APPENDIX
 A

**A Sample Business Planning Manual**

This appendix contains the components of a business plan. Within this appendix are the key dimensions that must be considered in the development of a marketing plan. As you read through each aspect of the business plan, note that useful links to Web sites have been provided to assist you with cash-flow, sensitivity, or break-even analyses.
 This business planning manual is structured in a way to raise questions to consider whether you are (a) considering a new venture or new service or (b) attempting to propose an idea to gain resources internally within your organization, which is also a marketing challenge, be it the Board or the Finance Committee.
 The information in this planning manual is applicable to both for-profit and non-profit organizations. In the nonprofit environment, the revenue over expenses is considered fund balance as opposed to profit, but ultimately both organizations must operate in a revenue-positive situation as a financial reality of the business plan.

**∎Why Write a Plan?**

**Why Plan?
•** Plans help you think long term about your service line, process improvement program, or
 cost-saving initiative.
**•** It keeps everyone involved in the plan motivated for change.

**External Uses for Planning**
• Plans can assist in obtaining external funding.
• Plans are often useful in identifying strategic alliances.
• In the for-profit environment, mergers and acquisition candidates are screened
 based on their planning documents
• To assist in gaining customer commitment, strategic plans are often required
 to dispel doubts.

 451 Feasibility Study
• Is the idea feasible?
• If it is for a new service/product, is it going to be profitable (or, in the
 nonprofit world, does it contribute positively to fund balance)?• What resources are required to develop the service/product?
• What are the barriers to success (whether it is a new service
 enhancement, process improvement, or cost savings)?
Become a Better Decision Maker• Planning will help you to identify potential problems.
• Gathering information for the plan can help you obtain industry
 knowledge.
• Planning can help you to structure your thinking.

**Reality Check**• The plan raises questions that encourage solutions.
• The plan identifies strengths and weaknesses and reveals
 organizational gaps.
 **Implementation Plan**•The plan is a guide for making progress. **∎The components of the Plan**• Table of Contents
• Executive Summary
• Organizational Profile
• Marketing Plan
• Operational Plan
• Financial Plan
• Appendix

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**∎Executive Summary
What is it?
•** The executive summary is a concise summary of the planning issue (e.g., new service opportunity, cost-saving measure, or process improvement issue).

**•** A future-oriented, two-page document, it demonstrates your knowledge of the issue and provides the prospective *value* in this venture that will be returned to the organizations or customers (e.g., patients, companies) or intermediaries (e.g., referral agencies).

**•** It provides a synopsis of the organization’s strategy for succeeding at the
 project at hand.

**•** It provides a brief description of the market (if a new service opportunity).

**•** It provides an estimate of the funds needed for the project at hand.

**Why is this information important?**

**•** It is important to develop a concise description of your idea in order to capture the interest of your board or other constituents (such as employees or other partner agencies) with whom you may need support for this venture. In the for –profit world, the executive summary is critical in garnering initial interest among potential investors.

**Where do I conduct my research?**

**•** The executive summary is supported by documentation from the main body of your business plan.

**•** The executive summary should not introduce information that is not reinforced in other sections of the plan.

 **Executive Summary 453**

 EXECUTIVE SUMMARY

What do I include?
*Provide an introduction to your business plan: Include new service opportunity, cost-saving measure, and/or process improvement.*
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Marketing Highlights
*List distinctive features: What is the real value regardless of the type of project? What will your service/product save the organization in dollars? For example, what savings or projects will it generate by improving efficiency, developing a new service, bringing in paying patients, or improving no-show patients?*

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Target Market Summary*Who is your target market? Who benefits from this plan? Is the market internal, external, or both?*

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Competitive Analysis (if a new service opportunity)
*Who else is doing it? Provide a competitive analysis.*
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Key Marketing Strategies (regardless of the type of plan)
*What key marketing strategies will be used? How will you get compliance of patients, staff, the board, or referral sources?*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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Operational Highlights
*Are there any critical legal or regulatory constraints?*
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Intermediary Concerns or Issues
*Are there any noteworthy issues with referrals or other entities?*
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 **Executive Summary 455**

Management Team Overview
*What critical roles and skills are needed to implement the plan? Consider acumen of team, compensation in line with goals, action plan if needed to scout talent, and plans for maintaining on-going workforce needs.*
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Financial Highlights
*Provide a summary of financial requirements and projections.*
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Other Unique or Special concerns
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**∎Company Profile

What is it?
•**Provides an overview of your organization including who is involved and the scope of what it does.

Company Profile 457

 **COMPANY PROFILE**

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Type of Organization

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Name of Organization
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Hours of Operation
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Scope of Service Line
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Clients Served
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Location of clinics
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Description of Business

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Profit Status

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 Company Profile 459

∎Industry Overview

What is it?
• This is an analysis of the industry and economy in which the organization
 operates.
• It demonstrates a current understanding of industry characteristics and
 trends.
• A trend is a definite, predictable direction of events

Why is this information important?

