



WHITE PAPER

Are these three patient-loyalty myths holding your organization back?

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Patient loyalty may be healthcare’s most valuable prize. Like every business, healthcare organizations see enormous benefits when they retain their customers.

First, consider the revenues at stake. One patient’s lifetime health spending is worth an average of about **\$1.4 million per individual, or \$4.2 million per family**.¹ Clearly health systems should take every possible step to ensure that this spending stays within their organization.

Loyalty also boosts profits on the other side of the balance sheet. When customers keep coming back, they dramatically decrease the cost of servicing them. This cost-slashing makes for much healthier bottom lines. It’s why Bain estimates that a 5% increase in loyalty can boost overall profitability by 25%.²

That may be understating the case for healthcare. Aside from the benefits of avoiding lengthy on-boarding processes, returning patients are also less likely to receive redundant diagnostic tests and screenings, which can cost hospitals hundreds of thousands of dollars every year.³

And loyal patients don’t just receive more efficient care—it’s also more effective. Patients who stick to one system get much better care coordination. There’s less chance for misunderstanding between providers, and improved odds for patient compliance across the entire care continuum.⁴ Ultimately, that means better health outcomes.

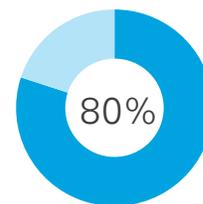
Why organizations miss the problem

Loyalty, then, is a prize indeed. It bolsters profits, streamlines efficiency, and even improves patient outcomes. But as valuable as loyalty is, for most healthcare organizations it’s elusive.

Patient loyalty is far from straightforward. It’s a complex construct, and it’s difficult to pinpoint how loyalty arises—or why it fails.

But that’s not for lack of trying. The conundrum of patient loyalty has preoccupied healthcare leadership for decades. So what is it that they’re missing? How can such a crucial arena of the enterprise remain so enigmatic?

The importance of earning loyalty



80% of patients reported that they’d switch providers for “convenience factors” alone.

\$1.4 million
is one patient’s lifetime healthcare value



estimated increase in profitability by boosting loyalty 5%.

1 <https://nrchealth.com/resource/real-reason-loyalty-lacks-healthcare/>
 2 http://www.bain.com/Images/BB_Prescription_cutting_costs.pdf
 3 <https://www.ncbi.nlm.nih.gov/pubmed/23702071>
 4 <https://www.cerner.com/blog/how-care-coordination-can-improve-patient-outcomes/>

Much of the misperception arises because of three toxic myths about patient loyalty. Any one of them can prevent healthcare leaders from having frank discussions about loyalty, and many organizations labor under all three.

MYTH #1: “WE KNOW OUR PATIENTS ARE LOYAL”

Your patients may rave about your organization. When new care needs arise, your hospital may be the first name that comes to their minds. Despite all that, though, your patients may not be as loyal as they appear.

Consider this situation.

A competing organization wants your patients. As a marketing tactic, they’re willing to offer steep discounts to all newcomers. How much money would your patients have to save before they’d consider switching?

Perhaps you’d like to think your organization offers something special, a quality of care that your patients would be loath to give up. No amount of money, you’d hope, would motivate them to change.

But a recent survey found that nearly 20% of patients would happily switch—for about \$500.⁵ That’s all it takes for today’s sophisticated, price-sensitive consumer to break a relationship with their provider.

Considering the effort (and expense!) that organizations put into engaging their patients, that figure is startlingly low. It underscores the fact that patients are some of the least loyal consumers in the marketplace, changing providers about as often as they switch cell-phone carriers.⁶ (FIGURE 1) As a result, the average Pioneer ACO loses 38% of their patients year-over-year.⁷ And these rates are not likely to improve.

As new retail players enter the healthcare marketplace, as start-ups empower easy price-shopping for health services, and as consumer expectations rise, patients will only become *more* likely to switch.

Meanwhile, the tactics that organizations use to retain patients are becoming less effective, as explored in the next loyalty myth.

