

# Setting the Foundation for a Consumer Relationship Platform

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*Excelling in Experience in a Changing Health Care Environment*






# Clarifying the Consumer Focus Mandate

Across the past few years, consumerism has become an increasingly popular topic of conversation in the health care industry. To date, however, health system efforts to develop a consumer-focused strategy have been limited to a few discrete areas (e.g., primary care access, inpatient patient satisfaction ratings). Few, if any, provider organizations have developed a comprehensive strategy for transforming their organizations into truly consumer-focused health systems.

For most providers, this slow pace of change is due to a lack of perceived urgency. In many markets, the impact of consumerism has not taken hold as quickly as some originally anticipated. However, there are signs that the drivers of consumerism are poised to intensify across the next few years.

## Drivers of Point-of-Care Consumerism Increasingly Taking Hold

Though the shift to higher levels of consumer cost-sharing has been underway in health care for some time now, other structural shifts are beginning to take hold as well. The emergence of new competitors who are providing alternatives to traditional hospital- or physician-based organizations means that consumers increasingly have a meaningful set of choices for where they access health care. Adoption of transparency tools has not been as quick as originally anticipated, but transparency platforms are available in increasing numbers. Physicians report that consumers are challenging them to have conversations about price and quality. Providers, bearing financial risk for the cost and quality of care, are now incentivized to take a more data-driven approach to referrals. And as they gain more experience with HDHPs, consumers are becoming savvier about how and when to shop for care.

Market Shift	Why Is This Changing?	Magnitude
 <b>Greater financial responsibility on consumers</b>	<ul style="list-style-type: none"> <li>• Prevalence of HDHPs increasing</li> <li>• Magnitude of OOP responsibility continues to grow</li> </ul>	● ● ●
 <b>Emergence of meaningful alternatives</b>	<ul style="list-style-type: none"> <li>• Significant price, quality differentials between legacy competitors</li> <li>• New market entrants providing attractive alternatives</li> </ul>	● ● ●
 <b>Improvement of transparency tools</b>	<ul style="list-style-type: none"> <li>• Proliferation of third-party transparency vendors continues</li> <li>• Growing consensus around standardized quality metrics</li> </ul>	● ● ●
 <b>Weakening of physician recommendations</b>	<ul style="list-style-type: none"> <li>• Growth of new primary care options could undermine traditional PCP relationships</li> </ul>	● ● ●
 <b>Growth in consumer experience with HDHPs</b>	<ul style="list-style-type: none"> <li>• Increasing number of consumers have multiyear experience with high deductibles</li> </ul>	● ● ●

These shifts are poised to fundamentally impact provider business in dramatic ways. The greatest impacts in the near term will be to care patterns and revenue cycle: greater seasonality in volumes, drops in demand from patients putting off care, and reduced cash flow due to patients' inability to pay their bills.

These impacts are largely due to the increasing prevalence of HDHPs. However, some of the newer market shifts—the emergence of meaningful alternatives, improvement in transparency tools, etc.—also point to the possibility of another impact to provider organizations: consumer shopping at the point of care. While this trend has not taken hold as quickly as the others, it is potentially a more powerful disruptor to traditional provider business models, requiring the market to move in more fundamental ways as providers are forced to compete on the basis of cost or to differentiate themselves to justify higher prices.

## Health Systems at a Critical Fork in the Road

Given the realities of a consumer-driven health care market, provider organizations have a choice: sit back and allow the market to run its course, or play a proactive role in controlling the ways in which (and pace at which) consumerism takes hold in their market.

The Health Care Advisory Board's research has revealed that there is a distinct advantage to being an early mover. In those markets where consumerism has taken hold more quickly than it has nationwide, health systems have learned the hard way the disadvantages of taking a more reactive approach. In those cases, providers are racing to catch up with disruptive innovators who have set the bar on price, quality, and access. Rather than controlling the market, these health systems must attempt to compete from a defensive position. Instead, provider organizations should be aiming to actively define their place in the market, educate consumers about their value proposition, and introduce products and services before others do.

