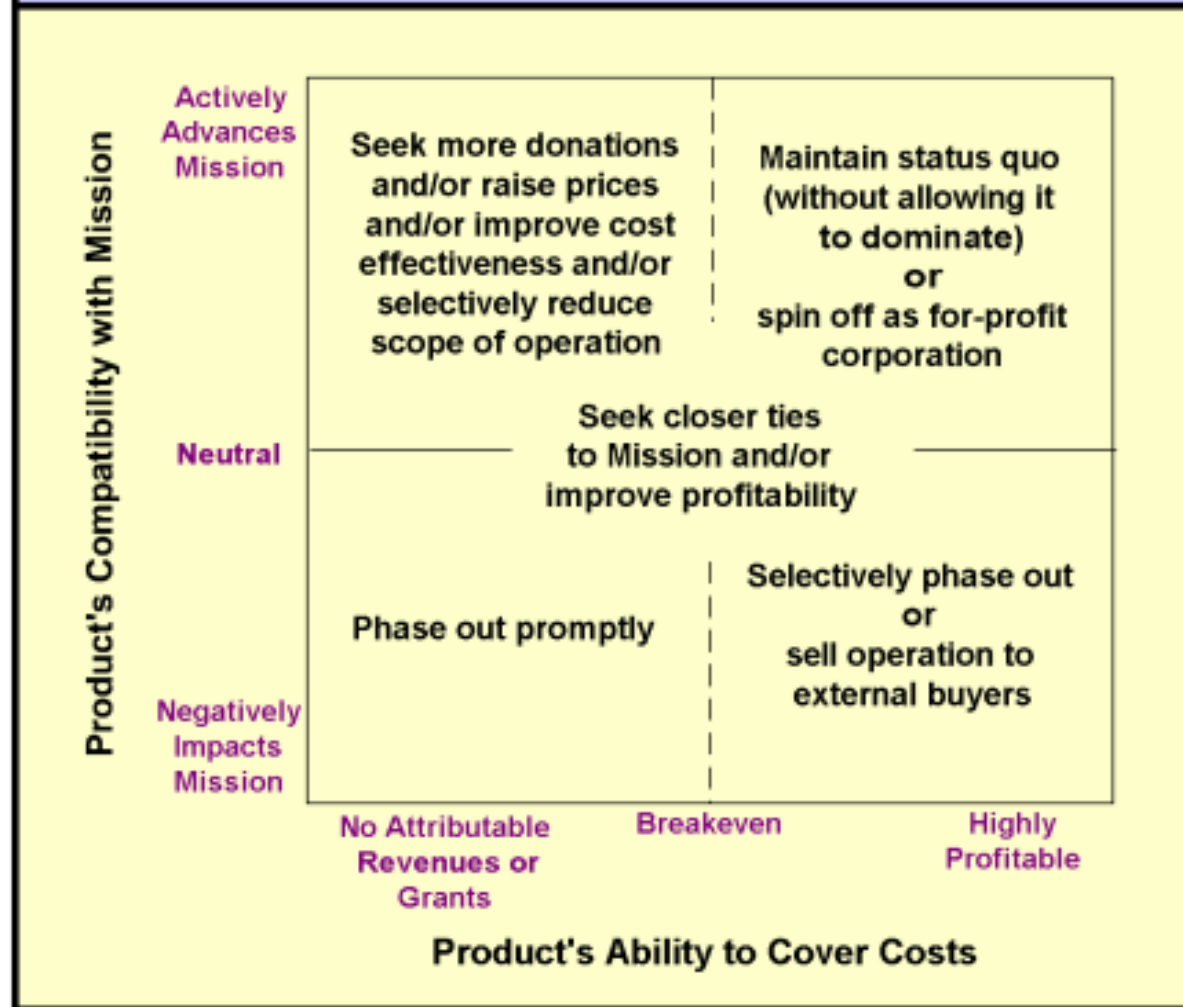


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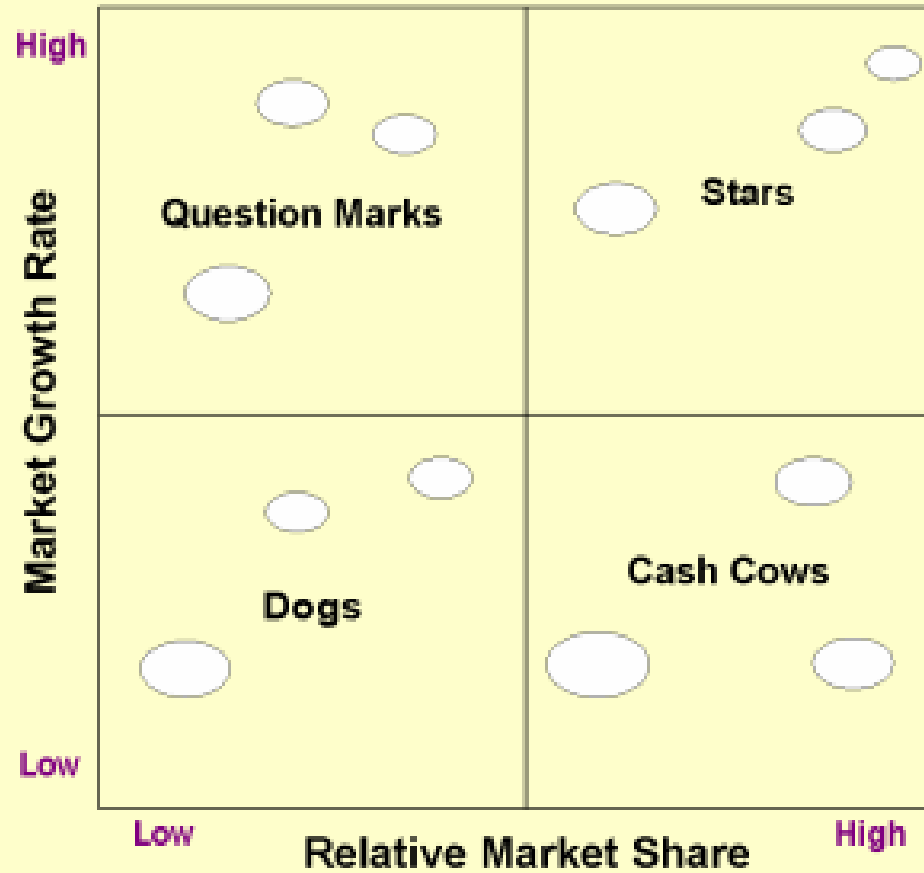
Commonly Used Portfolio Analysis Tools



Mission vs. Profitability Matrix



Market Growth vs. Market Share Matrix



Service Mix Analysis

% Of Revenues By Service Line & Business Location

	Service #1	Service #2	Service #3	Service #4	Service #5	Service #6	Service #7
Location #1	10%	20%	10%	5%	5%	40%	10%
Location #2	0%	0%	15%	10%	20%	50%	5%
Location #3	0%	0%	0%	20%	40%	40%	0%
Location #4	10%	0%	0%	5%	20%	55%	10%
Overall	10%	5%	10%	10%	5%	50%	10%

Business Unit Profitability Comparison

Profitability By Service Line & Business Location

	Service #1	Service #2	Service #3	Service #4	Service #5	Service #6	Service #7
Location #1	\$10,000	(\$10,000)	\$5,000	\$15,000	\$10,000	\$15,000	\$17,000
Location #2	\$15,000	(\$25,000)	(\$25,000)	(\$5,000)	(\$25,000)	(\$5,000)	(\$45,000)
Location #3	\$17,000	(\$35,000)	\$10,000	\$10,000	\$15,000	\$10,000	\$10,000
Location #4	\$20,000	(\$20,000)	\$10,000	\$10,000	(\$5,000)	\$15,000	\$10,000
Overall	\$52,000	(\$90,000)	\$0	\$30,000	\$10,000	\$35,000	(\$8,000)

