REDUCING READMISSIONS
BY PROVIDING
SUPERIOR PATIENT SATISFACTION

**Understanding And Leveraging
The Various Dimensions Of
Patient Loyalty**

October 20, 2018

PURPOSE

1. Discuss a few important Loyalty behaviors that hospitals and healthcare providers are striving to promote

2. Describe the relationship between these behaviors and Patient (and Customer) Satisfaction

3. Understand the motivation for these behaviors

4. Measure the impact of Patient Satisfaction that these behaviors can have on two critical challenges that are confronting hospitals today
   - Preventing Readmissions
   - Reducing Cost to Serve

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5. Discuss the key organizational challenges hospitals face when they attempt to improve Patient Satisfaction

6. Answer any questions you may have

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We have found that Loyal Patients (and Customers) exhibit a series of positive behaviors and traits that make them significantly more profitable for you

- They are significantly more likely to return to you should they encounter another medical problem in the future

- They are more willing to recommend your hospital and Physicians to others

- They are significantly cheaper to serve

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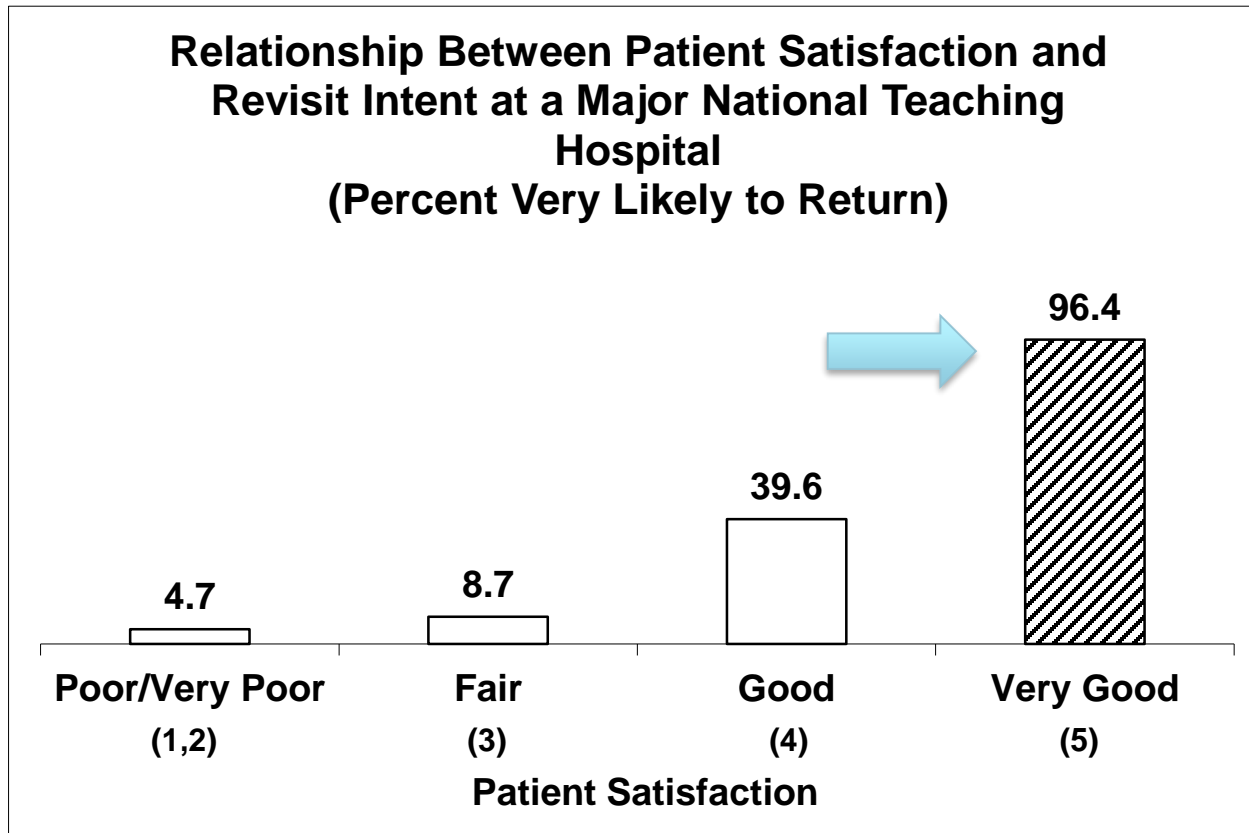
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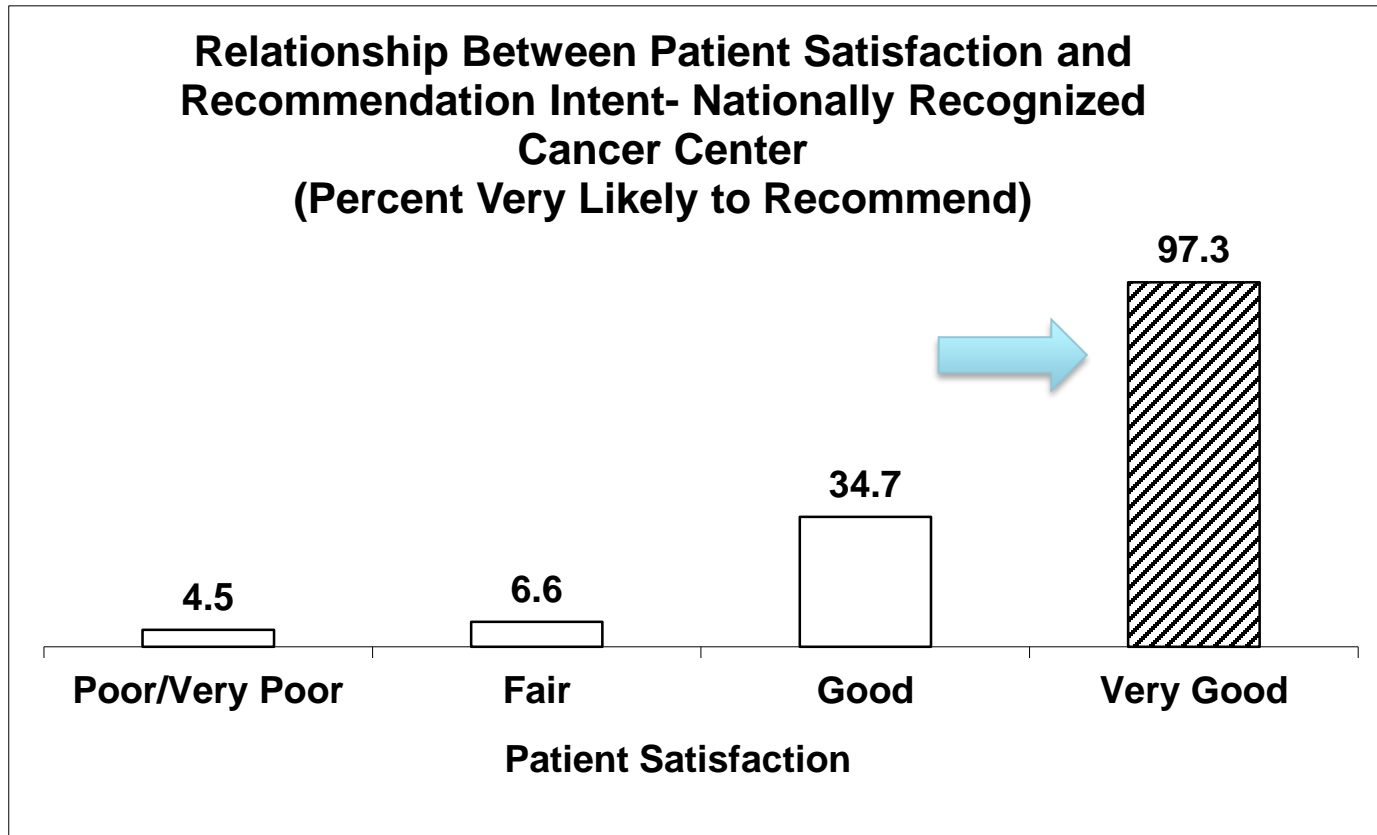
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Research we have conducted for different hospitals indicates that Highly Satisfied Patients are significantly more likely to return to your hospital should they need additional care

