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Business Plan Template
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A document to assist in the business and strategic planning of telehealth
programs

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Table of Contents

Glossary of Terms	Page 4
Introduction	Page 11
Getting Started	Page 17
The Business Plan Template	Page 21
References	Page 41

Glossary of Terms

Affiliate Site. A geographically separate or distant site.

Breakeven. A calculation of the approximate sales volume required to just cover costs, below which production would be unprofitable and above which it would be profitable. Break-even analysis focuses on the relationship between [fixed cost](#), [variable cost](#), and [profit](#).

Source: http://www.investorwords.com/574/break_even_analysis.html

Business Plan. A business plan is a comprehensive planning document that clearly describes the business development objectives of an existing or proposed business or service. The business plan summarizes the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realized. Because the business plan contains detailed financial projections, forecasts about your business's performance, and a [marketing plan](#), it's an incredibly useful tool for business planning.

Sources: Canadian small business information and the US Small Business Administration <http://sbinfoCanada.about.com/cs/startup/g/businessplan.htm>

Cash Flow. A report which analyzes the actual or projected source and disposition of cash during a past or future accounting period.

Financial Plan. The financial plan provides a detailed description of the sources and uses of funds, costs and revenues, income predictions and profitability. The financial plan

usually includes a beginning balance sheet, income statement. It should include a cash flow analysis and a break even analysis, a document setting out the objectives of a project, the inputs and outputs required to achieve these, and the forecast expenditure and income over the project life.

Source: www.mos.gov.pl/mos/publikac/Raporty_opracowania/manual/glosry_1.html

Financing. New funds provided to a business, by either loans, purchase of debt securities, or capital stock. Funding sources will want to know how you will use your funds in all categories, especially capital expenditures, working capital. They will want to know current and future funding requirements, the time period that each request will cover, the type of funding being sought (i.e., equity, debt), and the terms that you would like to have applied. If you are developing a telemedicine service line for an existing organization, financing is usually internally generated and will require many of the same elements as part of the initial budget. How much start up capital is required? What are the revenue predictions and when will the activity achieve break even and profitability.

Hub Site. The Centers for Medicare and Medicaid Services (CMS) define the distant site as the telehealth site where the provider/specialist is seeing the patient at a distance or consulting with a patient's provider. Other common names for this term include – hub site, specialty site, provider/physician site and referral site.

Source: <http://www.sdnpsd.org/telemedicine/telemedicine/terminology.php>

Management Plan. The management plan is the staffing plan for your business activity.

It shows the key people, lists job descriptions and titles for each and should include:

- **Personnel.** In addition to listing the principals, managers and other key employees, the management plan should explain the qualifications (degrees, certifications, etc.) of every individual. Including an organizational chart is appropriate.
- **Compensation and benefits.** Including pay method, and what standard was used to establish pay scale guide lines. Describe the benefits that will be offered and any other incentives such as tuition reimbursement, expense accounts and bonuses.
- **Outside professional services.** Describe each of the outside experts who will provide critical services to your operation (attorneys, accountants, business consultants, financial planners, subcontractors, etc.). Include names and addresses of each, their duties and how they will be paid.
- **Advisory board/board of directors.** For sole proprietorships and partnerships, list your advisory board members. For corporations, include members of your board of directors, the role each will play in your business and the benefits/compensation they will receive.

Marketing Plan. A marketing plan outlines the specific actions you intend to carry out to interest potential customers in your product and/or service and persuade them to buy the product and/or services you offer. It should include a statement of the marketing situation, a discussion of target markets and company positioning and a description of the

marketing mix you intend to use to reach your marketing goals as well as the value of your products and or services to your customers. A marketing plan may be developed as a standalone document or as part of a business plan.

Sources: Entrepreneur.com accessed at <http://www.entrepreneur.com/encyclopedia/term/82450.html> and small business information, (Canadian Government). <http://sbinfocanada.about.com/cs/marketing/g/marketplan.htm>

Operating Costs. The day-to-day expenses incurred in running a [business](#), such as [sales](#) and administration, as opposed to production. **also called** operating expenses.

Source: http://www.investorwords.com/3458/operating_costs.html

Operational Plan. The operational plan is an essential component to your business plan. It describes how you will get your product out of the planning/production stage and to your target customer. It tells exactly how you plan to carry out the delivery of your product or service. It is not usually a stand alone plan. It answers important questions such as:

- Who is doing what
- What are the day to day responsibilities
- Who are the suppliers
- What are the labor requirements
- All the other logistical components of delivering your service

Source: businessdictionary.com

Real-Time Telehealth. In real-time telehealth, a telecommunications link allows instantaneous interaction. Video-conferencing equipment is one of the most common forms of synchronous telemedicine. Peripheral devices can also be attached to computers or the video-conferencing equipment which can aid in an interactive examination. With the availability of better and cheaper communication channels, direct two-way audio and video streaming between centers through computers is leading to lower costs.

Source: Wikipedia at
http://en.wikipedia.org/wiki/Telehealth#Clinical_uses_of_telehealth_technologies

Return on Investment. The amount of profit (return) based on the amount of resources (funds) used to produce it. Also the ability of a given investment to earn a return for its use.

