

Developing a successful business case

This document was created in 2012 as part of PD094 'Making the Business Case' by The Chartered Society of Physiotherapy. Although it is a historical document, it is felt to continue to be useful as guidance for developing a successful business case. It is important to take this in context and review other more up to date and local examples alongside this.

You can develop a strong business case for a quality service without having to turn into an accountant.

This section is aimed at physiotherapy providers who need to prepare or contribute to a business case in response to a tender or unsolicited proposal. It offers practical exercises, checklists and tips under three headings: gathering the information critical to preparing a successful bid, thinking in financial terms, and building skills in areas such as writing and negotiating.

What does a business case look like? How should you prepare one? This section draws on the fundamentals of business case development to make practical suggestions about how you can prepare for the commissioning process and feel confident in your approach.

It is designed as a 'toolkit' for physiotherapy providers responsible for, or involved with, the development of a business case in response to a tender or unsolicited proposal. It includes exercises to get you thinking about your service in detail and to help you understand the business case development process.

Don't be surprised if you don't know all the answers. Seize the opportunity to discover which aspects of your service you need to know more about.

1. Deepen your knowledge

1.1 Know your service

Commissioning will be competitive and you will need to know the strengths of your service and why you should be chosen above others to provide it. You need to understand the 'ins and outs' of what you provide and how your service addresses the needs of the target population.

It is essential that you collect valuable information to support the delivery of your service. For example, you must know:

- the annual referral rate expressed as a proportion per 1000 of the population
- the breakdown of referral rates per individual site expressed as a proportion per 1000 of the population, and a breakdown of exactly where these new patients came from
- the percentage of inappropriate referrals
- the exact length of your waiting list and if it has varied over the year
- the percentage of patients that fail to attend for their first or subsequent appointments
- what patients think about your service.

Exercise 1: Identify your selling points

Sit down with a colleague. Imagine your colleague wants to purchase a service and has already interviewed two other providers with services identical to yours. Don't do any preparation for this exercise. Get your colleague to ask you these questions:

- What are you selling?
- What is unique about your service?
- What is the one best thing about your service? Why?
- What evidence do you have that you are providing a quality service?
- How do you know that you are providing a service that addresses the needs of the population?

Use this exercise as an indication of where you might need to find out more about your service.

1.2 Know your patient population

It is imperative that you understand which patients are or could be using your service. It is also essential to get patients' feedback on their experiences as service users. Patient

choice, especially within the context of recent policy developments, needs to be considered. Find out what patients actually want from a service such as yours. The more you know about your patients, their needs and perceptions, the more you can tailor your service to meet those needs.

Exercise 2: Gather information about your service users

Survey the patients using your service. Find out the size of the population that your service covers and as much as you can about your patients' health needs, their ability to access the service and so on.

Find out the local population demographics. Look at aspects such as age and gender profile, ethnic mix, and the proportion of your patient population living in urban or rural areas.

Gather other population data such as disease and prevalence breakdown.

Finally, what do you know about their perceptions of the services you offer?

Note: You should be able to get further demographic information from your finance team or local commissioners.

1.3 Know the people who can help

Be aware of the key people involved in your service and organisation who may be able to help you through the bidding process. Just because commissioners do the buying does not make them unapproachable. Get to know who they are.

Think through all the key stakeholders in your service. Identify how they might contribute to helping you improve what you offer and develop your business case, and establish alliances with them.

Exercise 3: Do your homework

Background research might include any of the following activities:

- Find another service within your organisation that has been through the commissioning process. Set up a meeting to speak with them about their experience and the challenges they faced throughout the process.
- Find out who the local commissioners are. Contact them and ask questions about the local processes and what you could be doing to get ahead.
- Read your local **Joint Strategic Needs Assessment (JSNA)** and Plan, or its equivalent in your country or region:
 - In Northern Ireland, the Commissioning Plan / Priorities for Action
 - In Scotland, the Single Outcome Agreement / Local or Regional Development Plan

- In Wales, *Together for Health – A Five Year Vision for the NHS in Wales* and its associated Delivery Plans.