• Industry trends can be used to identify opportunities (including cost-saving measures, revenue enhancements, or process improvements) that may be present within the industry.

• Trends can provide you with strategic information to help you be competitive and provide direction for new service opportunities.

• Trends can assist you in determining your longevity in the market for services based on changes in regulations, reimbursements, or the payer mix.

• Knowing where a service fits in this curve may help your marketing and promotional mix and planning.

Where do I conduct my research?
• Secondary data sources

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 INDUSTRY OVERVIEW

Overall Business or Client Trends and Opportunities
*Social changes*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Economic/reimbursement changes*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Demographic changes*

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*Health care delivery changes*

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Industry Overview 461

*Regulatory/political changes*

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*Key success factors in your segment of the industry*

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*Barriers to entry in your segment of the industry*

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*Barriers to exit in your segment of the industry*

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**∎Service Overview**If the project is for a new service proposal, it is critical that you define the new service.

**What is it?
•** This section describes the new service—the benefits and features that you are
 providing and to whom. **•** It is important to recognize that the benefits may vary from customer to
 customer. Patients may see one value or benefit such as timely clinical
 intervention, whereas the referral sources may see a different benefit, such as
 having the patient under supervised are within 3 hours of a call. **•** In most cases, the benefit or value is defined by the customer not the provider. **Why is this information important?**• For new service proposals, the business is built around the definition of the
 service. You should be able to completely, yet concisely, describe what you
 are proposing.
• From you industry analysis you should be able to determine gaps among other
 providers or existing needs not being met in the market that payers would be
 willing to support.
• If there is real competition, your unique selling proposition (USP) for your new
 service proposal should be able to provide you with a competitive differential
 advantage that is perceived by the market.
• Knowing where a service fits in this curve may help your marketing and
 promotional mix and planning.

**Where do I conduct my research?
•** Competitive analysis
**•** Primary research
**•** Secondary data sources

 Service Overview 453

 SERVICE OVERVIEW

What do I include?
*What is the proposed new service proposal’s unique features/benefits?*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*What values does it provide to key target markets?* (i.e., what would be of value to referral sources such as judges, or why would EAPs (employee assistance personnel) see this service as uniquely valuable?)
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*What are the benefits of this new service proposal?* (i.e., if this required a tax levy increase how would the community benefit?)
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*How is this new service positioned against existing services already offered by others?*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*What are you doing differently?*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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∎Target Market
What is it?
• A target market is a group of homogeneous potential customers or
 referrals who have a need for the new service/product, and
 employees who will be essential for the implementation of the
 project [cost saver or process improvement].
• A target market can be either internal and external consumers or
 individuals.
• You may have more than one target market, but you must prioritize the
 importance of your target markets.

Understand your customer (be they patients, family members, judges, employers, or the government)
•What motivates their buying decisions?
• How is the market segmented?

Why is this information important?
•In a new business proposal, knowing the size of your target market helps you
 to assess the dollar potential of your proposal.

• The more specific you can be in profiling the target market, the better your
 promotional or educational strategies can be in disseminating information and
 formulating the total marketing mix.

Note: Who you serve is often not who you to get! A target market is the group you want to go after and gain as clients, which may be different that the client base that you are presently serving. If this is a new business proposal you might identify a target market that is different from your existing client base.

 Target Market 465

∎Competitive Analysis
What is it?
• The competitive analysis is a thorough analysis of both direct and indirect
 competitors.
• It identifies strengths and weaknesses of competitors.
• Indirect competitors many mot provide the same service but they may be
 competing for the same dollars (i.e., schools competing for the same tax
 levy dollars).

What is the competitive structure?
• How difficult are the barriers to entry/exit in your service proposal being
 considered (if a new service proposal)?
• What is the competitive structure of the industry? Is it dominated by one or
 two large providers of is it fractionated?
 • What is the basis for differentiation among providers?

What is this information important?
• Knowing how competitors market their services can help you develop your
 strategy.
• Understanding the competitive environment may highlight areas not being
 targeted.
• Understanding why your strongest competitors have been successful will
 give you a sense of consumers’ preferences and dislikes.

Where do I conduct my research?
• Visit competitors’ sites.
• Primary research—ask referral sources, customers, clients, etc.
• Review secondary data, promotional literature.

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 **Competitive Analysis**

What do I include?