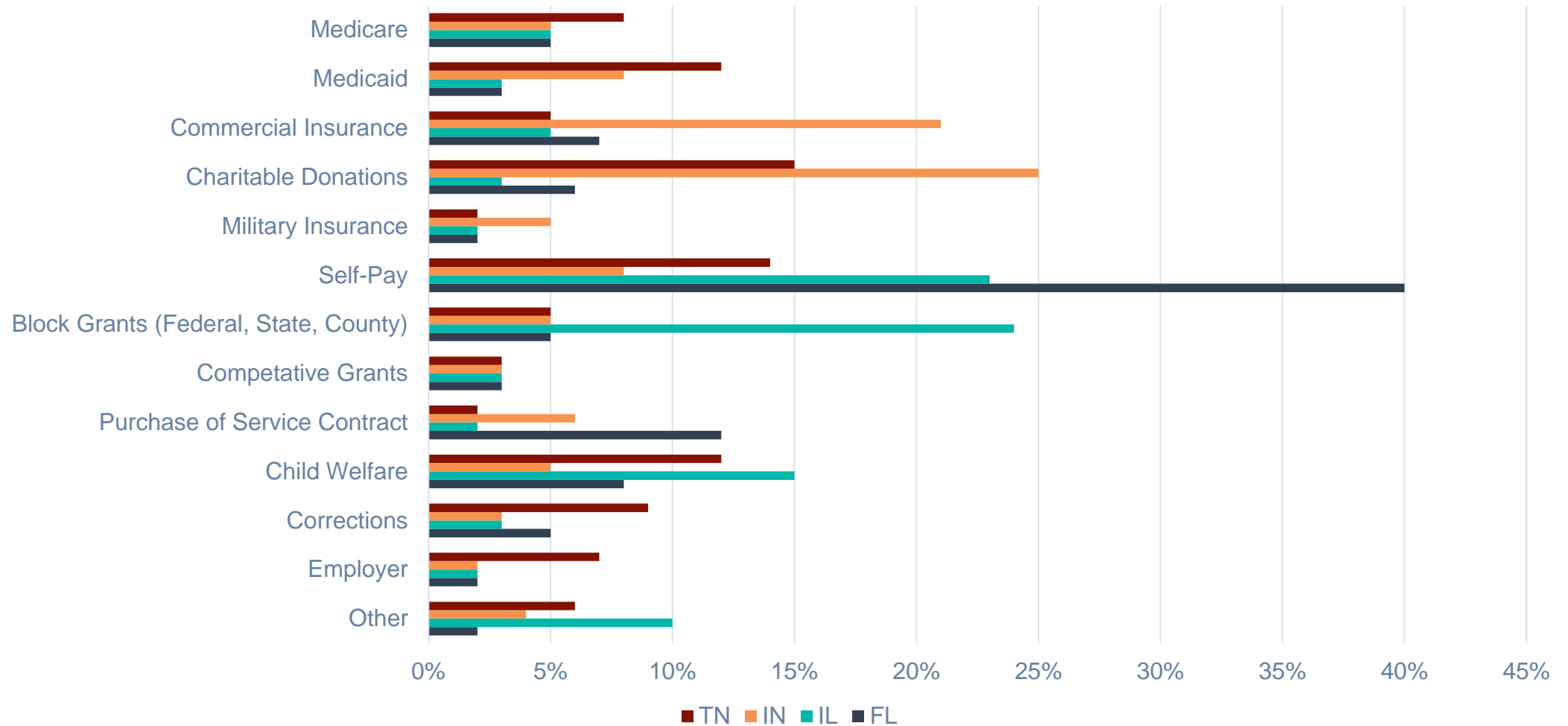
Unit Cost Comparison

Unit Cost By Service Line & Business Location

	Service #1	Service #2
Location #1	\$75.12	\$132.00
Location #2	\$72.03	\$131.81
Location #3	\$61.02	\$132.14
Overall	\$67.43	\$132.21

Payer Distribution By Service Line: Inpatient Hospital

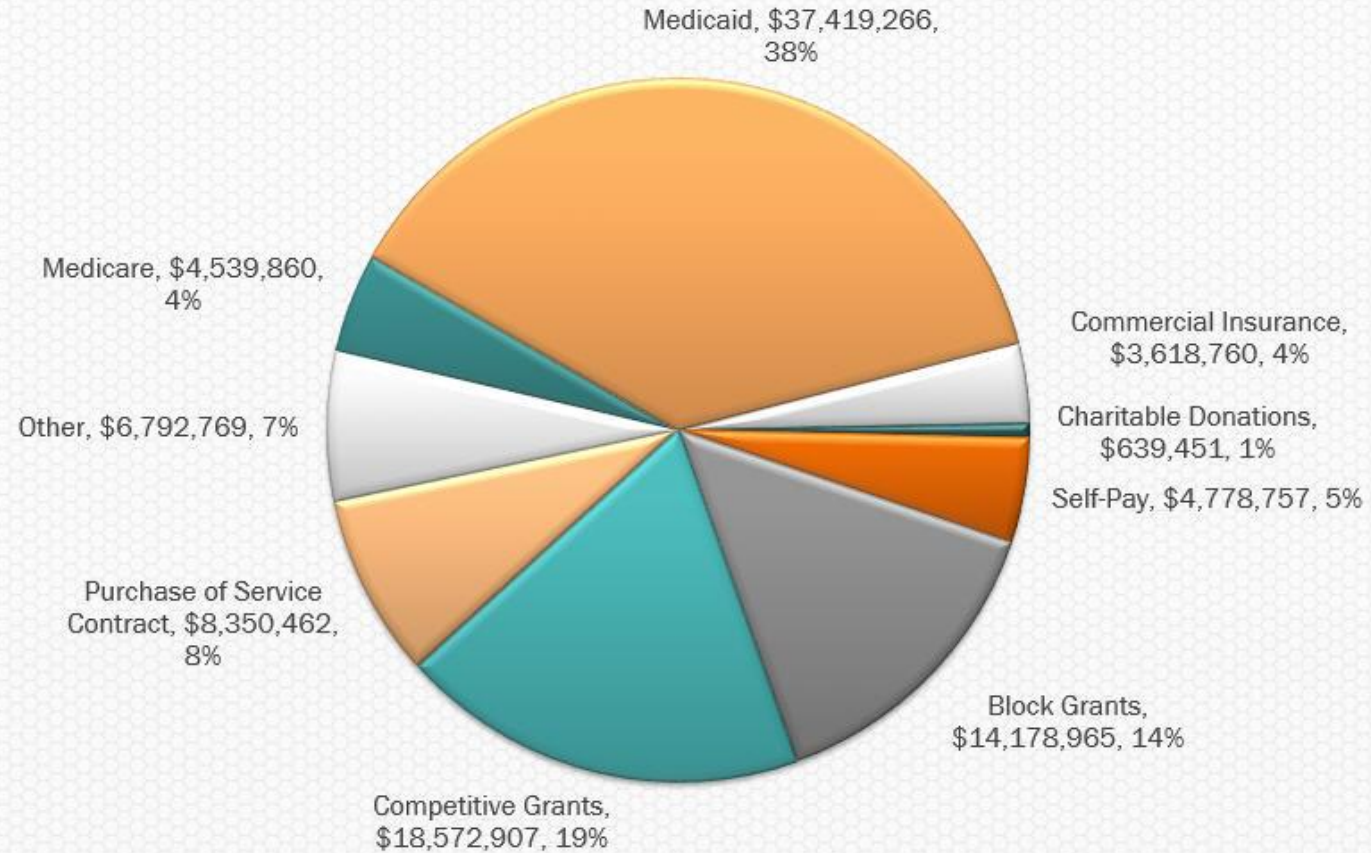
2014 Payer Distribution



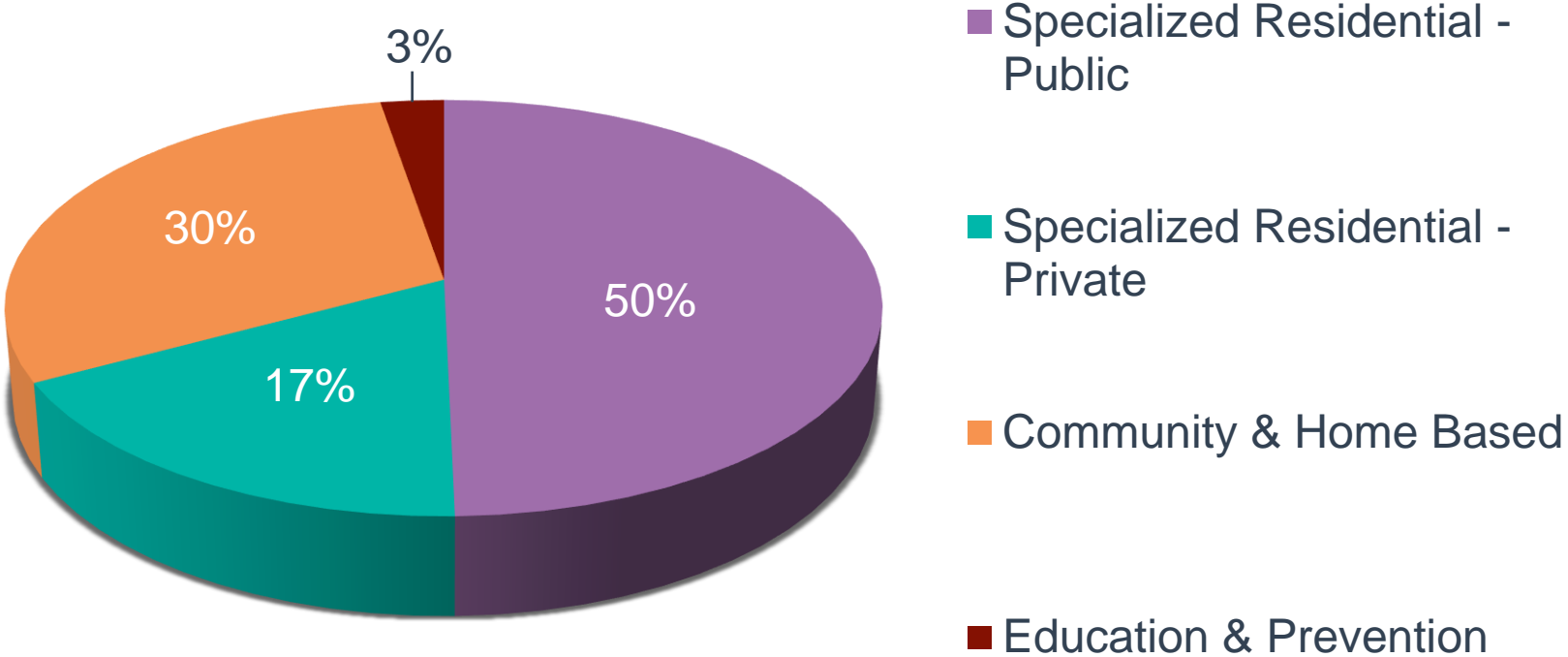
Total Revenue By Service Line, All Business Units, All Service Lines, FY 14/15



