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Defending Marketing Budgets Through Evidence-Based Lobbying

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In the never-ending battle for resources during budgeting season, healthcare marketers are often pressured to look for ways to cut corners. Marketing leaders must justify their costs by providing detailed forecasts that will enable the organization to achieve stated service line business goals. During these times, marketers are strategists, financial analysts, and lobbyists. Attaining the funds necessary to achieve ever-increasing business goals can me more taxing than skillfully maneuvering a bill through Congress.

Most hospitals and healthcare systems work on a fiscal year beginning July 1st. January may seem too early to worry about next year's budget, but it is the ideal time to start the planning and data collection necessary to develop a truly strategic marketing plan. As noted in *Evidence-Based Strategic Marketing Plans Drive Health System Success*, before finalizing a marketing budget, strategic marketers use patient insights to inform service line growth – forecasting ROI before a dollar is awarded. However, in many organizations service line administrators are charged with achieving business goals based on bulk contributing margin percentage increases before they have a strategy on how to achieve them. These business goals, often based on strong personalities and internal politics, are then passed along to the marketing department to implement.

Creating a fact-based process for decision making focuses the team and identifies the greatest opportunity for marketing to create a return for the health system. Collecting and analyzing this data takes time and patience, making the first few months of the calendar year critical to the budgeting process.

CFOs often underestimate the impact that reduced healthcare marketing budgets have on an organization's growth. Using a data-driven approach demonstrates the opportunity cost of cutting budgets while demanding increased returns. Once the facts are outlined through the Strategic Marketing Plan, these same strong personalities and internal politics can become a marketer's greatest asset to locking in the funds required for activation.

There are two main ways health systems determine their marketing budgets. The Traditional Approach and the Goal-Based Approach.

The Traditional Approach

In the Traditional Approach, most CFOs take the entire contribution margin from the previous year and add a percentage multiplier based on average increases year-over-year. They then divide it out by percentage of income by service line and add those additions directly to each service line accordingly. There is little to no data evaluation conducted to determine if the growth exists in the market organically or through purging from competitors, if the institution can withstand additional increases with access and capacity limitations, if the service line has a competitive edge to acquire more cases, or even if the additional cases will ultimately contribute to or erode the bottom line when fixed and variable costs are considered.

These percentage increases determined by the CFO are then passed along to marketers. The traditional approach is to set aside a certain percentage of total revenue (including the percentage increase) for marketing activities. This approach assumes total expected revenue then multiplies that number by a percentage to reach the hospital's marketing budget for the year. Ideally, the percentage increase is in line with the estimated revenue increase, although that is not always true. On average, hospitals that take this approach allocate anywhere from 3 percent to 8 percent of their total revenue. Of course, depending on how large the practice is, this number can vary widely.

This kind of budgeting approach is attractive because it is simple and easy to follow. When it comes to preparing the marketing budget of an organization, basing the budget on a percentage alone can result in random allocation of funds. The marketing department could end up spending too much or too little, and not see the results it wants or is expecting to achieve. However, we are seeing a trend in increasing revenue goals with decreasing marketing budgets, and marketers being expected to achieve greater results. Marketers must be armed with the data necessary to protect their budget resources if they are to be able to achieve the business goals outlined.

Goal-Based Budgeting

Goal-based budgeting, also known as zero-based budgeting, is far more efficient and effective. This approach requires healthcare marketers to define long-term business goals by short-term marketing objectives that are quantifiable. These objectives will outline the main elements of your healthcare marketing plan.

In *Evidence-Based Strategic Marketing Plans Drive Health System Success*, we revealed the DeTora Consulting six sigma approach called DMAIC (Define, Measure, Analyze, Improve, and Control) for Strategic Marketing Planning. We also recommend it for budgeting, tactical execution, tracking, and reporting.

Define
Once the Strategic Marketing Plan is approved, the goals have been defined by data associated with profit/loss analysis, clinical projections, propensity modeling, leakage statistics, competitive service offerings, payer mix contracts, market share, out-migration statistics and other cross tabbed data points. We know specifically what growth we are targeting and how we are going to achieve it. Now we must determine the cost of the marketing objectives required to achieve these business goals, as well as the opportunity cost of not funding those initiatives (how many cases we will not be able to secure).

