

# Socioeconomic tips of the month

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**Q.** Are business plans just for large corporations, or should a surgical practice develop a business plan?

**A.** Business plans are no longer just for big business. Surgical practices should also have business strategies in place. Unfortunately, most practices operate on a day-to-day basis without any guiding principles. This can be foolhardy in a managed care environment where it is necessary to have a strategic business plan in order to survive the competitive marketplace.

Surgeons must be involved in their practice's strategic planning from the beginning. As a first step toward developing a strategic plan, surgeons may stimulate discussion among the practice's partners and staff by conducting an internal survey. Some questions to include in the survey are:

- How much business does the practice expect?
- What are the anticipated expenses?
- What will be the anticipated annual physician compensation?

Also include a section where everyone can list four things they would like to see accomplished within the next year (that is, practice governance, marketing strategies, annual reviews, and so on).

Next, schedule a planning meeting to review the responses to the survey. This meeting will be the catalyst for employees, management, and physicians to discuss and develop a draft business plan. Questions for consideration at this point include:

- What is the practice's market?
- What are the service capacities of the practice?
- What are the core values of the practice?
- What are the current finances?
- What are the projected revenues/expenses?
- What services will be billed and collected?
- What will profits be and how will they be distributed?

Set target dates for meeting each goal and objective that emerges from your discussion of the above questions. This will make it easy to incorporate goals into financial projections for the year. Once a practice knows what it needs to accomplish, it becomes easy to develop a budget that complements its goals.

By conducting annual strategic planning meetings, surgeons and office staff will be able to focus on what they should achieve over the next fiscal

year. Since the business plan will be a document used all year long, it may be useful to have specific sections describing in general terms what each committee, section, or department wants to accomplish for the next year. This is useful information for a number of purposes, including recruitment, accountant/legal reference documentation, and compilation of information for outside advisors.

Ultimately, the surgeon is responsible for putting the business plan in writing. Your plan may contain a table of contents with an exhibits section to list senior staff, committees, schedules, and so forth. Some of the information to cover in the business plan includes:

- A mission statement.
- An executive summary.
- A list of the practice goals and objectives.
- Key financial information.
- Demographic data.
- Business projections.

Once the plan is developed, make sure each physician-owner receives a copy. Also share it with your employees, so they will understand the practice's aims. This document also will serve as a valuable reference tool for the practice. There is, of course, a need to remain flexible in the event of unforeseen circumstances. □

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"Socioeconomic tips of the month" responds to questions from Fellows and their staffs, and provides useful tips for surgical practices. Developed by College staff and consultants, this information will be accessible on our Web site for easy retrieval and future access. If there are topics you would like to see addressed in future columns, please contact the Chicago staff of the Health Policy and Advocacy Department, tel. 312/202-5150; fax 312/202-5021; or e-mail [HealthPolicyAdvocacy@facs.org](mailto:HealthPolicyAdvocacy@facs.org).