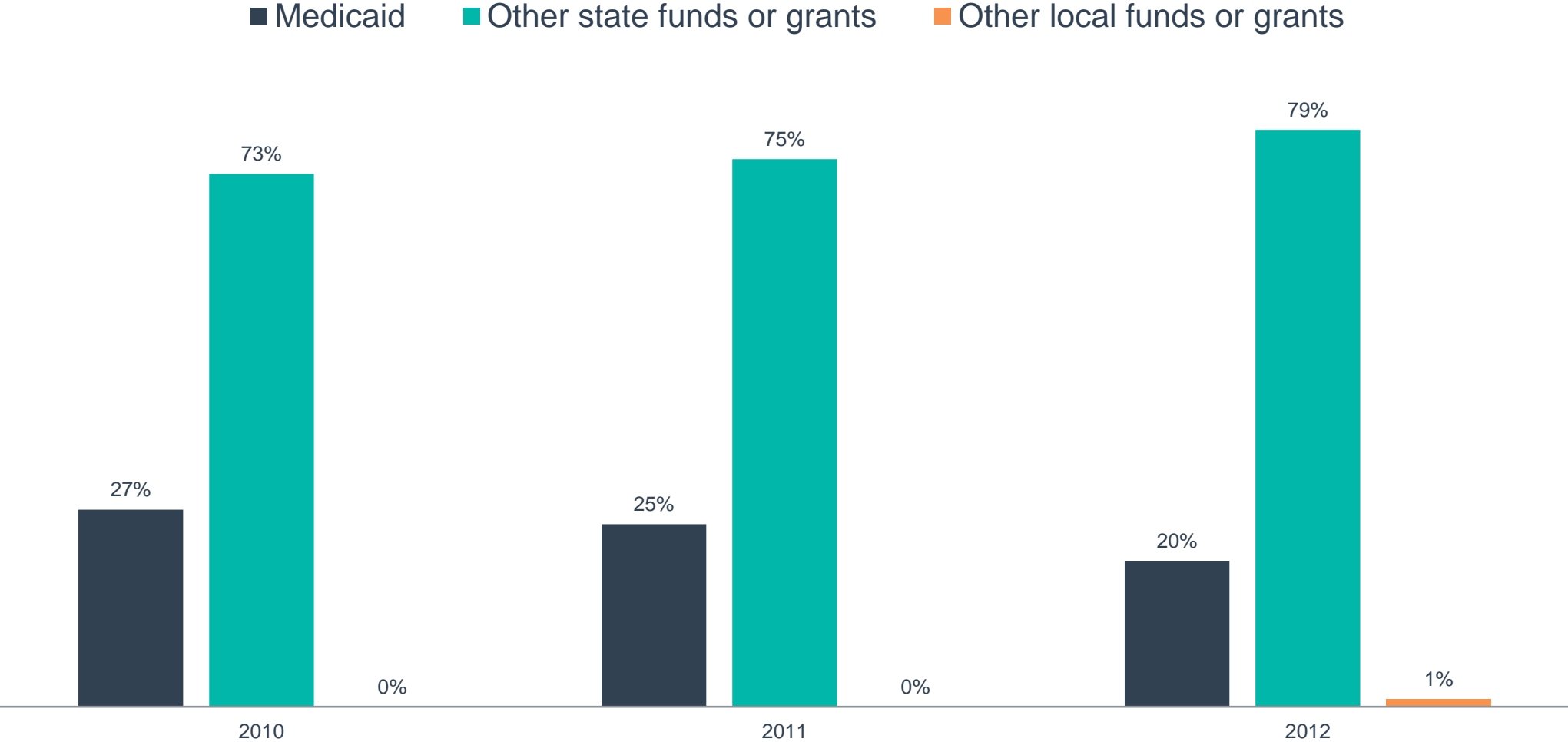
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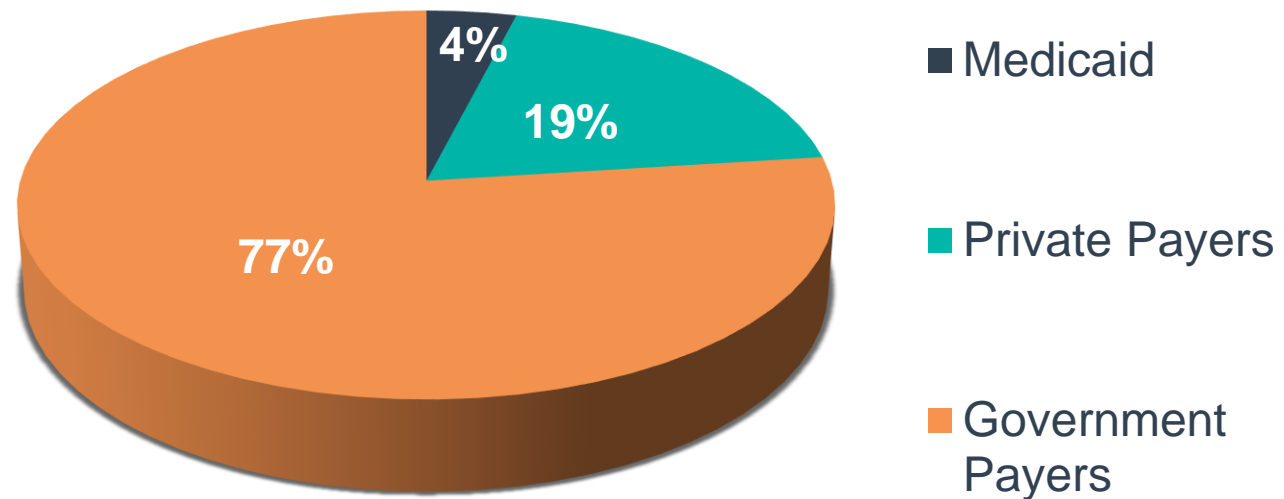
Revenue Mix, By Service Line