Any proposal that can fit with these plans has a much better chance of being accepted.

- Find out which other services provide to the same healthcare population. Consider whether you might collaborate with another provider to establish an integrated service.

1.4 Know the process

It is helpful to have a solid understanding of the tendering process to avoid being caught off guard or unprepared.

Processes may be different for each tender and in primary or secondary care settings, but typical stages of the process are:

- informal/formal notification of the tender
- receive service specification
- prepare response to specification including:
 - information and assistance from other colleagues, for example, other physiotherapists within the department, finance team, supplies department
 - visits to local practices involved
 - possible joint meeting with commissioners and other providers involved to discuss frequently asked questions
- complete response to service specification
- submit response
- informal/formal notification of interview
- attend interview
- notification of outcome of tender.

2. Think in financial terms

2.1 Cost implications

It is now widely accepted that physiotherapy providers need to know how much it costs to run a service.

You will need to know how much it costs to pay and train your staff and to see a patient. You will also need to know how much your service is potentially saving your organisation/commissioner. Commissioners will not be interested in looking at your service unless you have this information.

The cost implications of your service must be considered across the entire provision of healthcare. You may be preventing admissions or releasing staff time which will indirectly lead to overall cost savings.

This may be a time-consuming process but it is absolutely necessary.

Exercise 4: Talk to your finance people

If employed in a provider organisation, speak with your finance department. Make an appointment to go and see an advisor. Tell them that you want to fully understand your service and find out if you are providing value for money.

Checklist 1: Example process for unit cost calculation

Step 1: Calculate your direct staff costs for client related activity.

1. Calculate “on duty” hours = contracted hours – (annual leave + variable leave)
2. Calculate number of hours available for client related activity = “on duty” hours – non client related activity
3. Calculate staff costs for client related activity = (salary+ on costs)/hours for client related activity

Step 2: Work out available clinical minutes.

1. Create a list of activities performed by your service
2. Use time and motion data to allocate timings to activities
3. Work out available clinical minutes = time allocated to direct face to face client contact

Step 3: Calculate unit costs and use to determine activity cost.



1. Calculate total costs = direct staff costs (see step 1) + overheads + non pay (materials) + admin costs
2. Work out your unit cost = total costs/available clinical minutes
3. Use unit cost to work out your cost per activity = unit cost x duration of activity (minutes).

2.2 Contribution to the wider health economy

The commissioners interviewed in Section 3 make it clear that it is important to relate the outcomes of your service to key national healthcare priorities such as waiting times targets and NHS financial balance. Commissioners will be much more likely to purchase your service if you can demonstrate that you are contributing to these wider policy targets.

Checklist 2 suggests ways you can measure your contribution to the wider health economy, and gives some widely collected indicators to which you might relate your collected service information. It can be used to help justify and evidence services and developments.

Checklist 2: Measure the wider impacts of your service

Indications of how your service is contributing to wider 'whole system' improvements might include:

- reduced length of stay
- reduced readmission rates
- reduced A&E attendance
- reduced occupied bed days
- reduced waits
- reduced queues
- fewer follow-up requirements
- evidenced demand management
- increased access to service/providing access to service in different setting
- increased patient flow
- improved patient choice
- reduction in need for other professional input
- reduction in variation, therefore reduction in length of stay or re-admissions
- efficiency gains with a quantitative measure
- reduced delays
- reduced bottlenecks with demonstrable impact
- reduced waits for referral to physiotherapy treatment rather than other procedure
- achievement of four-hour A&E target.

Source: Fran Woodard, Director of the Modernisation Initiative

Exercise 5: Look at national priorities and targets

Make a list of all the patient outcomes that your service achieves.

Make another list of all the service developments or initiatives you have been involved with that have improved that service in the past two years.

Now consider the implications of the outcomes in your two lists. Write down how they link to national priorities and targets.

Note: Think laterally during this exercise. You may not be aware of how significant the contribution of your service is to achieving local or national targets. You may also think of other outcomes that are not included in the list above.

