Healthcare Crises: Turning To Customer Satisfaction

By Caren Chavez-Borja

This article reviews the shift in the healthcare industry towards a market-driven economy and the effects on consumers nationwide. Caren Chavez-Borja contemplates the benefits of customer-centered communications strategies in the healthcare arena.

The most recent report from the Organization of Economic Cooperation and Development (OECD) shows that the United States spends the most on healthcare in the world, about 14 percent of its gross national product (GNP). Despite that, it ranks 37th in healthcare quality (Anderson, 1998). This and other documented figures reflect the deep-rooted and pervasive problems challenging providers and policy makers today. Attempts to control healthcare costs in the past decade initiated a vast reorganization of hospitals and clinics as they either closed down, merged or were acquired to form sprawling networks of healthcare delivery systems across the country. Increased competition born out of decreasing revenue streams facilitated the industry s shift to a market-driven economy (Robbins, 1996).

Emergence of Managed Care

Traditionally, patients and physicians had access to unchecked funds supplied via indemnity insurance companies. This facilitated the utilization of the best technological advancements in diagnostic testing and treatments. In attempting to limit Medicare, the government became the first to set limits on reimbursement of healthcare expenditures. Using a sizable patient database, they created guidelines that defined healthcare costs according to patient diagnosis. Subsequent attempts by insurers and providers to regulate costs of services brought about the emergence of managed care (Boland, 1996). Managed care, HMOs, PPOs, POS and others, all seek to control costs through improved efficiency and coordination, to reduce unnecessary or inappropriate utilization, to increase access to preventive care, and to maintain or improve the quality of care (Edmunds, 1997). Managed care, as a powerful catalyst, initiated the reorganization and restructuring of healthcare today.

Dissatisfied Customers

While managed care achieved financial success, it has been a public relations failure. A recent poll sponsored by the Kaiser Family Foundation reported that over half of Americans believe that managed care has decreased the quality of their healthcare (Kinney, 2000). The pervasive negative perception of managed care organizations by the public has given way to the rise of consumerism. The public continues to seek empowerment as barriers to quality healthcare service anger consumers. The recent debate over a patients bill of rights poses a threat to managed care. If passed, companies will have a more difficult time in raising premium prices than in the past. At the same time, analysts report that proactive managed care companies with disciplined approaches to balancing costs and premiums are showing the ability to survive and will continue to profit (Twitchell, 2001).

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Identifying the Customers

In his description of total quality control, Kaoru Ishikawa recommends treating the next step in the business process as the customer (Ishikawa, 1985). Hence, in the interplay of healthcare, all stakeholders should seek to identify and recognize their customers and to develop new models of interaction to foster optimal customer relationships (Kinney, 2000). See Figure 1.

Managed Care Companies

The climate in the healthcare industry today poses a great challenge to managed care companies. They have to overcome negative public perception; restructure business practices that support, not disrupt, the patient-physician relationship; and

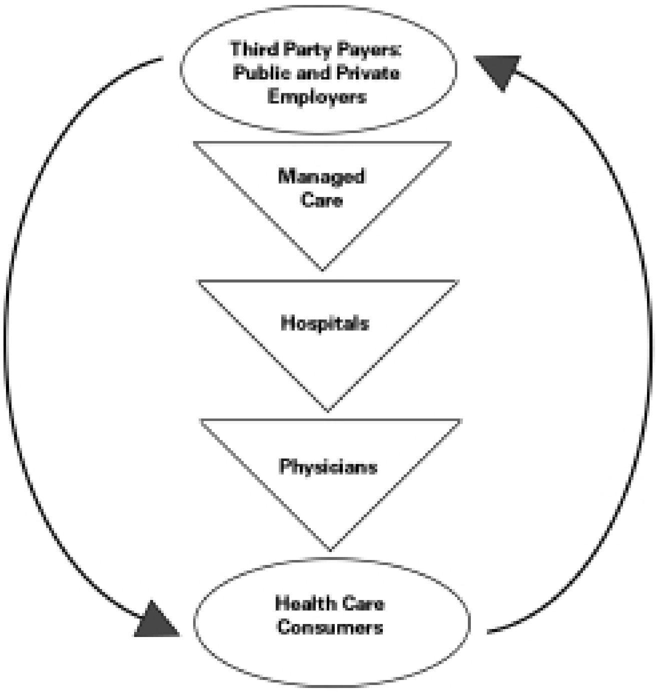

Figure 1: The traditional boundaries between managed care, physicians and hospitals have shifted and contribute to a complex relationship and discordant business objectives. By identifying important customer populations, an organization can facilitate effective and relevant communications strategies.

facilitate service delivery through the complex hospital-physician-patient process.

Recognizing this need, Health California s Blue Cross recently announced plans to base doctor bonuses on patient satisfaction. With about 2.2 million members and 20,000 physicians under contract, they become one of the nation s biggest HMOs to take such a step. Claiming they will eliminate old bonus incentives that were based on cost containment, Blue Cross will start rewarding doctors based on patient satisfaction and the provision of preventative health measures (Appleby, 2001).

Hospitals and Clinics

Hospitals are positioned in the midst of the complex healthcare network. Their customers include patients or consumers, physicians and their own employees. Hospital efforts will entail the balancing of the needs of all three.

Firstly, as consumers pay more and more out of their own pockets, they gain greater influence over healthcare. The Rehabilitation Institute of Chicago, long recognized in the nation as being the best in its field, recognizes this principle as well (U.S. News & World Report, 2001). Director of Marketing and Public Relations Marietta Parenti states that the expansion of service from inpatient to outpatient and community services demanded more sophisticated marketing communication tactics than simply traditional public relations. Previously, the physician was the primary source of patient referrals. Newer models of healthcare delivery present opportunities for marketing and advertising tactics. Today, the customer is an important advocate as well as a potential source of business referrals (Parenti, 2001).

