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Untapped Revenue: Sell What You're Good At

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Changes in health care regulations and technologies have placed additional pressures on health care systems not only to become more efficient and allocate resources effectively, but also to identify new sources of revenue. Many larger health care systems have developed best-in-class clinical services, created exciting technological innovations for their clinics, and consolidated common business operations into streamlined, expert-driven "shared services." The savviest of them are viewing these in-house capabilities as new and untapped sources of income: By packaging and selling one or more of their niche services or innovations to other organizations, they can defray the cost of their internal investment and contribute to their system's overall revenue.

The market itself is primed for such change. Rather than build out their internal capabilities, many organizations today are opting to purchase services from a third party, setting the stage for a mutually beneficial arrangement between those who need and those who can supply.

For example, certain neurosurgeries require intraoperative monitoring (IOM), which entails having a high-tech monitoring system, a highly trained technologist to operate the system during surgery, and a neurologist to interpret the electronic data. Smaller organizations often lack the necessary volumes or physician expertise to provide IOM themselves cost effectively. Larger organizations that do have IOM may well be able to bundle and sell their service at a much lower cost per surgery. The smaller organization gains a high-value clinical service at a savings, while the larger organization can increase the return on its own investment.

Other specialized services that require costly technology, such as electronic ICU (eICU) and telemedicine, are attractive to small organizations who want to buy ready-made capabilities.

On the operations side, services such as patient billing and collections, A/P, and recruiting often lend themselves easily to being packaged up and offered to other organizations. For instance, one of our clients, PeaceHealth, wanted to consolidate the donations processing function for its seven hospital foundations. They could have built this capability over time, but instead chose to purchase the expertise of Catholic Health Initiatives (CHI) in Denver to handle these operations. Another of our larger health care system clients sells their centralized revenue cycle services to help other, usually smaller, providers improve and optimize their insurer payments in these times of tighter reimbursements.

Is it right for you?

Whether you should sell your own innovations and services to others—and which ones to sell—are big decisions that depend on market needs and how well you can meet them. To determine if selling your best services can earn your organization worthwhile revenue without also taxing your resources, build a business case and financial model that considers the following:

Assess the opportunity: Take a close look at your business. Have you achieved streamlined technologies or organizational functions, or consolidated any services across your system? Where do you have high operational efficiencies, optimal industry best practices, or a significant technology investment? Which of these services, if any, would be of interest to other organizations and make sense to turn into new revenue streams?

Each service you sell must be clearly defined, easy to package for another organization to buy, and fill an apparent need in the market. The best candidates are services or innovations that either carry a high cost of technology and require specialized, unique expertise and skills, or that can be sold and purchased on an incremental basis. Selling incrementally can help you manage the resource hit of serving other companies without compromising your ability to serve your own system's needs. Aligning with an existing third-party provider, or forming a third-party company with partners, is another variation you may want to consider.

Assess the market demand: To forecast your service's market potential, do a thorough market analysis. Define your target customers, segments, and geographies. In the eICU example above, the best targets might be large and small hospitals in all geographies.

Veteran health care economist, Frank Fox, PhD., President of Health Trends, frames it in a supply-demand context: "Estimate current and future demand, then determine if there is a supply opportunity you can meet cost-effectively, at a lower cost than other organizations could provide internally." For each target market, gather information on industry trends, potential competitors, and projected sales volumes. Then study the risks and benefits of offering your service, as well as your options for market entry.

Create a financial model: Not every demand for your service may make financial sense for your organization to address. To determine a service's worthiness as a revenue channel, build out a performance model and consider the resources required to support the new line of business. Be frank about your internal capacity to support the program. You don't want to put excess strain on your system or be unable to scale to meet greater demand.

Test a pilot case: Finally, before you plunge into bringing the service to market, take time to run a few tests. Select one or two target organizations for a pilot. You will gain real-life data on the costs and resources needed for effective delivery, gather valuable customer feedback, and be able to test out optimal price points. From there, your full implementation options are wide open—it's time to implement a plan to get the word out to prospective customers.

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