## Health Systems Must Meet Emerging Standards and Control Pace of Change

Health System Value to Consumer	Outperforming market standard	<b>Playing Catch-Up</b>	<b>Seizing the Moment</b>
		Meeting, or even exceeding, the bar without influencing pace of transition leaves systems in perennially reactive posture	<b>Shaping and meeting consumer demands before others generates market share gains, lasting influence over competitive dynamics</b>
	Underperforming market standard	Failure to meet emerging consumer demands leads to slow bleed as traditional growth channels falter	Unstructured, substandard forays into "consumerism" self-disrupt without driving sufficient value for end users
		<b>Head in the Sand</b>	<b>Inviting Disaster</b>
	Passive Reaction	Active Acceleration	
	<i>Attitude Toward Consumer-Focused Transition</i>		

## Providers Must Build Strategy Around Distinct Consumer Preferences

To actively shape their marketplaces, health systems need a better understanding of what elements of consumer preference will actually translate to meaningful market share gains. Across the past few years, Advisory Board has done extensive work surveying consumers to better understand their health care preferences across a variety of clinical areas, including primary care, specialty care, surgical care, and cancer care.

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Taken together, these surveys reveal five key areas of focus for health systems moving forward:

- 1. Frictionless Transaction:** Ease of use—in finding a provider, scheduling an appointment, accessing health information, and paying bills—is a huge pain point for consumers. Those organizations that make the transactional elements of care as painless as possible stand to attract new consumers and drive repeat business.
- 2. Multimodal Access Network:** Convenience is a top driver of preference across the board—not only for primary care, but for specialty care as well. As same-day access for primary care becomes the new baseline, systems must ensure they are able to meet that bar and look for opportunities to differentiate themselves on access to specialty services.
- 3. High-Reliability Production Model:** Providing a high-quality experience is critical to ensuring repeat business. And as more consumers turn to external ratings sites as part of their provider selection process, consistently delivering high-quality clinical care will become a crucial piece of securing up-front business as well.
- 4. Competitive Price Point:** Although price sensitivity is strongest in areas like imaging, consumers are beginning to show signs of sensitivity for services like surgery as well. As consumers become savvier about the relationship between cost and quality (or lack thereof), systems must be prepared to offer lower-cost alternatives.
- 5. Loyalty Reward Platform:** Today's health care consumers demonstrate relatively low levels of loyalty compared with other industries. In general, consumers do not perceive many advantages or rewards to staying within a single health care system.

### Developing the Consumer Relationship Platform

While the market is still awaiting the first consumer relationship platform, it is important to keep in mind certain key investments you can make now to set the foundation for such a platform when it becomes available.



#### Frictionless Transaction

1. Automated Price Estimation Platform
2. Digital Transaction System



#### Competitive Price Point

10. Low-Cost Alternatives to High-Cost Services
11. Rightsized Fixed Cost Structure



#### Multimodal Access Network

3. Integrated Urgent Care Network
4. Fully Controlled Retail Assets
5. Same-Day Consults for High-Worry Conditions
6. Diversified Primary Care Network



#### Loyalty Reward Platform

12. New-Member Onboarding Process
13. System-Wide Coordination Platform
14. Technology-Enabled Personalization
15. Formal Membership Program



#### High-Reliability Production Model

7. Consistent Service Standards
8. Customer-Driven Quality Dashboard
9. Enterprise Platform for Care Standardization

# How to Build Lasting Consumer Loyalty

With employers rapidly shifting costs onto their employees, innovators are emerging to meet the needs of consumers driven by price and convenience. These new marketplaces now enable innovators to connect directly with consumers and bypass our established referral chains all together.

To respond, health systems need to focus on end users and win their loyalty. It is not enough to secure a single visit or one new patient. Health systems needs to aim higher to develop long-lasting relationships that can withstand all the new competition.

## Many Health Systems Incorrectly Assume Loyalty

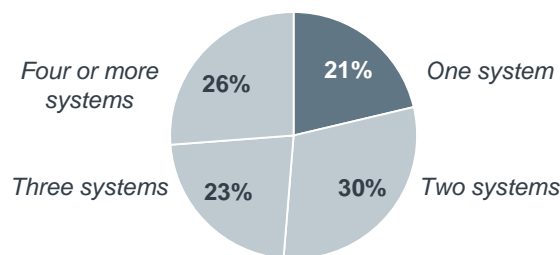
To better understand loyalty, Advisory Board analyzed the most loyal consumer segment—Medicare beneficiaries. Medicare patients typically plan to stay with their existing physician for life and are less willing to travel compared to younger, more cost-conscious patients.

While Medicare patients might tell us they don't shop around, the data tells a completely different story. These "loyal" patients spend a whopping 30% of their health care dollars outside of their home system. And across five years, that adds up to nearly \$11,000 per patient.

