Strategic Revenue Diversification: What Are The Options & How Do You Decide What Options To Pursue?

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Learning Objectives

- Strategies for surviving the current economic turbulence
- Understanding the range of funding services available
- Linking the revenue diversification strategy to the strategic plan
Challenges of the Economic Downturn – Strategies for Surviving the Turbulence

1. Manage cash aggressively
2. Secure additional financing
3. Streamline operations and aggressively manage unit costs
4. Set thresholds for discontinuing service lines
5. Revenue maximization initiatives for current services
6. Aggressive business development strategies
Analyzing Your Current Service Lines for Opportunities
Organizational & Service Line Metrics
Organizational Metrics Supporting Strategic Decision-Making

1. Income/revenue, by source & service line
   a. Direct expenses, by service line
   b. Allocated expenses, by service line
   c. Allocated charitable income/revenue, by service line

2. Profit/loss by service line without charitable allocation (if NFP)

3. Total profit/loss by service line
Organizational Metrics Supporting Strategic Decision-Making (cont.)

4. Total # of clients served, by service line & relevant demographic/payer type
5. Total # of service units delivered, by service unit type, by service line, & by relevant demographic/payer type
6. Staff/facility productivity or yield, by service unit & appropriate operating units
Organizational Metrics Supporting Strategic Decision-Making (cont.)

7. Total direct cost per service unit, by service unit type
   a. Total indirect cost per service unit
   b. Total cost per service unit

8. Total income/revenue per service unit
   a. Non-charitable income/revenue per service unit
   b. Charitable income/revenue per service unit
Organizational Metrics Supporting Strategic Decision-Making (cont.)

9. Profit/loss per service unit
10. Charity/subsidy as % of total unit cost (if NFP)
11. Quality measures
12. Consumer satisfaction & performance, by service line
## Organizational Metrics Supporting Strategic Decision-Making in NFP Health & Human Service Environment

<table>
<thead>
<tr>
<th>Monthly NFP Organizational Performance Metric</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income/Revenue, By Source &amp; Service Line</td>
<td>Itemization of the income/revenue received from every payer source in total and by organizational service line.</td>
</tr>
<tr>
<td>Direct Expenses, By Service Line</td>
<td>Itemization of direct expenses for the organization in total and as assigned to an individual service line.</td>
</tr>
<tr>
<td>Allocated Expenses, By Service Line</td>
<td>Itemization of expenses other than direct expenses, along with assignment/allocation by service line.</td>
</tr>
<tr>
<td>Allocated Charitable Income/Revenue, By Service Line</td>
<td>Allocation of charitable income/revenue by service line.</td>
</tr>
<tr>
<td>Profit/Loss By Services Line Without Charitable Allocation</td>
<td>Profit/loss of organization and of each service line without charitable resource allocation.</td>
</tr>
<tr>
<td>Total Profit/Loss By Service Line</td>
<td>Profit/loss of organization and of each service line.</td>
</tr>
<tr>
<td>Total # Of Clients Served, By Service Line &amp; Relevant Demographic/Payer Type</td>
<td>Number of clients served in period, in total and by service line. Data reported by specific types of consumer demographics and/or payer type, as needed.</td>
</tr>
<tr>
<td>Total # Of Service Units Delivered, By Service Unit Type, By Service Line &amp; By Relevant Demographic/Payer Type</td>
<td>Number of service units delivered by type. Data reported by service line and by specific types of consumer demographics and/or payer type, as needed.</td>
</tr>
<tr>
<td>Staff/Facility Productivity Or Yield, By Service Unit and/or Appropriate Operation Units</td>
<td>Staff/facility productivity or yield, by service unit and/or operational cost. Definitions of productivity or yield (available hours, available beds, billable hours, etc.) dependent on services and organization. Productivity or yield can be reported at whatever level is most useful for management – individual staff member, work teams, operational units, geographic locations, etc.</td>
</tr>
<tr>
<td>Total Direct Cost Per Service Unit, By Service Unit Type</td>
<td>Total direct costs for delivery of a particular type of service, by unit delivered.</td>
</tr>
<tr>
<td>Total Indirect Cost Per Service Unit</td>
<td>Total indirect costs for delivery of a particular type of service, by unit delivered.</td>
</tr>
<tr>
<td>Total Cost Per Service Unit</td>
<td>Total direct and indirect costs for delivery of a particular type of service, by unit delivered.</td>
</tr>
<tr>
<td>Non-Charitable Incomes/Revenue Per Service Unit</td>
<td>Non-charitable revenue/income received for delivery of a particular type of service, by unit delivered.</td>
</tr>
<tr>
<td>Charitable Income/Revenue Per Service Unit (Per Unit Subsidy)</td>
<td>Charitable revenue/income received for delivery of a particular type of service, by unit delivered.</td>
</tr>
<tr>
<td>Total Income, Revenue Per Service Unit</td>
<td>Total revenue/income received for delivery of a particular type of service, by unit delivered.</td>
</tr>
<tr>
<td>Profit/Loss Per Service Unit</td>
<td>Comparison of total revenue per service unit delivered to total cost per service unit delivered.</td>
</tr>
<tr>
<td>Subsidy As % Of Total Cost Per Service Unit</td>
<td>Charitable income/revenue per service unit as a % of total cost.</td>
</tr>
<tr>
<td>Consumer Satisfaction/Outcome Measures, By Service Line</td>
<td>Consumer satisfaction and outcome measures, by service line. Most often established using existing satisfaction and outcome tools, with reporting by service line, service unit, and appropriate consumer demographic or organization characteristics.</td>
</tr>
</tbody>
</table>

