Developing a Market-Based Psychological Services Practice

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Dr. Robert J. Illback
Director of Planning & Evaluation
Headstrong – The National Centre for Youth Mental Health
bob@headstrong.ie
36 Waterloo Road
Ballsbridge
Dublin 4
087 996 9073

Also: President & CEO, REACH of Louisville, Louisville, KY 40208,
ilbackr@reachoflouisville.com; www.reachoflouisville.com
# PEST Analysis Template for Psychological Services Programmes

## Political
- ecological/environmental
- current/future legislation
- regulatory bodies and processes
- government policies & structures
- key people in government

## Economic
- economy trends
- taxation specific to product/services
- market cycles
- funding streams
- mental health industry factors
- distribution trends

## Social
- demographics
- consumer attitudes and opinions
- media views
- stigma
- social factors

## Technological
- competing approaches
- information
- communications
- consumer buying patterns
- innovation potential
- technology access


Strengths

Weaknesses

Opportunities

Threats
Amesbury Psychological Center (the Center) is a multidisciplinary behavioral health care practice that offers mental health and substance abuse services to the communities of the Merrimack Valley. Our focus is to provide cost-effective, quality treatment. Our mission is to create, promote, and maintain a positive customer relationship with our clients, Anna Jaques Hospital (AJH), payors, associates and staff, and our community.

The market for behavioral health services is healthy, as will be shown by the growth the existing Center has experienced during the past two and a half years. Massachusetts has recently passed a mental health parity bill that will become effective in month one. The bill requires insurance companies to develop benefits for biologically based behavioral health disorders similar to those provided for health disorders. This should help sustain the anticipated projected growth. Currently, the Outpatient Psychiatric Center is referring approximately four phone calls a day to other providers.

**Market Analysis Summary**

In this age of health care reform and increased use of contracts with health maintenance organizations (HMOs), preferred provider organizations (PPOs), and other groups, the demand for behavior health care providers continues to decline. This phenomenon, being driven by behavioral health "carve outs," has created a competitive clinical market, resulting in customer service being a critical factor. From this particular perspective, the customer identified as payor is: self-payor, medicare, medicaid, and managed care companies. They clearly drive the large percentage of referrals within the industry.

The Center has identified several behavioral health payors who have a strong foothold in the Merrimack Valley area. They include: Tufts HMO and Tufts Affiliated Health Programs, Harvard/Pilgrim Health Care, Medicare, Medicaid/MBHP, Magellan/MBC, Magellan Lucent, United Behavioral Health, Behavior Health Network, managed care company (MCC)/Cigna, US Health Care, and Health Care Value Management (indemnity products). Consumers participating in these programs are drawn from the communities of the Merrimack Valley and Southern New Hampshire area. Within this service area it is estimated that HMOs provide insurance for approximately 51% of the population.

It should be noted that there is an abundant supply of behavioral health providers/institutions within the Merrimack Valley and Southern New Hampshire. They include: psychiatric hospitals, residential facilities, outpatient group practices that vary from public to private organizations, and solo practitioners. Customer service, then becomes an even more critical factor. To obtain and maintain a foothold in the behavioral health market will necessitate the provision of optimal, accessible, quality customer service.

The Center has four primary customers, each with their own specific needs. These include:

1. **Referral Source**
   - Physicians
   - Hospitals
   - Schools
   - Agencies
   - Professionalism
   - Consultation
   - Correspondence
   - Accessibility

2. **Individuals and Families**
   - Individuals
   - Couples
   - Families
   - Groups
   - Accessibility
   - Respect
   - Compassion
   - Empathy
3. **Managed Care Companies and Other Payors**

- MCO's
- Self-pay
- Agencies
- PPOs
- Indemnity Program

<table>
<thead>
<tr>
<th>Clear communication</th>
<th>Cost-effective care</th>
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<tr>
<td>Easy access for clients</td>
<td>Shared treatment philosophy</td>
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<td>Responsiveness and cooperation</td>
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4. **Vendors**

- Billing/Collectable
- Legal
- Human Resource

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<th>Cooperative working relationship</th>
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<td>Timely payment facility owner</td>
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<td>Respect</td>
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4.1 **Target Market Segment Strategy**

If the Center is going to survive and grow, we must market our services aggressively. As previously noted, our referral base is primarily driven by managed care companies, medicare and medicaid, indemnity products and self-payors. Within the Merrimack Valley geographical area, HMOs have approximately 51% of the covered lives. Focusing on and identifying the needs of these five referral sources is critical for our growth.

4.1.1 **Market Trends**

Trends which began with health care reengineering and the introduction of managed health care will continue during the next decade. There will continue to be change within this industry, but change will be less dramatic than the health care revolution of the 1980s and 1990s. Managed care companies will continue to influence fee structures and restructure the provider network.

With the advent of mental health parity in Massachusetts, utilization rates and reimbursement rates should improve. Under the mental health parity law, insurance companies are not allowed to cap mental health services for biologically based mental health disorders. Co-payments cannot escalate during the course of treatment for these disorders. Managed care organizations (MCOs) are beginning to review provider compensation packages with the intent of increasing compensation rates. Rates have been flat for the past ten years.