The most efficient way to grow and or strengthen a service business is to have your customers walking out the door singing your praises. Word of mouth is fundamental for a community-based institution like a hospital. Primary care doctors get 85 to 90 percent of their patients from other patients (Rynne, 2001).

Secondly, hospitals should seek to improve their relationships with a critical customer group physicians. In the search for low-cost alternatives, there has been decreasing need for acute care facilities and an increasing demand for community-based services and preventative care. Physicians are, therefore, encouraged to partner with hospital programs that are population-based. One scenario may be that the hospital will use its resources to segment a specific physician's patient population to determine needs. Based on findings, the hospital can then develop care programs or update specialty departments for that population (Boland, 1996). The unifying objectives would serve to strengthen the hospital-physician relationship.

Hospitals can also foster relationships by providing much improved and efficient support through technology. Instant, online access to patients medical records can simplify referral processes by eliminating phone calls, faxes and written notes.

Lastly, hospitals should capitalize on internal human resources to improve contact points with physicians and customers. The current shortage of skilled nurses and the high rate of turnover in

Case Study: Advocate Healthcare

In 1999, Advocate Healthcare management acquired statistical comparisons of their patient satisfaction scores against a national database. Their dismal score (lower quartile) initiated Service Breakthrough, a key organizational strategy for improvement over the next five years. Tracking of its progress revealed growth of inpatient market share from 14.3 percent at end of 1999, when strategy was finalized, to 16.2 percent through end of 2000. Customer segmentation is conducted based on socio-economic and demographic variables such as age and gender, which are primary drivers of healthcare utilization, indicating healthcare needs (Powder, 2001).

Case Study: Holy Cross Hospital

Holy Cross Hospital, on the southwest side of Chicago, experienced a successful turnaround despite an operating loss of $8.9 million and the layoff of 125 employees. Then president and CEO, Mark Clement, committed to a partnership management style with all employees, implemented a share of the reward process and rebuilt a new workforce. As partners, employees had opportunity to openly communicate with management, and the flow of information and ideas for service improvements were facilitated. Management began by honestly communicating with employees about the hospital s financial status, the healthcare environment and, most critically, began educating them on the importance of customer satisfaction. Management leaders were supported with in-depth training on message delivery to their respective internal staff. As a result, over 1,600 new ideas were generated in their first year. Successful employee ideas include meal menus containing contact information for patient inquiries and a cost-saving idea on how to stock supplies. Holy Cross went on to rank among the top 10 percent of hospitals nationwide for patient satisfaction, which continues to be measured weekly. Partner satisfaction is measured every 19 to 24 months and staff turnaround has been significantly reduced (Hayes, 1999, Hiebler, 1998).

hospital staffing demands creative and effective management practices that inspire and reward these internal customers (Bennett, 2001).

Physicians

A fundamental challenge to the patient-physician relationship began to erupt when consumers started questioning the physician s role in managing costs. Managed care pressured physicians, sometimes financially, into compromising health services in the name of cutting costs. Resentment towards managed care trickled down to the patient-physician relationship while growing services for preventative and alternative care fueled a growing dissonance (Duncan, 1994). The accessibility of information through the Internet further empowered customers in their independent quest for health.

Patients and Consumers

The two areas that affect quality of care, as delineated by Dr. Avedis Donabedian, are technological competence and interpersonal competence (Kinney, 2000). It is in these two areas that healthcare service companies are now investing efforts and dollars for improvements.

According to Duncan, America s healthcare system lacks an infrastructure that is able to support the complex interactions of the various stakeholders involved: hospitals, physicians, consumers, employers and third-party payers, and insurers. Consequently there is severe fragmentation in the industry and a lack of integrated information, preventing stakeholders involved from defineing and consolidating common goals (Duncan, 1994). This challenge to information flow, further aggravated by nationwide mergers, can be alleviated with newly installed information technology (IT) systems.

Technological advances can contribute greatly to consumer satisfaction. Long-standing complaints of errors in billing and scheduling, and timely transmission of personal medical data when needed can greatly improve quality of care and therefore, customer satisfaction (Hagland, 1998).

However, technological advances are insufficient for true long-term progress and success. Integration is often discussed in terms of technology interface engines and protocols but in reality, organizational issues will continue to hamper the process (Straub, 1998). Addressing the second issue of interpersonal competence may be applied not only within the patient-physician realm, but also to improve communication processes across departments within an organizational entity and across the various types of healthcare organizations.

Conclusion

According to Don Schultz s model of integrated marketing communications, an organization first gathers data about its customers, then uses that information to develop relevant and effective communications strategies. Establishing two-way communications creates a circular process by which an organization is able to elicit and observe customers' responses (Schultz, 1993). Identifying the customer is central to this process and can lead to the development of processes and practices that serve to optimize a relationship with that customer.

As dramatic changes in the healthcare industry continue, managed care, hospitals and physicians undergo the process of reengineering current practices and rethinking traditional roles. The influence of consumers over healthcare delivery serves as a growing catalyst for further change. In response, healthcare organizations are turning to customer-centric practices to survive increased competition. In this time of change, successful case studies suggest that utilizing the integrated marketing practice of gathering data about targeted consumers with the objective of growing and strengthening customer relationships through various communications tactics may be effective. There is an urgent demand for all stakeholders involved to further improve their understanding and, therefore, their relationship with their customers.

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