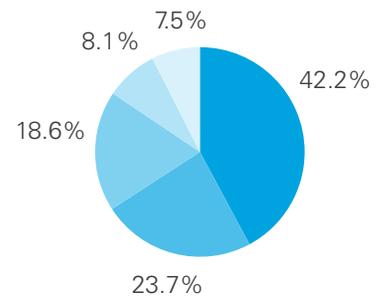
MYTH #2: “A SATISFIED PATIENT IS A LOYAL ONE”

Focusing on the care encounter comes naturally to healthcare organizations. It’s the industry’s first reflex for solving any service-related problems.

And with good reason. Federal reimbursements hinge on patient satisfaction, positive reviews highly correlate with care quality, and happy patients are likely to spread word-of-mouth in their communities.

These benefits of pursuing patient satisfaction can’t be overstated. But it’s just as important to acknowledge their biggest limitation—namely, that **patient satisfaction does not predict patient loyalty**. NRC Health’s 2017 Market Insights survey found that, while 78% of patients were happy with the care

If changing from your doctor to another doctor could save you money on your health plan premium costs, how much would you have to save annually to make the switch?



- I would not change my doctor
- I do not have a regular doctor
- I would have to save \$500–\$1000
- I would have to save \$1000–\$2000
- I would have to save \$3000 or more

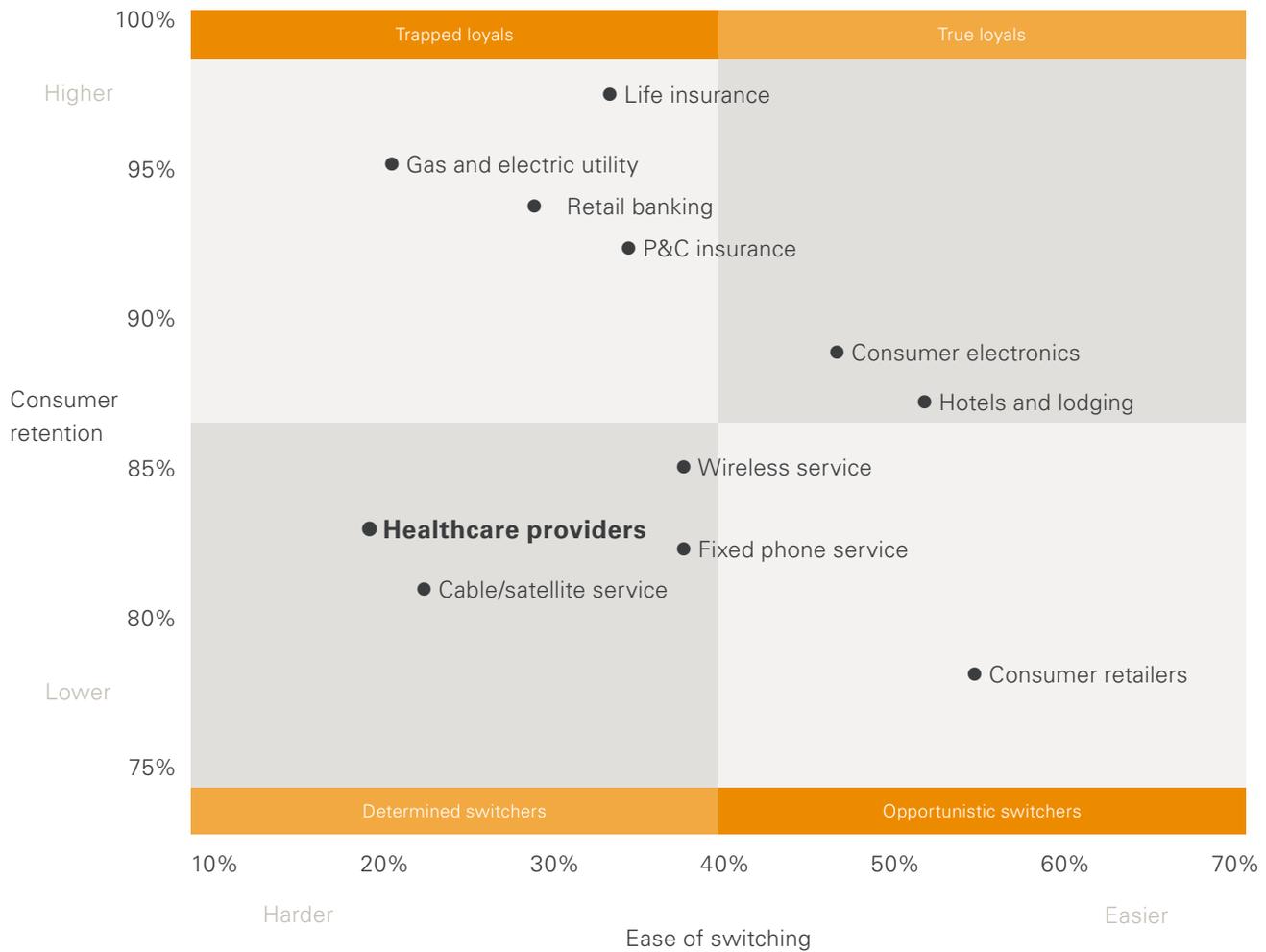
5 <https://www.healthpocket.com/healthcare-research/surveys/more-than-half-not-wed-to-doctor#.U8VJKvldXUW>

