Building for Sustainability:

Business Plans That Work

OAT Grantees Meeting

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Top 10 Reasons Businesses Fail

10. Lack of fundamental business skills

9. Complacency

8. No support team

7. Wrong location

6. Refusal to delegate

5. Poor hiring and management

4. Insufficient marketing

3. Poor understanding of customers

2. No written business plan

1. Not enough money

Background

§ **Sustainability has always been a concern in starting up a telehealth program**

§ **Regardless of the funding source, most sponsors want proof of sustainability**

   § **Contract or grant agencies**
   § **Endowment or gifting organizations**
   § **Parent or host institutions**

Background

§ **To ensure sustainability, the sponsor will probably require a business plan that addresses program continuation**

§ **The fate of many programs is based on their ability to illustrate sustainability**

  § Self-sustainability
  § Justifiable subsidization

Three Business Strategies to Consider

1. Revenue Generation

In this strategy, the telehealth program has the capacity to generate revenue from a variety of sources

- § Contracts/grants
- § Earmarks/Niche funding
- § Clinical Revenue
- § User fees/membership dues
- § Clinical revenue (after providers are reimbursed)
- § Educational fees

Three Business Strategies to Consider

2. Expense Reduction:

In this strategy the telehealth program can realize a cost savings using telehealth

§ Inmate transport reductions

§ Medicaid program travel expense decreases

§ Fewer patient transports

§ Circuit rider practitioner cost reductions

§ CME cost decreases

Three Business Strategies to Consider

3. Cost Center or Loss Leader:

In this strategy the telehealth program is subsidized by a parent organization with the understanding the program requires sustained funding. Here, the perceived benefit(s) of the program (social, public relations, customer convenience) are important enough to justify the cost

A Hybrid of Strategies

For sustainability a telehealth program can employ a hybrid of the strategies

§ **Revenue generation/Expense reduction**

(Grants)/(Circuit rider decrease)

§ **Revenue generation/Cost Center**

(Clin revenue)/(Parent org support)

§ **Expense reduction/Cost Center**

(Fewer patient transports/On-line library)

A Hybrid of Strategies

A hybrid of revenue strategies also helps when one funding source "dries up"

1. Non-recurring: time limited or one-time
   (e.g. Grants, contracts)

2. Recurring: ongoing or continuing
   (e.g. User fees, clinical revenue)

Funding Study

§   **Twelve telemedicine programs responded to a survey regarding their start up funding source(s)**

§   **All respondents had been in existence >5yrs**

Funding Study

§ **The funding was categorized by funding type**

§ **Funding types:**
- **Funding with an end date (non-recurring or NR)**
- **Funding with no end date (recurring or R)**

Funding Study

§ **The funding was also categorized by sponsor type**

§ **Sponsor types:**

Federal contract/grant (NR)
Federal earmark (NR)

State contract/grant (NR)   State general funds (R)

County contract/grant (NR)
County earmark (NR)

County general funds (R) Parent institution (R)

Private contract/grant (NR)
Other (NR/R)

Funding Study

The researcher was unsuccessful in obtaining information from terminated (unsuccessful) telemedicine programs

This severely limited the basis of comparison

Funding Study

Sponsors & Types of Funding:

1. >50% federal contract grant; < 50% parent
    20%

2. < 50% federal contract/grant; >50% parent
    20%

3. <40% fed contract/grant; >50% private cont,
   and <10% parent
    10%

4. All general state funds
        30%

5. All parent or host institution

Funding Study

Single Sponsor Type:

All federal contract and grant
0%

All federal earmark
0%

All state contract and grant
0%

All general state funds
30%

All county contract and grant
0%

All county earmark
0%

All county general funds
0%

Funding Study

Funding Type:

   **All programs surveyed had at least *some*
      non-recurring funding sponsorship. Overall
   the aggregate funding profile was:**

   45% of all program funding had end date
   55% of all program funding no end date

Recommendations

§ **Diversify not only your portfolio but your business strategy. Don't rely on one strategy alone**

§ **Determine the value to the program's customers, and set program objectives. It is important to clearly understand why a telehealth program is being initiated**

Recommendations

§ **Investigate all funding sources and if you are a revenue generating program, understand at some point you will need recurring revenue sources**

§ **Consider promoting the telehealth network as an economic benefit, where members with excess capacity can provide services, and those with scarce services can obtain them**

Recommendations

§ **Integrate the telehealth objective into an organization's mission and strategic plan to obtain support**

§ **One size does not fit all - Assess the demands of the customer and address only those areas that need to be "supplied' (the supply and demand concept)**

DISCUSSION