Services Plan. Almost every medical specialty can provide services through the use of telehealth. The services plan refers to the “care services” to be offered using telehealth methods. The “care services” can be primary care, specialty care, mental health, remote monitoring or some other service. The service to be delivered defines many of the other components of the business plan. A stroke service may select a target market that is different than the target market for primary care services. The services plan takes into consideration the need in the market, technology available to deliver the service, staff that have the requisite expertise and other elements that contribute to answering the question “what services shall we offer?”

Spoke Site. CMS defines originating site as the site where the patient and/or the patient's physician is located during the telehealth encounter or consult. Other common names for this term include – spoke site, patient site, remote site, and rural site.

Source: <http://www.sdnxbd.org/telemedicine/telemedicine/terminology.php> also in Joe Tracy's tome on "getting started in telemedicine, 2004, U of Kansas.

Start-up Costs. Start-up costs are expenses incurred in relation to the creation and the development of a company or a new service line.

Store-and-Forward Telehealth. In store-and-forward telehealth, digital images, video, audio and clinical data are captured and "stored" on the client computer; then at a convenient time transmitted securely ("forwarded") to a clinic at another location where they are studied by relevant specialists. The opinion of the specialist is then transmitted back. Based on the requirements of the participating healthcare entities, this roundtrip could take between 2 to 48 hours. In many store-and-forward specialties, such as teleradiology, an immediate response is not critical. Dermatology, radiology and pathology are common specialties that are conducive to store-and-forward technologies.

Source: Wikipedia at http://en.wikipedia.org/wiki/Telehealth#Clinical_uses_of_telehealth_technologies

Telehealth. The use of telecommunication technologies for clinical care (telemedicine), patient teaching and home health, health professional education (source: US Dept of Health and Human Services). Telehealth is the delivery of health related services and

information via telecommunications technologies. ... Telehealth delivery could be as simple as two health professionals discussing a case over the telephone, or as sophisticated as using videoconferencing to between providers at facilities in two countries, or even as complex as robotic technology. Telehealth is an expansion of [telemedicine](#), and unlike telemedicine (which more narrowly focuses on the curative aspect) it encompasses preventive, promotive *and* curative aspects. Originally used to describe administrative or educational functions related to telemedicine, today telehealth stresses a myriad of technology solutions. For example, physicians use email to communicate with patients, order drug prescriptions and provide other health services.

Source: wikipedia accessed online at: <http://en.wikipedia.org/wiki/Telehealth>

Telehealth Encounter. Historically, and according to CMS reimbursement guidelines, a “telehealth encounter” requires a care giver and the patient to be together at one location and the specialist at a “remote” or distant location.

Technical Plan. Telehealth technology continues to evolve. A good technical plan should come after the care service plan and marketing plan components of the business plan are complete. Once services and markets are defined, the organization needs to evaluate its internal staffing and technical capabilities and describe the optimal technology to use for delivering the services and includes a comprehensive discovery of features and functions of the various technologies.

Introduction

In today's business jargon, the terms strategic plan and business plan are used interchangeably. The same can be said for the terms business plan and project plan. What is true is that the terms reflect overlapping components and there are many definitions of the terms. In the most simplistic forms, a Strategic Plan defines broad goals for the organization in support of its mission and identifies the roadmap to achieve these goals. A Business Plan formalizes the business and operational goals and objectives of the organization and includes detailed financial information. A Project Plan is an operational and financial plan for a particular project that may or may not have already been approved by an organization. Ironically, many business plans could actually be categorized as either strategic plans or project plans. The debate could go on and on, but in the end, sponsors and/or investors want to be confident that there is a well thought out project and business design before supporting any business or project proposal.

Successful business enterprises will require a sound business plan to illustrate the value of the endeavor to the organization whether that be financial viability, sustainability, or enhancement of the organization's commitment to the community. Although business plans are not a one-size-fits-all proposition, there are some common components that should be considered when developing any business plan. Business plans are particularly emphasized in the telehealth industry because sponsors want assurance the investment will either: 1) be self sustaining or produce a return, 2) pull through other business as a loss leader or 3) provide a social benefit or value to the organization. Many reasons exist to begin a telehealth initiative and many relational models exist in which to carry out the project. Models are typically dependent on the

service being provided, whether direct patient care, support services, technology applications, or any other component of a telehealth initiative. The model for interactive care is significantly different than a web-based application, or of that for a network provider. Organizational structure is built upon the premise of the service provided, whether point-to-point, matrix, disruptive, traditional, innovative, etc. Organization's legal structure is also important to consider when developing a Telehealth initiative, whether for-profit, non-profit, corporation, government agency, etc. Each model should be analyzed for impact on business plan development. The worksheet can be expanded or duplicated to accommodate the required amount of financial information for each model.

Continued advances in information and communication technology enable telehealth to expand its capabilities. There is no longer only one definition for telehealth. The American Telemedicine Association defines Telehealth/Telemedicine as: "the use of medical information exchanged from one site to another via electronic communications to improve a patients' health status. Closely associated with telemedicine is the term "telehealth," which is often used to encompass a broader definition of remote healthcare that does not always involve clinical services. Videoconferencing, transmission of still images, e-health including patient portals, remote monitoring of vital signs, continuing medical education and nursing call centers are all considered part of telemedicine and telehealth. For the purposes of this document we will use the term telehealth to define all telemedicine and telehealth services. Telehealth is not a separate medical specialty. Products and services related to telehealth are often part of a larger investment by health care institutions in either information technology or the delivery of clinical care. Even

the reimbursement fee structure, does not distinguish between services provided on site and those provided through telehealth and often no separate coding is required for billing of remote services.