6 https://www.accenture.com/t20171219T103410Z_w_/us-en/_acnmedia/PDF-33/Accenture-Think-Your-Patients-Are-Loyal.pdf#zoom=50

7 <https://www.advisory.com/daily-briefing/2016/03/07/how-can-you-translate-buy-9-coffees-get-1-free-to-health-care>

FIGURE 1

Across industries, consumer loyalty is a function of how easy or difficult it is for consumers to switch.



they received, more than 80% of them would consider switching providers for convenience factors alone.

It would appear, then, that satisfaction data doesn't always tell the whole story. Part of this could be attributed to the unique patterns of healthcare consumption. For most patients, procuring care is an uncommon event. Care comes in discrete episodes, often spread over years. Patients can rate these episodes of care well or poorly. But how they rate care experiences will not always track with how they rate the healthcare brand that delivered them.

This is the difference between being satisfied with an *experience* and being satisfied with a *brand*.⁸

When patients report happiness with an episode of care, that satisfaction is

⁸ https://www.researchgate.net/publication/247177370_Customer_satisfaction_and_loyalty_in_service_Two_concepts_four_constructs_several_relationships

limited to that particular encounter. Most healthcare survey instruments—like CAHPS—focus exclusively on this encounter-level satisfaction. Data about individual care experiences can be very valuable for hospitals looking to improve their care. But it can't help them assess whether patients are going to come back.

For that, they need to know about *brand* satisfaction. Where experience satisfaction is the forest, brand satisfaction is the trees. It's big-picture, longitudinal and comprehensive, the cumulative result of all the patient's encounters, whether they happened in an exam room or not. It includes issues like access, clarity in communications, the effectiveness of advertising, and approval of the organization's broader activities.

Focused as they are on individual encounters, most hospitals are ill-equipped to measure overall brand satisfaction. **But brand satisfaction is the single most important predictor of patient loyalty.**⁹

Missing this crucial metric can lead organizations to spin their wheels. They'll devise countless ways to improve care encounters, without seeing any commensurate increase in loyalty. Further, it leads to a final loyalty myth that prevents leadership from ascertaining the scope of the issue.

MYTH #3: "IF PATIENTS COME BACK, THAT MEANS THEY'RE LOYAL"

In healthcare, a returning healthcare customer is not always welcome news. Health systems want to avoid unnecessary patient readmissions. But once patients are well, new health needs will inevitably arise. When that happens, organizations hope that their former patients will decide to see them again.

To find out if they're doing enough to encourage patients to return, they may rely on a simple yardstick for consumer loyalty. They ask: *After their first encounter with us, how many of our patients come back?* This yields a simple figure, which—depending on how optimistic their perspective is—organizations call either their "churn rate" or their "retention rate."

