



Creating New Services That Meet Changing Consumer Needs

Meeting Dates: April 21st, 2022 1:00PM

April 26th, 2022 10:00AM

Agenda

- I. Service Line Analysis & Portfolio Management
- II. Prioritization Of Potential New Services Lines
- III. Service Line Feasibility Analysis
- IV. Service Line Development & Launch



Learning Objectives

- Discuss how to implement a market approach to new service development.
- Learn how to develop a new service and business cost model.
- Understand how to calculate the return on investment (ROI) of a new service model.

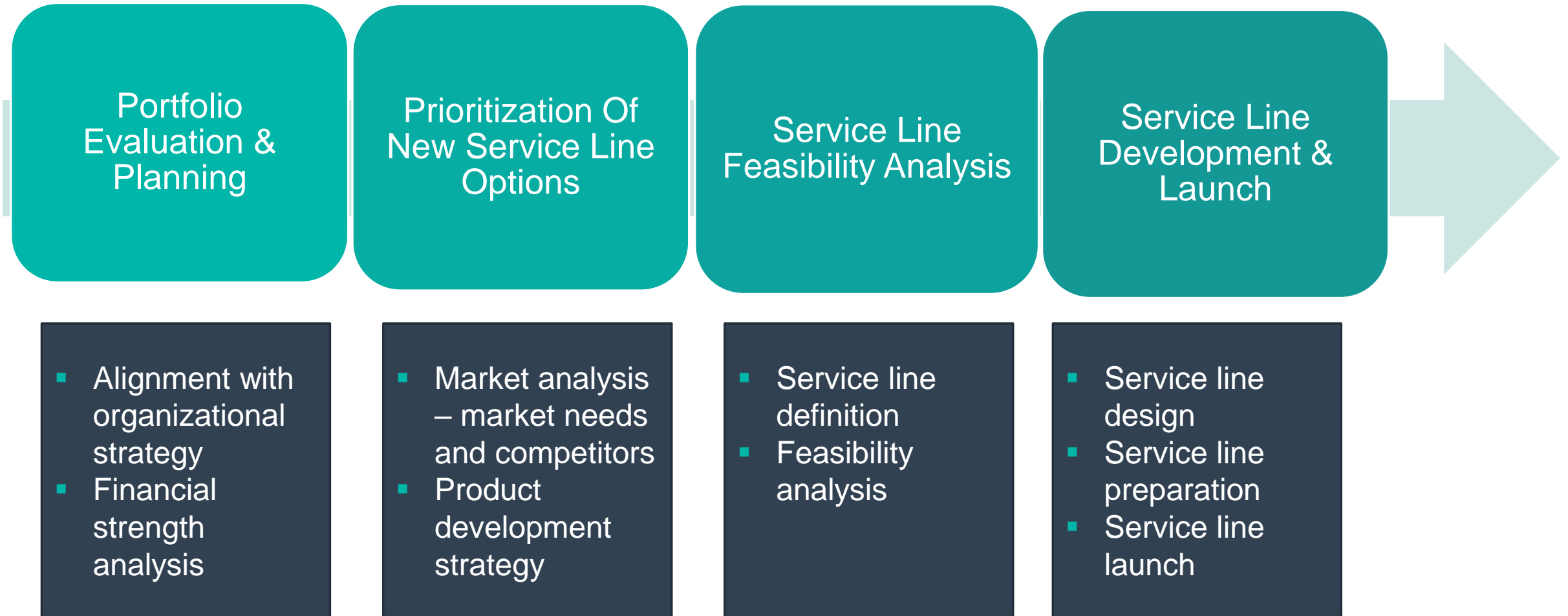
New Services For A Changing Market

- New services identify changing, or unmet, consumer needs and develop innovative approaches to meet those needs.
- Innovators on the product life cycle are “price setters” and are positioned on the growth line of the cycle.
- Moving from an innovative idea to a marketable product takes planning, marketing and an investment of capital.
- The return on investment (ROI) analysis demonstrates to payers that the proposed services will both deliver value and reduce the total cost of care for their members.

A Market Approach To Service Provision

We need to provide consumers with timely access and quality outcomes and demonstrate to payers that we can also reduce the total cost of care.