Telehealth encompasses different types of programs and services provided for the patient. Each component involves different providers and consumers. Telehealth services span a broad range and can be identified as:

- **Specialist referral services** typically involves of a specialist assisting a general practitioner in rendering a diagnosis. This may involve a patient "seeing" a specialist over a live, remote consult or the transmission of diagnostic images and/or video along with patient data to a specialist for viewing later. Recent surveys have shown a rapid increase in the number of specialty and subspecialty areas that have successfully used telehealth. Radiology continues to make the greatest use of telehealth with thousands of images "read" by remote providers each year. Other major specialty areas include: dermatology, ophthalmology, mental health, cardiology and pathology. According to reports and studies, almost 50 different medical subspecialties have successfully used telehealth.
- **Patient consultations** using telecommunications to provide medical data, which may include audio, still or live images, between a patient and a health professional for use in rendering a diagnosis and treatment plan. This might originate from a remote clinic to a physician's office using a direct transmission link or may include communicating over the Web.

- **Remote monitoring** uses devices to remotely collect and send data to a monitoring station for interpretation. Remote monitoring applications could include a variety of clinical services such as diabetes, intensive care, cardiac care, dialysis and home health. For example "home telehealth" applications might include a specific vital sign, such as blood glucose or heart ECG or a variety of indicators for homebound patients. Such services can be used to supplement the use of visiting nurses.
- **Medical education** most commonly provides continuing education credits for health professionals and special education seminars for targeted groups in remote locations.
- **Medical and health information** includes the use of the Internet for consumers to obtain specialized health information and on-line discussion groups to provide peer-to-peer support. Web based services can also include e-prescribing.

Telehealth also includes several delivery mechanisms to include:

- **Networked programs can** link tertiary care hospitals and clinics with outlying clinics and community health centers in rural or suburban areas. The links may use dedicated high-speed lines or the Internet for telecommunication links between sites. Studies by the several agencies within the U.S. Department of Health and Human Services, private vendors and assessments by ATA of its membership place the number of existing telehealth networks in the United States at roughly 200.

- **Point-to-point connections** can include the use of video connections for consultations in various types of settings. These include, but are not limited to, homes, clinics, skilled nursing facilities, or private networks that can link up hospitals to clinic sites to deliver services directly or through contracted services. Radiology, mental health and even intensive care services are provided via point to point connections.
- **Primary or specialty care to the home connections** many times involves connecting primary care providers, specialists and home health nurses with patients over single line phone-video systems for interactive clinical consultations.
- **Monitoring centers** can be used for cardiac, pulmonary or fetal monitoring, sleep studies, dialysis, intensive care, diabetes, home care and related services that provide care to patients in a variety of locations. Regular phone lines, or even the Internet can be used for communication between the patient and the center.
- **Web-based e-health patient service sites** provide direct consumer outreach and services over the Internet. Under telehealth, these include these may include sites that provide direct patient care. Pharmacy services can also be delivered as web-based services.

Telehealth is no longer limited to fixed locations with services being provided through mobile workstations at a single site, mobile systems taken from site to site, or personal home devices that either reside in the home or travel with the patient and use fixed or wireless communication systems for real-time access. The challenge for business

planners is to work with the US Health care system as it negotiates the new mobile, nontraditional health care environment, and how to deliver care to an individual where people are and when they want health care services. Benefits which may be difficult to quantify in terms of dollars but need to be considered in the business plan include convenience to both the patient and care provider team, improvements in quality of life for both patients and providers, cost avoidance (for both patients and providers), and better use of existing a new health care services when appropriate, not because the traditional systems are not available at the time the patient is in need.

This document is meant to provide technical assistance to help individuals create a working telehealth business plan. There is a broad spectrum of telehealth initiatives and it is difficult to develop one business plan template to accommodate such a wide variety of programs. However the hope is that this document can provide a starting point and assist in development of a specific plan. Several excellent existing source documents were used to compile this paper and are referenced at the end of the document. There is an assumption that readers understand what telehealth is and how it works. If that is not the case, there are many articles describing telehealth functionality including the references below.

It is important to read this document in its entirety. Developing a telehealth business plan is not always a sequential process and the order of the steps could take place simultaneously or in a slightly different order.

Getting Started

Planners of a telehealth initiative must be prepared to spend adequate time in developing the business plan. First and foremost, determining the reasons a telehealth program is beneficial to any organization needs to be carefully thought out and analyzed. Once the planners have determined the strategic or business decision to move forward, a Gantt chart ⁽¹⁾ or timeline or using a project management software program is helpful in carrying out all steps of the business planning process.

“Telehealth program planning should be well organized with all of the pertinent aspects included. Measurable goals and objectives should be identified for each step in the planning and implementation process. The planning should be sufficiently thorough such that the organization is confident that it can begin a telehealth program and be successful. It is far better for the organization to do the planning and decide that the telehealth program should not be initiated than it is for the organization to start the program without proper planning and be unsuccessful.”⁽²⁾ A telehealth business plan has many components, which are good business planning steps appropriate for all organizational business planning and include:

- 1) Executive Summary
- 2) Introduction and Background
- 3) Needs and Demand Assessment
- 4) Services Plan Component
- 5) Internal and External Assessment
- 6) Marketing Plan Component
- 7) Technical Plan Component

- 8) Management Plan Component
- 9) Regulatory Environment
- 10) Financial Plan Component
- 11) Presentation to Stakeholders
- 12) Training and Testing Component
- 13) Operations Plan Component
- 14) Evaluation, Feedback and Refinement
- 15) Conclusion and Recommendations

Although each component may not be applicable for all plans, every step should be individually considered for they collectively provide the framework for a comprehensive business plan. Each step in the planning process is not necessarily done sequentially; many times steps are performed simultaneously and may impact the work in another step. For example the technical plan may impact the service delivery plan and the financial plan might impact the technical and services plans. Ultimately, an organization may find that by working through the steps of the business planning process, the original goals and objectives need to be modified.