*Describe your competition’s service.*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*What is/are their point(s) of differentiation?* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*What real value do they deliver to the customer that others do not?* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Describe their customer profile.* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Detail the pricing strategy.* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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 Competitive Analysis 467

*What is their marketing/advertising approach?* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Why do customers/referral sources buy or use them?* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*What are the opportunities or threats to your organization?* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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∎The Marketing Mix-Promotional Strategy

What is it?
• These are the methods you use to communicate with your target market
 (advertising, sales, public relations, community education).
• You need a well-defined plan, whether it is a new business proposal, or to
 pass a tax levy, gain community support, or gain staff cooperation (an
 internal marketing challenge for a cost saving initiative).

Why is this information important?
• A plan must initially have a strategy to gain awareness to generate
 downstream adoption.
• This is a critical link in the overall marketing plan.
• The timing of the promotional plan will impact the ultimate financial plan.

Issues to consider
• What are the key messages you want to convey in your marketing materials
 about your organization?
• How are you positioning you service/organization?
• What mix of vehicles will you use? What is the budget?
• What are the objects?
• How will you measure the effectiveness?

Where do I conduct my research? (for new business proposals)
• Competitive analysis
• Primary research
• Secondary data sources

 The Marketing Mix-Promotional Strategy 469

Promotional Strategy
What Do I Include? Possibilities
• Cost • Association publications
• Target market • Bus shelter/metro boards
• Coverage • Community newspapers
• Frequency • Salespeople
• Media proposed • Direct mail
 • Internet
 • Split cable
 • Radio
 • Written articles
 • Education forum
 • Yellow pages
 • Community groups
 • Flyers/brochures
 • Educational seminars
 • Social media
 1. YouTube
 2. Blogging
 3. Flickr
 4. Podcasts

∎Marketing Mix-Place

What is it?
• This describes location and distribution of your service or product. You should provide a complete description of how and where you plan to have people access your service/production (if this is a new service proposal or a restructuring of how your clinical services are to be delivered) or how a cost-saving proposal affects the delivery of service.
Why is this information important?
• You must match your distribution strategy to the access preferences of your target market (client needs) referral preferences, or other buyers (EAPs, industry, etc.).
 • Obviously, in a regulatory laden industry, these constraints must also be considered.

Where do I conduct my research? (for new business proposals)
• Competitive analysis
• Primary research-clients (and families), referrers, regulators
• Secondary data sources
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 PLACE
What do I include?
*Where will the service be delivered (location, hours)?*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*What are the costs associated with this manner of distributions?* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*What is the marketing importance/advantage of the location?*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Does the location provide any competitive advantages?*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Are there exit issues with this distribution strategy?*

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 The Marketing Mix-Place 471

∎The Marketing Mix-Pricing

What is it?
• The is a complete description of how and where you plan to have people
 access your serve (if this is a new service proposal) or a restructuring of
 how your clinical services are to be delivered) or with a cost savings

Issues to consider
• How price sensitive is the market?
• Is price a basis of differentiation/competition?
• Will the competition react? Is their scale different?
• Is there perceived value in higher price?

 Why is this information important?
• You must match your distribution strategy to the access preferences of your
 target market (client needs) referral preferences, or other buyer (EAPs,
 industry, etc.).
• Obviously, in a regulatory laden industry, these constraints must also be
 considered.

Where do I conduct my research? (for new business proposals)
• Competitive analysis
• Primary research-clients (and families), referrers, regulators
• Secondary data sources

**Useful Web Sites for Break-Even Calculators**

[www.bplan.com/common/calculators/breakeven.cfm](http://www.bplan.com/common/calculators/breakeven.cfm)
www.dinkytown.net/java/BreakEven.html

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 Pricing
 New services in which you have discretion to set price
What do I include?
*Labor cost of FTEs*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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Other pricing considerations:
 *Low, medium, high (relative to competing service providers)*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
*Customer perception of value*

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Will you be discounting?*
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Note:* In pricing decisions, the break-even tool is particularly useful as you can set varying levels of price to assess the impact on break even given fixed cost is just that fixed. And, with varying levels of price, you can also vary the variable costs (FTEs or other variable costs, i.e., promotion) to assess impact on break even.

 The Marketing Mix-Pricing 473

 ∎ Service Delivery Plan

What is it?

• It outlines the method by which your service will be delivered to clients or customers.
• It is a statement of what resources are needed in terms of both personnel and other
 assets to be delivered.
• It outlines the critical points in the clinical service delivery process.

Why is this information important?

• You need to establish a plan to move into the service delivery process in a timely
 fashion.
• This section ensures that you have considered all components of the service delivery
 process, as these will be added to your physical and your financial requirements

A useful article to consider improving service delivery is P. Barach and J>K. Johnson’s
“Understanding the complexity of redesigning care around the clinical microsystem” in
Quality Safety Health Care (2006), which can be downloaded.

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 SERVICE DELIVERY PLAN
What do I include?

