Risk Management Strategies for the Outpatient Setting

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Strategic Risks

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Introduction to Strategic Risks

Managing strategic risks can assist an organization's leaders in making critical decisions and ensuring financial stability. Organizations are under competitive pressure from ongoing developments in the healthcare market. New entrants to the market, including retailers developing healthcare services, online pharmacies and new partnerships, may ultimately decrease the market share of traditional physician practices, outpatient facilities, urgent care facilities and clinics. These developments will increase competition and may negatively affect financial performance. Organizational leadership should routinely analyze existing competition and new entrants into the market in order to adjust their operating plans and strategic direction to mitigate associated risks accordingly.

Strategic risks may involve expansion of services, reputation management, branding, marketing, relationship and partnership management, divestitures, mergers, acquisitions and more. When determining the strategic direction, organizational leaders may consider several approaches that can be implemented individually or simultaneously. Consider the following strategic initiatives and associated risks when determining strategic direction:

Expanding Services and Capabilities

Expanding services may involve untapped or underserved markets and service lines, as well as techniques to innovate patient care delivery. Incorporating telemedicine, laboratory services and other clinical service lines are ways to expand services and capabilities. Risks to consider include general/professional liability issues associated with new services, necessary capital investments, and/or personnel issues (training, staffing, etc.).

Partnerships

Driven by a new generation of providers and technology development, creative partnerships have become an option for many organizations to achieve strategic goals and sustain or expand financial performance. Partnering with management organizations to increase provider/patient care time and focus represents one type of partnership arrangement.

Others include, but are not limited to, partnerships involving health plans, health systems and private equity firms. Risks to consider include business culture alignment, past performance in managing medical operations, compliance, safety, quality, governance, control over operations and clinical decision-making, financial/capital expense support and degree of business risk tolerance. Another consideration is the potential for partnership termination, if desired by the parties involved.

Joint Venture

Joint venture is a type of organizational structure functioning as a commercial enterprise formed by two or more separate entities for the purpose of combining resources to achieve a common purpose or goal. Joint ventures may encompass many types of arrangements. They include, but are not limited to, management services affiliations, contractual venture partnerships, clinical integration programs, co-management agreements, Management Services Organizations (MSOs), Physician-Hospital Organizations (PHOs), and Professional Services Arrangements (PSAs). Some of the risks associated with joint ventures include compliance considerations such as fraud and abuse, the federal Anti-Kickback Statute and the Stark law, and similar state laws, as well as issues related to antitrust statutes. Seeking legal counsel early in discussions pertaining to the formation of a joint venture will help to mitigate associated risks.

Mergers and Acquisitions

Expanding scale and revenue diversification has become increasingly important in the face of a weakening payor mix. For example, when a significant portion of reimbursement emanates from government insurance programs, which typically pay less than commercial insurers, analysis of this measure will affect the determination. It may generate increased interest in mergers or acquisitions in order to combine resources and improve operating efficiencies. Common conflicts that occur with mergers and acquisitions are culture clashes, stakeholder push-back, miscommunication, unexpected clinical risks, and massive staff turnover.

Divestitures

Selling non-core assets may be a strategy to concentrate and reinvest in other initiatives, and restore or maintain financial stability. Examples of divestitures may include, but are not limited to, sale or termination of services, sale or termination of marketing ventures and divesture of non-clinical services. Risks associated with divestitures include insufficient analysis of the downstream effect of organizational changes and failure to realize the planned gains.

Reputation Management

Consumers are driven by positive and negative reviews of the services they seek, including healthcare services. These reviews come by word-of-mouth, online reviews, marketing campaigns and brand strength. Reputation management is an important factor in maintaining relevance in a competitive market. Proactive reputational monitoring is more cost effective than efforts to salvage or re-build a reputation. The following are important components of reputation management:

- Communication – effective communication with employees and stakeholders.
- Patient concerns – responding to patient concerns in a timely manner and with empathy.
- Branding – or the process of shaping how the organization is perceived by others.
- Marketing – increased visibility influencing media and public opinion.
- Online presence – social media platforms, website presence, and online rating sites.
- Monitoring – plan to monitor reputation setting metrics indicating positive and negative indicators of performance.
- Crisis response plan – a plan to respond to a crisis involving the organization, providers, affiliates and others that may create pressure from the media, regulatory bodies, law enforcement and others.

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