

# Creating Remarkable Value: A Primer For Healthcare Providers (Part I)

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Robert Kiyoshi wrote the following in Rich Man, Poor Man:

“It’s not how much money you make, but how much money you keep, and how hard it works for you and how many generations you keep it for.”

Though not focused on healthcare, he could easily have been talking about the challenges and opportunities available to the leaders of today’s healthcare companies. How do I build high quality, sustainable value in my company while delivering good services and/or products?

As with many organizations, healthcare business owners can create significant value in four fundamental ways:

- **Increase** expected future growth rates in earnings
- **Extend** the length of a high growth period
- **Improve** cash flow generated from existing investments
- **Decrease** the cost of capital while increasing future cash flow.

There are a number of very practical things healthcare providers can implement to improve their future bottom line:

- **Enhance operational effectiveness** by streamlining internal processes and carefully monitoring expenses throughout the organization
- **Maximize the ratio** of ancillary services to client revenue
- **Selectively reduce future expenditures** related to technology assets by outsourcing
- **Lower employee-related expenses while maintaining pay/benefits quality** through HR alternatives, like professional employer organizations (PEOs)
- **Carefully manage vendor expenses** and always consider alternatives
- **Link some management compensation to performance** (just like payers are beginning to do!)

When high growth periods occur in any healthcare operation there are some simple strategies that can be employed to extend the positive cycle:

- **Hire a contracted “rainmaker”** or two with related healthcare experience to increase visibility and market penetration

- **Increase price/rate competitiveness** through service delivery enhancements that have immediate value for clients/payers
- **Improve service quality enhancements**, such as low wait times, friendly knowledgeable staff, clean facilities, ample parking, and so on
- **Strengthen market position** and increase barriers to entry through branding and licensing.

These are not exhaustive lists, but they offer a systematic approach to building impressive value into the future. As Mr. Kiyoshi maintains, it's not just about establishing a healthcare business with revenue. It's also about thoughtfully deploying your resources with the future in mind.

In two weeks, I'll introduce concepts for creatively improving cash flow and reducing the cost of capital to increase sustainable value.