Boardroom Priorities in the Age of Healthcare Consumerism

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For hospitals and health systems, the signs are clear and the trends are mounting. A once-in-a-generation change is coming, and it can be summed up in a single word: consumerism.

A decade from now, the healthcare landscape will be nigh-on unrecognizable. As consumer behavior shifts, profit margins shrink, innovations from outsiders disrupt the industry, and non-traditional providers surge in popularity, it's well past time to consider: will our organization be able to thrive in *tomorrow's* marketplace?

The answer to that question will depend on the steps healthcare organizations take *today*. As Theodore Levitt put it, "Once you find yourself in a position where you need to adapt, it's usually too late."[1] Therefore, the goal for any hospital or health system should be to prepare for consumerism, rather than adjust for it.

The success of this preparation will depend, in large part, on decisions made in the boardroom. In arranging for a transition to a consumerist culture, board members face an unenviable task, but not an insurmountable one. A judicious and deliberate approach, following three discrete steps, will help them make the best possible decisions for their organizations:

1. Understand where consumerism came from, and how it affects the organization.
2. Discern why—and how—the organization is falling short of the modern consumer's expectations.
3. Create a culture of maximal responsiveness to consumer demands.

The Causes—and Consequences—of Consumerism

To prevent any misunderstanding, it may be helpful to revisit what "consumerism" means in the context of healthcare. The term refers to the surging influence that consumer decisions exert on the entire marketplace. These decisions aren't limited to which provider they visit.

Consumers increasingly dictate the terms of healthcare delivery, the modes of treatment, and even the reimbursement a hospital or health system can claim.

Put frankly, the balance of power has shifted. Providers can no longer depend on a "captive audience" of patients in their geographies. Instead, they will have to adapt to consumerism's pressures. To do that, they would do well to understand where consumerism came from, and how it manifests itself in their customers' decisions.

Where Consumerism Comes From

Three factors gave rise to modern healthcare consumerism:

1. *Patients' increased responsibility for care costs.* Patients are paying more than they ever have for their care. High-deductible health plans and soaring care costs have made patients responsible for larger shares of bigger bills. As of 2017, patients pay 35 percent of the revenues going to providers—putting them behind only Medicare and Medicaid.[2] This naturally makes patients more discriminating. They want to get the most for their dollar, and they're not afraid to be selective.
2. *Easy flow of information.* Transparency is a hallmark of the Internet. Provider ratings abound on the Web. The government's efforts (e.g., CMS's Hospital Compare), Web sites (e.g., Yelp), and even providers' own Web pages now strive to guide consumer decisions. With all this information at their disposal, consumers feel free to shop around for the best provider in their areas.
3. *Conditioning from other industries.* "Customer obsession" is the ethos behind Amazon, and it's spreading. A large proportion of the population has experienced the ease and convenience furnished by companies like Amazon, Netflix, or Uber. Now, there's no going back. They want the same frictionless experience from every domain of their lives—even healthcare.

What Consumerism Looks Like

The convergence of these three forces has had a powerful effect on the healthcare market. Taken together, they motivate behaviors that many hospitals and health systems have struggled to adapt to.

For instance, patient loyalty has plummeted. In a study by NRC Health, 7 percent of consumers said they are willing to switch providers after just *one* bad care experience, and 80 percent of them will switch providers for convenience factors alone.[3] A healthcare organization's hold on its customers has never been so delicate. Providers will have to plan carefully to minimize customer frustration, or else risk losing their patients forever.

Patients, after all, do not lack alternatives. In fact, an increasing portion of them are willing to abandon traditional healthcare providers altogether. Retail and mini-clinics have seen an astonishing 500 percent growth rate since 2006.[4]

Key Board Takeaways

To help transition their organizations to a consumerist culture, board members should:

- Ensure they understand how consumerism affects the organization.
- Expand the focus beyond the care encounter to additional consumer experiences such as booking an appointment and paying the bill.
- Explore how the organization is failing to meet consumers' expectations, and what it can do to increase patient loyalty.
- Leverage the knowledge of board members from outside healthcare—they bring interesting insights around the consumer experience.
- Ensure the healthcare brand is engaging with the broader community (e.g., through building community partnerships).
- Insist that the organization measures what matters using the right survey methods and data collection and analysis processes.