These metrics have their advantages. They're objective and intuitive, and they're easy to benchmark. But they also miss half the picture.

Churn rates or retention rates capture consumer *behavior* while overlooking consumer *attitudes*. As a result, healthcare leaders can only learn *how many* of their customers come back. *Why* they come back—or stay away—remains a mystery.

Brand researchers Jose Bloemer and Hans Kasper explained why this should be cause for concern. They defined a concept called spurious loyalty,¹⁰ in which customers offer their repeat business, but don't actually feel attached to a brand. Instead, these spuriously loyal consumers stick with the brand out of convenience, or for lack of better options.

This phenomenon is particularly prevalent in healthcare. Often, patients default to a familiar healthcare brand because they don't feel equipped to explore their options. From their point of view, choices of service can be constricted, confusing, or both. In a recent *Health Affairs* survey,¹¹ 13% of patients reported that they wanted

Patient satisfaction does not predict patient loyalty. 78% of patients are happy with care—but 80% would switch for convenience factors alone.

9 [https://scholarship.sha.cornell.edu/cgi/viewcontent.cgi?article=1686&context=articles&ei-redir=1&referer=https://www.google.com/search?client=safari&rls=en&q=Olsen,+L.L.,+Johnson,+M.D.,+2003.+Service+equity,+satisfaction,+and+loyalty:+From+transaction-specific+to+cumulative+evaluation.+Journal+of+Service+Research,+5\(3\),+184-195.&ie=UTF-8&oe=UTF-8#search=%22Olsen,%20L.L.,%20Johnson,%20M.D.,%202003.%20Service%20equity,%20satisfaction,%20loyalty:%20From%20transaction-specific%20cumulative%20evaluation.%20Journal%20Service%20Research,%205\(3\),%20184-195.%22](https://scholarship.sha.cornell.edu/cgi/viewcontent.cgi?article=1686&context=articles&ei-redir=1&referer=https://www.google.com/search?client=safari&rls=en&q=Olsen,+L.L.,+Johnson,+M.D.,+2003.+Service+equity,+satisfaction,+and+loyalty:+From+transaction-specific+to+cumulative+evaluation.+Journal+of+Service+Research,+5(3),+184-195.&ie=UTF-8&oe=UTF-8#search=%22Olsen,%20L.L.,%20Johnson,%20M.D.,%202003.%20Service%20equity,%20satisfaction,%20loyalty:%20From%20transaction-specific%20cumulative%20evaluation.%20Journal%20Service%20Research,%205(3),%20184-195.%22)

10 <https://www.sciencedirect.com/science/article/abs/pii/S016748709500007B>

to choose a different provider, but could not do so because their health plans restricted their choice. Three out of four patients wanted to shop around for providers, but could not identify a reliable resource to guide them. These patients, it is reasonable to assume, might come back to their previous healthcare providers, but not because they're particularly attached.

Their loyalty is spurious. That makes it fragile. In fact, further research has shown¹² that this spurious loyalty can collapse after just *one* negative healthcare outcome—regardless of whether or not the provider is at fault!

This is the hazard of spurious or superficial loyalty: without a genuine, underlying passion for the brand, it falls apart. But how can leaders tell the difference between spurious loyalty and genuine enthusiasm for a brand? How can they identify truly loyal customers?

If they rely on figures like churn rates, *they can't*—which means that they end up missing opportunities to reward their truly loyal customers and convert the ones that might defect.

Successful loyalty interventions

Charles Kettering, the inventor and head of research at General Motors, famously said that “a problem well-stated is half-solved.” In the case of loyalty, the opposite holds true as well. A problem misstated, due to the myths listed above, is distressingly far from a solution.

But healthcare leaders needn't labor under these faulty assumptions. By working to understand patient loyalty, they can begin to design interventions that actually make a difference.

Here are three steps toward achieving that.

