

REVENUE DIVERSIFICATION: The New Key to a Healthy Bottom Line



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by HENRY SCHEIN®

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INTRODUCTION

In any business, it's necessary to keep adequate revenue to survive. Medical practices are no different; however, with challenges in reimbursement and a greater burden of healthcare costs on patients, many healthcare organizations are experiencing financial hurdles and searching for solutions. Businesses across industries, and specifically in healthcare, are exploring revenue diversification strategies.

In this eBook, we will give an overview of revenue diversification as it relates to the healthcare industry. We'll begin by exploring what revenue diversification is and why it's important. From there we'll discuss how revenue diversification is applied in healthcare, as well as the potential challenges involved in revenue diversification and the benefits it affords. Finally, we'll finish by laying out some practical ways to implement revenue diversification in your organization business. Let's get started!



WHAT IS REVENUE DIVERSIFICATION?

Diversification is creating variety in your income sources to increase revenue and reduce financial risk. The idea is to never be too dependent on any one source of income so that your business is more financially strong, even in times of economic difficulties.

Generally, a business achieves revenue diversification by expanding its offering of goods or services. Typically, these new offerings will be closely related to the core of the business, and will be designed to further serve current customers, as well as attract new customers.



WHY IS REVENUE DIVERSIFICATION IMPORTANT?

Relying too much on one source of income is risky, and diversification reduces that risk. This keeps your business more stable, even during economic downturns. Expanding on your service offerings is a great way to grow your business while simultaneously keeping your core offerings stable. Revenue diversification enables you to be proactive about your business's financial health, rather than trying to play catch-up all the time.

In healthcare, reductions in reimbursements are causing financial strain for many practices. This leaves practices struggling to increase profits without sacrificing patient care. Thankfully, revenue diversification helps practices to increase profits while improving patient care through offering more opportunities for patient engagement.



HOW IS REVENUE DIVERSIFICATION APPLIED IN HEALTHCARE?

There are several ways medical practices can seek to diversify their revenue streams. First, consider the best use of your office space. Do you have space that isn't being fully utilized that you can sell or lease out to another business? Ideally, the business you may share space with would be related to the medical industry in some way, potentially adding value for your current patients while also bringing potential patients into your space.

Another option is to carefully share de-identified data from your medical software. This data can be used to drive insights and improve processes across the healthcare industry, and because the data is de-identified, it poses no security risk to your patients.

Finally, consider if you might be able to add some ancillary services within your practice. Many organizations have taken to offering an onsite lab or imaging services to become more of a one-stop shop for their patients. Podiatrists or orthopedic doctors might want to have onsite rehabilitative therapy. Many dermatologists have med spas within their practice. And prescription dispensing is always an option to save your patients time while increasing your revenue.

WHAT ARE THE POTENTIAL CHALLENGES WITH REVENUE DIVERSIFICATION IN HEALTHCARE?

As with any new endeavor, there are challenges that practices may face when seeking to diversify their revenue. First, vetting opportunities for diversification can be difficult and stressful at times. It's important to make sure you are associating your practice with the right kind of businesses and services, so whether you are renting out space to another business or adding a new service to your offerings, take your time to ensure that it's the right move.

Similarly, it can be difficult to make the right connections to get the right people involved in your efforts. Overcoming this challenge, again, just takes diligence. If you are adding a new service and need to hire additional staff, ensure that you

are finding the best possible candidates, asking for help if necessary. If you are renting space to a business, make sure that its representatives are reliable and people you'll want to associate your practice with.

Finally, and probably one of the biggest challenges that practices may face, is investing capital to get a new endeavor off the ground. Obviously, this is more in the case of adding a new service to your own offerings, as you may need to prepare space, buy equipment, and add staff. It can feel overwhelming, but it's important to take the time to do a thorough ROI analysis to make sure that the initial investment will be worth it, and how long it will take to begin to see a profit.

WHAT ARE THE **BENEFITS** OF REVENUE DIVERSIFICATION IN HEALTHCARE?

The potential benefits of revenue diversification are compelling. First, diversifying revenue can protect your core business. By creating additional revenue streams and attracting new patients, revenue diversification can make sure that even if the economy takes a downturn, your practice will be secure.

Another benefit is the ability to provide greater patient satisfaction by offering more services in one place. Your patients are busy, and their time is valuable. Imagine what it might mean to them to be able to get their prescription before they leave your office rather than having to run to the pharmacy. Maybe you're a dermatologist recommending a specific skin care regimen for a patient; wouldn't it be great if they could make an appointment for the med spa on premises? Don't underestimate the value your patients will see in your practice if additional services are available onsite.

Finally, diversifying your revenue will provide for greater financial stability overall as you are no longer overly dependent on any one source of income. The phrase, "don't put all your eggs into one basket," is a cliché for a reason. It's good advice. Particularly in the healthcare field, where reimbursement has been difficult recently and who holds the share of the care cost burden has been fluctuating, it's important to have as many income sources as possible to make sure you stay out of the red. Revenue diversification is an ideal way to accomplish this.



WHAT ARE SOME PRACTICAL WAYS TO IMPLEMENT REVENUE DIVERSIFICATION IN YOUR ORGANIZATION?

Clearly there are several good reasons to diversify your practice's revenue sources, but you may be wondering where to begin. A good option, particularly for family practices, could be to expand your facility's hours to provide urgent care services. This can not only allow for additional revenue and the attraction of new patients, but is also a great way to engage more with your existing patients by allowing them to come to your facility even in those after-hours situations.

The next option is to add ancillary services that relate to your specialty.

Renting out underutilized space in your facility is another good way

to diversify revenue. This option has a lower initial investment, so it might create a quicker turnaround for ROI. Just bear in mind that it's a good idea to find a business that is somewhat related to your practice's focus rather than renting out space to a completely unrelated business.

Finally, there is the option to monetize your de-identified data. This is safe for patients as the data cannot be traced back to them, and in addition to bringing in extra income for your practice, it's also a great way to improve healthcare overall. Just be sure to choose a reputable partner for this practice, and this is another low-investment way to bring in some extra funds.

CONCLUSION

Businesses across multiple industries are realizing the benefits of diversifying revenue sources, and the healthcare industry is no exception. With some of the concerns regarding reimbursement and the distribution of care cost burdens, it makes sense that practices would want to create as much financial security as possible. While there are challenges to getting started with diversification, as with any new endeavor, they can easily be overcome by diligence, and the benefits are significant.

If your practice is ready to diversify its revenue sources, Henry Schein SolutionsHub is here to help with tech solutions to expand your business and bring in additional income. Some of our best solutions for revenue diversification are listed within or visit henryscheinsolutionshub.com to learn more.





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