2.3 Risk assessment

Show commissioners that you have thought about how your service would cope and react should adverse situations or changes arise during the life of any contract. For each risk you identify, consider the probability of the event happening (from very unlikely to almost certainly at some point) and the impact that such an event would have (from inconvenient to catastrophic).

This process is called risk assessment. Commissioners will be impressed that you are aware things don't always go to plan and have developed strategies to cope.

Checklist 3: Possible risks

Possible risks that you may encounter include:

- another provider has set up an identical service for less money
- a significant policy change has been introduced (this may include changes in the legal framework) that will alter how you provide your service
- you are unable to recruit sufficient experienced physiotherapists to provide your service as was agreed in a contract with commissioners
- someone you have recruited from the EU is not meeting professional standards integral to physiotherapy practice in the UK
- your computer has been stolen overnight.

The reasons for assessing and then managing risks are to:

- demonstrate that you know your business

- take charge of your future (as far as that is possible)
- counter threats before they emerge
- plan and work with others to mitigate risk whenever possible
- ensure profitability
- maintain your reputation
- plan what to do if a risk develops that may not seem probable but carries a high impact.

Source: Nigel Walker, National Programme Lead, Commissioning – Care Services Improvement Partnership (CSIP).

Exercise 6: Modelling risks and their impacts

Think of five different, realistic events or changes that could occur which would have an impact on the provision of your service.

For each of these risks, determine what your course of action would be to deal appropriately with the change.

3. Build the Business case

3.1 Writing a business proposal

If you are responding to a tender, a service specification will be available. In this case, you should base your proposal directly on the specification, in much the same way as you would base a job application around the person specification. You need to respond to each of the headings of the specification to show how your service fulfils the requirements. As Section 3 points out, the ability to supply information tailored to the detailed requirements of a specification is much valued by commissioners.

If you are not responding directly to a tender, then select headings to suit the purpose and the reader.

Here are some examples of headings you may wish to include:

- introduction – what is the proposal and its purpose?
- background or context
- proposed service
- links with local and national priorities
- predicted capacity of service in terms of completed patient episodes

- benefits for patients, organisation, commissioners, referrers and other stakeholders
- cost–benefit analysis/financial implications
- service evaluation information
- predicted outcomes
- governance arrangements
- risks associated with the plan, for example, impacts of patient choice
- risks associated with not commissioning the plan
- lead-in time to set up the service
- non-recurrent expenditure to set up the service, for example, capital or training
- summary of main points.

Exercise 7: Sketch out your business case

Put aside an hour of your time briefly to describe your service using the headings outlined in ‘Writing a business proposal’ above.

Then read over what you have written and get a feel for where you think there are gaps. Use these gaps as an indication of where you need to know more about your service.

A sample template and two examples are outlined in Appendix 1.

3.2 Marketing your service

Marketing is about developing relationships with your customers and commissioners, but also with other key stakeholders. You need to understand their needs and perceptions, and identify how you can develop your product or service with these in mind.

A win–win situation is when you provide a service which delivers a valued benefit to all your stakeholders. For example, an imaginary service might deliver benefits for a range of stakeholders including funders, end users, fellow medical professionals, colleagues and local services as follows:

- commissioners: reduced admissions and saving money
- patients: improved quality of life
- GPs: fewer visits to the surgery
- physiotherapists: improved team working
- social services: reduced need for residential care.

You also need to think about how you can build end-users' awareness of your service, and its quality and effectiveness. This means identifying service data relevant to them and to their uptake of your service. This might include how and when service is offered, as well as what it does.

For further information on marketing, see the information on marketing and promoting your services in the 'Your Business' section of the CSP website:

www.csp.org.uk/professional-union/practice/your-business/marketing-promoting-protecting-your-service

3.3 Negotiating skills

The commissioners' and providers' perspectives in Section 3 show what is expected in the development of a business case. Understanding what is wanted and being able to put that into practice are separate challenges.

If you are in a meeting with commissioners (or others) to discuss your business proposal, you need to present your case persuasively, while obtaining as much information as you can from the meeting.

Strong negotiating skills, and an awareness of how to listen, question and talk effectively, are essential.