We dug deeper and looked at where these patients actually receive their care. Only 20% of Medicare beneficiaries used a single system exclusively. The vast majority spread their care across two or even three different health systems.

The key takeaway here is that we grossly overestimate loyalty today—even for the patients who should be the easiest to retain. Unfortunately, winning loyalty is only getting harder over time.

**Care Divided Across Multiple Institutions**  
Percentage of System Utilization Across Five Years



**65+ the Most Promising to Be Loyal**

<b>70%</b>	<b>21%</b>
of 65+ respondents definitely staying with their current PCP	Avoiding travel was 21% more important to consumers ages 65+ <sup>1</sup>

**But Not Actually Loyal**

**30%**

Average payments<sup>2</sup> spent outside of "home system"

↓

**\$10,755**

Loss per loyal beneficiary<sup>3</sup>

1) Compared to millennials when deciding where to get surgery.  
2) Hospital Outpatient Department and inpatient payments.  
3) Across a five year period.

Source: Market Innovation Center Primary Care Consumer Choice Survey, PCP Consumer Loyalty Survey, and Surgical Care Consumer Choice Surveys; Market Innovation Center interviews and analysis; Health Care Advisory Board interviews and analysis.

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## Current Consumer Strategies Falling Short

While it may be hard to hear, generating loyalty will only become tougher moving forward. Health systems have made many investments to become more consumer-centric over the past few years, including employing more doctors, building out new access points, and focusing on patient satisfaction, specifically HCAHPS scores.

While focusing on the four areas outlined below has definitely not been a mistake and has generated much-needed progress on access and service, these investments have not yielded much loyalty. The core problem is that interpersonal relationships and new access points don't create loyalty at the system level. Some basic loyalty may be developed to a certain place or individual, but certainly not to the institution.

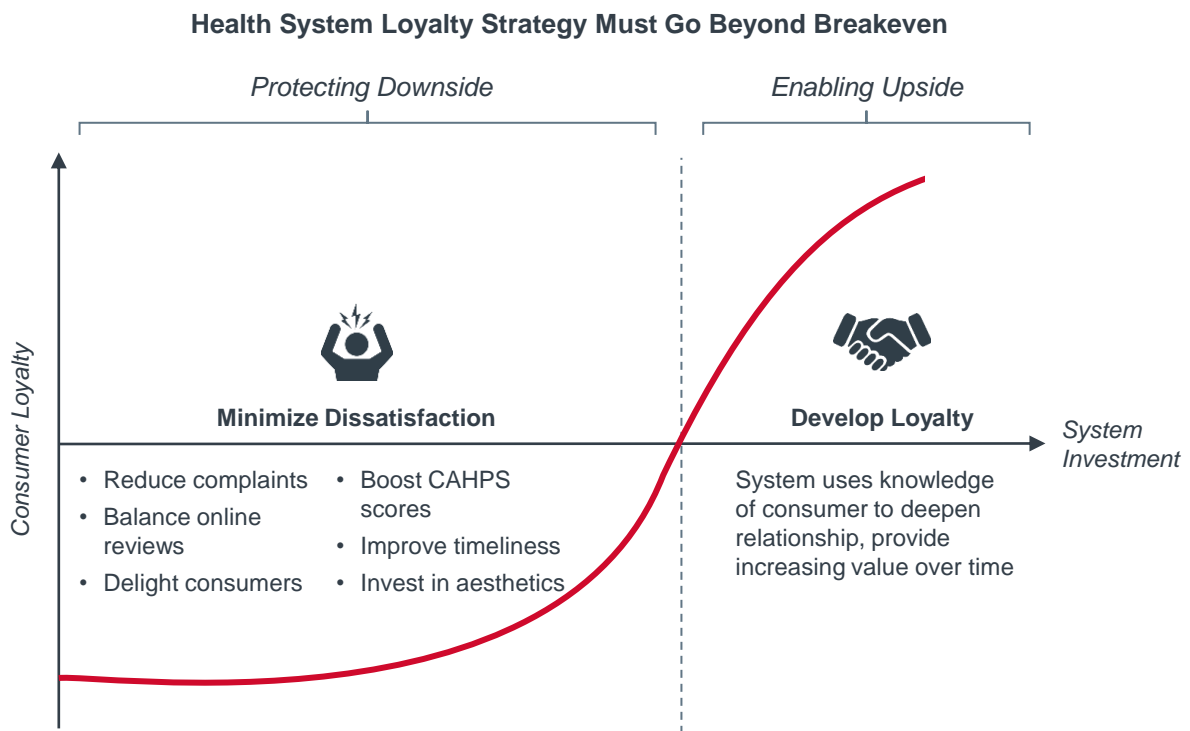
### Pitfalls of Existing Consumer Strategies



## Satisfaction Doesn't Translate to Loyalty

Many health systems have invested heavily and made great strides in patient satisfaction in recent years. The traditional care process had so many flaws that even small investments here have gone a long way to deliver a better experience. But we are relying too heavily on our patient satisfaction initiatives. In most cases, our patient satisfaction efforts are designed to minimize downside risk. We're protecting against financial penalties and trying to remove all the pain points that push consumers away.

