The Growth Challenge

With demand for behavioral health increasing, the pressure to expand is mounting.

How can you do it without sacrificing care quality?

Kipu

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Make no mistake: The pressure on behavioral health facilities to grow and diversify their services is intensifying. The demand for services is quickly outpacing supply. According to Behavioral Health Business, mental health claims increased by an incredible 83% from 2019 to 2023.

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This surge has put a spotlight on the gap between the need for services and the available resources to provide them. Facilities are pressured to explore ways to expand their capacity, both in terms of infrastructure and staffing.

That pressure is manifesting in several different ways, as many operators look to increase bed counts, expand existing facilities, or diversifying their services into detox and urgent care. Other operators are questioning if growing is too risky to consider, which isn't surprising: Becker's reports on 15 behavioral health centers and units that closed in 2023, including one that was forced to close after a $46 million fiscal loss in 2022.

At the core of this change, operators are asking a fundamental question: how will growing support care delivery? As behavioral health facilities navigate this complex terrain, they must balance the imperative to expand with the need to maintain the quality of care, ensuring that growth does not compromise their foundational mission.

Keeping patient health and well being at the center of all you do is the most critically important component of any choice you make with your business. What do you need to consider when you're thinking about growing? What questions do you need to ask yourself? And, if you are moving down a growth path, how can you navigate your way to success? They're tough questions, and there aren't easy answers.

As Emma Spight, senior vice president of technology and data operations for Mind 24/7, shares, "It all comes down to the patient experience. How will growth support care in the long run? Is it helping your patients or creating friction?" Let's look at how to break it down and make choices that will benefit your patients and your business.

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Emma Spight
Senior Vice President of
Technology and Data Operations
Mind 24/7

The core questions to ask—and re-ask—yourself

At every step of the process, you should be asking yourself some fundamental questions about your growth. These questions should serve as a check-in and a reminder to keep your focus on what matters: growing in a way that will keep your patients and your business safe and healthy.

Here are our broad suggestions:

How are you acquiring patients, and how will you be in the short- and long-term?

Is the money you're using for business development getting the best ROI?

How are you onboarding and getting patients into service? Are payer approvals making patients wait weeks or days?

How effectively are you treating patients? What are your AMA rates and what are your outcomes?

How are you staffing your facility?

How are you ensuring you're compliant with regulatory needs—are you tracking staff learning and do you have systems in place to be sure you're providing the right documentation?

How healthy is your revenue cycle, and what's your average time from treatment to reimbursement?

Ask those questions at every milestone, and make sure you're honest with how you answer them. This is a place where technology partners can be a huge support to your organization, care teams, and clients to ensure all thrive. Why? If your tech stack isn't equipped to scale and handle an influx of new records, you'll stymie your growth before you even start.

Balancing revenue and care quality

Several factors converge when it comes to figuring out how you should plan and strategize the future of your behavioral health operation. You've probably heard "no money, no mission" before. We repeat it here because it's true. You want to help your patients heal and begin (or continue) their recovery journey.

But, you're also running a business, and if you can't keep the lights on, you can't care for your patients. You shouldn't be apologetic for recognizing the need to generate revenue to stay afloat—especially in the face of rising costs for staffing, facilities, food, maintenance, and more.

Adding to that, the growing demand for behavioral health care has attracted growth capital to the space. Private equity focuses on profitable growth, how can they get scale and efficiencies through process, technology, or shared services that will generate more profit as they scale. They also focus on payer mix when looking at the scale of services. This influx of capital be a great thing, driving innovation to better engage and care for patients, and expansion to deliver that care to more people in need.

But it also brings a set of challenges. Private equity's focus on profitability can conflict with the need to deliver high-quality, patient-centered care. Sacrificing care quality for the sake of profit, however, can be a fast way to ensure your investors get paid while your reputation for delivering high quality care suffers. You must navigate the delicate balance between financial performance and your commitment to their patients' well-being carefully.