As part of the planning process, a thorough study of the industry and industry trends (environmental scan) should be performed. An environmental scan helps to identify the market conditions, competition, strategic management indicators, etc. and will be helpful for the “Introduction and Background” section of the business plan. According to the *Telemedicine Technology and Assistance Documents*, found on the Office for the Advancement of Telehealth (OAT) website.⁽³⁾ The document suggests research in three areas:

- Literature: The Telemedicine Information Exchange. <http://www.tie.telemed.org>, (accessed 12/27/07), The Journal of Telemedicine and eHealth and the Journal of Telemedicine and Telecare are great sources of telehealth-related literature.
- Telehealth support organizations: The American Telemedicine Association (ATA) at <http://www.atmeda.org> (accessed 12/27/07), the Center for Telehealth & E-Health Law (CTeL) at <http://www.ctel.org> (accessed 1/2/08) the Office for the Advancement of Telehealth (OAT) at <http://www.hrsa.gov/telehealth> (accessed 2/01/08) are outstanding resources for telehealth programs. OAT has also initiated a grant funded telehealth resource center (TRC) program to help healthcare organizations develop telehealth programs for underserved populations.⁽³⁾ The TRCs are listed below.

a) National Telehealth Resource Center:

Center for Telehealth and E-Health Law
www.telehealthlawcenter.org (accessed 2/1/08)

b) Regional Centers:

- i. California Telemedicine and eHealth Center
www.cteonline.org (accessed 2/1/08)
- ii. Great Plains Telehealth Resource and Assistance Center
www.gptrac.org (accessed 2/1/08)
- iii. Midwest Alliance for Telehealth and Technology Resources
www.midwesttrc.org (accessed 2/1/08)
- iv. Northeast Telehealth Resource Center
www.northeasttrc.org (accessed 2/1/08)
- v. Northwest Regional Telehealth Resource Center
www.nrtrc.org (accessed 2/1/08)

- Existing telehealth programs. There are many successful telehealth programs which can be found by searching the web. Another excellent reference is the OAT grantee directory which is found at <http://www.hrsa.gov/telehealth/grantedirectory/overview.htm> (accessed 1/2/08.)
Contacting existing telehealth programs can be invaluable and many programs are very generous about sharing information. If particular programs appear to have similar issues or deliver the same services as being contemplated, a site visit to the programs is invaluable. Take time to talk to each site about the different components in their business plans or in the template used here, and lessons learned. First hand experience can be extremely beneficial when starting a new program. Highly organized pre-planning for formal conferences or meetings with existing telehealth program should be done. It is most helpful to research the resources mentioned above in advance of the meeting to make best use of everyone's time.

The Business Plan Template

The following sections are included in most business plans. However if a particular section is not applicable, it is fine to omit it.

1. *Executive Summary.* Although the Executive Summary appears first in the business plan, it is the last component to be compiled. The executive summary summarizes the entire business plan (ideally) in one page. The importance of a well written and thoughtful executive summary cannot be overstated. If the executive summary does not sell the plan to decision makers, the rest of the document will not be read.
2. *Introduction and Background.* The business plan introduction provides the stakeholders with the reason **why** the telehealth program is being proposed. Background information is included in this section and is helpful in supporting your case. Describe who you are, some history about the telehealth industry and the background of the specific project being proposed. Much of the descriptive information should have already been done in the planning stage. Next describe the current situation and how a telehealth program might provide the solution. Explain the program's major objectives, key players and how each fits into the mission of the organization.

Setting measurable goals and objectives for the telehealth program plan is critical, however it is equally important to establish a mechanism to monitor the goals and objectives and course correct when necessary. The goals and objectives of the program should be the basis for the outcomes that will be evaluated after implementation.

Identifying the who, what, where, why and how of the program is the foundation for setting program objectives.

A telehealth program should support the overall core mission and business of all organizations included in the business plan. If the initiative is a new start-up and is solely limited to telehealth, a strategic mission and value statement, as well as the core objectives of the business are imperative and must be solidified before moving onto other steps in the planning process. In a shared organizational model, where two or more non-affiliated organizations are working on the business plan, the plan must reflect the mission and values of both or all organizations. It is highly unlikely resources will be made available to support an unrelated program or project, and sustainability is doubtful. Part of knowing an organization's core mission and business is understanding its mission and values, operating philosophy, core competencies, customer base and partnering organizations, stakeholders and social and community responsibilities and financial objectives⁽⁴⁾