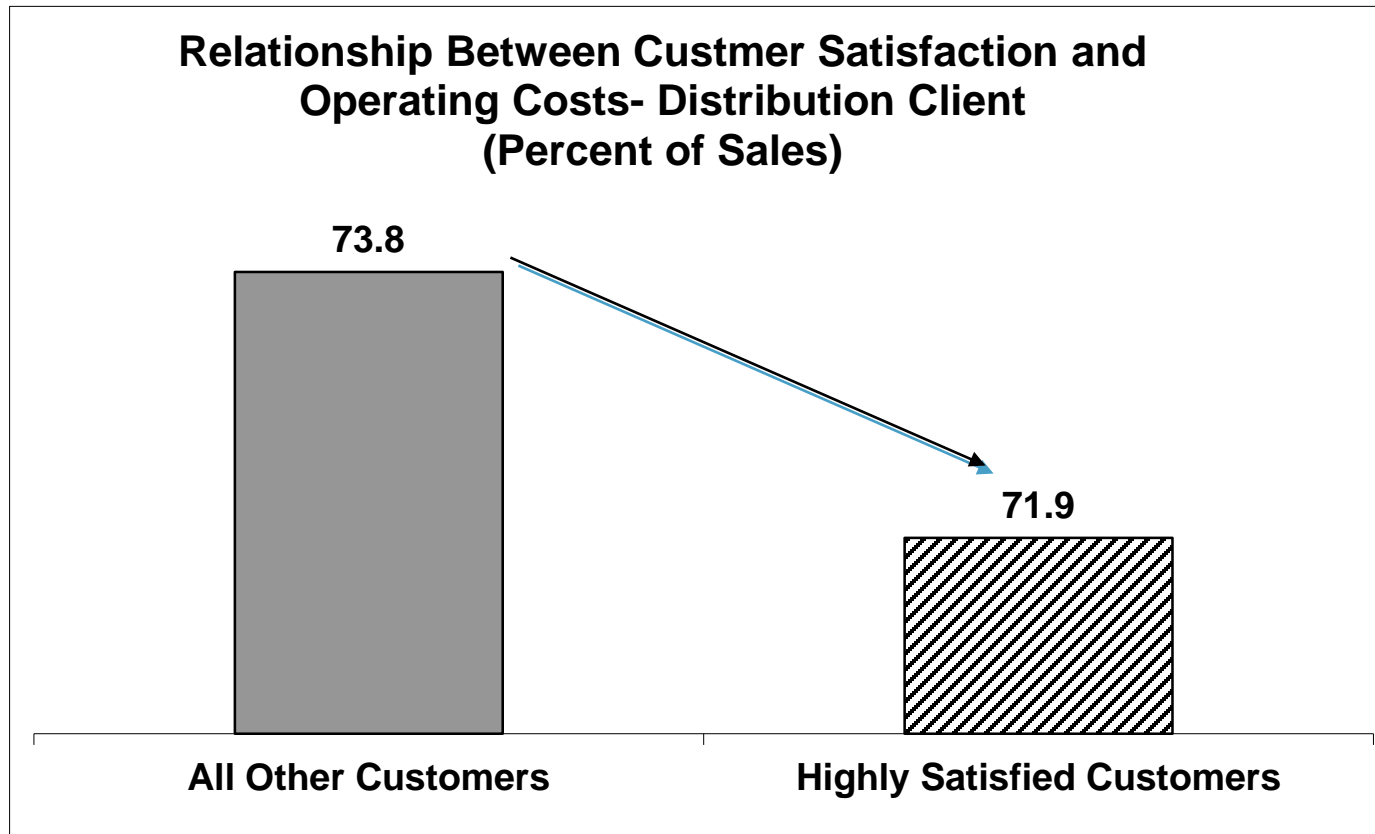**Relationship Between Patient Satisfaction and Revisit Intent at a Major National Teaching Hospital**
(Percent Very Likely to Return)