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1 Greg Satell, "Successful Companies Don't Adapt, They Prepare," *Harvard Business Review*, October 18, 2016.
2 Michael Evans and Kevin Fleming, "What We Can All Do About Rising Healthcare Costs," *Forbes*, June 28, 2017.
3 NRC Health, "Healthcare CMOs: What Can You Do About These Common Problems?" July 11, 2017.
4 Christopher Burkle, "The Advance of the Retail Health Clinic Market: The Liability Risk Physicians May Potentially Face When Supervising or Collaborating with Other Professionals," *Mayo Clinic Proceedings*, Vol. 86, No. 11, November 2011, pp. 1086–1091.

A full 30 percent of patients have turned to them for care.[5] The retail clinic ascendancy shows no signs of slowing as these upstart organizations continue to innovate and aggressively expand.

Hospitals are, and will remain, the absolute authority for advanced medical care. But these trends indicate that, in the eyes of many consumers, hospitals (and even stand-alone clinics) have lost their luster. Patients are increasingly seeing them as providers of last resort. As in so many other areas of the economy, consumers are gravitating toward the easiest, most convenient, and cheapest experience available.

What Healthcare Organizations Are Missing

How did this shift away from traditional providers come to be? And, why did many healthcare organizations fail to capitalize on the consumerist revolution?

How Patients Are Mismeasured—And Misunderstood

In 1995, the Centers for Medicare and Medicaid Services (CMS) began requiring healthcare organizations to administer Consumer Assessment of Healthcare Providers and Systems (CAHPS) surveys. So far, the instruments have shown undisputable benefits for consumers. Patient satisfaction with their care experiences has soared since their inception, up 10 points from even 2008.[6]

That's an excellent result, but not necessarily a surprising one. It's a business-school truism that "what gets measured, gets managed." By and large, healthcare organizations have measured and managed their care experiences impeccably.

However, an important corollary is: "what does *not* get measured, gets missed." And a relentless focus on the care encounter, unfortunately, drives hospitals and health systems to miss two important dimensions of a patient's

relationship with a healthcare brand: care-adjacent experiences and long-term trust.

1. Care-Adjacent Experiences

While traditional surveys capture invaluable information about the care encounter itself, they don't ask about the experiences that surround it. These include booking an appointment, waiting to be seen, and coming to grips with billing and fee structures—all domains that patients fume about, and where retail clinics tend to excel.

In fact, 55.9 percent of patients report that they visit retail clinics because, compared with traditional providers, it's much easier to get an appointment.[7] Further, even if they manage to secure an appointment with a doctor, almost a third of patients report unduly long wait times—and 20 percent say they will switch providers if they have to wait too long.[8] Also, 61 percent of patients say their bills are confusing, and most of them feel that providers are to blame.[9]

By narrowing in on what happens in the exam room, many hospitals and health systems neglect opportunities to improve these parallel aspects of their operations.

2. Long-Term Trust

Patient feedback surveys also focus on discrete episodes of care. For most patients, these episodes can be many months, or even years, apart. As a result, the collection of patient data is inherently sporadic. Small wonder that nearly half of provider organizations report an inadequate understanding of a patient's journey of care.[10]

Also missing from this episodic perspective is how patients engage with brands *outside* of the hospital. Because healthcare is so intimate, consumers will only patronize brands that they trust. But a trusting relationship is delicate and complex. Many factors contribute

to it, and not all of these are captured in care episodes.

A hospital's investment in its community, for example, is one of the most robust predictors of a patient's trust in an institution.[11] This effect is impossible to observe through episodic feedback. Instead, spotting opportunities like this requires a revision of the short-term thinking that patient surveys inadvertently reinforce.

Consumerism's Great Reward: Loyalty

Flawed as the surveys are, CMS reimbursement hinges, in part, on favorable CAHPS scores. Healthcare organizations are therefore likely to continue prioritizing efforts at elevating them.