3. *Needs and Demand Assessment.* Evaluation of both customer needs and customer demands is a critical step in telehealth planning. Customer needs and demands are two distinctly separate considerations.⁽³⁾ For example a customer may have a service shortage but may have a contracted or preferred service partner and/or vendor who must be incorporated into a telehealth planning process. Demographics of the target group should also be considered. An excellent way to determine customer needs and demands is to conduct focus groups, a series of meetings and/or surveys of all stakeholders. Stakeholders could include, but are not limited to, patients, providers, educators, community leaders, organizational management, utility and equipment providers, technology experts and other potential telehealth system users. Establishing

an advisory group or council of stakeholders can also be very effective in ensuring customer needs and demands are met throughout the business plan process.⁽²⁾

4. Services Plan Component. The information gathered in the planning stage regarding industry trends and protocols will be very helpful when putting together the service plan. Generally after the needs and demand assessment has been performed, a definitive list of potential services will have been identified. If not, the assessment should be conducted again, or redirected. Some programs start with implementation of only a few services, (such as delivering interactive direct care.) Other programs implement all parts of the business plan, such as technology vendors, network providers, etc. The services plan determines how the selected services will be delivered. Service delivery may be by any modality such as interactive, video, web-based, or store-and-forward. For instance, for an interactive service delivery model, consideration should be given to the location of the service providers, the location of the patients or consumers, and the guidelines and protocols required for delivering services. In a web-based product, service plan considerations would include feasibility and practicality of web-based applications, number and types of hosting companies, in-house versus out-sourcing server applications, etc. . Ultimately, the services plan is integrated with the technology and financial components. Planners must be aware of service reimbursement generation. For example will there be payment for professional fees for direct care services, for consulting or maintenance agreements, or from a per service use? There are many pricing models to consider with the service offerings. As the service plan matures, it is possible additional components will need to be incorporated into the technology plan. For instance, a web-

application may drive the need for additional server space or for an in-house web-designer.

As with all the steps in the business plan, the services plan will identify the protocols and the timeline required for their review and revision.. There must also be adequate staffing for the telehealth service.⁽³⁾ For example, a clinical service might require a trained presenter at the telehealth originating site and some level of technical support to support the services. Network providers will need installers, maintenance, and design/consulting staff.

A. Identify a Champion. All good business innovation requires leadership and drivers. Identifying a telehealth program champion is important for the success of any initiative. Through a champion, the program has a primary source for information, objectives, vision, and ultimately, outcomes. In a direct care clinical program an excited user or promoter can help advance the program through the planning and implementation process, while at the same time getting other users involved. A champion(s) can also help influence and educate stakeholders. For example, gaining stakeholder buy-in may be linked to the enthusiasm and energy of the champion. Every telehealth initiative must have a leader of the project who also acts as a champion.

5. *Internal and External Assessment*. A good way to start an organizational assessment on a proposed business venture is with a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis. A SWOT analysis forces an organization to evaluate internal strengths and weakness and assess external opportunities and threats.

- Strengths – This is an internal assessment of organizational strengths.
- Weaknesses – This is an internal assessment of organizational weaknesses.

- Opportunities – This is an external assessment of business opportunities.
- Threats – This is an assessment of the external industry to identify entry barriers.

Other models are very useful and may fit your individual program more closely. Check with your organization to see if there is another preferred method for analysis. There are many factors to consider during the internal and external assessment process.

A. Internal Factors. An analysis of the organizational structure, governance, and management is very important and helps to identify those conditions present that will make the organization successful in the telehealth initiative. One question to consider is “What is in place for the initiative to be successful? Some organizations start with questions like “How difficult is it to start a new enterprise within the existing framework?”

B. External Factors and Competition. Understanding the competition and how your current organization can compete within the current industry environment is an important component in developing a business plan. One focus of the external analysis is determining who is currently providing services, how are they being provided, and what is the satisfaction level with current services. This information is generally gathered during the external scan.

The external analysis may indicate a need to develop services across competing organizations. Examples include initiating an electronic health record, providing backup clinical coverage, collaborating on complementary specialty services, offering continuing education, or bidding for a contract that may be too large for one organization. Regardless, telehealth services can result in an unrelated organization providing services to another, whether it is another health

care organization, an employer group or another educational organization.⁽²⁾

Having an in-depth understanding of the market and of the competing organizations helps to reduce risk in moving forward with a telehealth business initiative. A services contract that clearly spells out the relationship and responsibilities of each organization may be needed to reduce risk.

6. *Marketing Plan Component.* A marketing study will be required for most new Telehealth programs. Many institutions will have a marketing department or marketing services available. Some things to keep in mind include:

- A. Market Segmentation. Looking at an industry grouping having similar service needs
- B. Market Targeting. Choosing which segments to concentrate on
- C. Market Positioning. Determining how to market to each segment
- D. Market Share Availability. Analyzing what percent of market share is available for the telehealth service
- E. Market Growth. Projecting future expansion
- F. Brand Name. Determining how effective use of the organization's brand name will be in marketing efforts
- G. Promotion. Selecting how the product will be promoted
- H. Pricing. Analyzing how the services will be priced

7. *Technical Plan.* The technical plan should not drive the services and financial plans but support them. Thus, the technology plan will require several revisions to accomplish the goal. The technical plan has two components, the user(s) or applications equipment and the network plan. The applications equipment should be as easy to use

as possible while still delivering the required service quality. Research on already existing telehealth equipment, applications and network technology/design is helpful and should be considered first. It is particularly helpful to look at the equipment and network configuration during a visit to another telehealth program. Equipment selection should be incorporated into the planning process and should include the users (i.e. the provider, educator and requester.) Equipment should be tested before it is purchased. Equipment comparisons between competitors should be performed in-house under existing conditions whenever possible to accurately determine performance variances at the proposed site. Also visiting vendors at the trade shows (e.g. the American Telemedicine Association annual meeting) is an excellent way to keep up with the current equipment options. Don't forget, again, to look at outsource versus in-house buy/build option.