Poor/Very Poor (1,2)	Fair (3)	Good (4)	Very Good (5)
4.7	8.7	39.6	96.4

Patient Satisfaction

They also have significantly greater Recommendation Intent

Relationship Between Patient Satisfaction and Recommendation Intent- Nationally Recognized Cancer Center
(Percent Very Likely to Recommend)

97.3

34.7

4.5

6.6

Poor/Very Poor   Fair   Good   Very Good

Patient Satisfaction

In work we have done with both retail and business-to-business Customers we consistently find that Highly Satisfied Customers are cheaper to serve

Relationship Between Custmer Satisfaction and Operating Costs- Distribution Client (Percent of Sales)

73.8

71.9

All Other Customers

Highly Satisfied Customers

There are several reasons why these Highly Satisfied Patients (and Customers) are cheaper to serve

- You develop a better understanding of their needs the longer you deal with them

- You have fewer costly problems to resolve and resolving problems entails a cost

- You are more willing to make selected investments that will lower your costs of serving a long-term Patient (e.g., cholesterol reduction program, smoking cessation, etc.)

- Patients and Customers are more likely to modify their behavior to optimize your economics

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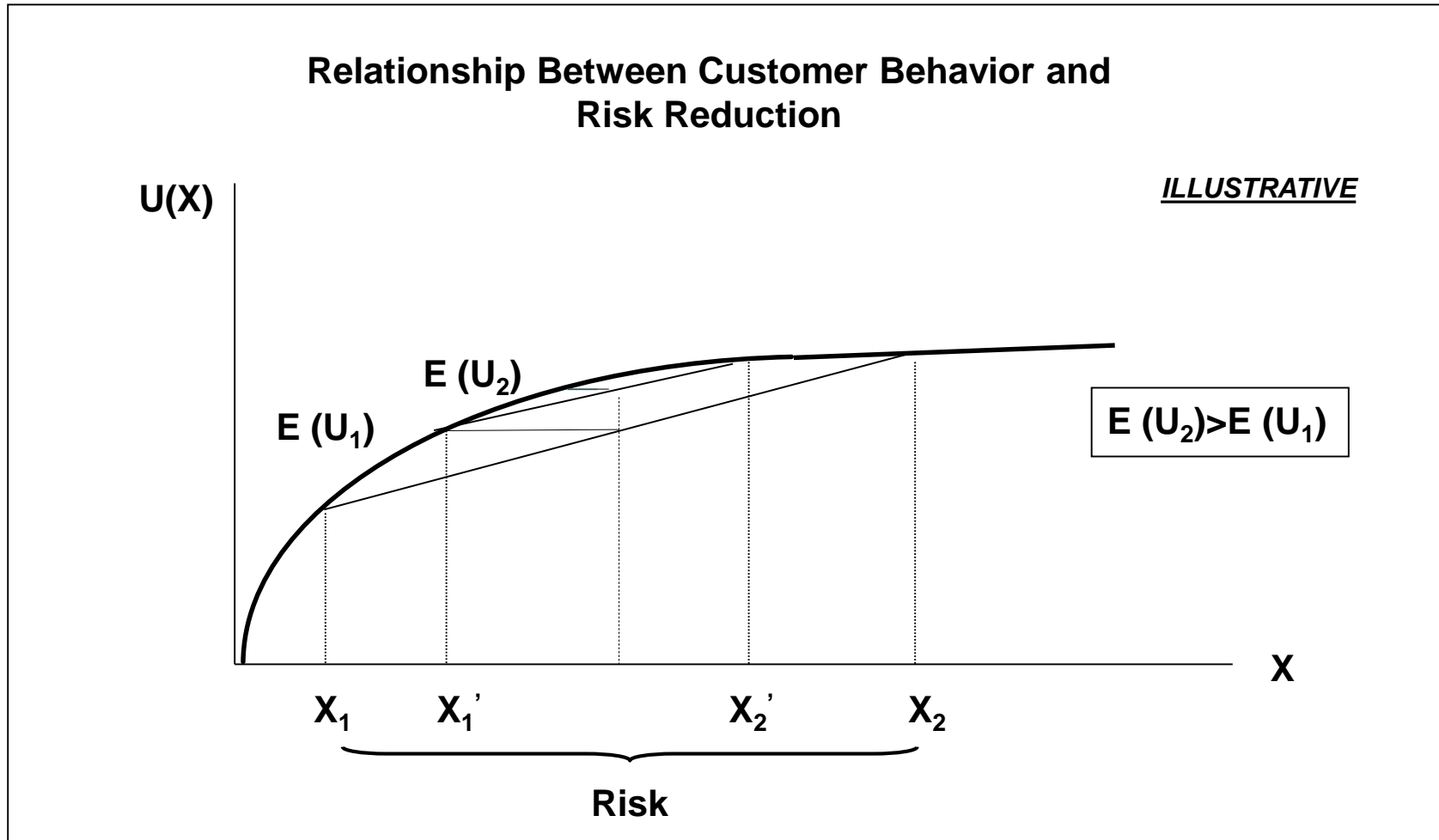   - Preventing Readmissions
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These various behaviors of Highly Satisfied Patients (and Customers) that we have just described are a very rational response to reduced risk