To some extent, that's laudable. Patients have the right to a superb clinical experience. But a strategy that favors CAHPS at the expense of other dimensions of patient engagement is shortsighted. From a business perspective, excellent CAHPS scores have a limited upside.

High CAHPS ratings help healthcare organizations avoid some of CMS's value-based purchasing (VBP) penalties. These penalties command an undue influence on institutional decision making. Compared to their low-scoring peers, high-scoring organizations see only $424,000 more in reimbursement, on average.[12] This is not a negligible figure, by any means. But when weighed against the hundreds of millions of dollars in average hospital expenditures,[13] the maximum VBP penalty approaches a rounding error.

It looks even smaller when compared with another "penalty," this one imposed by the marketplace: the loss incurred from patient defection. When patients leave a healthcare system, they take their $1.4 million of lifetime healthcare spending with them.[14] That's a steep loss for any organization to countenance,

5   NRC Health, "2016 US Health Care Statistics Data By State & Demographics."

6   Summary of HCAHPS Survey Results, Centers for Medicare & Medicaid Services, Baltimore, MD, March 2008 and April 2016.

7   Committee on Optimizing Scheduling in Health Care and the Institute of Medicine, "Issues in Access, Scheduling, and Wait Times," In *Transforming Health Care Scheduling and Access: Getting to Now*, Edited by Gary Kaplan, Marianne Hamilton Lopez, and J. Michael McGinnis, Washington D.C.: National Academies Press (U.S.), August 24, 2015.

8   Sara Heath, "Long Appointment Wait Time a Detriment to High Patient Satisfaction," PatientEngagementHIT.

9   Kelly Gooch, "61% of Patients Confused by Medical Bills, Survey Finds," *Becker's Hospital Review*, July 14, 2016.

10 "Patients and Providers Don't See Eye-to-Eye on Patient Experience: 6 Survey Findings," *Becker's Hospital Review*, February 25, 2016.

11 Elyria Kemp, Ravi Jillapalli, and Enrique Becerra, "Healthcare Branding: Developing Emotionally Based Consumer–Brand Relationships," *Journal of Services Marketing*, 2014.

12 Douglas Ivan Thompson, "Consumerism: Strategies to Meet New Market Demands and Rising Expectations," HIMSS Annual Conference & Exhibition, February 19–23, 2017.

13 American Hospital Association, "Fast Facts on U.S. Hospitals," Health Forum, 2018.

14 Brian Wynne, "The Real Reason Loyalty Lacks in Healthcare," *Becker's Hospital Review,* June 20, 2017.

and one that healthcare organizations must prevent.

As explored above, hospitals and health systems lose patients because they fundamentally misunderstand how consumers make choices. Excellence in care is only part of the equation—the minimum baseline that patients have come to expect. They won't come back to an institution for quality of care alone. Instead, most consumers choose to stay with—or leave—a provider based on factors such as convenience, ease, and price.[15]

These are at the heart of the consumerist revolution in healthcare. The upside on improving these factors can be tremendous, and they're not just financial. True enough, a 10 percent increase in patient retention can yield an extra $22 million in annual revenue.[16] But more important are the commensurate improvements in patient care.

Loyal patients avoid many of the difficulties associated with care coordination across multiple providers. This improves the state of their care and reduces the friction they experience in navigating the healthcare system—which, in turn, helps them make more judicious use of the services available, contributing to better care outcomes and overall health.[17]

What Boards Should Do

Loyalty, then, is a clear victory for all parties involved. It cultivates healthier patients, as well as stronger organizations. But despite loyalty's benefits, many organizations will struggle to generate it. The relentless chase of clinical excellence has forced consumerism to the bottom of institutional priorities. Future patient loyalty will hinge on whether organizations succeed in bringing it to the foreground.

This is where board members can make a meaningful difference. By asserting the primacy of consumerist concerns, boards can reorient their organization's vision. They can help ensure a prosperous future of ongoing service, and secure the long-term loyalty of the patients in their hospital's care. Below

are four ways board members can work toward achieving this goal.