Source: Oss, Monica E. February 2002.
$15 million Catholic family service agency

- Board unsure if $ is well-spent
- Management team unaware what services “have margin”
- In face of deficit, analysis needed to develop strategy
## Subsidy Allocation by Department & Resulting Profit/Loss (2001 Data)

<table>
<thead>
<tr>
<th></th>
<th>MR/DD</th>
<th>Home Care</th>
<th>SPMI</th>
<th>Eldercare</th>
<th>Counseling</th>
<th>Career Ctr</th>
<th>Resettle</th>
<th>Volunteers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue w/out SSS Subsidy</strong></td>
<td>$4,375,249</td>
<td>$2,278,404</td>
<td>$1,781,909</td>
<td>$1,696,948</td>
<td>$501,682</td>
<td>$414,101</td>
<td>$188,360</td>
<td>$2,525</td>
</tr>
<tr>
<td><strong>XXX Subsidy Dollars</strong></td>
<td>$443,040</td>
<td>$0</td>
<td>$162,933</td>
<td>$491,152</td>
<td>$641,318</td>
<td>$523,222</td>
<td>$467,820</td>
<td>$157,673</td>
</tr>
<tr>
<td><strong>Profit (Loss) W/XXX Subsidy Allocation</strong></td>
<td>($313,287)</td>
<td>($128,435)</td>
<td>$39,265</td>
<td>$107,626</td>
<td>$129,103</td>
<td>$197,141</td>
<td>($42,099)</td>
<td>$29,308</td>
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</table>
# Estimates of Per Consumer Subsidy

<table>
<thead>
<tr>
<th></th>
<th>MR/DD</th>
<th>Home Care</th>
<th>SPMI</th>
<th>Elder</th>
<th>Couns</th>
<th>Career</th>
<th>Resettle</th>
<th>Vol</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumer Served</strong></td>
<td>270</td>
<td>410</td>
<td>265</td>
<td>2,378</td>
<td>1,322</td>
<td>1,202</td>
<td>758</td>
<td>926</td>
</tr>
<tr>
<td><strong>XXX Subsidy Per Consumer</strong></td>
<td>$1,641</td>
<td>$0</td>
<td>$615</td>
<td>$207</td>
<td>$485</td>
<td>$435</td>
<td>$617</td>
<td>$170</td>
</tr>
<tr>
<td><strong>Total Revenue Per Consumer</strong></td>
<td>$17,846</td>
<td>$5,557</td>
<td>$7,339</td>
<td>$714</td>
<td>$865</td>
<td>$780</td>
<td>$866</td>
<td>$173</td>
</tr>
<tr>
<td><strong>Subsidy % Of Total Per Consumer Expend</strong></td>
<td>9.2%</td>
<td>0.0%</td>
<td>8.4%</td>
<td>28.9%</td>
<td>56.1%</td>
<td>55.8%</td>
<td>71.3%</td>
<td>98.4%</td>
</tr>
</tbody>
</table>
From Metrics to Mapping…