4.1.2 **Market Growth**

As noted in a previous section, the growth rate for the Center during the past three years has been significant. There is no identified reason indicating that this will change. We are currently referring out four to five phone calls per day. Within the geographical area, it takes approximately six to eight weeks to get an appointment with a psychiatrist. For psychotherapy, it takes approximately seven to eight days to get an appointment. With the use of additional staff and creative scheduling, some of these challenges can positively impact the bottom line.

Dr. Marc Shay, an adult psychiatrist, has recently become an associate of the Center. He has committed to 12 hours per week, resulting in an increase of services by 48 units per week. His schedule is filled for the next three weeks as of July 10, 2000. He will begin work on July 17, 2000. We are also in the process of negotiating with a clinical nurse specialist to work 12 hours per week. Her specialty is with children and adolescents. Her starting date is estimated to be early September 2000.

4.1.3 **Market Needs**

Previously, we have identified the significant aspects of services offered by the Center. Of these services, children and adolescent services are in greatest demand by all referral sources. This gives strength to the four segments of our delivery service system which address these needs. Additionally, there is significant population growth in the Merrimack Valley and southern New Hampshire areas, and this growth is projected to continue over the next decade.
4.2 Service Business Analysis
The behavioral health care industry consists of inpatient programs, residential and partial programs, outpatient group practices, and outpatient solo practices. For the purposes of this business plan, we will focus on multidisciplinary group practices, both public and private. Within the geographical area designated as the service area for this business plan, the industry participants include: North Essex Mental Health Center, Arbour/HRI Counseling Services, Harris Street Associates, and Harborside Psychological Center.

4.2.1 Main Competitors
To identify the principal behavioral health competitors within the Merrimack Valley, it is important to have an understanding of the behavioral health industry as it has been transformed by the influence of health care restructuring. There are primarily four types of behavioral health facilities: (1) psychiatric hospitals, (2) residential facilities, (3) outpatient group practices, and (4) solo practices. The primary competitors of the Center fall within the third category, outpatient group practices. These practices can be further categorized as public, not-for-profit facilities, and for-profit private practice facilities that include homogeneous group practices and multidisciplinary group practices.

Not-for-Profit Facility
1. North Essex Mental Health Center
North Essex Mental Health Center, Inc., Newburyport, Massachusetts with a satellite office in Haverhill, Massachusetts. Three years ago, this facility was bought by a subsidiary of Northeast Health Systems of Beverly, Massachusetts. This facility is a community mental health center whose primary consumer is the medicaid population. The center has been providing behavioral health services in the Merrimack Valley area for over 20 years. This center has grown significantly in the last 10 years, culminating in the opening of an Amesbury office. North Essex Mental Health Center is the dominant provider in the Northeast area of Massachusetts. They are the emergency services provider for MBHP and have contracted with the AJH to provide emergency services to their emergency room. Their payor mix is composed of medicare, medicaid, self pay, and some MCOs.

Strengths:
- Size
- Location
- Capital
- Bureaucratic flexibility
- Affiliations programming
- Availability of home-based and school-based services

Weaknesses:
- Size (considered to be arrogant by some area professionals resulting in a negative perception in the community)
- Accessibility - perception among professionals that it is difficult to obtain appointments within a reasonable period of time
- High staff turnover
- No IOP

Potential Impact of Strengths:
- Politically well connected
- Large pool of resources to draw from
- Staff availability to respond to request for proposals (RFPs) and request for quotations (RFQs)

Strategies To Thwart Competition:
- Develop reputation for providing quality services
- Respond to the needs of referral sources
- Respond and demonstrate respect to consumer
- Develop niche markets
Continuum of services available from inpatient, to partial, to intensive outpatient services
Availability of child/adolescent psychopharmacologist
Increase visibility of, and procedures offered by, the Center
Strong referral base from physicians practicing within the AJH health care system

2. Arbour/HRI Counseling
HRI/Arbour Psychological Center is a moderate-size, for-profit mental health center. It is a full-service multidisciplinary center, offering mental health services to children, adolescents, and adults. It was recently procured by Arbour Mental Health Systems. This center has recently invested money to refurbish a facility that houses their geropsychiatry program. Their payor mix is spread among Medicare, Medicaid, self pay, and MCOs
Strengths:
Size
Good location in downtown Haverhill
Resources
Affiliations
Programming: geropsychiatry partial hospitalization program
Community respectability
Weaknesses:
Unknown at this time
Potential Impact of Strengths:
Part of a large system
Strong referral base
Programming/outreach home-based legal services
Strategies to Thwart Competition:
Develop reputation for providing quality services
Respond to the needs of referral sources
Respond and demonstrate respect to consumer
Develop niche markets
Continue services available, from inpatient, to partial, to intensive outpatient services
Availability of child/adolescent psychopharmacologist
Increase visibility of, and procedures offered by, the Center
Strong referral base from physicians practicing within the AJH health care system

3. Harris Street Associates
Harris Street Associates is a multidisciplinary group practice providing mental health services to the Newburyport and Haverhill communities. It was established over fifteen years ago by several local psychiatrists and psychologists. Their payor mix has been primarily with MCOs, with some indemnity programs. It has had a rocky financial history, culminating in being bought by H.E.S. For the past three years, H.E.S. has attempted to turn around the financial status of the agency without success. It was recently announced that the center is closing on October 30, 2000.

