

Hospital Market Analysis  
Financial & Operational Assessment Tool

FLORIDA FLEX GRANT, 2012-2013

Sponsored by:

FL STATE OFFICE OF RURAL HEALTH  
&  
HOMETOWN HEALTH

Hospital name:

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### Note to Senior Leadership

Part of the 2012-2013 FLEX Grant Collaborative is to perform a hospital market analysis for each participating hospital. To that end, HomeTown Health is providing an assessment template for the analysis. While this template contains six “sections”, we will complete sections 1 & 2 for the FLEX Grant. Completion of all six sections would provide valuable insight into your competitive strength and position as well as a framework for improving your market position. The timeframe for completing the enclosed assessment tool is as follows: analysis to the hospitals- early January, site visits by Lou Semrad (HTH) to assist in the analysis-Jan & Feb, analysis completed and returned to HTH-late February. Completing the assessment tool may require asking some questions that make people uncomfortable and that is one of the objectives. To survive and thrive, you must be willing to ask and answer: ***how will we defend our market position, how will we improve our market position, how will we respond to a changing healthcare industry and competitive conditions/forces and do we have a distinctive competence?***

Tools like this are more beneficial if several leaders participate. Feel free to call or email me if questions or issues arise and you need some assistance.

Good luck,

Lou Semrad, BSN, MBA

**Section I. Review of hospitals recent performance:**

Financial:

Data sources: iVantage strength index, AHD.com, in-house financial data  
(Fill in the blank or circle one of the provided options)

Market share:                      rising              flat              falling

Margin:                              profitable      break-even      not profitable

Days in A/P                              \_\_\_\_\_

Days cash on hand                      \_\_\_\_\_ (use of a monthly average is ok)

A/R days                                  \_\_\_\_\_

Denials as % of net revenue              \_\_\_\_\_

Operational:

Self pay patients as %:                      12 months ago              now

    Emergency dept.                      \_\_\_\_\_              \_\_\_\_\_

    Outpatient services                      \_\_\_\_\_              \_\_\_\_\_

    Inpatient                                  \_\_\_\_\_              \_\_\_\_\_

Ave Daily Census trend over last 24 mo.:    increasing      flat      decreasing

# of senior leader turnovers              \_\_\_\_\_ (2 year time period)

# of manager turnovers                      \_\_\_\_\_ (for 2012)

# of management positions (middle & senior) that have been open  
    more than 3 months                      \_\_\_\_\_

## Section II. Strength, Weakness, Opportunities & Threats:

One way to approach a SWOT analysis is for management to carry a small notebook and in the course of regular duties, when you feel like banging your head against a solid object or throwing something at someone (weakness, opportunity, threat) write it down. When you feel like high-fiving someone (strength, opportunity) write it down. When you feel like scratching your head (opportunity) write it down. I have included **some** areas to include in your analysis:

- Line staff – stable, losing staff (specific depts.), etc.
- Dept. managers- same as above
- Senior leadership- experience, turnover, vision, communication skills, etc.
- Financial resources- line(s) of credit, loan worthiness, County supplement, etc.
- Cash flow
- Local economy
- Local government- County support, relationship with Sheriff's dept. & prisoner care
- State government – Medicaid exposure
- Federal government- Medicare, legislation, "Obama" Care
- Medical staff- employed/not employed and implications, ave age of medical staff, ability to recruit new primary care staff, willingness to adopt best practice models, willingness to admit patients, hospitalist program, etc.
- Strategic alliance(s)- would you be an attractive partner or a burden, in an alliance (evaluate the alliance-strength/weakness/threat to your survival)
- Local/patient demographics- age of population, strength of local industry, commercial insurance, increasing/decreasing population base, etc.
- Customer loyalty
- Technological advances- consider your technology (EHR, CT, MRI, etc. versus your competition), telehealth, etc.
- Business office- this is an area you should **spend a lot of time** thinking about your strengths, weaknesses, opportunities and threats. Strong P&P's, following P&P's (cash collections at point of service), education, strength of employees, denials (follow-up and follow-through), etc
- Clinical quality- customer perceptions, errors, education, clinical practice lab, quality improvement program, CNO, staff, etc
- Brand strength of the hospital
- Reliability of services and equipment
- Radius of care- what is the competition doing in a 10 mile, 20 mile and 30 mile radius from your hospital. What presence does your hospital have in those areas (clinics, etc.)
- Factors affecting increasing/decreasing market share (increasing mkt share is not a strength, it is the result of a strength, successful exploitation of an opportunity or reversal of a weakness)

Strength	Weakness
Opportunity	Threats

When completed successfully, leadership should be able to take the SWOT analysis and:

- Determine if existing strategies are working
- Determine if strategic issues/opportunities have been defined/revealed
- Set goals to be successful. The goal should not be to make money or to stay open. The goal should be to do those things that will result in staying open. You should apply that principle to this exercise.
- Develop new/revised strategies
- Identify resource allocation priorities
- Establish key/critical success factors
- Develop methodology to track new/revised strategies and KSFs
- Remember it is not the amount of ink in each box that contributes to a functional SWOT analysis; it is the impact on the organization of each identified strength, weakness, opportunity & threat.

### Section III. Assessment of Competitive Strength

Where a SWOT analysis focuses on an inward assessment of your organization, this section focuses on an outward assessment of your organization versus your rivals. Who has a stronger reputation among your customers, who has the upper hand at recruiting physicians, who can grow revenue streams quicker? Completing this section shines a spotlight on market share and revenue trends.