- Portfolio mapping is a tool to understand service “portfolio” from a number of perspectives.
- Graphic display of internal & external metrics.
- Used in service line planning & repositioning.
Portfolio Analysis Tools
Portfolio Management/Mapping As Strategic Decisionmaking Tool

- Portfolio mapping is a tool to understand service “portfolio” from a number of perspectives
- Graphic display of internal and external metrics
- Used in service line planning and repositioning
  - Improving/repositioning services and service lines
  - Decisions to eliminate services
  - Selecting new service line investments
Product Line & Portfolio Analysis

- Review of organizational product lines & portfolios that is:
  - Conducted at regular intervals
  - Rigorous
  - Measurable
  - Reviewed by senior management
Common Portfolio Mapping Tools

- Mission vs. Profit Matrix (for public or non-profit organizations)
- Market Growth vs. Market Share Matrix
- Competitive Position vs. Industry Attractiveness Matrix
- Market Risk vs. Market Reward Matrix

## Operating Results For A Provider Organization

<table>
<thead>
<tr>
<th>Service</th>
<th>Revenues ($Millions)</th>
<th>Costs ($Millions)</th>
<th>Revenue/Cost Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inpatient &amp; Residential Programs</td>
<td>3.83</td>
<td>5.12</td>
<td>75%</td>
</tr>
<tr>
<td>Family Preservation Program</td>
<td>0.16</td>
<td>0.47</td>
<td>34%</td>
</tr>
<tr>
<td>Counseling Services</td>
<td>0.76</td>
<td>0.53</td>
<td>143%</td>
</tr>
<tr>
<td>Supplementary Businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Day Care Program</td>
<td>1.72</td>
<td>1.08</td>
<td>159%</td>
</tr>
<tr>
<td>Professional Education Program</td>
<td>0.08</td>
<td>0.09</td>
<td>89%</td>
</tr>
<tr>
<td>Head Start Program</td>
<td>0.31</td>
<td>0.30</td>
<td>103%</td>
</tr>
<tr>
<td>Resource-Attraction Businesses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research &amp; Education Grant</td>
<td>6.16</td>
<td>5.92</td>
<td>104%</td>
</tr>
<tr>
<td>Individual Membership Program</td>
<td>2.85</td>
<td>2.48</td>
<td>115%</td>
</tr>
<tr>
<td>Annual Auction</td>
<td>0.29</td>
<td>0.09</td>
<td>322%</td>
</tr>
<tr>
<td>Business Support Program</td>
<td>0.90</td>
<td>0.53</td>
<td>170%</td>
</tr>
</tbody>
</table>
Portfolio Analysis For Provider Organization

Mission Advancement

Strongly Advances

Neutral

Strongly Detracts

Day Care Program
Counseling Services
Business Support Program
Auction

Inpatient & Residential Programs
Professional Education Program
Family Preservation Program
Head Start Program
Individual Membership Program
Research & Education Grants

Revenue/Cost Coverage (100% = Breakeven)

400 300 200 160 100 70 30
Revenue Maximization Initiatives For Current Services

- Increase billing/volume
- Improve collections
- Geographic expansion
- Repurposing
Aggressive Business Development Strategies

- Compete for/secure current service and/or contract opportunities
- Identify competitor contracts at risk and develop strategy to acquire
- Identify payer ‘desires’ in recession and develop customized solutions
Collaboration As A Model

- Tech collaboration
- Marketing collaboration
- Joint operating agreement
- Merger

Key issue – what is the strategic purpose for collaboration?
What Are The Opportunities in the Recession?

- Stimulus dollars (Medicaid and grants)
- State government budget fixes
  - Mandates ‘for less’
  - High-cost populations
  - Privatization
- Local government budget fixes
  - Outsourcing
What is Diversification?

- A risk-reduction strategy that involves spreading assets across a mix of service lines, consumer groups, and payers.
- A strategy in which an organization introduces itself to products / target markets not previously in its realm of experience.
- Diversification reduces the risk of a service line portfolio -- it does not necessarily reduce the returns.