1) UNDERSTAND WHAT LOYALTY REALLY IS

The three myths distort the definition of loyalty. That's what makes them so pernicious. They nudge leaders into pursuing a shallow, episodic vision of customer satisfaction that overlooks how loyalty is actually built.

Remedying the problem begins with delineating loyalty's essential makeup.

Loyalty is subjective and attitudinal.

This is the most important dimension to grasp. In Myth #3, the observable behavior of customers will not necessarily reveal their level of loyalty. Organizations also need to consider how patients feel about their brands. This is because loyalty is built on relationships. These relationships, in turn, stem from feelings of trust and familiarity.¹³

Capturing emotional reactions about care experiences is relatively straightforward. What's more difficult is learning how patients feel during other interactions with a healthcare brand—dealing with appointment setting, for example, or managing their bills. Harder still is discerning patient reactions to indirect brand exposure, like stories in the media.¹⁴

Healthcare Loyalty Myths:

- #1: “We know our patients are loyal”
- #2: “A satisfied patient is a loyal one”
- #3: “If patients come back, that means they're loyal”

Loyalty is built on relationships that stem from feelings of trust and familiarity.

11 <https://www.healthaffairs.org/doi/10.1377/hlthaff.2016.1471>

12 https://www.researchgate.net/publication/277606690_Patient_loyalty_to_health_care_organizations_Strengthening_and_weakening_satisfaction_and_provider_switching

13 <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC5072919/>

14 <https://psmag.com/social-justice/when-a-patients-health-problems-are-used-as-hospital-pr>

Objective measures of patient behavior usually fail to reveal these complex, subjective feelings. But healthcare organizations can't afford to miss them. They're critical components of the emotional side of loyalty.

Loyalty is longitudinal.

Another limitation of standard survey instruments is the strict bounds of their timeframe.¹⁵ For the most part, they examine only the time a patient spends within a facility. But a patient's brand experience is much broader with that.

The moments leading up to booking an appointment, for example, can show much about a patient's state of mind, as can their dealings with the billing department, or what they do in the months after discharge.

Patients are constantly reevaluating their own health, which means they're also constantly reevaluating the healthcare brands they choose from. The process never stops. Consequently, organizations should make sure that their patient-assessment process never stops, either. It's the only way to make the best possible impression at every phase of the healthcare journey.

Loyalty is comprehensive.

Finally, it's important to understand just how inclusive loyalty is.

Patients don't stick to their providers based on price or quality of service alone. They also judge providers by ease of access, by the range of competitors available in the area, by how prominent the provider's brand is in their minds. There's no one dimension that predominates the others.

Nor do any of these factors operate independently. Instead, the traits of loyalty are interwoven with each other. Providers that want to win the loyalty of their patients need to act on all of them at once.

But before they act, organizations need to understand their position. They need to gain genuine visibility into consumer loyalty. That is why the next step is so crucial.

2) MEASURE LOYALTY IN ALL ITS COMPLEXITY

To grasp where they stand, organizations will find it helpful to break down loyalty into its essential components. Seven basic metrics—all of which are readily quantifiable—will give leaders a view of their patients' authentic feelings for their organization.

Brand Awareness (Score)

Once consumers are aware of you, what do they think of your image and reputation? In a consumer-driven market, occupying a top-of-mind position is crucial. It will come as no surprise to health leaders to hear that, when consumers are choosing a provider, 86.7% of them believe that the reputation of a hospital brand is either important or very important. Falling outside of a patient's awareness is a quick way to fall out of the running.

Word-of-Mouth (NPS)

Consumers are apt to share their experiences with their loved ones. But they're much more likely to complain than they are to rave: they share negative experiences at nearly double the rate at which they share positive ones.¹⁶

The seven dimensions of consumer loyalty

1. Brand Score
2. Engagement
3. Need
4. Access
5. Motivation
6. Experience
7. NPS

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¹⁵ <https://nrchealth.com/whats-possible-look-beyond-cahps/>

¹⁶ <https://hbr.org/1990/07/the-profitable-art-of-service-recovery>

That's why providers should carefully track what patients are likely to tell their friends and relatives. The best way to capture this is with a time-tested metric, the Net Promoter Score (NPS),¹⁷ which measures the willingness of customers to recommend a company's service to others.