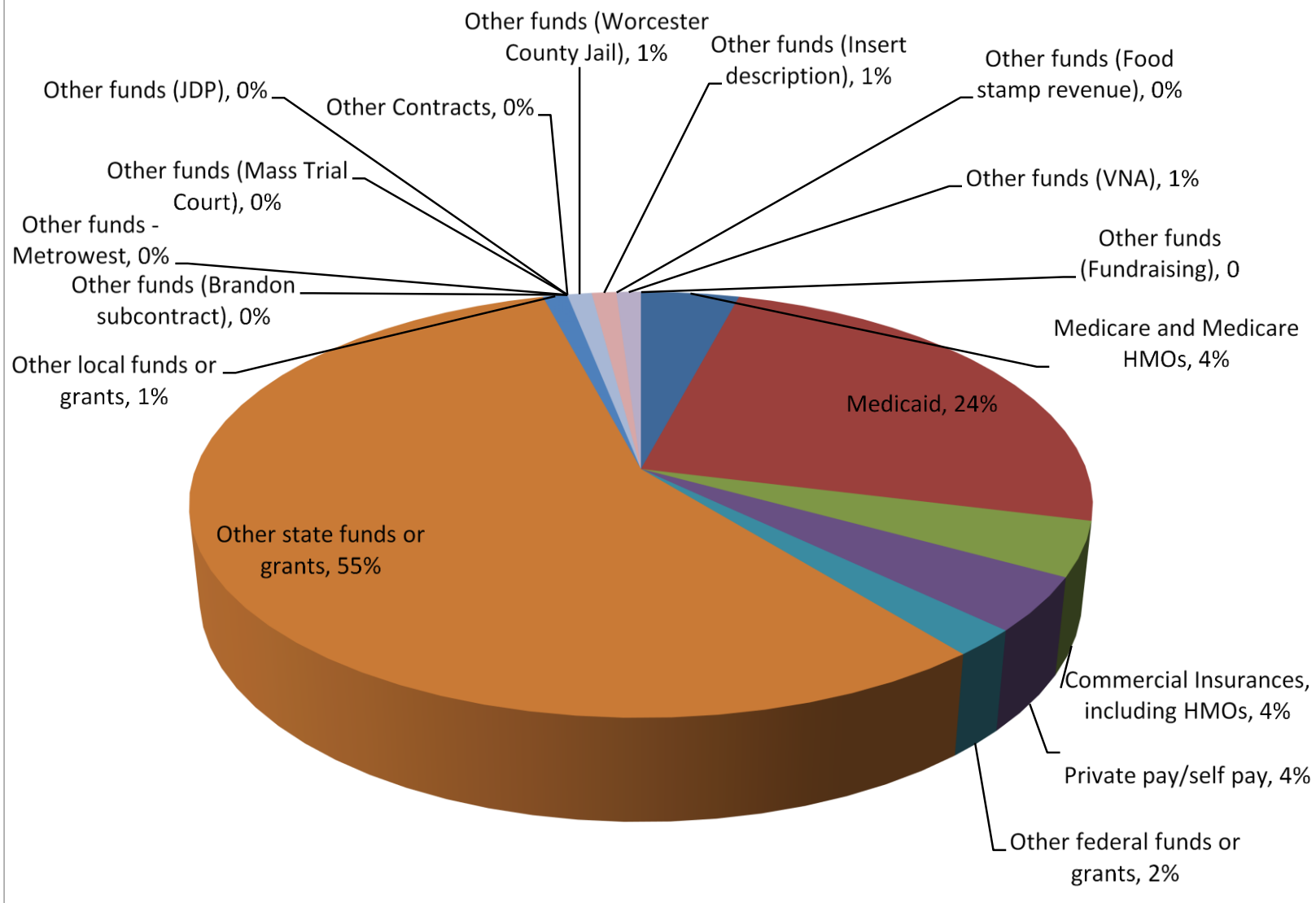
Revenue Mix, By Payer, By Fiscal Year



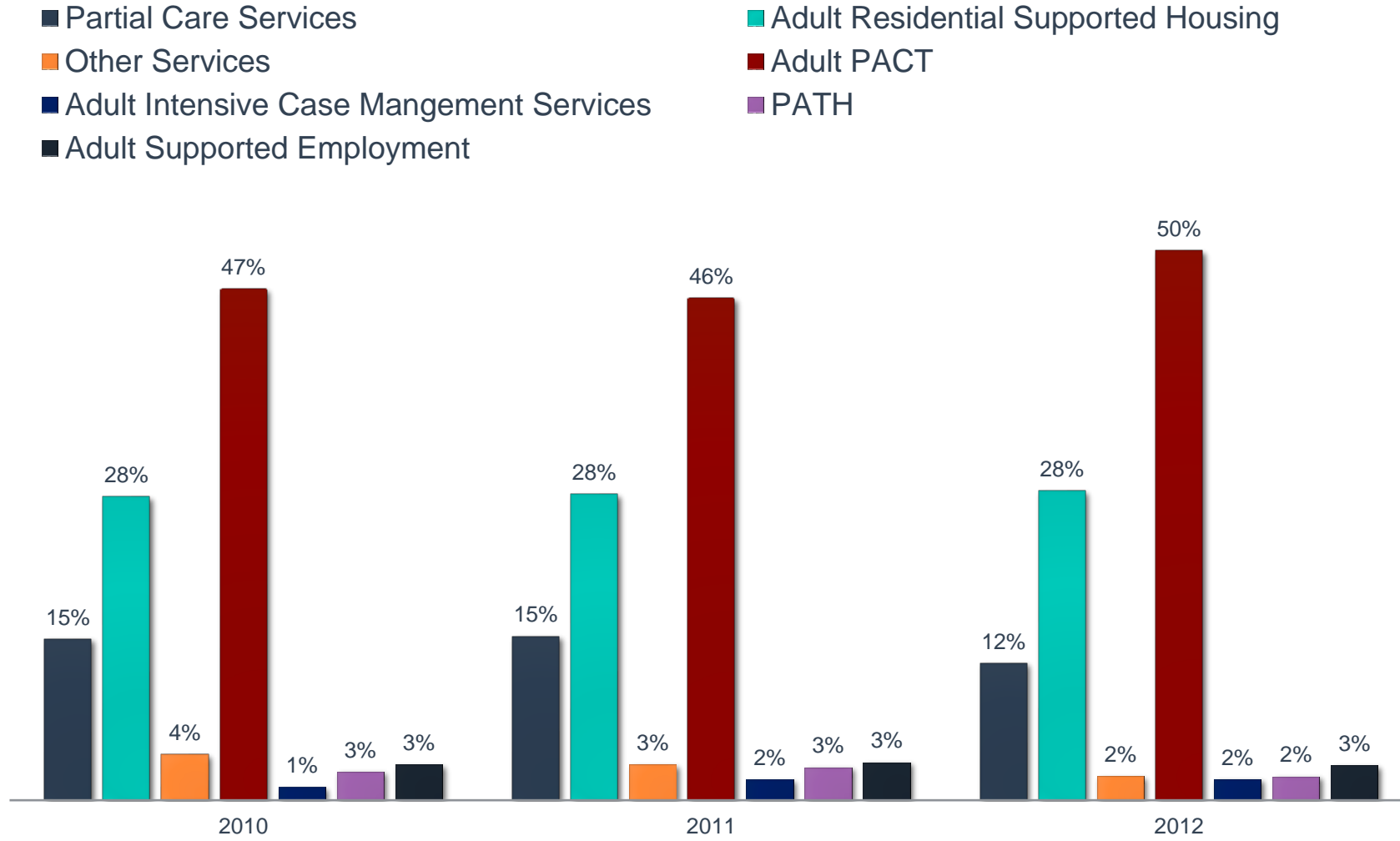
Revenue Mix, By Payer



Revenue Mix By Payer, 2012



Revenue Mix, By Service Line



Profit and Loss by Service Line, 2012

	Revenues	Allocated & Direct Expenses	Percentage of Revenue by Service Line	Profit/Loss (Margin)	Margin (Percentage)	Funding Mix		
						Medicaid	Other state funds/grants	Other local funds/grants
Partial Care Services	\$2,387,697	\$2,583,957	12.5%	(\$196,260)	-8.22%	43%	55%	2%
Adult Residential Supported Housing	\$5,400,241	\$5,298,334	28.2%	\$101,907	1.89%	13%	86%	1%
Other Services	\$419,493	\$451,558	2.2%	(\$32,065)	-7.64%		99%	1%
Adult PACT	\$9,589,380	\$9,370,374	50.0%	\$219,006	2.28%	42%	58%	
Adult Intensive Case Management Services	\$364,118	\$428,828	1.9%	(\$64,710)	-0.67%	31%	69%	
PATH	\$410,177	\$401,618	2.1%	\$8,559	0.09%	21%	79%	
Adult Supported Employment	\$600,715	\$576,691	3.1%	\$24,024	6.60%		100%	
Total	\$19,171,821		100.0%					

Profit & Loss, By Service Line

	Revenue	Expenses	Other Program Expenses	Profit/Loss Before M & G	M & G Expenses	Profit/Loss	M & G Expense % of Expenses
Outpatient Mental Health	\$8,569,673	\$6,458,648	\$3,377,076	(\$1,266,051)	\$2,027,798	(\$3,293,849)	17%
Residential Services	\$2,885,525	\$2,284,799	\$1,828,403	(\$1,227,677)	\$850,113	(\$2,077,790)	17%
Community-Based Services	\$6,134,152	\$3,917,012	\$1,011,406	\$1,205,733	\$1,016,615	\$189,118.14	17%
Crisis Stabilization	\$636,778	\$967,370	\$80,796.05	(\$411,387)	\$216,651	(\$628,038)	17%
Total for Service Lines	\$18,226,130	\$13,627,830	\$6,297,682	(\$1,699,382)	\$4,111,177	(\$5,810,559)	17%

Decisions Made In Service Line Portfolio Management

- New markets for balance of portfolio
- New services for current or new markets for revenue sufficiency or positioning
- Closure or phase-out of current services



II. Creating A List & Prioritizing Ideas For Diversification



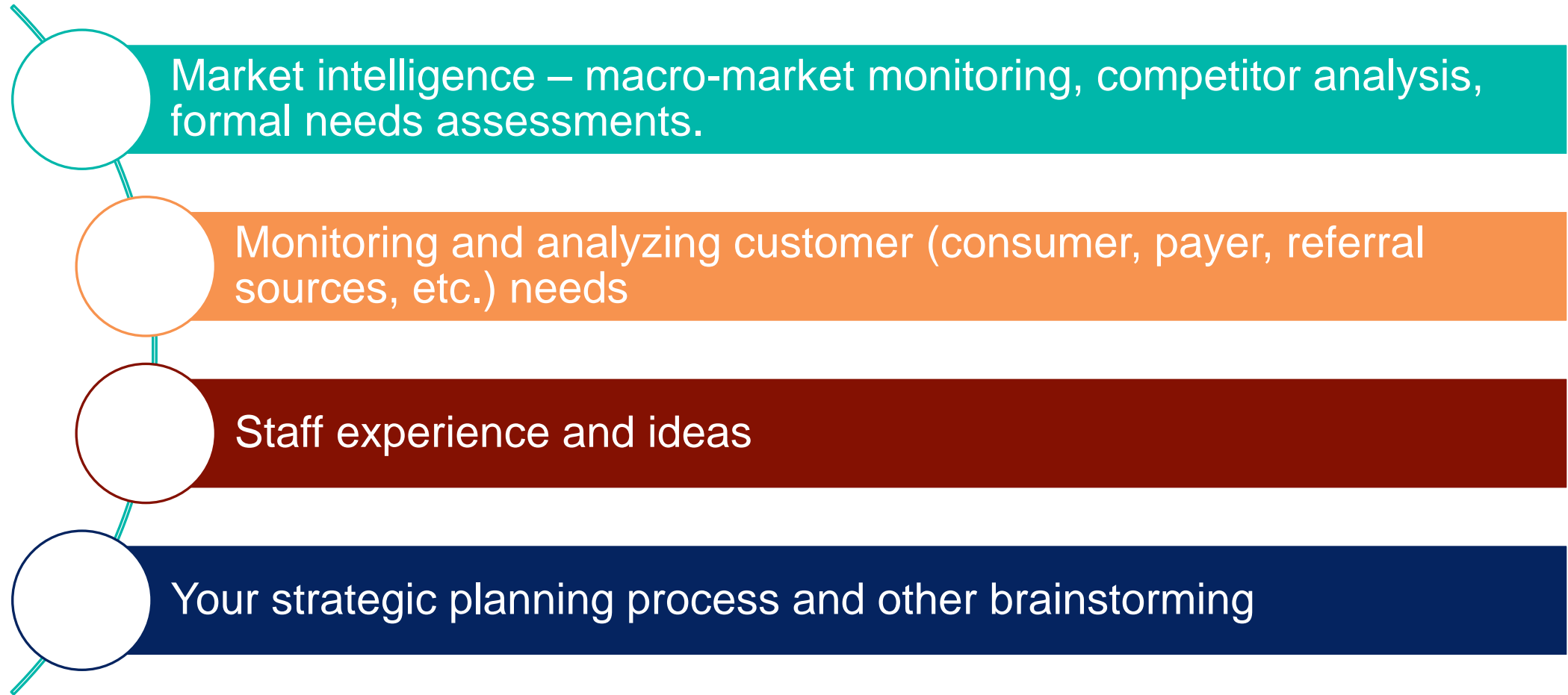
II.A. Developing A Market-Focused List of Ideas

More Ideas Than Time Or Money

Problem is often there are more ideas for new service lines than time or money to evaluate and implement

Recommend metrics-based ranking model to evaluate new service line ideas – with the goal of reducing the number that move to service line feasibility analysis and development process

Where Do New Service Ideas Come From?



