

Financial Planning and New Pricing Cements Health Organization's Long-Term Future.



A major nonprofit healthcare organization critically needed a new product pricing structure for its flagship products that contributed a significant portion of annual revenue. They sought a fresh, new external perspective to recommend the new pricing and support it with a strategic business plan.

Problem to Solve

A major nonprofit health care organization was facing a potential financial crisis. While its flagship products contributed a significant portion of its annual revenue, they were also heavily subsidized. Multiple long-term agreements were pending expiration, removing the primary source of subsidy funding and threatening to imperil the organization's finances. Swift corrective action to put a new pricing structure in place was essential. Moreover, the organization's uneven, longstanding pricing practices posed a further challenge. Pricing set too high might prompt other clients to depart, putting the financial state in even greater jeopardy.

The organization had three months to establish a sustainable business strategy for the flagship products. Given their prior inexperience with product pricing analysis and business plan creation, they sought a fresh, new, external perspective for crafting them. This resource had to be familiar not only with the unique structure and model of this nonprofit organization, but also with its industry and customers. Freed Associates (Freed) was chosen based on its expertise and experience in all of these areas.

Strategy and Tactics

As the chief driver of the business plan development, Freed would oversee multiple key focal areas. Owing to the pressing financial needs, all tasks needed to be completed within the three-month window. Freed's primary responsibilities included:

1. Developing product pricing structure models and scenarios
2. Coordinating the creation of a narrative business plan
3. Supporting the creation of a presentation for approval by the governance committee

To tackle the pricing problem, Freed carefully created dozens of different pricing scenarios to demonstrate the potential impact of various price changes on existing clients. Each pricing scenario was accompanied by a delineation of associated benefits and risks, to help the organization's leadership determine an optimal pricing structure going forward.

Simultaneously, Freed began working on the organization's narrative business plan, which needed to reflect both the product pricing structures as well as input from the organization's governance committee. Once Freed defined a structure for the narrative business plan, it recommended feasibility assessments and growth projection forecasts/assumptions to undergird the plan. These included contingency options to account for multiple growth scenarios.

Freed's health industry business acumen and specific familiarity with the organization's operations and finances contributed greatly to Freed asking the right questions of the organization's leaders and subject matter experts. The resulting documents reflected both the organization's overarching market context as well as its specific business and financial needs.

Since the organization's governance committee needed to approve the new product pricing strategy and narrative business plan, Freed prepared a presentation summarizing all activities to date along with accompanying reports and recommendations for future action. To ensure proper knowledge transfer, Freed also created a high-level work plan for the organization's product, finance and operations teams to execute once Freed had departed from the project.

Results

All of the Freed deliverables were approved by the organization's governance committee, allowing the teams to execute the Freed-crafted implementation strategy. The analyses and recommendations also identified areas of long-term growth potential for the organization.

Qualitatively, the organization credited the Freed ability to rapidly and objectively analyze a large array of new

product pricing scenarios and craft an effective new narrative business plan, based on input from an organization which had historically struggled with such analysis and planning. As a result, Freed quickly achieved breakthrough results on behalf of the organization, with its leaders crediting Freed with guiding them toward a more successful and sustainable financial future.