Engagement

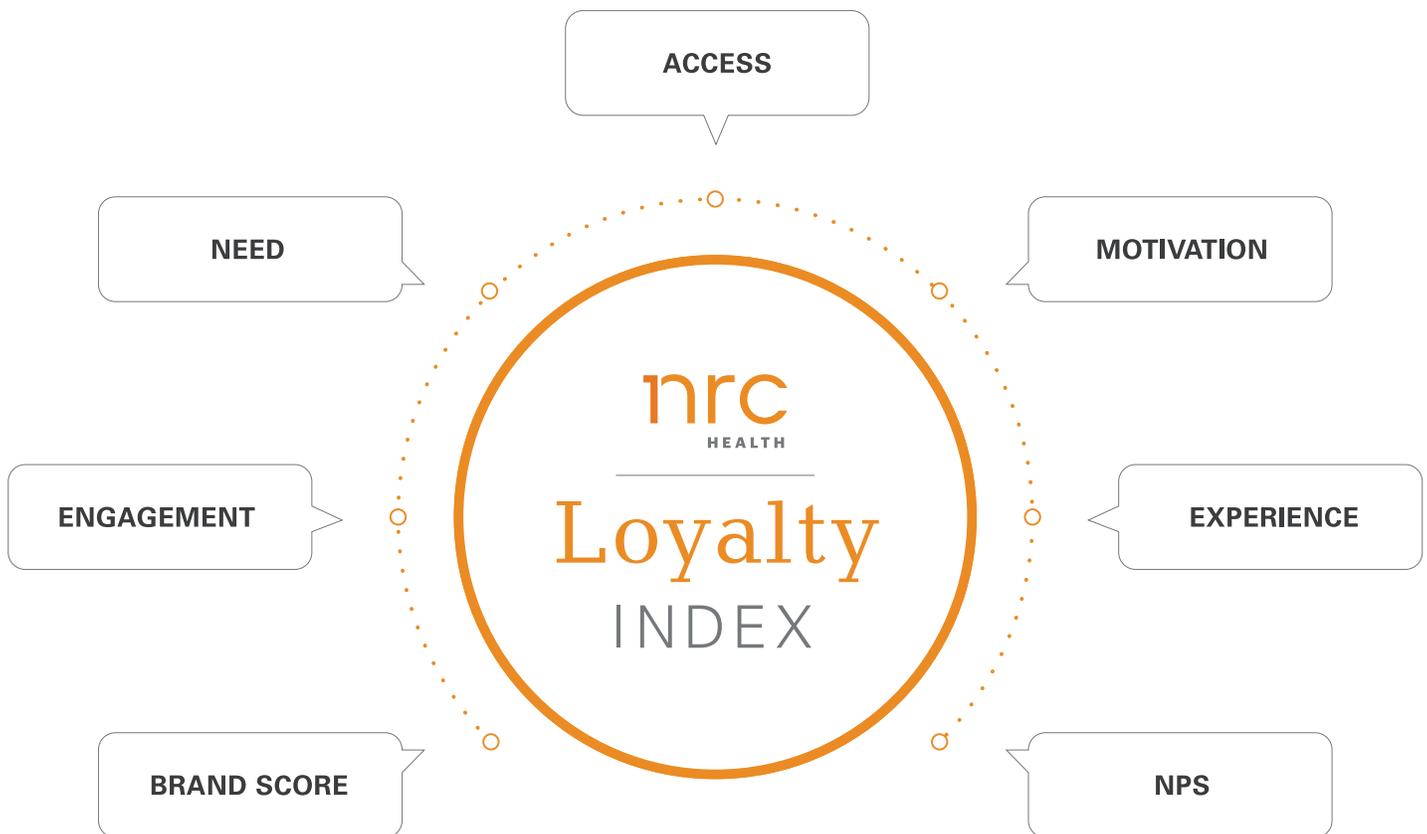
Engagement refers to the quantity and quality of the off-site interactions a patient has with a provider brand. These can be physical (like healthcare events in the hospital's city) or digital (like connections on social media). To stay in patients' good graces, a hospital needs to engage patients when, where, and how they want to be engaged—or else risk alienating them.