1. Make a Holistic Vision of the Consumer an Explicit Board Priority

First things first: board members must understand that this is not an ordinary initiative. Affecting the necessary changes won't be as simple as adding a few items to a to-do list. Rather, boards need to take an integrative perspective. Consumerism should inform every decision they make. That starts with bringing together the disparate arenas of their organization to create a unified understanding of the consumer, including "patient experience" staff and activities.

This could entail managerial changes. Many hospitals and health systems have recognized the value, for instance, in creating roles for a Chief Experience Officer (CXO).[18] CXOs understand a patient's experience is a complex amalgam of their various interactions with a healthcare brand. They synthesize information across clinical domains, marketing, and customer service to add depth and detail to what hospitals know of their consumers.[19] While the role is still in its nascent stages, their importance in the industry will only grow. Hospitals without a CXO should consider fielding outstanding candidates.

But sometimes the best intelligence isn't human at all; board members can also take a cue from the experts in big data. Cutting-edge advances in data collection and analytics have allowed some healthcare systems to build centralized databases of their patient information. By effectively organizing patient data, these databases can create a panoramic view of the hospital or health system's customers.[20] This enables healthcare organizations to better assess patient risk, and to build *predictive* models of consumer behavior.

2. Leverage Non-Healthcare Experience in Board Meetings

Clinical leadership belongs in the boardroom. The presence of doctors

and nurses almost always improves institutional performance.[21] But in the face of the consumerist revolution, it's clear that healthcare organizations will need to draw lessons from outside the industry, too.

Healthcare has some irreconcilable differences from, say, retail and hospitality. However, it's for good reason that many articles circulate on what hospitals can learn from companies like Disney, Marriott, and Southwest Airlines.[22] These globe-straddling corporate giants have made tremendous strides in customer service, and healthcare organizations should heed the lessons learned from their experience.

But how much better is it for a hospital's success if they learn from the *local* luminaries? These individuals can often provide hyper-specific—and utterly invaluable—intelligence on what their communities need rather than just broad business insights. For this, there's no better source than board leadership.[23] Non-clinician board members have often achieved local eminence in other industries. This undoubtedly gives them a certain amount of business expertise. More likely than not, their unique experiences inform philosophies of customer service and operational excellence that can contribute to a hospital strategy. Even better, their working knowledge of what local customers prefer can offer an important perspective on patient behavior.

3. Build Loyalty Where It Starts—in the Community

As mentioned above, much of a patient's trust is earned through a healthcare brand's engagement with the broader community. Here are three strategies board members can direct to ensure their organizations are making the right impression.

Make the Most of CHNAs
In 2010, the Affordable Care Act mandated that non-profit hospitals create, and publicly post, community health needs assessments (CHNAs) every three

15 Thompson, 2017.
16 *Ibid.*
17 Shelley Wilson, "How Care Coordination Can Improve Patient Outcomes," Cerner Blog, September 21, 2017.
18 Brooke Murphy, "30 Hospital and Health System CXOs to Know," *Becker's Hospital Review*, March 29, 2018.
19 Jeanne Bliss, "Defining the Chief Patient Experience Officer Role at Cedars-Sinai Hospital," CustomerThink, March 4, 2018.
20 Julie Davis, "Bringing Predictive Modeling to Health Care," American Marketing Association Blog, 2016.
21 Gianluca Veronesi, Ian Kirkpatrick, and Francesco Vallascas, "Clinicians on the Board: What Difference Does It Make?" *Social Science & Medicine*, January 2013.
22 David Reeves, "Three Things Hospitals Can Learn from Hotel Management about Patient Satisfaction," *Becker's Hospital Review,* February 19, 2018; Rich Krueger, "What Hospitals Can Learn from Amazon, Southwest Airlines, and Disney," *Health IT Outcomes,* July 28, 2017.
23 Emily Rappleye, "Fine-Tuning the Hospital Board: 5 Steps to Better Governance," *Becker's Hospital Review*, July 12, 2016.

years. But healthcare organizations should not view these as an onerous requirement. They present some important opportunities.

The data collected for CHNAs, for instance, expands well beyond simple quantitative measures. As they work to create their assessments, hospitals enter into a rare dialogue with their community members, giving them a voice in how the hospital operates.[24] If healthcare organizations manage these conversations with tact and sincerity, they will create many meaningful connections with potential patients.