Many organizations have a formal procurement process; it is important to make sure internal procedures are followed. Materials management processes typically drive best pricing, maintenance, and bulk buying arrangements. Request For Proposals (RFPs) are useful for start-up initiatives or for those organizations starting a new telehealth product line. Consulting and working with the parent organization's information technology staff is important to ensure interoperability as well as plan for expansion and future upgrades.⁽²⁾ Most organizations have network protocols and security procedures that need to be followed; and without the collaboration and cooperation of the parent organization, it will be extremely difficult to successfully implement a telehealth program. Again, adequate staffing in the technology area is as important as in the services area. In a vendor specific telehealth product, attention

must be paid to ensuring that the market can support the product being developed and offered.

8. *The Regulatory Environment.* The current health services environment is highly regulated. Any telehealth program that is based on the delivery of clinical services must adhere to these issues. An entire book could be written about the healthcare regulatory environment, so it is not possible to cover all of the issues in this document. However, relevant regulatory issues should be included in the business plan. The intent is to address common regulatory issues that telehealth programs which deliver clinical services face. Much of the following information was excerpted from the *Telemedicine Technical Assistance Documents Manual*, found on the Office for the Advancement of Telehealth Website at <http://www.hrsa.gov/telehealth/>, (accessed 1/3/08.)

A. Credentialing and Privileging. The Joint Commission on the Accreditation of Healthcare Organizations (JCAHO) revised its hospital standards for telehealth provider credentialing effective January 1, 2004. The revised standards can be found in the *Comprehensive Accreditation Manual for Hospitals* in the chapter on “Medical Staff.” <http://www.jointcommission.org/>, (accessed 1/3/08.) There is also an excellent synopsis of the regulations published by McDermott Will & Emory on 10/31/03 at <http://www.mwe.com/> (accessed 1/3/08.)

B. Licensure. Much work is being done nationally on telehealth medical licensure. There is no licensure issue unless a provider wishes to deliver services across state lines. Some states actually have a telehealth medical license which facilitates physician interstate service delivery. In addition, several states have nursing pacts that allow nurses to practice in a number of states with a valid

license obtained in his/her home state. It is best to check with the individual state board or with the Federation of State Medical Boards

<http://www.fsmb.org/>; (accessed 1/3/08) or the National Council of State Boards of Nursing <https://www.ncsbn.org/>; (accessed 1/3/08).

- C. Malpractice. Malpractice carriers should be notified when a clinician is planning to provide clinical services via telehealth. If there is any problem with current carrier coverage, a provider can obtain telehealth coverage through a program endorsed by the American Telemedicine Association called TelMed™. Please contact the Campania Group at 1-800-831-9506 for more information.
- D. Stark and Federal Anti-Kickback Laws. Although separate, both Stark and the Federal Anti-kickback laws are related. Stark I and II addresses a physician referring a patient to a facility in which (s)he has a financial interest (i.e. conflict of interest).⁽⁵⁾ The Federal Anti-kickback law prohibits anyone from receiving or paying anything of value to influence healthcare decision making (i.e. referrals).⁽⁶⁾ Placing telehealth equipment into a site with the anticipation of receiving referrals could violate these laws. Although there are safe harbors and exclusions for Office for the Advancement of Telehealth grant funded equipment, it is advisable to check with legal counsel before implementing a telehealth program where equipment is not purchased by the affiliate site receiving the clinical services.
- E. Security and Privacy. The Healthcare Portability and Accountability Act (HIPAA) of 1996 significantly impacts the delivery of telehealth care. Most healthcare organizations have security and privacy officers and it is important to include

them in the planning and implementation of a telehealth program. More information on HIPAA can be found at <http://www.hhs.gov/ocr/hipaa/> (accessed 1/3/08).

F. Reimbursement. An organization that wants to deliver clinical services via a telehealth system is always concerned about reimbursement. There are three third party reimbursement categories, Medicare, Medicaid and commercial insurance.

i. Medicare. Medicare began reimbursing for the telehealth services effective January 1, 1999. However reimbursement is somewhat limited. To determine the services covered by Medicare and the criteria for billing, it is best to access the Centers for Medicare and Medicaid Services website <http://www.cms.hhs.gov>; (accessed January 3, 2008) and search the “Program Memorandums” for telehealth services.⁽³⁾ Experienced telehealth program administrators are knowledgeable about reimbursement policies, so this could be one of the issues discussed during a site visit to another program..

ii. Medicaid. Medicaid coverage for telehealth varies from state to state and it is best to check with the respective Medicaid office in the state where the patient receives the services. If the Medicaid program does not reimburse for telehealth services or only provides limited reimbursement, it is advisable to check with telehealth programs in other states regarding Medicaid reimbursement information. Using the information gathered from other states, schedule a meeting with the home state Medicaid office to discuss implementation or expansion of

telehealth reimbursement. Inviting Medicaid program officials for a site visit to demonstrate the telehealth equipment can also be useful because for telehealth sometime a picture really can be worth a thousand words.

iii. Commercial Insurance. After many years of uncertain reimbursement coverage, today some commercial carriers are finally developing telehealth policies. However coverage varies between carriers and between regions. There have been many strategies developed for billing telehealth services to commercial carriers. These range from bill everything, to follow Medicare guidelines only. Again, experienced telehealth program administrators can be very helpful in setting reimbursement strategies.