Instead, there needs to be a focus on the upside that can be generated when consumers value the relationship you build over time.



Source: Health Care Advisory Board interviews and analysis.

# Consumer Loyalty Increasingly Critical for Business Success

## A Critical Strategy Regardless of Payment Model

Regardless of which economic model a hospital has adopted, they currently have a leg up on the competition. Most physician groups aren't big enough. Payers and third-party network aggregators are often viewed as middlemen. And most new disruptive innovators don't have any existing ties to patients. But it's important to stress that hospitals can't afford to lose.

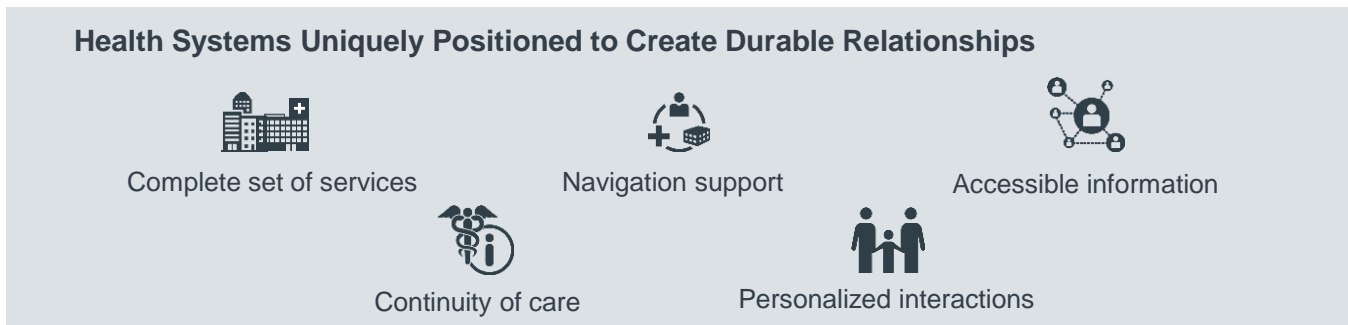
In fee-for-service, loyalty drives downstream business. Hospitals can increase revenue by capturing all of the visits across a clinical episode. As hospitals take on more risk-based contracts, it is crucial to retain patients and keep them from leaving the system.

Health systems are in the best position to take on this challenge. Only health systems can develop durable relationships because only health systems have the complete services, continuity, and personalization that consumers want.

## Loyalty Drives Business Regardless of Payment Model



## Health Systems Uniquely Positioned to Create Durable Relationships





## Consumer Financial Experience Often Painful

As we've all experienced at some point in our lives, the consumer financial experience is a challenge, to say the least. It is still rare for hospitals to give patients a price quote and when it is done, it is usually an ordeal.

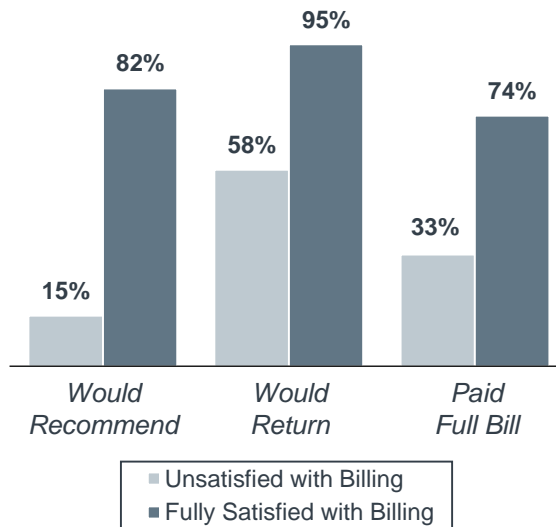
In a recent secret shopper study, researchers called hospitals in six major metro areas to get the price of an MRI. Take Orlando. An MRI might cost anywhere from \$900 to \$2,000 dollars. What's worse, is consumers have to wait on hold for an average of 37 minutes just to get a price quote. The maximum wait time seen during the study was 74 minutes.