- "5's" have a strong, **trust-based** relationship with you- they are totally confident that they will have a great experience and in those rare cases when they do not, they have absolutely no doubt that management will take whatever steps are necessary to immediately make things great

- "4's" speak about "inconsistency - sometimes they have a very good experience, other times they do not ("You never know what you are going to get")

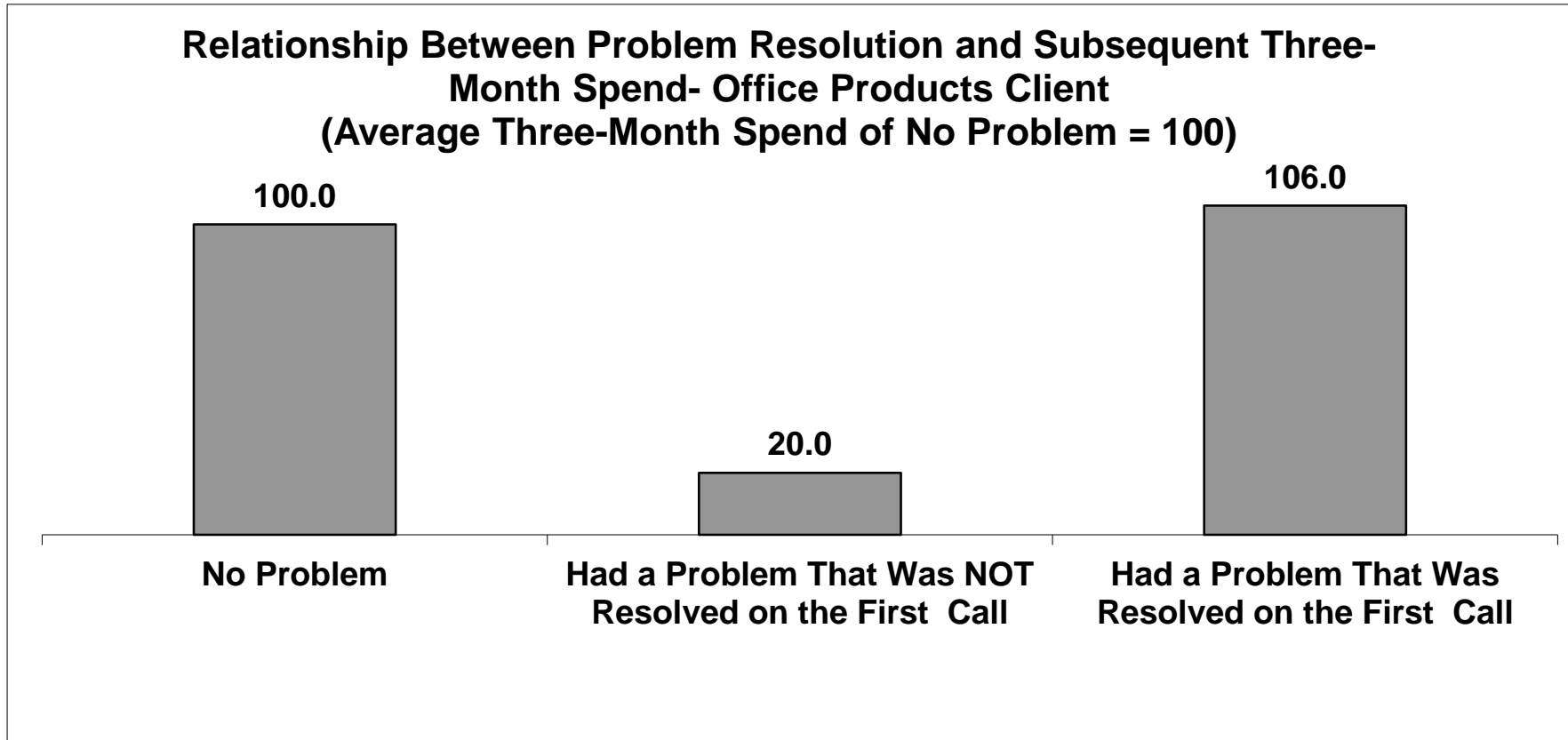**Customers Will Reward You For Reducing Their Risk**