CHNAs can also be used to spur ideas for organizational partnerships.[25] The assessment can guide hospital leadership to the community's most urgent public health challenges, and will reveal which organizations are best equipped to solve them.

Partnering with charities that prevent homelessness is one common result of this kind of analysis. Others might include nutritional support programs, counseling hotlines, and charity clinics. Any of these can be an important way to signal an organization's commitment to community welfare.

Project Expertise and Compassion
Hospitals rightfully take pride in their clinical staff. They're likely some of the most highly trained workers in any community. Bringing visibility to these staff members will generate significant goodwill for healthcare organizations.

For example, providing time off for nurses and physicians to participate in volunteer efforts gives them an opportunity to show their work to outside community members; clinician ambassador programs can reinforce a healthcare brand's compassion; and creating educational events (e.g., for diabetes or other chronic illnesses) can build up a healthcare organization's authority for specific conditions or lines of service.

Keep Cozy with Journalists
In some ways, 2018 may be a nadir for faith in media organizations. But against the odds, trust in *local* news

media persists in most American communities.[26] This means it's crucial for healthcare organizations to have healthy relationships with their community's journalists.

Board members can be exceedingly useful in this area. By being forthright and respectful ambassadors of their organization's brand, they can help inform reporters' perspectives. Candid, open conversations with journalists can contribute to even-handed coverage of a hospital's initiatives, successes, and shortcomings. In the long run, that earns good faith from the public.

4. Measure What Matters
Good data is the foundation for strong heath system management. Compromised data quality, insufficient sample sizes, or irrelevant statistical "noise" can undermine even the most earnest healthcare leaders. They simply won't know where to direct their efforts.

Start with strong collection. As explored above, many hospitals and health systems rely on CAHPS, or other mail-in surveys, to learn what patients think about their care experiences. But feedback-by-post is far from how customers prefer to offer their opinions. As a result, these surveys usually see depressed response rates—hovering around just 29 percent per year.

These low numbers contribute to statistical uncertainty, which might make clinicians view this feedback as unreliable. Updating survey modalities is a relatively simple step that

healthcare organizations can take to resolve the issue. Modern, digital-facing real-time feedback platforms reflect what patients want to see. When well-deployed, they multiply quarterly response rates by four.[27]

But a surfeit of data won't do much good without robust analysis. Fortunately, AI-powered tools can automate much of the analytic legwork. Natural language processing, for instance, is a subset of linguistic analysis that assays patient comments for meaningful sentiment trends. The technology has advanced to the degree that it can appreciate nuanced layers of opinion in feedback.[28] This enables healthcare systems to process enormous volumes of open-ended comments, and field specific areas of concern for patients.

Taken together, these best practices in data collection and analysis give leaders the best possible means to understand their customers' thoughts. Board members should insist that their organizations use them.

Conclusion: The Board's Duty
There's no disguising the fact that part of the board's duty is to shepherd the organization through an uncertain future. Amidst all the uncertainty, though, one thing is clear: in this industry, as in so many others, the most consumer-centric organizations are the ones that will continue to thrive.

The era of consumerism will therefore continually challenge even the most competent healthcare boards. The pace of change shows no sign of slowing. As the pressures of consumerism mount, hospitals and health systems will need to take pains to understand what their patients need. This is now part and parcel of a board member's responsibility. Understanding customers, after all, is the demand at the heart of consumerism. And consumerism is the future of healthcare.

24 Lauren Stein, "Using Community Health Needs Assessments to Promote Health Equity," Harder+Company Community Research, June 2, 2016.

25 Sara Heath, "How to Create, Conduct Community Health Needs Assessments," PatientEngagementHIT, September 11, 2017.

26 Morning Consult and Politico, "Morning Consult National Tracking Poll #170806," August 10–14, 2017.

27 NRC Health, "What Can You Learn When You Go beyond HCAHPS?" June 27, 2017.

28 Kristina Doing-Harris et al., "Understanding Patient Satisfaction with Received Healthcare Services: A Natural Language Processing Approach," AMIA Annual Symposium Proceedings, February 10, 2017, pp. 524–533.