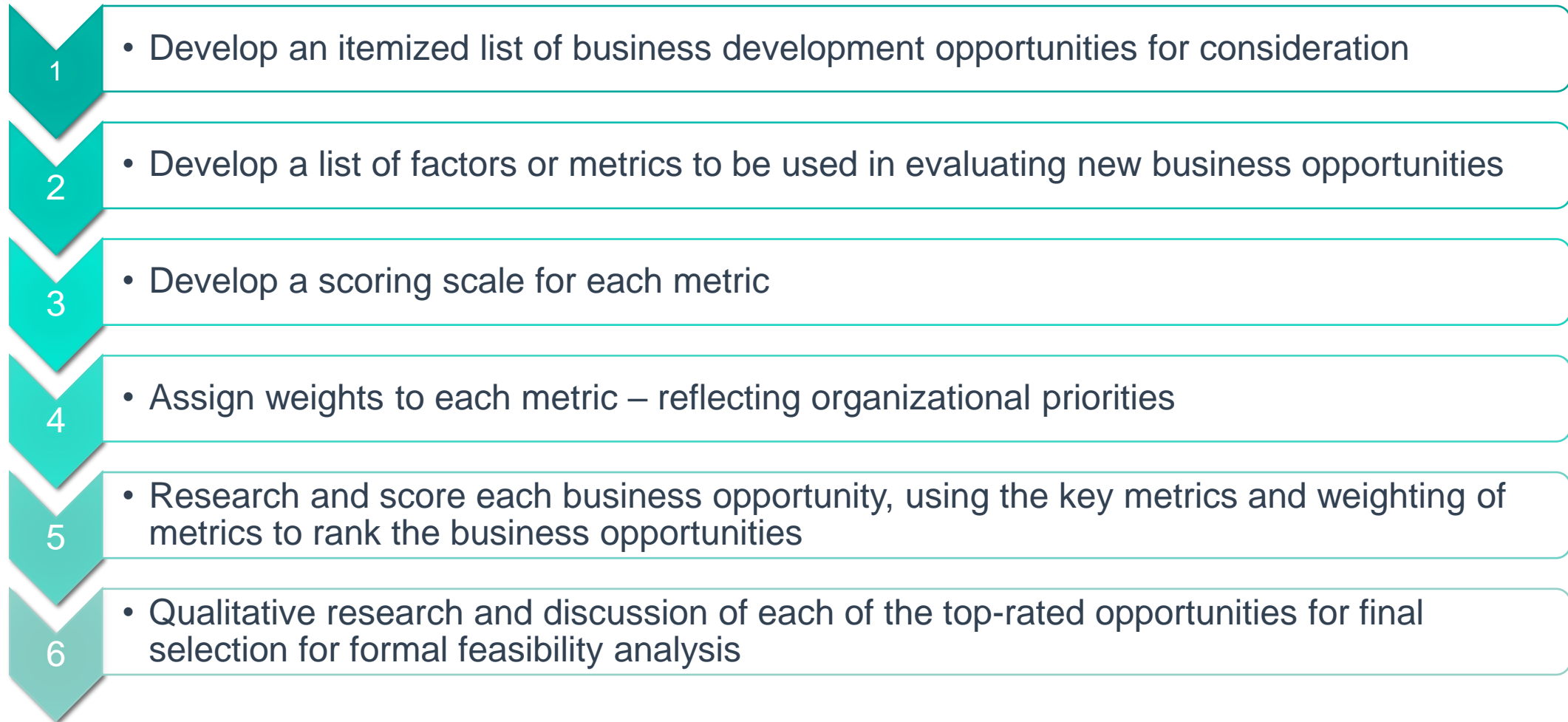
“Must Meet” Criteria In New Service Selection

1. Strategic alignment
2. Synergy and leverage of core competencies (marketing, expertise, delivery, etc.)
3. Existence of market need (minimum size)
4. Market attractiveness (growth, rates, competition)
5. Reasonable likelihood of feasibility
6. Product advantage (unique selling proposition, value equation, etc.)
7. Ability to meet external requirements (accreditation, licensure, legal, etc.)
8. Positive return relative to financial risk
9. Available cash and capital
10. No “killer” variable



II.B. A Structured Process For Prioritizing Service Line Diversification & Expansion Opportunities

OPEN MINDS Process For Metrics-Based Evaluation Of New Business Opportunities



#1. Develop List Of Innovation Opportunities For Consideration

Service line extensions



New payer for current services



New markets for current services



New services for current customers



New services for new markets

Example: Business Development Opportunities List

New Business Development Initiative

Consider adding an adoption license for foster care operations

Expand foster care operations beyond current counties

Develop a treatment foster care service – in anticipation of October 2011 consent decree requirements

Develop an unsolicited proposal for State of re: Medicaid carve-out for services for foster children (health plan, PIHP, and XXXX) – capitated rate for physical health, mental health, and child welfare services

Expand in-home care services to include contracts with all third-party payers in the 15-county area

Expand in-home care services to include private pay collection capability

Expand intensive in-home care service line offering to include addiction treatment services

Expand intensive in-home care service line offering to integrate e-health services

Develop an in-home substance treatment program for the in-home services program

Develop contracts with other counties for residential diversion program (note: rebranding needed)

Expand day treatment/residential diversion program to include youth with behavioral health diagnoses and/or low IQ

Offer the day treatment/residential diversion program as a respite program and a crisis respite program (Medicaid reimbursable)

Expand suspension center services to more school systems

Increase out-of-state referrals to SRY program

Develop per diem/case rate program for SRY program that includes both residential and community-based treatment for sex offender population

Expand CBTC model (residential/community-based service mix) to JJ systems in other jurisdictions

Increase referrals to emergency shelter care services

Explore demand for emergency foster care families

Expand range of services that can be offered via in-home service delivery under Medicaid

#2. Develop List Of Metrics To Evaluate New Business Opportunities

Current market potential

Degree of competition

Revenue growth opportunities

Capital and cash flow requirements

Operational at a profit margin in the short-term

Other?

Example Of Service Line Evaluation Metrics

Metric
Has considerable market potential and revenue growth opportunities for XXXX
Has minimal capital requirements
Can be operated at a profit/margin in the short-term
Can be operated at a profit/margin in the long-term
Has few competitors or competitors that XXXX can reasonably compete with
Requires core competencies that XXXX has or can reasonably obtain
Has minimal risk of failure
Improves market positioning and revenue diversification strategies
Significantly furthers XXXX mission and target population
Significantly increases XXXX 's "impact" on the number of children, families, and professionals it serves

#3. Develop Scoring Scale For Each Metric

Each metric needs a scoring measure

- Maximum (positive) score
- Minimum (negative) score

For example, maximum score of 5 and minimum score of 1



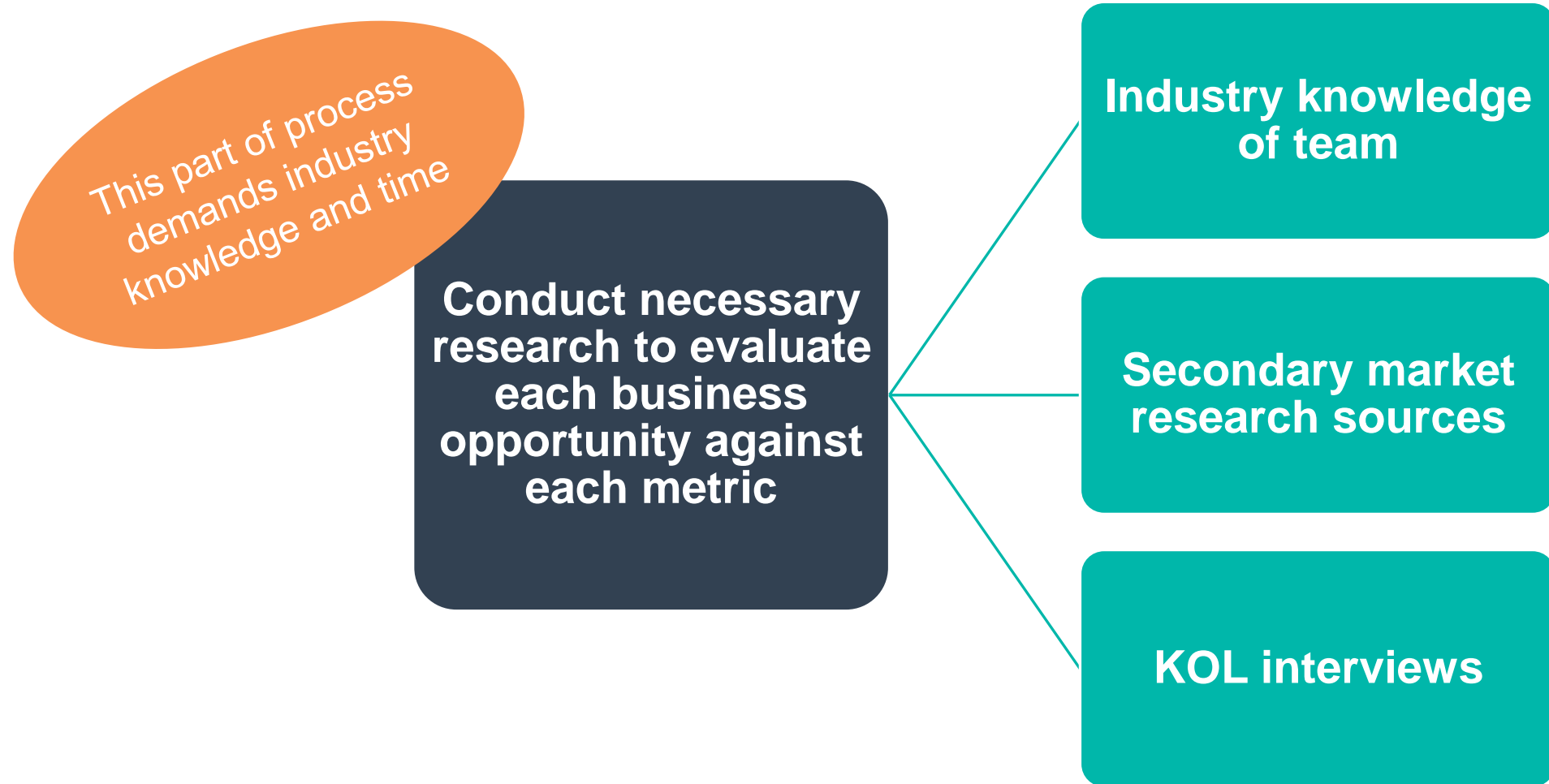
#4. Assign Weights To Each Metric – Reflecting Organizational Priorities