- A. Universal Services Fund. The Federal Communications Commission's (FCC) Universal Services Fund program is administered by the Universal Service Administrative Company (USAC). The Rural Health Program, one of four distinct programs funded by the FCC, is designed to reduce telecommunications costs to health care providers in rural areas. Rates are normalized to the level of like services delivered in the nearest city of 50,000. There is a somewhat rigorous application policy, and reimbursement can take between 6 and 12 months. Nevertheless program credits can dramatically reduce telecommunications costs for healthcare organizations residing in rural areas. More information can be found at <http://www.usac.org/rhc/> (accessed 1/3/08.)

Other non-clinical direct care business planners must be aware of most of the issues noted above but also must be acutely tuned into the laws regulating commerce in the

states in which business will be conducted. Areas to consider are the need for patents and the patent process, registration requirements for companies or devices, consumer protection laws, and federal and state trade requirements for doing business in the United States.

Companies offering Telehealth products globally must be aware of international commerce law, treaties that may exist between nations, import and export issues, consumer protection laws, intellectual capital, and other business and legal realities of conducting business internationally.

9. *Management Plan Component.* The management plan describes how the project will be managed towards operational goals. Areas to consider include the hierarchy and politics of the organization, reporting relationships, evaluation processes, communication requirements and resources required for the initiative.

10. *Financial Plan Component.* The financial plan identifies the core financial objective of the telehealth initiative and all details needed to achieve that objective. Objectives may include revenue generation, cost reduction, expense aversion, etc. A detailed financial plan may include the following items:

A. Financial Projections. A worksheet has been developed to assist users with developing financial projections for the business plan. The projections are compiled for a three years period. Instructions are included on each schedule of the template. Totals are automatically calculated and linked to the summary page. Not all telehealth business plans will have revenue and expense items to record in all the categories on the financial template. Users should only input data for those

categories that are applicable to the specific program. It is important however to provide a narrative describing all of the financial projection calculations

i. Revenue. All revenue sources for the telehealth program should be included.

The major categories include:

- Clinical Revenue. Clinical revenue can be broken down into telehealth professional services and facility fees; telehealth contract revenue; and other clinical revenue generated from telehealth activities. Telehealth professional and facilities fees include inputs for Medicare, Medicaid and Commercial Insurance. Contract revenue includes clinical contracts to provide telehealth services for which third party payors are not billed (i.e. correctional telehealth). Other clinical revenue includes clinical income generated as a result of telehealth referrals. An example of this might be patient transfers or lab referrals that originate from telehealth consultations. The inputs are the same as for the telehealth clinical revenue schedule. This does not include recipient site revenue which is recorded separately.
- Program and User Fee Revenue. Program and user fee revenue include educational programs, facility use, membership or user fees, and any other specific program or user revenue that does not fall into the other categories. If there is only one source, it should be listed.
- Extramural Funding. Extramural funding includes federal, state and other contracts and grants and foundation awards.

- Parent Organization Funding. Parent organization funding includes financial support from the home institution.
- Recipient Site Revenue. Recipient site revenue is found on the recipient site support schedule. This schedule is only used when a providing entity is reporting on behalf of a recipient site. This includes revenue generated at the recipient site as a result of a telehealth encounter (i.e. ancillary services.) If the recipient site or entity is developing an entirely a separate business plan, the full business plan template should be used, and the recipient site support schedule should be ignored.
- Other Revenue. Other revenue includes support from any other sources not included in the prior categories. The sources should be listed.

ii. Expenses. All expenses for the telehealth program should be included and are categorized below.

- Non-Clinical Personnel Salaries and Benefits. All non-clinical staff FTE, salary and benefit information should be included here.
- Clinical Expenses. Clinical expenses include all clinical personnel and operational expenses required to run the telehealth service(s). Billing services are expenses on this schedule.
- Telecommunications Expenses. Telecommunications expenses should include all of the telecom costs less applicable Universal Service Fund credits.

- Supplies and Operations Expenses. Supply and operational costs should be itemized and included in this schedule.
- Training expenses. All telehealth user training expenses should be listed and included in this schedule.
- Educational Program Expenses. Educational program expenses to include speaker, continuing education and transmission costs should be included on this schedule.
- Marketing. All marketing costs should be detailed and included in this schedule. This might include items such as brochures, media coverage etc.
- Travel. All required travel costs should be included in this schedule to include local travel to sites, site visits to other telehealth facilities and attendance at national meetings.
- Other Direct Program Expenses. Any expense items not included in the other categories should be captured on this schedule.
- Recipient Site Support. This schedule would include any expenses the parent institution would incur on behalf of the recipient site or entity receiving clinical services.
- Capital Equipment. Capital equipment has three categories, equipment, other building and renovation costs and other fixed or institutional overhead expenses.
- Facilities and Administrative (F & A) Costs. F & A costs are also known as indirect (IDC) or overhead expenses. Federal and state

contracts and grants have F&A costs associated with them. The template is set up to automatically populate this field based on the contract and grant activity reported in the extramural funding schedule.