Meeting Needs

Providing the services that match a patient's requirements is an obvious necessity. But providers often struggle to calibrate service lines to fit the needs of the community. Continuously assessing their markets will help hospitals design their services to maximize loyalty.

17 <https://www.netpromoter.com/know/>

NRC Health has developed a product specifically designed to measure these dimensions of loyalty. It's called the Loyalty Index, and it offers organizations a simple, intuitive way to track how patients feel about their brands.



Access

In the United States, access is one of healthcare's most intractable problems. Patients are exceedingly grateful for any health systems that can make it easier for them. This doesn't just refer to affordability. Easy appointment-setting processes and short wait times remove barriers to care and win favorability from patients.

Motivation

Often, by the time a health need arises, the patient has already decided which provider they'll visit. The provider that wins their business is often the one that best steered them through the moments leading to their particular health crisis. This often involves a long campaign spent earning credibility and trust—the factor that truly motivates patients to choose one particular provider over the others available to them.

Experience

Finally, a critical component of patient loyalty is the experience they have in the exam room. This is where most hospitals have already directed much of their attention—but there's always room for improvement. The experience delivered must match the promise of the brand if patients are to return. Patients won't settle for less. Neither should healthcare leaders.

3) TARGET LOYALTY WITH SPECIFIC INTERVENTIONS

Once leadership has reliable figures for loyalty, how should they go about improving it?

As mentioned above, their instinct may be to improve patient care. That's never a mistake.

Patient satisfaction is necessary to create and sustain loyalty. But it's not sufficient on its own. Leaders cannot expect loyalty to emerge as a mere byproduct of excellent care. Instead, they need to create initiatives that explicitly and specifically target loyalty improvements.

Health systems could consider borrowing a novel strategy from the world of coffee shops and airlines: a loyalty-rewards system. Research has shown¹⁸ that participants in such programs are likely to have positive feelings toward a brand, and are more likely to overlook minor hassles if they receive perks for their continued patronage. But health systems should approach this strategy with caution. Jason Wolf, President of the Beryl Institute, pointed out¹⁹ that loyalty-rewards points won't do much to help hospitals that aren't also committed to improving quality and access. "It's an extra layer, not a sole solution," he remarked.

Relationship marketing is another viable strategy. Reaching out to patients through their preferred channels can strengthen the bond between patient and provider. One of the most important of these channels is the organization's website. NRC Health's 2017 National Healthcare Consumer Study,²⁰ a survey of more than 290,000 U.S. households, found that almost one-third of consumers connect with their health systems through their hosted websites. (FIGURE 2) Providing the content they want to see, like provider biographies and patient reviews, can help cultivate a sense of trust.

Three steps to earn back patient loyalty:

1. Understand what loyalty really is
2. Measure loyalty in all its complexity
3. Target loyalty with specific interventions

18 <https://jamanetwork.com/journals/jama/article-abstract/2497915>

19 <http://www.modernhealthcare.com/article/20160326/MAGAZINE/303289896>

20 <https://nrchealth.com/290000-patients-agree-website-matters/>

Finally, hospitals can also bolster loyalty by turning its efforts beyond the hospital walls. One of the most robust predictors of patient loyalty, in fact, is a health system's investment in its surrounding community.²¹ Forming partnerships with local nonprofits, giving hospital staff time off to volunteer in their area, and building positive relationships with local media are all ways to improve a health system's profile within a city.