Developing A New Service Line



I. 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
 - Make investments in
 - Optimize and improve
- Uses visual models to analyze service lines

Product Life Cycle

There are two approaches to deal with the ever-changing service line life cycle:

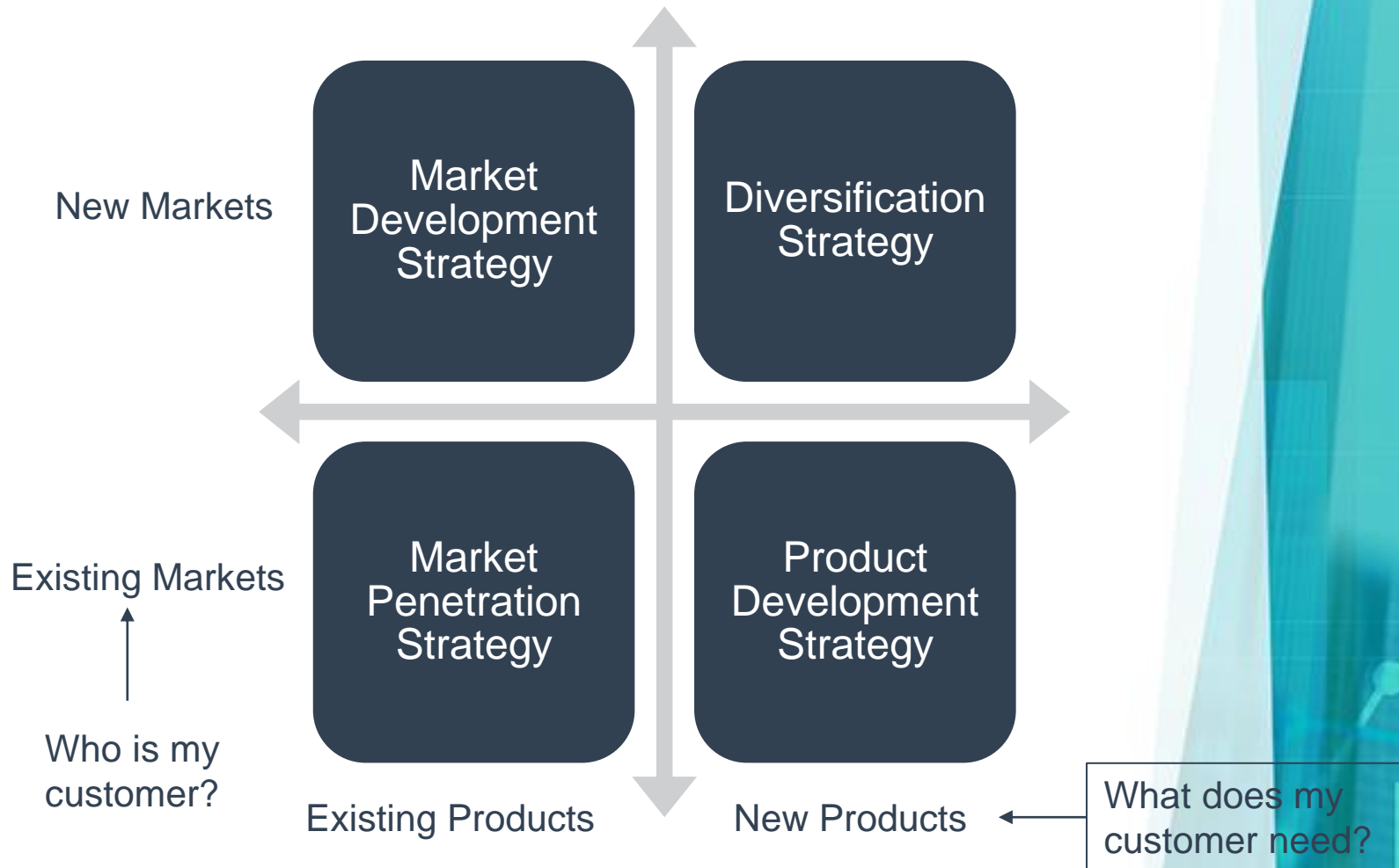
1. Reformulation or product line extension – Adding depth to an existing product line by introducing new products in the same product category
 - Product diversification - creating different product variants
 - New product uses - applying the core product to different uses
2. Development of new services – utilize organizational expertise and resources to create new services based on consumer and payer needs

Product life cycle:
As the environment and markets change, the demand for a particular service also changes and usually diminishes

Do you remember: -

- Telegraphs
- Kerosene lamps
- Mimeograph machines
- 8-track tapes
- White Out
- CDs?