Are you ready to grow?

Krista Gilbert, the chief executive officer of Northpoint Recovery, understands the challenges that come with changing the business. “The growth question can be a pain point. Operators struggle with how to execute. You need to ask the right questions about how and why you want to grow.”

Here are a few fundamental questions to help you start:

What’s the purpose of my growth?
Are you consistently at 85% or higher capacity, and do you often have a waiting list? Or do you see a gap in the market you could fill? Or do you think your offering is simply better than anything else in the market, and you’re ready to compete? Whatever the reason, make sure you and your stakeholders have a clear understanding of the “why” behind your growth.

What are the regulatory realities I’m facing?
How’s it going to impact your compliance if you add new beds in your facility, compared to opening a brand new facility in a new zip code or new state?

Do I have the right systems in place?
How easy is it to use your technology? How long does it take to train new users? As you expand, you’re going to need to find new talent, and they’re going to need to get trained on your systems. If yours is notoriously difficult—and, perhaps more importantly, if it can’t scale up to handle more volume—you may want to look at systems that can before you start looking at growth opportunities.

Can I implement in the right way at the right time?
Is your staff trained and qualified? Will you be ready to admit at the same time you’re ready to open?

If you can confidently answer questions like these, and the answers all point to “grow,” great. If they don’t, take a step back and consider where your weaker points are and decide what it will take to get yourself appropriately prepared. And, the answer may be that you’re not willing to grow, or that the risk is growing is too great. There’s an adage that, “if you’re not growing, you’re shrinking.” While that can definitely be true (and, for instance, there’s no way that delivering care today looks like it did in 2019), if the risk to growing your operation outweighs the risks of not growing, it’s prudent to focus your strategic planning in a different direction from expansion.

How to grow

Ok—so you've got your understanding of why you need to grow, but how are you going to do it? Behavioral health facilities can adopt various approaches to expand their business, each with its unique advantages and challenges. You also need to keep your payer mix in mind. What population will you be serving in your new facilities, and how will you be reimbursed for care provided? Understanding this mix is critical for the type of growth you're looking to fuel.

We've outlined a few ways to plan for your growth below. These strategies can be broadly categorized into physical expansion, service diversification, technological integration, strategic partnerships, and mergers and acquisitions. Here's a detailed look at these different approaches:

Physical expansion

You need more beds to care for more patients. Can you add those beds where you are, or do you need a whole new location?

Expanding your existing facility means you can leverage your existing infrastructure and staff, saving the cost required to build a new facility or renovate a space. It also means you'll be able to more quickly address rising demand. But, it also means potentially disrupting current operations; having sessions or meditations interrupted by loud construction noise and dust doesn't exactly help for lowering stress levels.

Building out a new facility means you can go to where you see demand, rather than expecting new patients to travel to you. It can signal the strength and reliability of your brand, and means you can serve more patients where they need you. But, it requires a lot of investment and opens up a host of regulatory, zoning, and compliance challenges.

Service diversification

Maybe your patients and revenue are best served by diversifying what kinds of care and treatment you offer. Many of our clients have seen success in adding detox programs, urgent care for acute mental or behavioral health issues, or adding inpatient or outpatient services.

This helps to reduce operational dependency on a single type of service, opening up new revenue streams and helping to protect your bottom line. It also addresses a wider range of patient needs, which can help improve patient satisfaction and engagement. But, you'll need to find staff specialized in these areas, and an EMR that can effectively integrate and coordinate across those services. That last piece really is critical—if your EMR can't handle that level of coordination, you'll lose time, efficiency, and potentially care quality as you try to fix or replace it. That means lost time and lost revenue when you can't afford to lose either.