We all know it doesn't stop there. Once a patient actually receives a bill, their financial experience is confusing at best. When patients are unsatisfied with the billing process, they are less likely to recommend, less likely to return, and less likely to pay their bills. Therefore, we can't ignore the risks to loyalty.

### Financial Experience Critical for Consumer Loyalty

*Impact of Billing Process on Key Indicators*

n=500



# Addressing Patient Concerns in the Moment at St. Agnes

While the health care market is still waiting for the first consumer relationship platform, health systems need to be thinking about the “no-regrets” investments they can make towards building an ecosystem of data (as mentioned on page 4).

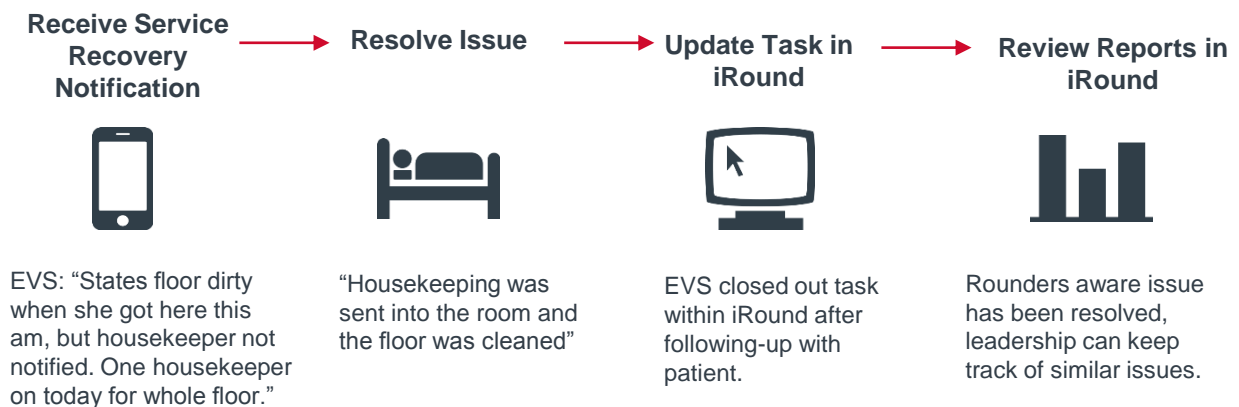
iRound is a platform that facilitates the conversation between nurses and patients by providing the questions that offer insight into patient experience—from quality of care to their likelihood to recommend the facility. iRound also supports workflow around ambulatory settings, employee engagement, quality, safety, regulatory auditing, and behavioral audits.

St. Agnes Medical Center implemented iRound in April 2016 to improve their problem resolution and response time and ensure the best possible care for their community.

 **Case in Brief: St. Agnes Medical Center**

- 436-bed medical center in Fresno, CA
- 2015/2016 Consumer Choice Award (distinction held for 20 consecutive years)
- Blue Distinction Center for Cardiac Care, Knee and Hip Replacement, and Spine Surgery by the Blue Distinction® Specialty Care program

## Real-Time Response Improves Patient Experience



St. Agnes utilizes the iRound platform for multiple purposes including: patient rounding, recognition, service recovery and employee rounding. One of the most impactful ways St. Agnes has incorporated iRound is through service recovery. With the ability to capture data in real-time, nursing staff are able to address patient concerns in the moment, ensure timely resolution and facilitate cross-functional communications.

Expanding their service recovery efforts beyond clinical departments, St. Agnes is able to resolve patient concerns and requests around financial services and spiritual care. This real-time response provides opportunities to deliver exceptional patient care and foster long-term loyalty. With iRound, St. Agnes is able to coordinate and communicate effectively across departments, thus empowering everyone to initiate a solution and provide exceptional patient care and service.

When thinking about building and maintaining consumer loyalty, it is important to have the infrastructure in place to capture patient and family feedback and act upon it in the moment. Achieving patient loyalty at the system level goes far beyond HCAHPS scores and requires a holistic approach to provide positive encounters and build a durable relationship.

# Providing Memorable Care at Palmetto Health

When thinking about a consumer relationship strategy, it's not just about the technology. There is a heavy human element as well that is critical to success. Patients are much more willing to trust and share feedback with staff who exhibit the right type of empathetic behaviors.

