



WHITE PAPER

Growth Options for Your Medical Practice

It is important to evaluate whether you want to consolidate your medical practice's position or find ways to grow. If you decide that your priority is growth then you need to plan carefully if you are to succeed.

Growth has its risks, but the right strategy can deliver stability, security, and long-term profits. Once you've assessed the current strengths, weaknesses, opportunities, and threats to your practice and how well it's equipped to handle them, you can move on to the next stage — building a strategy for growth.

The Importance of Medical Practice Growth

Your medical practice's focus changes as it moves beyond the start-up phase. Identifying opportunities for growth becomes a priority to ensure the practice's sustainability. You can measure growth by looking at key statistics such as your revenue, profits, patient volume, market share, etc. However, determining which measure delivers the most accurate picture of your practice's performance can depend on both your specialty and what stage the practice has reached. In general, a combination of top line revenue and bottom line profit is the most balanced way to measure growth.

Where to Begin

Even if you are happy with your current performance, it is important to keep looking for ways to develop. If you don't, you risk allowing your competitors the room to grow and take market share from you, which could seriously weaken your position. Going for growth may therefore begin with consolidation of your current markets. To devise a successful growth strategy, you need to know exactly what shape your medical practice is in. This will help you to ensure your practice is properly structured to make the growth strategy you choose a viable option.

Consolidate your Existing Performance

While you may be spending more time and resources on developing the practice, you need to be sure that the core of the business is still performing well. It is vital not to neglect your existing patient base as this will underpin your growth and provide the cash flow you will need during this phase.

Timing is critical to the success of any growth strategy. Answers to the following key questions will help you judge if the time is right:

- Could your practice cope with expansion, or is it working at full capacity?
- Do you have the resources and systems in place to carry on your existing practice while targeting expansion elsewhere?
- If new initiatives are likely to disrupt existing performance, how will you ensure your patients don't lose out?

You may have to consider including additional staffing, refining clinical processes and equipment, or outsourcing certain tasks in order to give you the flexibility to pursue a growth strategy.

Options for Growth: Increasing Market Share

If you're looking to increase market share, it's important to make sure your business is in good shape first. To increase market share, a medical practice has to take patients from its competitors or attract new patients. Achieving this requires a thorough understanding of both your own patient base and that of rival practices and hospitals. Having the answers to the following questions will help you build a comprehensive picture of your market and your competitors and put you in a stronger position to win a bigger market share.

- Who are your existing patients? Are there any other patient demographics that may require your clinical skills or services and that you haven't targeted before?
- What are your competitors' strengths? Do you have these too? If not, why not - and should you have them?
- Why do patients seek care from your competitors? What advantages do you have over your rivals that may attract their patients? How can you communicate so that your competitors' patients seek care from your practice instead?
- What is your unique selling point?
- Are there patients who have stopped coming to your practice? Do you know why? If not, you may want to ask them.

Options for Growth: Diversification

Many small medical practices grow by taking opportunities to diversify, although there are risks because of limited resources on all fronts. Practices should weigh up the risks and costs of opting for growth carefully against the benefits. Diversification can take several forms, including:

- New, related products or services to existing patients
- New markets for existing services
- New services for new markets

Deciding how and when to diversify depends on you having:

- Thorough market and patient research for the new product or service
- A clear development strategy — including trying a new product or service for a short test period with prototypes and test marketing before totally committing to the new project
- Efficient clinical and business operations that can cope with the added demands

Generally speaking, diversifying with similar services and selling them to a familiar patient demographic is less risky than creating a service for a completely new patient demographic.

Options for Growth: Partnerships, Mergers and Acquisitions, Joint Ventures

You can also expand your medical practice by joining forces with another physician group.

While this can create more shared decision-making and possible management and staff issues to resolve, there can be clear advantages. Successful co-operation can deliver:

- More resources
- Sharing of the managerial load
- Larger skills and talent base
- Bigger pool of patients
- Increase in catchment area
- Reduced risk

It is important to be very careful who you link up with. An agreement defining the terms of the partnership or joint venture is essential and further legal protection is advisable.

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