- Total Expenses. This is a summary of the total project expenses.

Expense reductions. Expense reductions should be recorded as “credits to expense” (negative value) on the financial worksheets.

iii. Direct Surplus/(Deficit). This represents the funding surplus or deficit for the program. If revenues are more than expenses, there will be a surplus for the project. If revenues are less than expenses, there will be a (deficit).

iv. In-Kind or Non-Cash Contribution. Many times an organization will be able to contribute a non-cash item to the project. An example of this might be space. These items should be recorded here. There is no support schedule for this item and contributions should be input directly onto the Telehealth Project Financial Projections Summary Sheet.

v. Total Surplus/(Deficit). This calculation is the same as iii above, but includes the in-kind or non-cash contributions.

vi. Telehealth programs can provide a value or benefit to an organization that is difficult to quantify numerically. Examples of these benefits could include convenience, new healthcare partnerships, or access to a statewide network. Value added benefits that are difficult to calculate numerically should be described in the business plan.

B. Break-Even Analysis. An activity breaks even when revenues equal expenses. To calculate Break-Even, the average price per unit of service must be determined.

There is an excellent Break-Even analysis tool on the ATA Business and Finance Special Interest Group Webpage of the ATA website <http://www.atmeda.org>; (accessed 12/27/07).

In its most fundamental terms, the basic Break-Even Calculation is:

$$\frac{(\text{Fixed Expenses})}{(\text{Price} - (\text{Cost of Variable Expenses}))}$$

The first step in determining the Break-Even point is to define fixed expenses.

Many organizations classify what are fixed expenses versus variable expenses (for example some utilities costs are variable, while some are fixed and in some organizations management salaries are considered fixed, yet in others they are considered variable. Organizational guidelines should be incorporated into the analysis.) Next it is important to break down the price and variable expense costs into unit costs. This is easily done by dividing the number or quantity of telehealth units projected into revenue and variable expense projections. The calculation can then be performed.

C. Return on Investment. A Return on Investment calculation attempts to measure an investment's profitability. The fundamental basic ROI calculation is:

$$\frac{(\text{Net Benefit or Total Investment})}{(\text{Cost or Original Investment})}$$

It should be noted that the ROI calculation can be manipulated based on what numbers are included in the calculation, so it is important to define what is being measured. For example, the parent organization may be one of several funding sources in the telehealth program. However the parent organization may wish to have their specific ROI calculated. The ROI could be calculated as a percent of all

funding sources or as the total telehealth program's profitability. It is important to check with the parent organization to see how to categorize financial information to calculate the ROI.

D. Indirect Costs (a.k.a overhead costs, or Facilities and Administrative costs). Most organizations have a standardized method or rate to distribute overhead costs throughout the institution. If so, this method should be used. However if this is not the case, activity based costing (ABC) is a method to allocate indirect costs on a per product or service basis within an organization. The process is to trace every cost step by step for each product and/or service line. ABC is designed to determine the total and true cost of each product and/or service as a separate "activity."

11. Presentation to Stakeholders. Upon completion of the financial plan, it is time for a reality check. A formal operational and financial presentation to the stakeholders should be scheduled. Be prepared for many questions and the need to make refinements to the document.

12. Training and Testing Component. Training and testing are factors to consider in any business plan whether a technology builder, an applications integrator, or a clinical service delivery. Costs are associated for proper development and testing of equipment, training all persons involved in building, Quality Assurance (QA), selling, installing, and using the equipment. These elements must be considered for the organizations purchasing services, providing services, supplying the network, applications, the technology, and the costs associated with training and testing. Costs may be calculated as one fixed cost (usually used for outsourcing) or as a variable cost (calculated as time and materials.) . A training plan should be developed in

advance of the arrival of the equipment and implemented upon its delivery.⁽¹⁾

Training is often ongoing and future costs must be considered. Also as staff turnover and/or additional services are added, more training will be required. Not only the immediate users need training, but administrators, billing staff, scheduling staff, clinicians, educators, and IT staff might require training or at least an orientation. Often vendors can assist with training, in fact, training support can even be included as part of the equipment purchase.⁽²⁾

13. Operations Plan Component. The operational plan describes how the program will be implemented. A roll-out priority schedule is helpful in identifying all the steps and timelines needed to sequentially and successfully implement the program. Keep in mind, even though the previous steps were judiciously followed, it still is possible that there may be a need for further implementation and operational refinements.

14. Evaluation Feedback and Refinement. Program evaluation performed as part of the training and testing, and again after the program is fully implemented. Program evaluation should be performed formally at least annually and include everyone associated with the program. However more informal feedback and refinement should be an ongoing activity. The evaluation and feedback data should be used to make adjustments and refinements to the telehealth program as well as measure performance and help with future planning.⁽²⁾ If the telehealth program is used for research, data collection and outcomes evaluation will usually be required by the sponsor. Evaluation is also the tool used to measure whether the program's goals and objectives as described in the introduction section were met. It is important to

measure the program's performance in relation to the organization's mission, values, and strategic goals.

15. Conclusion and Recommendations.

The conclusion should serve as a summary of the business plan. Describe other alternatives and why they have been ruled out. If possible summarize the correlation between current resource requirements and potential new revenue or cost savings generated by the telehealth program. This should not include a lot of detail (that was already illustrated in the financial plan detail above.) The summary clearly and concisely states the value and benefit of the telehealth initiative to the organization.

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