Palmetto Health utilizes iRound for multiple purposes including: patient rounding, recognition, service recovery, employee rounding as well as custom forms to track audits, observe behaviors, and certify staff.

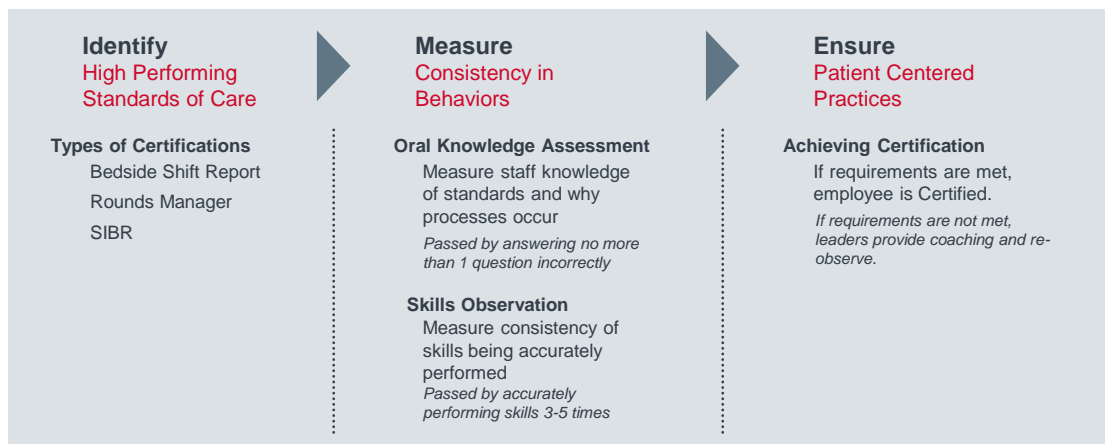
Palmetto implemented iRound in April 2015 to help support several new patient experience initiatives. A key highlight of Palmetto's patient experience program is their unique employee certification program, which reinforces rounding practices and employee culture that will enhance patient experience.

In line with Palmetto Health's vision "to be remembered by each patient by providing the care and compassion we want for our families and ourselves", Palmetto Health developed an employee certification program. They identified high performing standards of care for three areas – bedside shift report, rounds managers, and structured interdisciplinary bedside rounding or SIBR - and wanted a way to measure the consistency of behaviors across nursing staff and reinforce good behaviors.



### Case in Brief: Palmetto Health

- 7 hospital system in South Carolina Midlands region
- Not-for-profit system with teaching hospital
- 3 Palmetto Health facilities designated as *Blue Distinction Centers+* by the national Blue Distinction® Specialty Care program for delivering quality, affordable specialty care safely and effectively



Certification Program and standards developed by Palmetto Health's Department of Nursing Research and Program Development



Objectives to increase the number of certified staff on each unit and reinforce high performing standards of care

The iRound team helped Palmetto develop and build an digital knowledge assessment and observation list for the three categories measuring staff knowledge of standards and why the processes and behaviors occur as well as a skills observation measuring the consistency of skills being accurately performed.

iRound aggregates the observational data and reporting to drive success and accountability for the initiative in addition to being used in the direct patient interaction. In order to be certified, the staff must pass both the certification components and skills must be accurately observed three to five times. If either of the certification components are not met, nursing leaders provide coaching to the staff and re-observe/test.

While technology is an important vehicle for capturing feedback and information, the human element cannot be neglected. Instilling empathetic behaviors and an understanding culture among your staff provides a trusting environment for patients to share their feedback and ultimately receive better care.

### **How Advisory Board Helps**

Advisory Board is a best practices firm that uses a combination of research, technology, and consulting to improve the performance of 4,400+ health care organizations. Headquartered in Washington, D.C., with offices worldwide, Advisory Board forges and finds the best new ideas and proven practices from its network of thousands of leaders, then customizes and hardwires them into every level of member organizations, creating enduring value.

To learn more about how Advisory Board can support your organization visit [www.advisory.com](http://www.advisory.com) or contact Amanda Gurin at [gurina@advisory.com](mailto:gurina@advisory.com).

### **How iRound Helps**

Advisory Board's iRound technology uses real-time data to solve service problems in the moment and aggregates data to identify trends to elevate patient experience holistically.

To find out how iRound can elevate your patient experience, visit [www.advisory.com/iround](http://www.advisory.com/iround) or contact Amanda Gurin at [gurina@advisory.com](mailto:gurina@advisory.com).