Each score weighted to reflect relative importance of that metric in decision-making about new service line investment

Service Line Metrics With Scoring & Metrics Weighting

Metric	Max Score	Weight
Has considerable market potential and revenue growth opportunities for XXXX	3	3
Has minimal capital requirements	3	1
Can be operated at a profit/margin in the short-term	3	3
Can be operated at a profit/margin in the long-term	3	2
Has few competitors or competitors that XXXX can reasonably compete with	3	2
Requires core competencies that XXXX has or can reasonably obtain	3	2
Has minimal risk of failure	3	2
Improves market positioning and revenue diversification strategies	3	3
Significantly furthers XXXX mission and target population	3	3
Significantly increases XXXX 's "impact" on the number of children, families, and professionals it serves	3	1

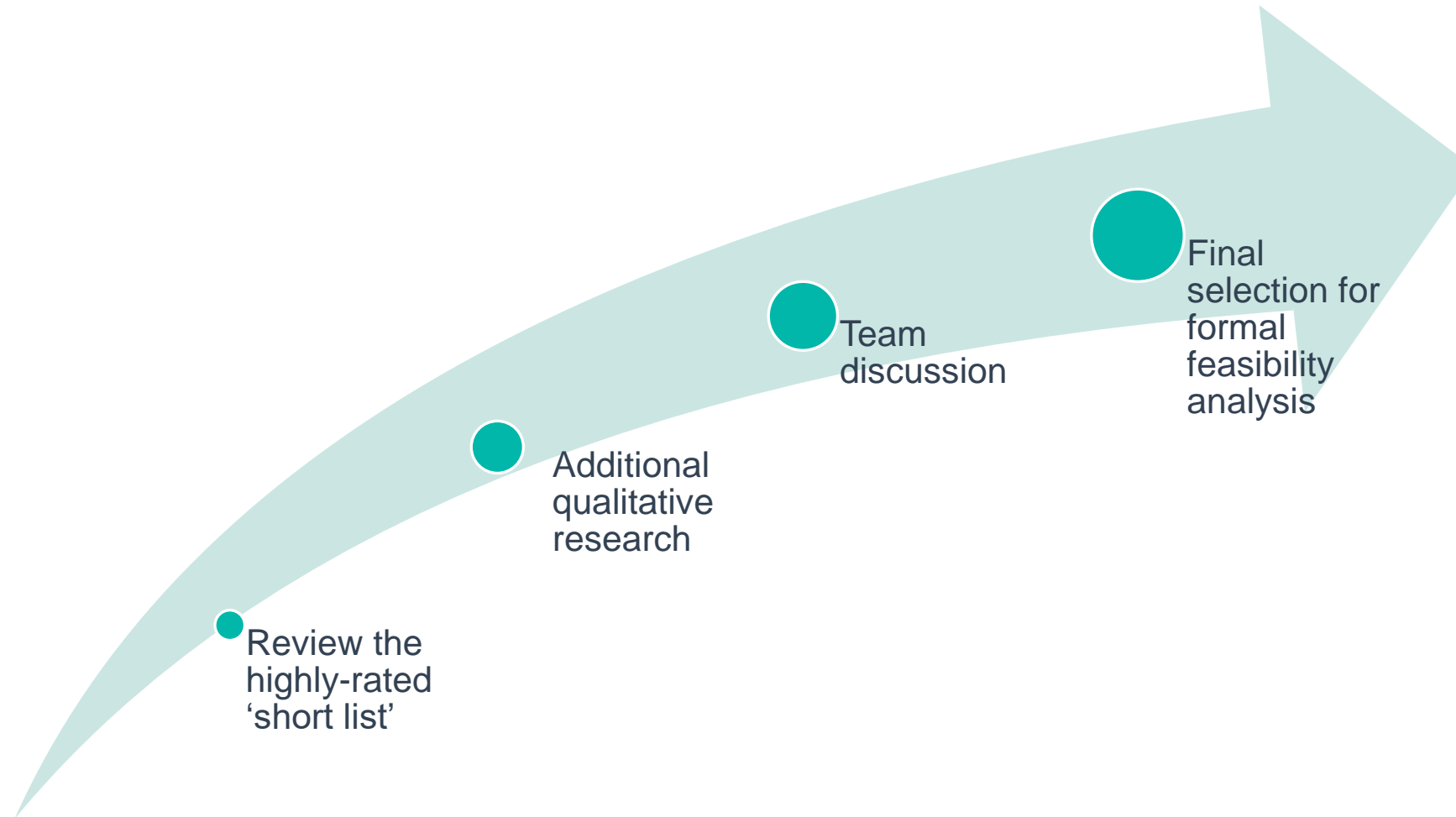
#5. Score Each Business Opportunity



Example Of “Short List” Based On Rating

Initiative	Total Score
Expand use of e-health services through aftercare/in-home services program	61
Expand range of services that can be offered via in-home service delivery under Medicaid through aftercare/in-home services program	59
Expand foster care operations beyond current counties	58
Develop contracts with other counties for residential diversion program (note: rebranding needed)	58
Increase out-of-state referrals	58
Increase referrals to emergency shelter care services	56
Develop or acquire Medicaid provider license to operate Medicaid outpatient MH and SA services to youth and families in XXXX County	55
Develop third-party payer contracts for aftercare/in-home services program	54
Explore out-of-state demand in for emergency foster care families	53
Develop a treatment foster care service – in anticipation of October 2011 consent decree requirements	52
Expand Residential Transitional Reintegration Support (RTRS)	52
Expand suspension center service for younger students	51
Expand foster care services beyond XXXX County	51
Develop private pay capacity for aftercare/in-home services program	51
Expand supervised independent living program (SIL)	51
Expand intensive O/P substance abuse treatment program	51
Develop or acquire secure residential treatment facility for boys to operate services for XXXX County	50

#6. Final Selection Of “Short List” For Formal Service Line Development With Feasibility Analysis





I. From Concept To Reality: Best Practice Service Line Development



I.A. Conducting A Feasibility Analysis

Moving From An Idea To Implementation Has Two Phases

Phase I: Conducting a Feasibility Analysis

- Define the new service line
- Analyze market and competition for the new service line
- Financial feasibility analysis

Phase II: Final Service Line Development & Launch

- Service line design
- Service line launch preparation
- Service line launch management
- Service line launch and pilot test

Phase I: Conducting a Service Line Feasibility Analysis

Step 1

- Service Line Definition

Step 2

- Analyze Market & Competition

Step 3

- Financial Feasibility Analysis

Step 1: Service Line Definition

Develop an operational description of the new service line

Identify the target markets – payers, consumers, and referral sources – for the new service line

Create a proposed pricing or payment structure for the new service line

Identify the sales/distribution channels for the new service line, with a description of how sales would be made

Review step 1 information – make a go/no go decision

For each service line, describe:

- Operational description
- Target markets and customers
- Pricing or payment structure
- Cost data and operational parameters

Evaluation Customer* Value Perceptions

Customer needs must be the primary driver of what service is offered

Customer needs and perceived benefits dictate service features

Understand customer value proposition

Customer perceptions and value of service features dictate pricing

**Customers include consumers, payers, and referral sources!*

Step 2: Analyze Market & Competition

Define the specific characteristics of the market (payers, consumers, and referral sources) with metrics

Develop a formal analysis of opportunities and threats in creating the new service line

Profile each competitor currently offering the service line (or a replacement service line) and their service line offering (customers, cost, features, benefits, USP, etc.)

Review step 2 information – make a go/no go decision

Evaluation Of The Competitive Landscape

Understand the competitive environment

- What does the competition charge – and what is their rate structure?
- What does the competition offer/not offer?
- How does the competition position itself in the market space?
- How can/should your positioning differ?

Step 3: Financial Feasibility Analysis

Outline the proposed design of the new service line

- Identify specific programmatic core offerings – processes, protocols, etc.
- Determine the basic organizational structure of the new service line (staffing, reporting relationships, etc.)