*Service delivery methodology*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Clinical protocols and description of best practices* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Cost analysis (direct and indirect overhead)*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Flow chart of delivery service, delivery sequence, and timing requirements*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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 Service Delivery Plan 475

*FTE requirements*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Space requirements*

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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∎Human Resources Plan

What is it?

• It is a description of the personnel, both clinical and non-clinical, who will be involved
 in providing the service or in the cost saving initiative or process improvement.

Why is this information important?

• It forces you to do a “skills inventory “ of your personnel and fill in the gaps with
 necessary expertise through hiring or other means (contracts, alliances, etc.).
• If hiring is necessary, or contractual arrangements with other organizations will be
 needed, this will have to be factored into budget plans and cash flow projections.

 Human Resources Plan 477

 HUMAN RESOURCES PLAN
What do I include?

*Organizational structure/staffing plan:*
*Clinical (full-time-vs. part-time)*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Non-clinical (full-time vs. part-time)* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
 ***Compensation:*** *Rate*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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 *Benefits*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Job descriptions (detailed listings)*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Roles and responsibilities*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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∎ Financial Statements: Balance Sheet and Income Statements

 What is it?

• The **balance sheet** shows the financial picture of a business at a given point in time. It
 is what the organization owns versus what they owe.
• The **income statement** shows the profit (or revenue positive position) versus the loss
 of an organization over time.

Why is this information important?

• A balance sheet will help you determine your liquidity. Do you have enough current
 assets to meet your current liabilities?
 • An income statement provides the organization with an overall summary of its
 profitability or fund balance perspective (in the nonprofit environment). A banker will
 look at this statement to review margins, trends and the ability to pay off debt.

Some Useful Financial Web Sites

Sensitivity analysis in Excel: msl 1.mit.edu/rdn/d\_table.pdf

A great tutorial on contribution:
 <http://tuto@u.net/business/presentatioons/accounts/comtribution/default.html>

Internal rate of return (for a project or investment):
 http://office.microsoft.com/en-us/templates/TC012342021033.aspx?CategoryID
=
 CT101444811033&AxInstalled=1&c=0

A useful hand out on reading financial statements from Merrill Lynch:
 www.nl.com/media/14069.pdf

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∎ Balance Sheet and Income Statements
What do I include?

***Balance Sheet***

Left Side Right Side

Current Assets: \_\_\_\_\_\_\_\_\_\_\_ Current Liabilities: \_\_\_\_\_\_\_\_\_\_
Fixed Assets: \_\_\_\_\_\_\_\_\_\_\_\_ Long term Liabilities: \_\_\_\_\_\_\_\_\_
Other Assets: \_\_\_\_\_\_\_\_\_\_\_\_\_\_ Shareholder Equity: \_\_\_\_\_\_\_\_\_\_

***Income statement***

Revenue (billings) \_\_\_\_\_\_\_\_\_
 \_\_\_\_\_\_\_\_\_
Expenses (fixed & variable) \_\_\_\_\_\_\_\_\_
 \_\_\_\_\_\_\_\_\_
Profit/loss (fund balance) \_\_\_\_\_\_\_\_\_
 \_\_\_\_\_\_\_\_\_

∎Cash Flow Statement
What is it?
• The cash flow statement tracks money collected over time from billings and money that is paid out for expenses on a monthly basis.

Why is this information important?
• It helps determine whether or not the organization is viable and able to draw funds from the practice or organization.
• Knowing your monthly billings or revenue stream helps in making decisions to purchase, expense, or hire personnel.

Tax owed (if for profit) \_\_\_\_\_\_\_\_\_\_

 Cash Flow Statement 481

A useful Web site for cash flow calculator: www.tkcs-collins.com/truman/cashflow/cashflow.shtml

 CASH FLOW STATEMENT
What do I include?

*Sources of cash:*
*Billings*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Loans*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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 ***Uses of case:*** *Expenses to be paid*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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 *Start up costs*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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 *Promotional (educational) expenses*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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*Insurance*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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 Cash Flow Statement 483

**Cash Flow Statement Sample**
Revenues Month 1 Month 2
 Billings
 Loans
 Investments
Total receipts
Expenses/disbursements
 Salaries
 Promotional expenses
 Insurance
 Etc.
Total disbursement
Total receipts less total disbursement

∎Putting It All Together
Address the reader’s concerns

* Is the plan feasible?
* Does it add value to the customer (whoever that is)?
* Are your strategies consistent with the marketplace trends and your internal capabilities and resources?
* Can you defend your strategy versus other alternatives?
* Are your goals focused and measurable?
* Is the financial plan realistic ?
* Is the funding request feasible?
* Is the management or other personnel in place or can be attracted to implement the plan?
* Is the timetable doable?

Get an outsider’s perspective

* Outside reviewers often provide constructive feedback
* Objective review is critical before significant resource commitment

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