* Decision driven in part by portfolio analysis.
Strategic Diversification Strategies

1. New funding sources for existing target populations or services – if available, probably the easiest

2. Geographic expansion for existing target populations or services – good choice if organization has ability to manage out-of-area services

3. New target populations & new services – highest risk
Overview of the Range of Funding Sources
Government Funding for Behavioral Health & Social Service Organizations

- Federal
  - Medicare
  - Grants
  - Service Contracts

- State
  - Medicaid
  - Mental Health, MR/DD, Substance Abuse
  - Child Welfare
  - Education
  - Adult Corrections & Juvenile Justice

- Regional/County/Local
  - Mental Health, MR/DD, Substance Abuse
  - Child Welfare
  - Education
  - Adult Corrections & Juvenile Justice
Private Organizational Sources of Funding

- Third-party payments
  - Private insurers
  - MBHO carve-outs (public & private)

- Private sector employer contracts
  - EAP
  - Disease management
  - Occupational health
  - Disability management

- Foundations – grants, fundraising

- Corporations -- fundraising
Consumer Direct Pay

- Health services not paid by third-party insurance
- Purchases through health savings accounts and vouchers
- “Personal improvement” services for self or family
- Fundraising – memberships, donations
Deciding on a Focus: The Process of Selecting a Revenue Diversification Strategy

Failure to link strategic diversification to strategic plan can result in short-term gain & long-term pain
What is the Difference Between Strategic Planning & Marketing Planning?

**Strategic Plan**: Plan to accomplish organizational mission and objectives through specific tactics responding to a changing environment while making best use of available resources

Strategic plan is basis for marketing plan (as well as financial plan & operational plan)

**Marketing Plan**: Organizational strategy to guide revenue generating activities – link between organization, its services, and its customers
Market-Related Decisions Made During Strategic Planning

- Overall organizational vision, mission, and positioning
- Markets to pursue
- Product lines to offer
- Revenue & return required for each product line
“Strategic Options” For Consideration

- Closure of services/service lines that are not profitable and/or affordable and/or “good fit”

- Strategies to improve margins of existing service line

- Building “value added” products to increase margins

- Expansion of successful service lines (expansion of geography, new customer base, etc.)
“Strategic Options” For Consideration (cont.)

- Diversification of revenue sources
- Reconfiguration of services within “value chain”
- Strategies to address shifting “economy of scale” issues
Question #1: When To Terminate A Service

- **Combination Of Factors Considered:**
  - ✓ Margin
  - ✓ Mission
  - ✓ Service Line Portfolio Balance
  - ✓ Current Market Positioning
  - ✓ Market Trends & Future Portfolio Balance
Question #1: When Not To Terminate A Service

- Margin issues can be addressed by reengineering and/or productivity improvement
- No other service capacity in community (philanthropy for support?)
- Essential to referral or operations of “cash cow”
- In “growing” market with plan to profitability
- Critical to portfolio distribution
Question #2: What New Service To Offer?

- Where In Service Line

- Analysis Of Mission & Objectives
  - Current Internal Situation (Organizational Strengths & Weaknesses)
  - External Situation (Competition, Market Trends, Etc.)

- Desired Service / Market Portfolio

- Analyze Gaps In Market (Yours/Competitors)

- Set Objectives, Criteria, Etc. For New Product
  Important Approach Is “Systematic”
Screening For Service Line - Organizational Fit

- Match The Mission
- Impact On Financial Situation (Afford It?)
- Complement Or Cannibalize Existing Product Line?
- Price & Payment Terms Compatible? (Individual Vs. Group Billing)
- Use Of Existing Distribution Channels? (Present Referral Sources, Etc.)
- Use Of Existing Promotion? (Individual Vs. Institutional Buyers)
Screening For Service Line - Market Fit

- Match Customer Needs (Rule: Should Match Exactly At Least One Target Market)
- Able to Reach Prospective Customer (Are Vehicles Affordable?)
- Better Fit Than Competitors (With At Least One Market)
- Expected Customer & Competitor Retaliation
1. New Funding Sources for Existing Target Populations or Services

What other funding sources are available for our current services?

What other funding sources are available for current consumer population?
Understanding the Dynamics of Alternate Funders

■ What services is this funder seeking?
  ✔ Direct services?
  ✔ Research needed?

■ What are the objectives of this funder?
  ✔ Develop body of knowledge/best practice models?
  ✔ Expand the use of an existing model?
  ✔ Capacity development required?
  ✔ Specialized services?
  ✔ Specific quality or performance requirements?
Understanding the Dynamics of Alternate Funders (cont.)

- What is their procurement process?
  - Request for proposal?
  - Grant application?
  - Contracted network provider?