Mergers and Acquisitions

One way to avoid the need to build out new infrastructure and find new staff is to outright buy or merge with another facility. This gives you an immediate expansion of capacity and services, and is typically much more cost effective than building new facilities from scratch. You also have easier access to staff and other resources, but be careful to pay attention to culture and workforce satisfaction. That integration can be a significant challenge that, combined with the hurdles of managing the legal, regulatory, and compliance issues that can arise, can be a significant barrier to long-term success.

Suffice to say there's a lot to consider when expanding your business. Each approach comes with its own set of benefits and challenges and requires careful planning and strategic execution. Finding the most suitable strategies to grow their operations while maintaining high standards of patient care will be unique to every operation.

We'll say this again because it's so important: be sure to keep the quality of care for your patients at the forefront of any strategy. Balancing growth with the mission of providing compassionate and effective care is crucial for sustainable success in behavioral health.

Understand—and mitigate—the risks

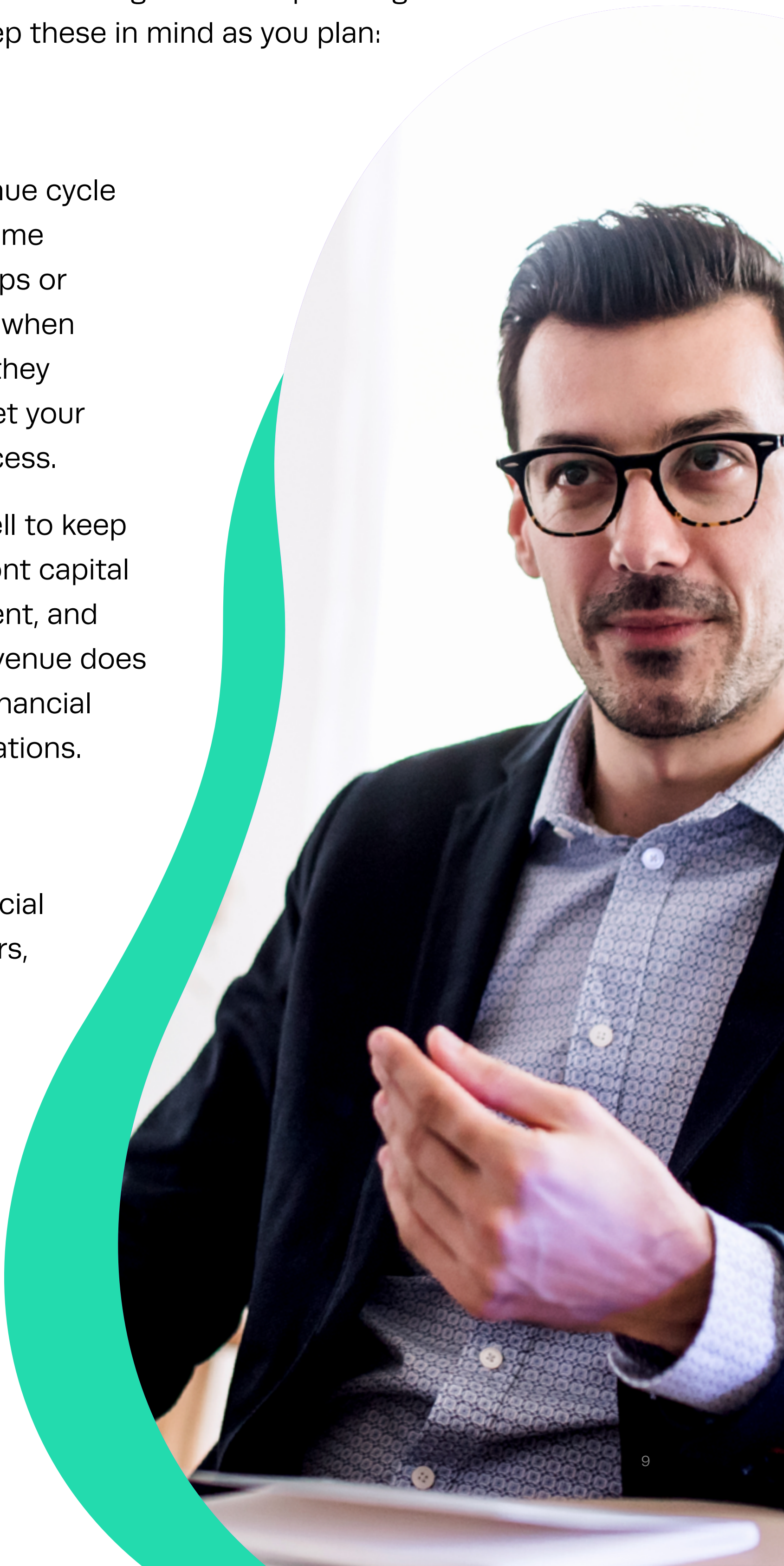
Growing a behavioral healthcare operation isn't a simple, safe proposition. There are risks in almost every area, but understanding them and planning for them goes a long way to avoid them. Keep these in mind as you plan:

Financial Risks

Please, please do not think about your revenue cycle last. It might seem like a silly reminder, but time and time again I have personally seen startups or growing behavioral health operators realize, when they're two weeks away from opening, that they don't know how they're going to get paid. Get your RCM in place at the start of the growth process.

There are financial risks along the way as well to keep in mind. Expansion requires significant upfront capital for building new facilities, acquiring equipment, and hiring staff. If the anticipated increase in revenue does not materialize, the organization may face financial instability, making it difficult to sustain operations.

In addition, insufficient cash flow to cover ongoing operational costs, such as salaries, maintenance, and supplies can lead to financial crises, forcing the organization to cut corners, which may compromise care quality.



Market Risks

You need to be sure you understand the market you're moving into, and have a clear grasp on the cost of acquisition of clients. To do this, you'll need to assess the overall market size and growth rate of the behavioral health sector. Use industry reports, government publications, and market research firms to gather data. Identify key trends such as the rise of telehealth, increased awareness of mental health issues, and regulatory changes. Understanding these trends can help you anticipate future market conditions.

Be sure you know who your competition is as well. This includes direct competitors (other behavioral health practices) and indirect competitors (primary care providers offering mental health services, telehealth platforms). Analyze the strengths and weaknesses of competitors. Look at their service offerings, pricing, patient reviews, marketing strategies, and market share. Tools like SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) can be useful here.

Finally, be sure your marketing budget is set appropriately. We've seen groups get into trouble when they begin with a monthly marketing spend in mind, only to find out that their spend should be five or even 10 times more for that region.

Staffing Risks

Finding and retaining qualified staff is a significant challenge whether or not you're growing. Timing considerations can make this even more difficult, as you can't hire staff too early (if there's not a facility for them to work in, they can't work) or too late (you can't meet demand if you're open but still in the hiring process). In addition, new staff will need to be trained on your technology, care standards, and workflows.

Operational Risks

Rapid expansion can overextend your staff, your finances, and your infrastructure. This can have a lot of negative impacts on operational inefficiencies, decreased care quality, and inability to meet patient needs effectively. And, managing larger and more complex operations requires advanced administrative and management skills. Managing those things poorly can result in disorganized operations, miscommunication, and ineffective utilization of resources.

Compliance and Regulatory Risks

As facilities grow, ensuring compliance with a broader set of regulations becomes more complex. If you don't know how to comply, you could quickly face legal penalties, financial fines, and damage to the organization's reputation.

Technological Risks

When it comes down to it, your tech systems can make or break your growth. We understand how that likely sounds coming from a tech vendor, but we say it because we've seen it. Organizations that take on growth without ensuring they have the systems in place that can handle scaling too easily set themselves up to fail.