Loyalty Demands Commitment

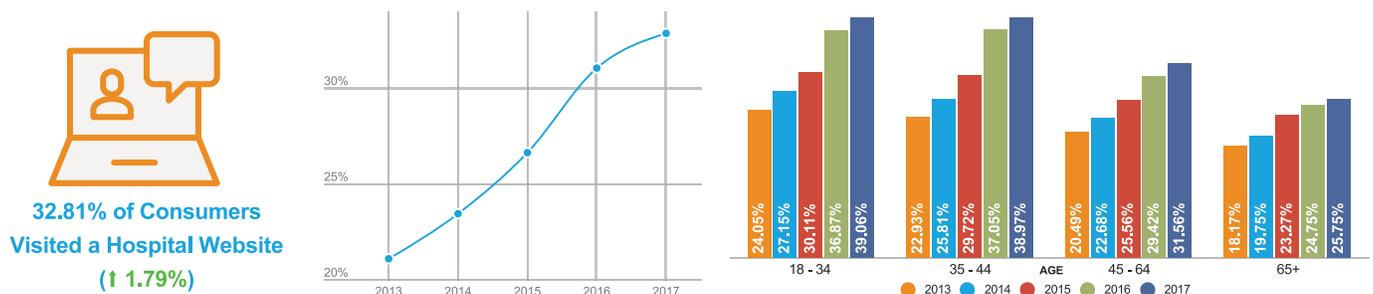
Whichever approach health-system leaders decide to take in addressing loyalty, it's critical that they do so with a clear-eyed conception of the problem. Disabusing themselves of the myths listed above is a good start, but when it comes to understanding patients' desires, the work never truly ends.

Decoding what makes consumers loyal will always require a sincere exchange with the patients whom health systems want to serve. Leaders who can commit their organizations to these efforts can continuously refine their conception of their patients' wants and needs, and thereby earn their loyalty and trust.

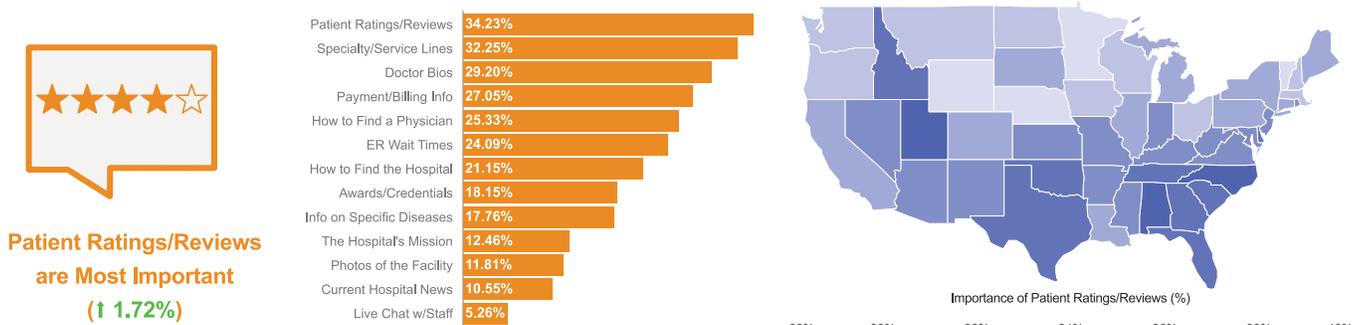
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21 <https://www.emeraldinsight.com/doi/pdfplus/10.1108/JSM-08-2012-0157>

FIGURE 2
While using the Internet, have you recently visited the website of a hospital or healthcare provider?



When visiting the website of a hospital or healthcare provider, what information is most important to you?





For 37 years, NRC Health (NASDAQ: NRC) has been committed to achieving human understanding and bringing healthcare organizations closer to their customers than ever before by illuminating and improving the key moments that define an experience and build trust. Guided by their uniquely empathic heritage, proprietary methods, skilled associates, and holistic approach, NRC Health helps its customers design experiences that exceed expectations, inspire loyalty, and improve well-being among patients, residents, physicians, nurses, and staff.

**NRC Health helps healthcare organizations
better understand the people they care for and
design experiences that inspire loyalty.**

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