Conduct financial analysis

- Conduct target costing and determine market-based price points for the new service
- Establish tentative price range based on desired positioning and competitive landscape
- Preliminary breakeven analysis for new service

Review step 3 information – make a go/no go decision

Feasibility Analysis Key Components

- Statement Of Need
- Description Of Proposed Service
- Market Mapping: Competitors & Payers
 - Competitor Rates
 - Reimbursement Rates
- Market Positioning & Proposed Reimbursement Rate/Model
- Operations & Management Models, Including Management & Supervision Model
- Facility Requirements
- Clinical Profile Of Clients Served & Expected Program Outcomes
- Projected Annual Volume
- One-Time Development Costs
- Operating Budget
- Revenue Projections
- Expense Projections
- Profit/Loss Projections
- Breakeven Analysis & Assumptions
- Capital Requirements

Proposed Service Description

A review of XXX services from across the country and program manuals from several private insurance companies, defines the general service requirements for XXX services:

- Service duration is typically 8-12 weeks
- Service intensity is typically 3-4 hours of service daily, 3-4 days a week
- Service intensity is individualized, but most often is gradually reduced over the course of the 8-12 week service period
- Services are generally offered in morning and afternoon to accommodate work and other personal schedules
- Service plans are individualized, but generally include:
 - Weekly individual/conjoint therapy
 - Group therapy
 - Relapse education group sessions
 - Other psychoeducational group sessions (use triggers, anger management, etc.)
 - Access to 12 -step support groups in addition to the basic program model
- Outpatient detox services may be indicated and are delivered and reimbursed outside of the basic XXX service.
- Medical assistance and other medical services may be needed and are delivered and reimbursed outside of the basic XXX service.
- Post- program planning includes access to ongoing outpatient services and involvement in a 12-step or other support group program

XXX programs are viewed as an effective intervention for a wide range of substance abuse which allows the individual the opportunity to maintain employment, family, and other personal commitments. While services are typically delivered over an 8-12 week period, three to four days a week, three hours a day, service intensity typically is reduced over the course of the 8-12 week program and is followed by ongoing, regular outpatient therapy and involvement in some form of support group. Staffing requirements include Masters-level, credentialed, substance therapists who conduct individual/conjoint therapy, group therapy, and psychoeducational group sessions. Some psychoeducational group sessions may be provided by certified, Bachelors-level counselors.

Market Mapping Summary

Market Summary

The costs and rates paid for XXX services varies greatly depending up the type, intensity and duration of services offered. Additionally, private insurance carriers consider their reimbursement rates as proprietary information in that they are typically individually negotiated between the insurer and provider. The most public rates are those provided by Medicaid and the most conservative manner in developing projected revenue is to use the state Medicaid rate for services. These rates are typically lower than private insurance reimbursement and building an expense budget around these rates assures a break even or surplus profit/loss assuming a sufficient volume of clients. In the State of Maryland, the Medicaid rate for XXX services is \$XXX per session (daily) and no more than four sessions per week.

Competitor Profiles

ABC Company, Inc.
Adult Intensive Outpatient (IOP) Competitors
Within 20 Miles Radius Of City, State

Competitor	Service Description	Cost of Service	Funders	Distance From Proposed Site	Location	Comments	Website
Company 1	Detox, individual, family, group, and DBT	Unavailable	Self pay, insurance	30 Minutes	City A	8 week program, starts at 5 d	www.company1.com
Company 2	Individual, group and urinalysis	\$390 for the total program	Self pay, Health Choices Primary Adult Care, Medical Assistance, Medicaid	5 Minutes	City B	2-4 week program, 3x a week, mornings only, family support groups in evenings	www.company2.com
Company 3	Detox, group, rehab education, and family	Daily: \$475 detox, \$210 rehab., \$140 initial evaluation, \$140 continuing care	Self pay, most insurances	30 Minutes	City C	8 week program, starts at 5 d	www.company3.com
Company 4	Individual, group, family, MD consults	Averages \$5,500 IOP(\$168 a day)/Case by case on detox/\$250 initial assessment	Self pay, United, Aetna, Humana, Blue Cross Blue Shield, Cigna, ValueOptions	30 Minutes	City D	12 weeks, morning 4x week/	www.company4.com
Company 5	Housing, individual, group, family, and relapse prevention	Unavailable	Self pay, insurance-APS Healthcare, Blue Cross Blue Shield, Cigna, Magellan, PHCS	5 Minutes	City E	28 day Partial Hospitalization; IOP and Extended Care not specified; housing mandatory and is self pay	www.company5.com
Company 6	"Anxiety relieving mindfulness training, family education"	\$208 a day IOP/do not provide OP detox/\$135 initial assessment	Self pay, no specific insurances identified	30 Minutes	City F	8 week program, five days pe	www.company6.com

Proposed Revenue & Expense Budget With Profit/Loss Projections

ABC Company, Inc.		Annual Budget	
	Budget	Actual	Difference
INCOME			
Revenues	90,000		90,000
Qtr 1	90,000		90,000
Qtr 2	90,000		90,000
Qtr 3	90,000		90,000
Qtr 4			-
Other			360,000
Total Revenue	360,000		
80 clients annually X \$125 session X 36 sessions	360,000		360,000
Gross Profit			
Non-Operating Income			
Interest Income			-
Rental Income			-
Other			-
Total Non-Operating Income	360,000		360,000
Total INCOME			

EXPENSES			
Operating Expenses			
Accounting and Legal	7,500		7,500
Insurance (professional liability)	2,000		2,000
Office Supplies	3,500		3,500
Copier	3,000		600
Postage	600		45,000
Rent(Gross/1500 sq ft/\$30 sq ft)	45,000		196,560
Salaries and Wages(incl benefits and taxes)	196,560		2,400
Telecommunications	2,400		31,267
M&G	31,267		291,827
Total Operating Expenses	291,827		
Non-Recurring Expenses			
Furniture	10,000		10,000
Phone System and Installation	10,000		10,000
Computers (3)	2,500		
Matrix Model Manuals 3 @ \$600	1,800		
Matrix Model Training(2 therapists/1 supvr	6,775		1,554
Misc. (5% contingency)	1,554		32,629
Total Non-Recurring Expenses	32,629		
Total EXPENSES	324,456		324,456
Net Income Before Taxes			35,544
Income Tax Expense			-
NET INCOME	35,544		35,544

Recommendations

Feasibility Recommendation & Summary

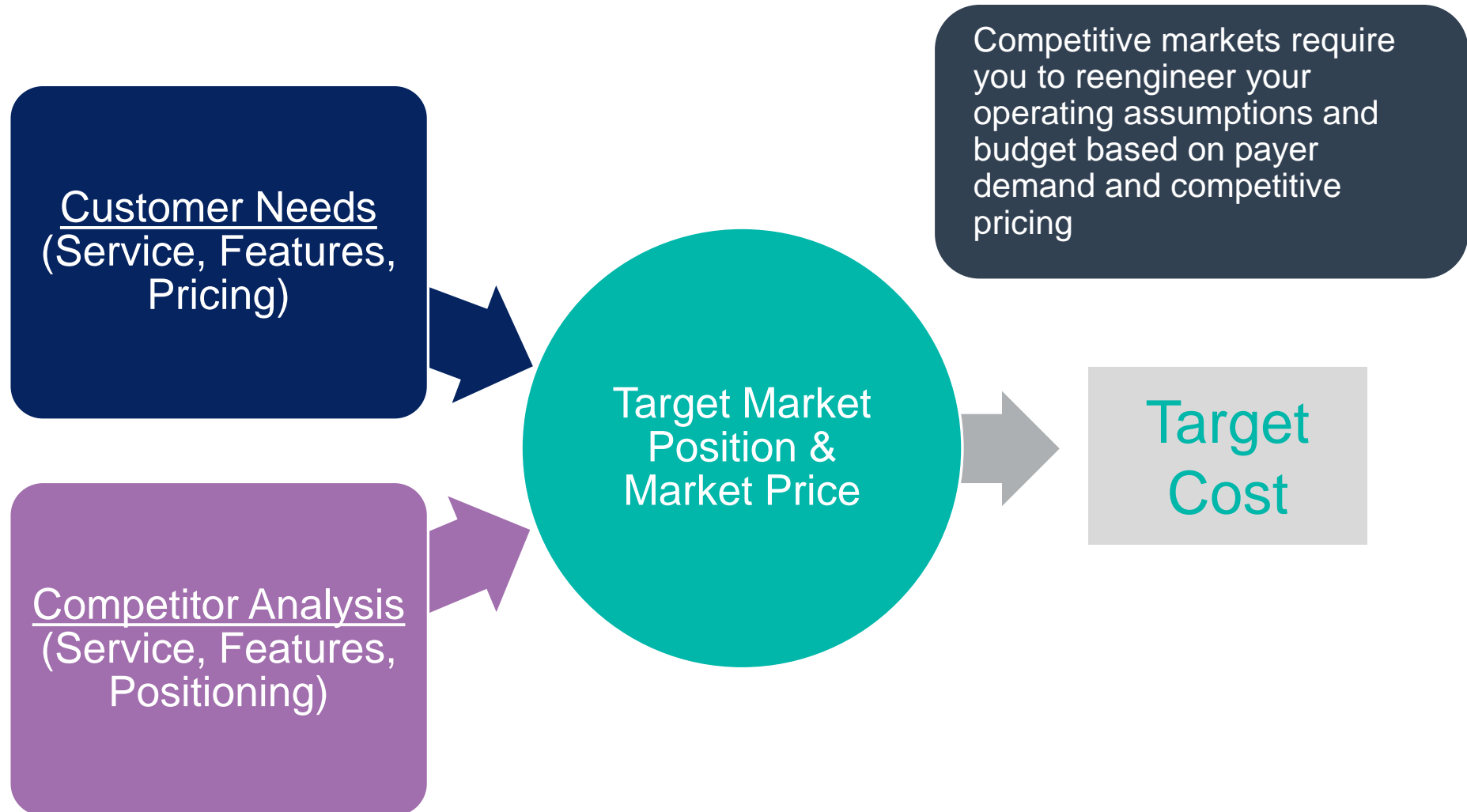
A review of payers and competitors in ABC state in general and specifically ABC and XYZ Counties, indicates that there is a clear need for additional substance abuse services in ABC and XYZ Counties. Both county health departments have identified the need to improve access and choices in substance abuse treatment. A competitor analysis indicates few competitors for the types of clients proposed to be served by FMA. In addition, while there are some competitors in the identified 20 mile radius, the proposed XYZ site for a FMA IOP service offers a clear “convenience” choice to many ABC and XYZ County residents in need of substance abuse treatment. While payers were reluctant to share their reimbursement rates because they are often individually negotiated with providers, several sources offer a general idea of reimbursement for XXX services. In general, reimbursement for 8-12 week XXX programs range from \$5,500-\$7,500. These rates in relation to projected FMA costs to deliver XXX services indicates a clear ability to offer such services at a “break even” or surplus.

