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DELTA SIGMA INSIGHT

WHAT'S IN YOUR FUTURE?

ABOUT DELTASIGMA

- ▲ **HEALTHCARE CONSULTING PRACTICE**
- ▲ **FORMER NON-PROFIT HEALTH PLAN CEOs**
- ▲ **BUSINESS, DIVERSIFICATION AND MARKETING PLANS**
- ▲ **SIGNIFICANT MEDICAID AND MEDICARE ADVANTAGE EXPERIENCE**
- ▲ **RFP STRATEGY AND RESPONSE**
- ▲ **PARTNERSHIP STRATEGY**
- ▲ **INNOVATIVE COMMUNICATION PROGRAMS**
- ▲ **INTERIM AND CRISIS MANAGEMENT SERVICES**

SCENARIO PLANNING

While virtually the entire airline industry is reeling from record losses, Southwest Airlines is reporting its 69th consecutive quarter of profitability. What makes Southwest Airlines so different? Among its many unique attributes, their management eschews long range planning and instead focuses on scenario planning. One scenario they foresaw was the rapid escalation in the price of jet fuel, every airline's largest expense. Their strategy for dealing with it was to lock in fuel prices on a long-term basis. As a result, they are currently paying over 30 percent less than other airlines for fuel. Preparing for future contingencies saves the company an enormous amount of money each day.

How does your organization deal with envisioning and preparing for the future? The healthcare industry is facing unknown changes with the prospect of federal expansion of healthcare, state budget deficits resulting in Medicaid rate cuts, more intense competition from the publicly-traded companies, state re-procurements that favor new entrants in the market and on and on. For many companies just dealing with the inevitable crises du jour is so taxing that there is little time to prepare for the future, which of course results in more crises and no time for planning, thus continuing the cycle.

Scenario planning can have a tremendous impact on your company's ability to be prepared to take advantage of new opportunities or effectively deal with set backs. Unfortunately, most companies neither conduct true scenario planning nor take it seriously enough to maximize its impact.

The key elements of successful scenario planning include:

1. Describing the likely future in terms of growth, rates/premium, competition, new opportunities and challenges.
2. Challenging each of these projections with positive and negative scenarios.
3. Creating strategies for dealing with each scenario.
4. Defining how you will track the status of each scenario and then establishing a regular reporting and re-evaluation cycle.

Scenario planning exercises are often enhanced by the use of outside consultants. Contact us if you'd like our help.

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