- What is the funder’s evaluation criteria?
  - Organizational requirements (for-profit/not-for-profit, affiliation, geographical area)?
  - Organizational qualifications & experience?
  - Proposed philosophy & approach?
  - Organization capability/management?
  - Financial (financial model, cost, admin/profit limitations)?
Understanding the Dynamics of Alternate Funders (cont.)

- Is our organization likely to be a successful competitor?
  - What types of organizations have they made awards to in the past?
  - Does our organization have the required licensure, accreditation, or certifications?
  - Does our organization require a strategic partner?
2. Geographic Expansion for Existing Target Populations or Services

What New Geographic Areas Are Feasible?

Moving Beyond Geography Using “Technology Based” Delivery?
3. New Target Populations & New Services

What New Services Should We Develop?
New Target Populations & New Services

- Great resource investment – time & money

- Most are losers – fail commercially and/or not successfully implemented & operated

- More opportunities (and competitors) than available resources – careful selection is critical
Three Approaches to New Service Selection

- Benefit measurement techniques
  - Checklists, scoring models, etc.
  - Subjective & single-product focused

- Financial/economic models
  - Breakeven analysis, ROI, discounted cash flow, etc.
  - Require data &/or model with single-product focus

- Portfolio methods
  - Comparative metrics/maps of all products
  - Project evaluation tool – prioritization & planning – in context of overall organizational initiatives
Market Analysis is Critical in Decision-Making

- Market segmentation

- Market potential and marketshare, by product line

- Economic analysis: break-even analysis, target costing, and profitability projections
Market Segmentation

- Division of market into segments according to some rational scheme

- Strategy of singling out certain subgroups and developing a marketing strategy for them

- Segment – set of potential customers that are alike in way they perceive and value a service
Segmentation Permits...

- Prioritization of market segments
- Analysis of buying behavior of segments
- Positioning of services within the segment (4ps relative to competition)
- Developing marketing strategy for each segment
# Marketing Mix

<table>
<thead>
<tr>
<th>Product</th>
<th>Price</th>
<th>Place</th>
<th>Promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functionality</td>
<td>List price</td>
<td>Channel members</td>
<td>Advertising</td>
</tr>
<tr>
<td>Appearance</td>
<td>Discounts</td>
<td>Channel motivation</td>
<td>Personal selling</td>
</tr>
<tr>
<td>Quality</td>
<td>Allowances</td>
<td>Market coverage</td>
<td>Public relations</td>
</tr>
<tr>
<td>Packaging</td>
<td>Financing</td>
<td>Locations</td>
<td>Message</td>
</tr>
<tr>
<td>Brand</td>
<td>Leasing options</td>
<td>Logistics</td>
<td>Media</td>
</tr>
<tr>
<td>Warranty</td>
<td></td>
<td>Service levels</td>
<td>Budget</td>
</tr>
<tr>
<td>Service/Support</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Two Key Factors In Considering A Market Segment

Market Potential: Sales for a service if it were sold to all potential customers

Marketshare: The percentage of the market for a service that a particular organization supplies
Estimated Market Potential & Marketshare, by Service Line

For each service line and market segment:

✓ Identify target markets
✓ Quantify current market
✓ Estimate market potential
✓ Estimate organization’s marketshare
Market Potential Assessment Example #1: Behavioral Health Software Package

- **Product Line: Software Package - Care Management System Designed Specifically For Behavioral Health Organizations Accepting Risk-Based Contracts**

- **Identify Target Markets:**
  - ✓ Community Mental Health Centers in States Moving to Public Managed Behavioral Health Programs
  - ✓ Small and Mid-size Managed Behavioral Health Programs
  - ✓ Behavioral Health Groups Accepting Risk-sharing Arrangements From “Big 10” Managed Behavioral Health Organization.
  - ✓ Academic Psychiatric Departments
Market Potential Assessment Example #1: Behavioral Health Software Package (cont.)