Checklist 4: Ten top tips for negotiating effectively in meetings

- Before the meeting, work out your two or three key objectives. Keep these handy throughout the meeting and check you have covered them all by the end. If you are going into the meeting with someone else from your team, make sure they know your objectives and you know theirs. Don't waste time talking about minor details.
- Clarify the purpose and duration of the meeting in advance, or at the latest at the start of the meeting. Make sure you know who will be present, and who is the key person to influence. If you can, try to form a personal rapport with such people, either before or after the meeting, for example by talking to them over the telephone or inviting them to visit your department.
- When preparing for the meeting, try to put yourself in the shoes of those you are meeting. What are likely to be their priorities? What will make their life easier? What can you do for them?
- Avoid 'physio-speak' at all costs.
- Try to listen during the meeting as well as talk, and be aware of body language. Ask for clarification if necessary to ensure that there are no misunderstandings following

the meeting. If someone is saying one thing but their body language another, try to think of a polite way of bringing this to the surface so that the problem can be addressed rather than avoided.

- Persistence is a virtue. Your aim at a negotiating meeting is to secure what you feel is right, rather than have a pleasant chat. Don't shy away from what you might perceive to be conflict. If things need to be said, say them, but without personalising an issue.
- Establish next steps before the meeting breaks up. Who is going to do what, by when?
- Make time as soon as possible after a meeting to reflect on what has happened and what you are going to do next. Pick the brains of others who might have been at the meeting with you.
- If on reflection you don't feel you have got all your points over, follow up the meeting with a telephone call, email or letter.
- If you have promised to do something during the meeting, make sure you deliver. Keep all parties informed if there is going to be an unavoidable delay.

Source: Lesley Mercer, Director of Employment Relations and Union Services, Chartered Society of Physiotherapy

3.4 Know how you will be assessed

It is a commissioner's responsibility to ensure that a provider is 'fit for purpose'. Each commissioner will have a preferred way of assessing providers. Ask your commissioners how you will be assessed.

An example of a scoring proforma used to evaluate tenders is given below.

It shows how specific areas of your business case may be weighted and what the most influential sections of your business case should be.

Evaluating tenders

Service name:

Evaluation area	Weighting	Provider 1		Provider 2	
		Score %	% score adjusted for weighting	Score %	% score adjusted for weighting
Provision of related services	10		0.0		0.0
Administration	10		0.0		0.0
Physio staff	7		0.0		0.0
Links with other service	10		0.0		0.0
Equipment	5		0.0		0.0
Operating manual	2		0.0		0.0
Reporting	4		0.0		0.0
Communication results	6		0.0		0.0

Clinical care	10		0.0		0.0
QA	10		0.0		0.0
Programming of work	10		0.0		0.0
Notice of commissioning	2		0.0		0.0
Revenue sharing	4		0.0		0.0
Transfer of risk	10		0.0		0.0
TOTAL	100		0.0		0.0

Source: Paul Crooks, Service Development Manager (Redesign), Westminster PCT

4. Putting it all together

Finally, a key message of this guide is that the business skills which physiotherapy providers need to respond successfully to commissioners can be systematically identified, shared and developed.

Much of what you need to do to put forward an effective proposal is common sense. Checklist 5 recaps the key elements of preparation covered in this section. If you can answer 'yes' to all the questions, you have every reason to believe you are ready and well equipped to make a successful business case for your service.

Checklist 5: Am I prepared?

	YES	NO
Do I have a thorough understanding of my service, including details of referral rates and patient demographics?		
Have I met with another manager in my organisation or a colleague who has been through the commissioning process?		
Have I completed a cost–benefit analysis of my service?		
Do I know the unit costs of my service?		
Have I established strategic relationships with my local commissioners?		
Can I explain exactly how my service contributes to national and local health priorities?		
Have I completed a thorough risk assessment of my service?		
Have I attempted to describe my service using the headings outlined in		



'writing a business proposal'?

Am I familiar with the contribution that marketing and negotiation skills can make to the success of a business proposal?

Am I familiar with how I will be assessed by my local commissioners should I put forward a business proposal?