4. Harborside Psychological Center
Harborside Psychological Center is located in Newburyport, Massachusetts. It is a multidisciplinary mental health group practice. Until recently, their service focus has been psychotherapy with children, adolescents and adults. Currently, this center has added pharmacology to their list of services. Their payor mix is composed of MCOs and employee assistance programs (EAPs).
Strengths:
Size
Location quite good in downtown Newburyport
Resources
Community respectability
Multidisciplinary composition of the Center
Weaknesses:
Not close to public transportation
Not visibly known to the public
Psychopharmacology time is limited

Potential Impact of Strengths:
Strong referral base with MCOs

Strategies to Thwart Competition:
Develop reputation for providing quality services
Respond to the needs of referral sources
Develop niche markets, especially with children and adolescents
Continue services available, from inpatient, to partial, to intensive outpatient services
Availability of child/adolescent psychopharmacologist
Increase visibility of, and procedures offered by, the Center
Strong referral base from physicians practicing within the AJH health care system

4.3 Market Segmentation
The market segmentation can best be understood from an analysis of the clinical services being offered by the Center. Presently, three services are offered: psychotherapy, pharmacology, and substance abuse/addiction treatment. When the Center commences its operations, a fourth service will be implemented: behavioral health contracts. Contracts are different from the previous three segments in that the services are provided offsite at another facility.
All services are offered to all age groups, with a modality of treatments that include individual, couple, families, and group. Some customers will use only one service at a time, while others will use a mix of the various services simultaneously.

Strategy and Implementation Summary
The Center will focus its market activities on two market areas: the communities of Merrimack Valley, and Southern New Hampshire. Services will include psychotherapy, psychopharmacology, and substance abuse/addiction services.
The target customers are the consumers of mental health services (i.e. individuals, couples, families, and groups). The composition breakdown is approximately 50% adults and 50% children, adolescents, and families. The
second target customer are the payors. They are an integral piece of this turn key project. The payors are basically the gatekeepers for referrals and authorizations.

5.2 Value Proposition
If the Center is going to compete effectively, it will need to clearly define its value-added benefits. Our goal is to meet and exceed the needs of our customers: consumers, staff and associates, payors, consultants, and other referral sources. Previously, we discussed the needs of our customer. These needs will drive the value-added philosophy and marketing strategy.

5.3 Competitive Edge
Our competitive edge is our associates and staff affiliations. Our associates and staff spread the company proposition, “our mission is to meet/exceed customer's expectations.” Our affiliations with the Anna Jaques Hospital and other medical group practices allows us to interface easily with a strong referral base. Hard work, integrity, accessibility, experience, quality service, and customer satisfaction are the factors influencing our competitive edge. When the customers call the Center, they will get a real person, not a voice mail message.

5.4 Marketing Strategy
Target marketing of our services is critical to growth. Strategies will include:
- An emphasis on customer-driven, quality service
- Building a relationship business
- Focusing on five behavioral health payors
- Identify and build a niche market
Marketing tools will include: direct mail, print and audio advertising, public speaking, and relationship building with identified managed care corporations and persons.

5.4.1 Promotion Strategy
Multiple strategies will be used to promote the Center. Throughout the promotional strategy, our focus will be on selling the Center. The types of promotions will include:
1. Participation in activities related to treated disorders at the center, e.g., National Depression Screening Day.
2. Developing a brochure, logo, and business cards to promote the Center.
3. Networking with various health care providers, community agencies, and state agencies.
4. Media advertisement, especially to announce the professional affiliation of a new associate or new program.
5. Use of follow-up letters to referral sources.
6. Offering informational workshops to the public.
7. Networking with the media to facilitate articles about the Center.
8. Join small business groups/organizations as a means of increasing public awareness.

5.4.2 Positioning Statement
It is our goal to enhance our image and reputation by being responsive, accessible, and by providing quality treatment. By building relationships, we will cultivate our image with case managers and network managers of identified managed care organizations.

5.4.3 Pricing Strategy
Pricing for the services provided by the Center is market driven. Our fee structure is based upon a survey of existing MCOs and other payors. In order to operate profitably under these prices, it is imperative that the Center monitor and control costs. Behavioral health industry watchers believe that there is at least a 15% range of variation in what certain managed care companies will pay different providers for a given service. Our goal is to obtain the highest price within the competitive range by convincing the payor that we have a service to offer which exceeds that of our competitor. A possible example of this is creative bundling.