Quantify Potential Market:

<table>
<thead>
<tr>
<th></th>
<th>$100,000</th>
<th>$200,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>$173,066,784</td>
<td>$346,133,568</td>
</tr>
<tr>
<td>Existing MCOs</td>
<td>$11,533,236</td>
<td>$23,066,472</td>
</tr>
<tr>
<td>CMHCs</td>
<td>$151,092,216</td>
<td>$302,184,432</td>
</tr>
<tr>
<td>Capitated Groups</td>
<td>$5,459,520</td>
<td>$10,919,040</td>
</tr>
<tr>
<td>Academic Departments of Psychiatry</td>
<td>$4,981,812</td>
<td>$9,963,624</td>
</tr>
</tbody>
</table>

Estimate Available Market Potential:

<table>
<thead>
<tr>
<th></th>
<th>$100,000</th>
<th>$200,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Possible Market Revenues</td>
<td>$14,958,596</td>
<td>$29,917,192</td>
</tr>
<tr>
<td>Existing MCOs</td>
<td>$996,847</td>
<td>$1,993,693</td>
</tr>
<tr>
<td>CMHCs</td>
<td>$13,059,279</td>
<td>$26,118,558</td>
</tr>
<tr>
<td>Capitated Groups</td>
<td>$471,880</td>
<td>$943,760</td>
</tr>
<tr>
<td>Academic Departments of Psychiatry</td>
<td>$430,591</td>
<td>$861,181</td>
</tr>
</tbody>
</table>
## Market Potential Assessment Example #2: Service Line Expansion for Human Service Organization

<table>
<thead>
<tr>
<th>County</th>
<th>MR/DD Clients</th>
<th>TBI Clients</th>
<th>Foster Care Clients</th>
<th>Seniors Clients</th>
<th>SMI Clients</th>
<th>MARKET POTENTIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>County A</td>
<td>9,080</td>
<td>570</td>
<td>1,263</td>
<td>315</td>
<td>1,416</td>
<td></td>
</tr>
<tr>
<td>County B</td>
<td>1,137</td>
<td>71</td>
<td>163</td>
<td>39</td>
<td>177</td>
<td></td>
</tr>
<tr>
<td>County C</td>
<td>1,077</td>
<td>68</td>
<td>149</td>
<td>37</td>
<td>168</td>
<td></td>
</tr>
<tr>
<td>County D</td>
<td>909</td>
<td>57</td>
<td>118</td>
<td>32</td>
<td>142</td>
<td></td>
</tr>
<tr>
<td>TARGET TOTALS</td>
<td>12,203</td>
<td>766</td>
<td>1,693</td>
<td>424</td>
<td>1,902</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue/Case</th>
<th>$1,570</th>
<th>$21,247</th>
<th>$16,236</th>
<th>$2,961</th>
<th>$1,932</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Potential</td>
<td>$19,154,093</td>
<td>$16,268,536</td>
<td>$27,491,366</td>
<td>$1,254,138</td>
<td>$3,675,137</td>
</tr>
</tbody>
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Break-Even Analysis, Target Costing, & Profitability Projections

- An analytical technique for studying relationships between fixed cost, variable cost, & profits
- Breakeven point represents volume of sales at which total costs equal total revenues (when profits equal zero)
- Visual interrelationship of sales price, sales volume, fixed costs, variable costs, & total costs
- Understanding of the capital/cash requirements for market entry

★ Break-Even Analysis Example
“Must Meet” Criteria in New Service Selection

1. Strategic alignment
2. Synergy & 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 (USP, 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
10 Keys to a Successful Strategic Diversification Strategy

#1 Begin with strategic planning to ensure your strategic diversification strategy is consistent with your mission, vision, and values

#2 Product portfolio analysis to determine which products to support

#3 Secure the necessary perspectives & understanding of potential customers, contributors, & funders
10 Keys to a Successful Strategic Diversification Strategy

#4 Do a financial forecast to confirm that the return will justify the investment

#5 Confirm your organization has the resources and expertise necessary to execute the selected diversification strategy

#6 Define your market position and unique selling proposition
10 Keys To A Successful Strategic Diversification Strategy (cont.)

#7 Develop a plan (strategy, tactics, budget, timeline) for implementation & management of your strategic diversification strategy

#8 Define measures and a process to evaluate whether your approach is successful

#9 Investigate ways to defer some of the costs until you begin to realize the benefits

#10 Less is more – better to focus on fewer diversification strategies at first
Questions & Discussion
Resources

- The Path to Revenue Diversification: The Chaddock Case Study - Case Studies in Best Practice Management

- Tools You Need for Launching a New Service Line

- 95% of My Organization’s Revenue Comes From Medicaid: What Are My Options for Finding Another Payer?
Upcoming Educational Events


Bringing Behavioral Health & Social Services Into Focus

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