External Analysis – Payer & Customer Needs

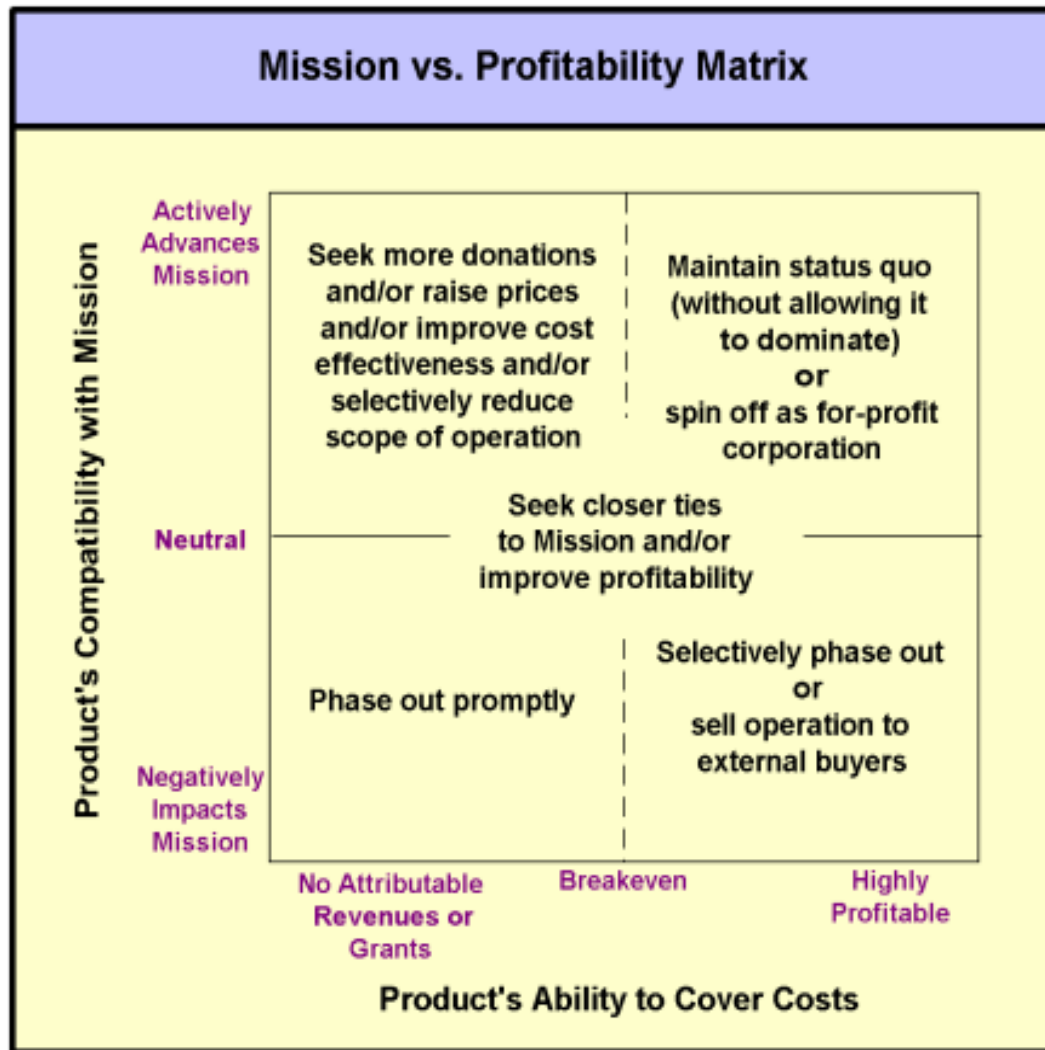


Payer/customer needs change – along with their preferences

*“Who is our customer?
What does the customer value?”*

- Peter Drucker

Internal Analysis – Mission, Profitability & Market Assessment



Portfolio Analysis & Planning

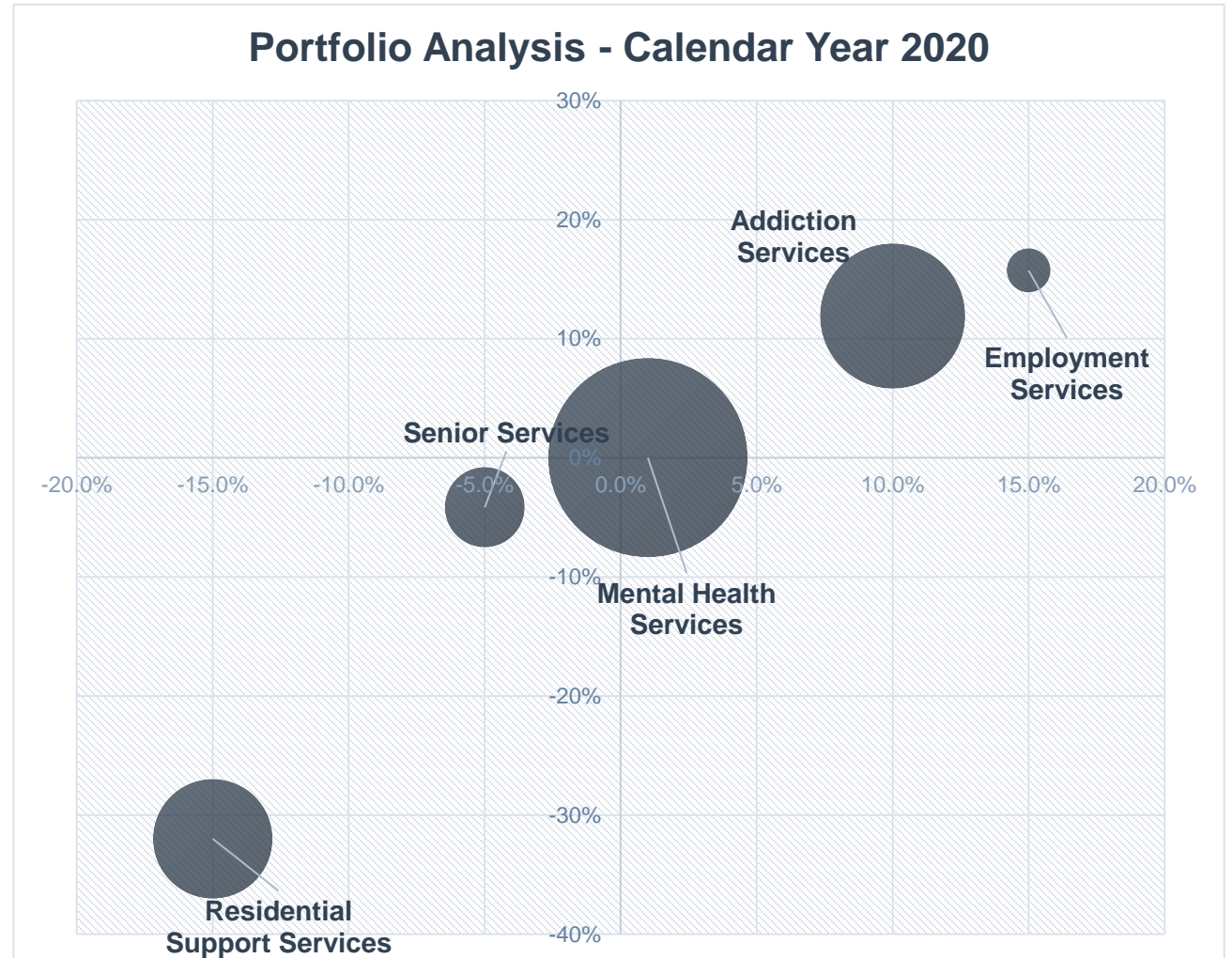
- Start with a market-informed strategic plan and align your decisions with your mission, vision, and values
- Perform a service line portfolio analysis to identify which current services both serve your mission and generate a margin for sustainability
- Compare your service line portfolio analysis to service market needs to make decisions on which services to invest in for improvement and optimization, or to eliminate
- Consider service line diversification to address service obsolescence, changing payer and consumer needs and potential funding changes

Organizational strategy coupled with market needs should drive the shaping of your service line portfolio.

Analysis Questions

- What service lines appear to have the most potential based on internal analysis?
- What services lines need to be reshaped or ended?
- What services best fit with your mission?
- What do we know about the drivers of the behavioral health market that give additional insights?

Profitability



Growth

II. Prioritization Of Potential New Services Lines

Where Do New Service Ideas Come From?



Market intelligence – macro-market monitoring, competitor analysis, formal needs assessments.