In terms of an identified program model, while there are numerous variations in XXX services, an evidenced based program is one that offers the most assurance of success and can be most effectively marketed. Evidence based programs are most often “certified” by accreditation entities or recognized research studies. In the case of mental health and addiction services, the Substance Abuse and Mental Health Services Administration (SAMHSA) of the U.S. Department of Health and Human Services, is recognized as identifying evidence based programs.

In summary, an analysis of the need and financial feasibility of developing an XXX program from a ABC site indicates the probable success of such a service line expansion from a needs and financial perspective. While specific rates were unable to be identified, a general review of rates and potential service volume indicates that there is reasonable expectation for a financial break even or surplus based upon identified assumptions. The implementation and ongoing management of outpatient services is significantly different from inpatient services. An “evidence based” XXX model, such as The Matrix Model is recommended that is easily replicable. In addition, it is recommended that FMA engage in an ongoing study of outpatient services implementation in general, up to and including outside consultation.

Feasible? Yes No

Rate Setting Using Target Costing: Required In A Competitive Markets



Develop Break-Even Analysis Based On Market Pricing & Target Costing

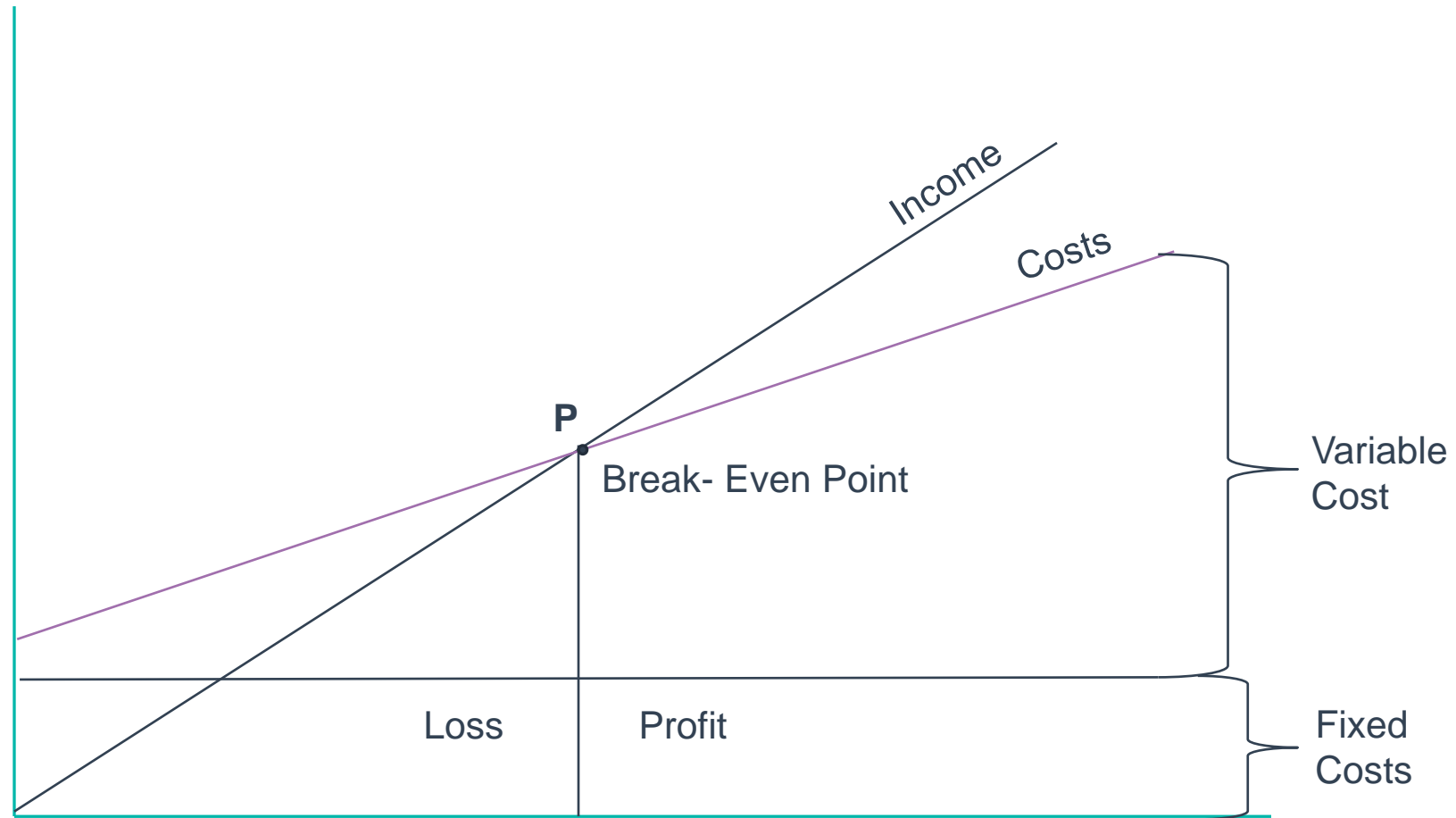
Understanding of the capital/cash requirements for market entry

An analytical technique for studying relationships between fixed cost, variable cost, and profits

Visual interrelationship of sales price, sales volume, fixed costs, variable costs, and total costs

Breakeven point represents volume of sales at which total costs equal total revenues (when profits equal zero)

Break- Even Analysis



Feasibility Analysis Is Key To “Go/No Go” Decision





I.B. Final Service Line Development & Launch

Phase II: Final Service Line Development & Launch

Step 1:

- Service line design

Step 2:

- Service line launch preparation

Step 3:

- Service line launch management

Step 4:

- Service line launch and pilot test

Step 1: Service Line Design

Write a comprehensive service description for market

- Develop proposed Unique Selling Proposition (USP) and market positioning statement

Define and map operational flow

- Identify roles and responsibilities for service delivery – by departments and all staff positions
- Define how new service line delivery and operational departments will interface with one another and in existing organization

Finalize pricing and pricing structure

- Review and validate proposed costs in feasibility analysis
- Conduct modeling to determine ROI and confirm breakeven point, investment capital requirements and cash flow requirements

Review step 1 information – make a go/no go decision

Step 2: Service Line Launch Preparation

Develop operations roadmap

- Develop implementation plan
- Develop productivity standards
- Create service line flowcharts
- Write detailed operations manuals

Conduct final regulatory check

Establish “success” standards

- Define activity-based and performance-based metrics
- Create performance dashboard for new service line launch and new service line operations

Review Step 2 information – make a go/no go decision

Step 3: Service Line Launch Management

Construct test or 'pilot' program model for new service line

- Anticipate fail points and develop corrective action plans

Develop marketing and promotional plan

Hire and train key staff

Develop launch project and tracking plan

Review Step 3 information – make a go/no go decision

Step 4: Service Line Launch & Pilot Test

Implement new service line launch plan



Monitor the implementation via performance metrics and performance dashboard



Create 'modifications' to new service based on performance of pilot during launch phase



Reassess service line viability and determine next steps – second pilot, full launch or cancel



II. Review Of Key Takeaways & Essential Tasks

Key Takeaways

1. Decisions about whether to expand, modify, or add to your service line portfolio should be made within the lens of organizational strategy. How does your product portfolio of services need to look different to achieve your strategic objectives?
2. Ideas for service line expansion and diversification should be generated based on market intelligence – a clear understanding of what services are needed or desired from payers, referral sources, and consumers.
3. The most common error organizations make is not doing a thorough feasibility analysis for a new service line idea before they decide to launch it. This phase of the product development must include:
 - Clear definition of the service (features, target consumers, and payers)
 - Market research on demand, competitors and pricing, and
 - Thorough financial feasibility analysis and operational budgeting.

The Essential Tasks

1. Conduct a thorough service line portfolio analysis for your organization, with a major focus on the issues of service line profitability, payer mix, clinical performance, market demand, and market competitiveness.
2. Use this information to begin preliminary discussions about your product portfolio of services. What services should be modified to operate better financially or clinically? What services could be expanded? What services should be considered for elimination? What services might be added?
3. Compile or conduct the right market research to develop a comprehensive list of ideas for service line expansion and diversification. What services are in demand or need more capacity? Brainstorm with this information to develop a list of possibilities for your organization.

The Essential Tasks

Continued

4. Prioritize the list of opportunities using the *OPEN MINDS* metrics-based approach and select a short list for further evaluation.
5. Conduct a complete feasibility analysis of your new service line ideas before deciding to proceed with launching them.
6. Ensure you have the right staff competencies to launch and manage your new service line and metrics to monitor progress and performance.

Turning Market Intelligence Into Business Advantage

OPEN MINDS market intelligence and technical assistance helps over 550,000+ industry executives tackle business challenges, improve decision-making, and maximize organizational performance every day