Why? Implementing and integrating new technology systems, such as electronic health records (EHR) and telehealth platforms, is complex. Before you even start growing, you need to find solutions that have a demonstrated record of being able to scale with growth, are intuitive for users, and that offer strong and accessible customer support. And, with the increase of data you'll be handling, the risk of cybersecurity threats becomes stronger. "We have to make different tech decisions when we are in the growth mindset," Krista says. "You need to consider the specific areas where there will be a need for greater efficiency, create increased access to data and reporting, and develop strategies for keeping the pulse on quality of care.

"We have to make different tech decisions when we are in the growth mindset."

Krista Gilbert
Chief Executive Officer
Northpoint Recovery

Mitigation Strategies

Thorough Planning: Conduct comprehensive market research and financial planning to ensure that expansion decisions are based on solid data and projections.

Investing in Workforce Development:
Focus on recruiting, training, and retaining qualified staff to maintain care standards during expansion.

Robust Quality Assurance:
Implement and maintain strong quality assurance programs to monitor and improve care quality continuously.

Strategic Partnerships:
Form partnerships with other healthcare providers, payers, and community organizations to support growth and share resources.

Technology Investment:
Invest in reliable and secure technology systems to enhance operational efficiency and data security.

Regulatory Compliance:
Stay updated on regulatory requirements and ensure that all aspects of the operation comply with these standards.

Cultural Sensitivity:
Pay attention to cultural integration during mergers and acquisitions to ensure a cohesive organizational culture.

There's one big mitigation strategy not on that list, but it's perhaps the most important and effective one. Find yourself a consultant who knows how to help businesses like yours grow. They're expensive, but that cost comes with a lot of benefits. Having someone on staff or contracted who is experienced with the ins and outs of expanding into new facilities and new markets can save you time, money, and potentially your business. (Don't worry, we're not consultants at Kipu and we're not trying to sell you on hiring us as one.)

Balancing Clinical Vision with Business Savvy

Ultimately, successful growth in the behavioral health sector requires a delicate balance between a strong clinical vision and robust business infrastructure. You must remain true to their mission of providing high-quality, patient-centered care while also developing the business acumen necessary to navigate the financial and operational challenges of growth. This involves building a leadership team that understands both the clinical and business aspects of healthcare, ensuring that expansion efforts are grounded in a deep understanding of patient needs and market dynamics. By striking this balance, behavioral health facilities can achieve sustainable growth that enhances their ability to serve their communities effectively.

While growth might be essential for meeting patient needs and ensuring financial viability, it must be approached strategically to avoid compromising the quality of care. By balancing clinical vision with business savvy, leveraging technology, and ensuring compliance, facilities can navigate the complexities of expansion and continue to fulfill their mission of providing compassionate, effective behavioral health care.

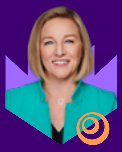
Kipu is nimble and dedicated; the people to be counted on, relied upon, and always on.

We can’t wait to be your guide and prove how Kipu’s service can move you forward now and into the future.

kipuhealth.com

Carina Edwards is the CEO of Kipu Health, the technology partner for mental health and addiction service providers. Carina is an experienced healthcare technology executive with a proven track record of innovative and dynamic leadership in establishing, growing, and operating private and public companies. Prior to Kipu, she served as the CEO of Quil, a pioneering joint venture between Comcast NBCUniversal and Independence Blue Cross. Her companies have received numerous healthcare industry awards including Best in KLAS, PACT Digital Health Start-Up of the Year, the Gold Stevie Business Award for “Healthcare CEO Innovator of the Year” and she was honored as a “Woman of Distinction” by the Philadelphia Business Journal.

Dean Fitch serves as the Principal at Kipu Health and is the Co-Founder of Avea by Kipu. He is a Licensed Marriage & Family Therapist who brings years of clinical experience to our team. A veteran of the behavioral health industry, Dean previously owned and operated an intensive outpatient treatment center, worked extensively in private practice, and served as the Clinical Director of a large residential treatment center in Texas. Dean understands the unique challenges that face institutional healthcare providers and truly loves connecting them with solutions to attain unprecedented success.



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