Monitoring and analyzing customer (consumer, payer, referral sources, etc.) needs

Staff experience and ideas

Your strategic planning process and other brainstorming

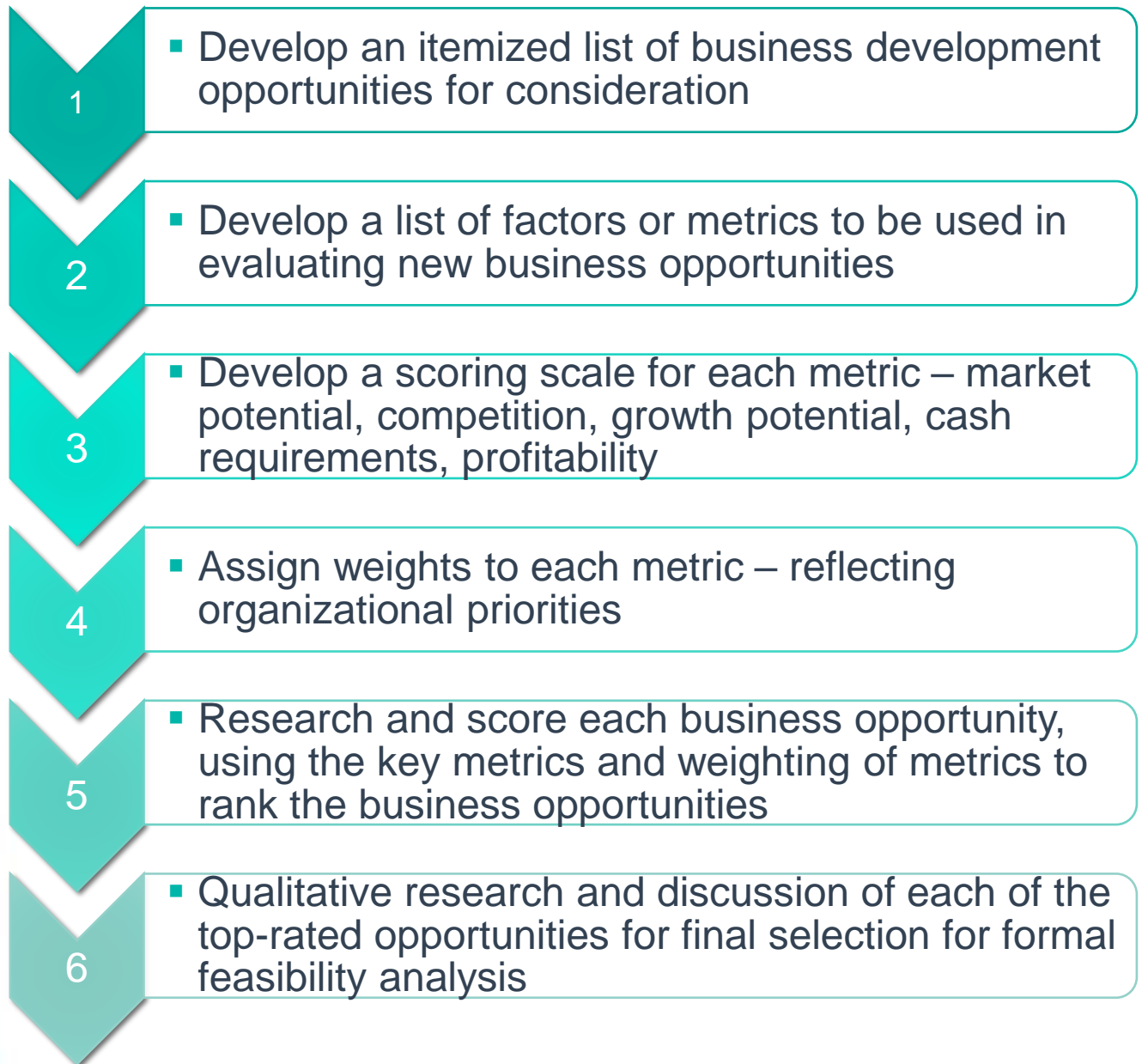
More Ideas Than Time Or Money

The problem is that often, there are more ideas for new service lines than time or money to evaluate and implement

Use a 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 the development process

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Process For Metrics-Based Evaluation Of New Business Opportunities



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

Final Selection Of 'Short List' For Formal Service Line Development With Feasibility Analysis