In this section, you are asked to rate yourself against rival hospitals. Some may have only one rival while others may have two, hence room for two rivals in the following chart. If your rival is a regional medical center, it may be more useful to compare yourself to your closest peer hospital.

We have provided the competitive variables for two reasons: 1) save you time and 2) uniformity in the analysis. Use a 1 to 10 rating scale with 1 being weak or poor and 10 being equal to top decile performing hospital. When complete, please add each column to derive an overall rating of competitive strength. If you are unable to assign an informed rating for your rival, this may reveal a weakness in the hospital's strategy and marketing plan. You should know your competition.

I have provided several "fill-in-the-blank" rows for you to add variables should you feel they need to be included in the competitive strength analysis.

Key Success Factors/ Competitive Variables	You	Rival 1	Rival 2
Reputation/image in the community (include med staff here)			
Stability of management			
Adequacy of management			
Primary care base (are patients staying local)			
Ability to recruit new physicians (primary care and specialty)			
Quality of medical staff			
Quality of patient care & service (hospitality/manors)			
Culture of accountability			
Culture of innovation (ability/willingness to adapt to survive)			
Business office accuracy & efficiency			
Ability to hire and retain qualified employees			
Use of new technology (EHR, tele-medicine, etc)			
Support of key stake holders (Board & elected officials)			
Access to same-day-services			
Ability to grow and accelerate referral streams			
Overall rating of competitive strength			

Please visit the following website and enter your zip code as well as that of your rival(s) to see how iVantage Analytics has assessed your hospital strength.

[www.hospitalstrengthindex.com/hospital-ratings/](http://www.hospitalstrengthindex.com/hospital-ratings/)

iVantage's rating:

Your score \_\_\_\_\_ Rival #1 score \_\_\_\_\_ Rival #2 score \_\_\_\_\_

Your rating from the above grid:

Your score \_\_\_\_\_ Rival #1 score \_\_\_\_\_ Rival #2 score \_\_\_\_\_

Did your competitive analysis draw the same conclusion as iVantage's vs. your rival(s)?

#### **Section IV. Assessment of Competitive Position**

This section builds upon the Competitive Strength Assessment from the previous section and will be instrumental in building a successful strategic plan.

Compile a list of those factors/variables that represent strengths/advantages for the hospital's current market position.

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

Compile a list of those factors/variables that represent a weakness/disadvantage for the hospital's current market position.

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.



Using the above lists, decide the following:

a) Is the hospital's position improving or declining and **WHY**.

b) Does the hospital have a net competitive advantage or is the hospital at a competitive disadvantage (If you have a competitive advantage in a specific area and disadvantage in others, then specify).

c) Now, based on the whole of the data, decide:

a. how weak or strong is your competitive position

1	2	3	4	5	6	7	8	9	10
weak									strong

b. how easy will it be to overcome a weak or disadvantaged position

1	2	3	4	5	6	7	8	9	10
easy									difficult

c. how easy will it be to defend a strong position (if applicable)

1	2	3	4	5	6	7	8	9	10
easy									difficult

## **Section V. Identifying the Strategic Problems/Issues That Need Addressing**

In this section, we need to identify/prioritize what problems/issues are indicated by the diagnosis of the hospital's situation and competitive position. Make a list of 5 problems/issues that the hospital must address to achieve a strong competitive position.

Problem/Issue #1:

Problem/Issue #2:

Problem/Issue #3:

Problem/Issue #4:

Problem/Issue #5:

Hints for identifying problems/issues that the hospital must address:

As you compile the list, ask:

- What are the implications of this for the hospitals strategy?

- What hurdles will the hospital have to overcome, given the current competitive forces, future competitive conditions and likely moves by rivals?
- **Is this an outcome or the root problem/issue that needs addressing?**  
 Example: Unable to pay A/P in timely manner. You may feel that the inability to pay bills on time is a problem, but it is an outcome, not a root problem/issue. Why do you not have enough \$\$\$ in the bank? High denials, lack of cash collections, lack of accurate clinical documentation, etc.? These are still outcomes but we are getting closer to the root problem. Do you have a P&P for cash collections at the point of service? Do employees know you have a P&P and that they are expected to adhere to this policy? Have they been given the proper training on how to implement the cash collection policy? These are the kind of questions that will lead you to the root cause of a problem/issue that is contributing to a competitive disadvantage.

## **Section VI. Recommendations**

In this section, take the results of the Hospital Market Analysis, and translate that into a recommended strategy and course of action.

There are 6 basic components to this section:

1. Specifying a basic strategy direction, with a strategic mission and target objectives
2. Recommending an overall business strategy
3. Recommending competitive approaches with the goal of creating a sustainable
4. competitive advantage
5. Recommending service line support strategies where needed
6. Recommending specific short-term action steps
7. Recommending specific long-term action steps

Hints for creating a competitive advantage:

- Pinpoint what kind of competitive advantage the hospital should try and achieve. Being specific is the goal.
- What specific actions or steps should the hospital take to create this advantage?
- Do not overreach. Be realistic, stay within the boundaries of resources (cash, talent pool, etc.) available. If you can expand the resource boundary with a high degree of confidence, then do it.
- Creativity can be an ally when looking for a competitive advantage.