In the last article we used the following example:

- **GI Business Goals**
  - Upper GI
  - Year End Actual Volumes – 124
  - Projected Volume Threshold - 130 (5% increase of 6 cases)
  - Projected Volume - 143 (15% increase of 19 cases)
  - Current PSA and SSA Market Share 3%
  - Entire Market 1,393 Cases
  - 5 Year Growth Estimate 11%

Then, we identified the marketing objectives to lead us to the business goals. These are often referred to as Critical Success Factors (CSFs). Again, marketing objectives are very specific. Objectives must be identified by precise percentage, volume, or financial increases (or decreases in some cases). It is impossible to control the exact response marketing efforts will generate.

- **GI Marketing Objectives**
  - Branding Objectives
    - Overall GI preference share increase from 20% to 35%
    - First choice increase from 11% to 18%
    - Second choice increase from 9% to 17%
    - Non-employed physician preference from 6% to 10%
    - Employed physician preference from 91% to 98%
    - Employee preference share increase for the hospital overall from 71% to 85%

- Patient Acquisition Objectives
    - Increase overall website traffic by 35%
    - Increase unique website visits to landing pages associated with the targeted Tier III and II service lines by 40%
    - Target 60% "request an appointment" conversions via landing pages
    - Target 40% "request more information" conversions via landing pages
    - Increase "request an appointment" calls associated with the targeted Tier III and II service lines by 40%
    - Target an 80% consult to surgery conversion rate (this can be supported by marketing, but not "owned" by marketing)

Measure

In the Measurement phase of budgeting, we pair each marketing objective with the tactical executions to achieve them. Then we apply the costs associated with each of the executions. After we have done this work once, it is much faster and easier to complete moving forward. We use these numbers to project ROI, as well as the opportunity cost of cutting tactics with reduced budgets outlining the diminishing returns to the powers that be.

Marketing leadership must be prepared to lobby the clinical and administration leadership of the service lines projecting growth, educating them on the evidence-based projections, strategy, and tracking outlined in the Strategic Marketing Plan. This work directly impacts their service line success. If the marketing budget is cut, their business results will suffer. Service line leadership will become champions for the marketing department in the budgetary discussions.

Analyze

During the Analyze phase, we track and report all that has been outlined. Assumptions are confirmed or adjusted based on outcomes. We tweak the allocations according to CSF results and calculate the actual ROI against the forecasts. This will assist in honing future projections.

Improve & Control

In the Improve phase, marketers review the data from the tracking/reporting tactics and dashboards implemented and monitored. They make adjustments to the live campaigns as needed based on changing market dynamics, capacity issues, and campaign results. Successful marketing departments become a learning culture, promoting open understanding of what is working and not working. This requires support of expressing negative results as well as positive in order to fix issues in real-time and ensure greater success moving forward.

By conducting the cross-tabulation of data required for an evidence-based Strategic Marketing Plan, marketers outline the tactics required to move the needle - inching them toward logical growth strategies and their established business goals. Moves and countermoves. Every dollar cut comes with a cost. Each tactic comes with a price and a profit. Removing the resource support eliminates the tactic effecting business goals.

If marketers can explain this clearly, they gain valuable leadership champions to lobby on the marketing department's behalf in budget negotiations and have a far greater chance of locking in the resources required for system success.

For questions on creating strategic marketing plans, budgeting, or to request a proposal, please call us at 908-447-9231 or email Gabrielle@DeToraConsulting.com.

About Gabrielle DeTora

Gabrielle is a healthcare marketing strategist with nearly two decades of executive experience and a proven track record of driving ROI. Gabrielle has worked with the CEOs and leadership teams of nearly 50 health systems, representing over 100 hospitals nationwide. She has served as the strategic leader for health systems, brand marketing agencies, and consultancies.

Earlier in her career, Gabrielle served as the Vice President of Health Strategy for a major advertising agency. There, she oversaw all strategic business planning, branding, marketing, and execution for more than a dozen large healthcare systems, healthcare organizations, and insurance companies.

Her past experience also includes top executive strategic planning and marketing roles at St. Joseph's Healthcare System, Hunterdon Healthcare System, the Cure for Lymphoma Foundation, and the Leukemia & Lymphoma Society. This deep experience gives her a keen understanding of the healthcare industry, which she uses to deliver highly effective strategic marketing plans for her clients.

Beyond the work Gabrielle conducts for her clients, she is also called upon regularly to speak at national healthcare conferences, and is a regular contributor to a variety of healthcare publications. Gabrielle has an MBA from Kennedy-Western University and a BBA from the Zicklin School of Business (CUNY).

To ask questions or inquire about consultant services for effective and efficient strategic planning execution, please contact Gabrielle DeTora at gabrielle@detoraconsulting.com or 908-447-9231.

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