III. Service Line Feasibility Analysis

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

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

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

1. Statement Of Need
2. Description Of Proposed Service
3. Market Mapping: Competitors & Payers
 - Competitor Rates
 - Reimbursement Rates
4. Market Positioning & Proposed Reimbursement Rate/Model
5. Operations & Management Models, Including Management & Supervision Model
6. Facility Requirements
7. Clinical Profile Of Clients Served & Expected Program Outcomes
8. Projected Annual Volume
9. One-Time Development Costs
10. Operating Budget
11. Revenue Projections
12. Expense Projections
13. Profit/Loss Projections
14. Breakeven Analysis & Assumptions
15. Capital Requirements

Develop A Financial Model Based On Market Pricing & Target Costing

This model will help with understanding 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)

Key Questions When Building Your New Service Model

1. Who is your target population?
2. What is the problem that your new service addresses – in terms of better consumer service outcomes and less overall cost?
3. How does your approach differentiate your services from competitors?
4. What evidence-based practices or pilot programs is your service model built on?
5. What outcomes do you intend to achieve with the new service model?
 - What indicators will you use to drive those outcomes?
6. How will you get the data for those outcomes and then create actionable processes for staff to drive results that align with those outcomes?

Build The Operating Model

- To build the financial model for your new service:
 - Develop key assumptions and drivers
 - Create financial projections
 - Summarize model
- Estimate the current cost to the payer of addressing these same member needs
- Estimate the potential savings to the cost of care of your targeted population that your new service is anticipated to yield
- Effectively use ROI to make the case for a new behavioral health service

What Will It Take For Service Model Success?

1. Identify key timeframes
 - Start date
 - Implementation timeframe
 - Fully functional date
2. Estimate the potential consumer market, and portion of the market targeted by the organization
3. Build the staffing plan based on the service model including types of staff positions and consumer to staff ratios
4. Estimate variable expense drivers and allocations (i.e. number of consumers served)
5. Estimate overhead expenses to be applied

Operating assumptions will become the service line metrics to drive results.

New Service Line Forecast Assumptions

Target And Actual Cost	Target Cost	Cost
Fully Functioning Rate	\$ 250	\$ 251
Timeframe		
Staff Hire Date		1/1/2021
Service Begin Date		2/1/2021
Start Up Period - Months		6.0
Members		
Potential Consumer Market		2,500
Care Transition Population Estimate		250
Member Growth Estimate Per Month - September 1, 2021 - December 31, 2023		1%
Staffing	Startup	Ongoing
Therapist (Licensed) - Ratio of Consumers Per Therapist	1	1
Care Coordinator - (CM and Behavioralist Roles) - Ratio of Consumers Per Care Coordinators	2	4
Substance Abuse Counselor - Ratio of Consumers to SA Counselors	1	1
Nurse Practitioner (Medication Management) - Ratio of Consumers Per NP	1	1
Annual Salary Increase		3%
Benefits & Payroll Taxes		30%
Other Expenses		
Other Direct Expenses - Supplies, Equipment, Facilities, Insurance		30%
Management & General Expenses		20%

New Service Revenue & Expense Forecast

	Start Up Phase							Full Implementation	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Total Members	75	100	125	150	175	200	225	250	251
Projected Revenue	\$ 5,625	\$10,000	\$15,625	\$22,500	\$30,625	\$40,000	\$50,625	\$ 62,500	\$ 63,127
Projected Expenses									
Salaries	\$ 38,903	\$ 38,903	\$ 38,903	\$ 38,903	\$ 38,903	\$ 38,903	\$ 38,903	\$ 38,903	\$ 38,903
Fringe Benefits & Taxes	\$ 11,671	\$ 11,671	\$ 11,671	\$11,671	\$11,671	\$ 11,671	\$ 11,671	\$ 11,671	\$ 11,671
Other Expenses	\$ 5,985	\$ 5,985	\$ 5,985	\$ 5,985	\$ 5,985	\$ 5,985	\$ 5,985	\$ 5,985	\$ 5,985
Administrative	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Total Expenses	\$59,558	\$59,558	\$59,558	\$59,558	\$59,558	\$59,558	\$59,558	\$ 59,558	\$ 59,558
Net Margin (Deficit)	\$(53,933)	\$(49,558)	\$(43,933)	\$(37,058)	\$(25,933)	\$(19,558)	\$(8,933)	\$ 2,942	\$ 3,568

Feasibility Analysis Is Key To 'Go/No Go' Decision



IV. Service Line Launch

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

Turning Market Intelligence Into Business Advantage

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