Reducing "bandwidth in execution" (i.e., Risk) is what creates "5's"- not climbing Mount Everest

Relationship Between Customer Behavior and Risk Reduction

ILLUSTRATIVE

U(X)

E (U$_2$)

E (U$_1$)

E (U$_2$)>E (U$_1$)

X

X$_1$ X$_1$'   X$_2$'   X$_2$

Risk

13

To understand the impact of reducing risk consider the results of the following analysis we did for an internet retailing client

- We created a database of approximately 1,000 respondents who placed an order with our client in January 2008

- We divided these respondents into three groups
  - Those that reported no problem with their purchase
  - Those who had a problem that was NOT resolved to their Satisfaction when they first reported it to Customer Service
  - Those who had a problem that was resolved to their Satisfaction when they first reported it to Customer Service

- For each group of customers we computed their subsequent purchases from our client over the next three months

Customers who had a problem resolved to their satisfaction on their first call actually spent more over the subsequent three months than those that did not have a problem at all, while those whose issues were not properly handled significantly reduced their expenditures

Relationship Between Problem Resolution and Subsequent Three-Month Spend- Office Products Client
(Average Three-Month Spend of No Problem = 100)

100.0	20.0	106.0
No Problem	Had a Problem That Was NOT Resolved on the First Call	Had a Problem That Was Resolved on the First Call

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Since Highly Satisfied Patients (and Customers) have a **trust-based relationship** with you we should expect to see that hospitals that provide the highest levels of Patient Satisfaction have

- Significantly better rates of Patient Compliance (i.e. lower rates of readmission within 30 days)

- Lower cost to serve

To test these hypotheses we went to the Medicare Hospital Compare Website, which is maintained by the Centers for Medicare & Medicaid Services (CMS), and created a database of Patient Satisfaction and readmissions rates for the 2,709 participating hospitals including

- Patient Satisfaction scores (Percent 9 or 10) on overall Patient Satisfaction

- Readmission rates (within 30 days) for three separate disease states
  - Heart Attack (445,268 cases)
  - Heart Failure (1,054,186 cases)
  - Pneumonia (1,269,912 cases)

We subdivided the 2,709 hospitals into 4 groups by level of Patient Satisfaction (Percent 9 or 10 on the HCAHPS Satisfaction scale)

- 80+ percent- 276 hospitals

- 70 to 79 percent- 1,329 hospitals

- 60 to 69 percent- 918 hospitals
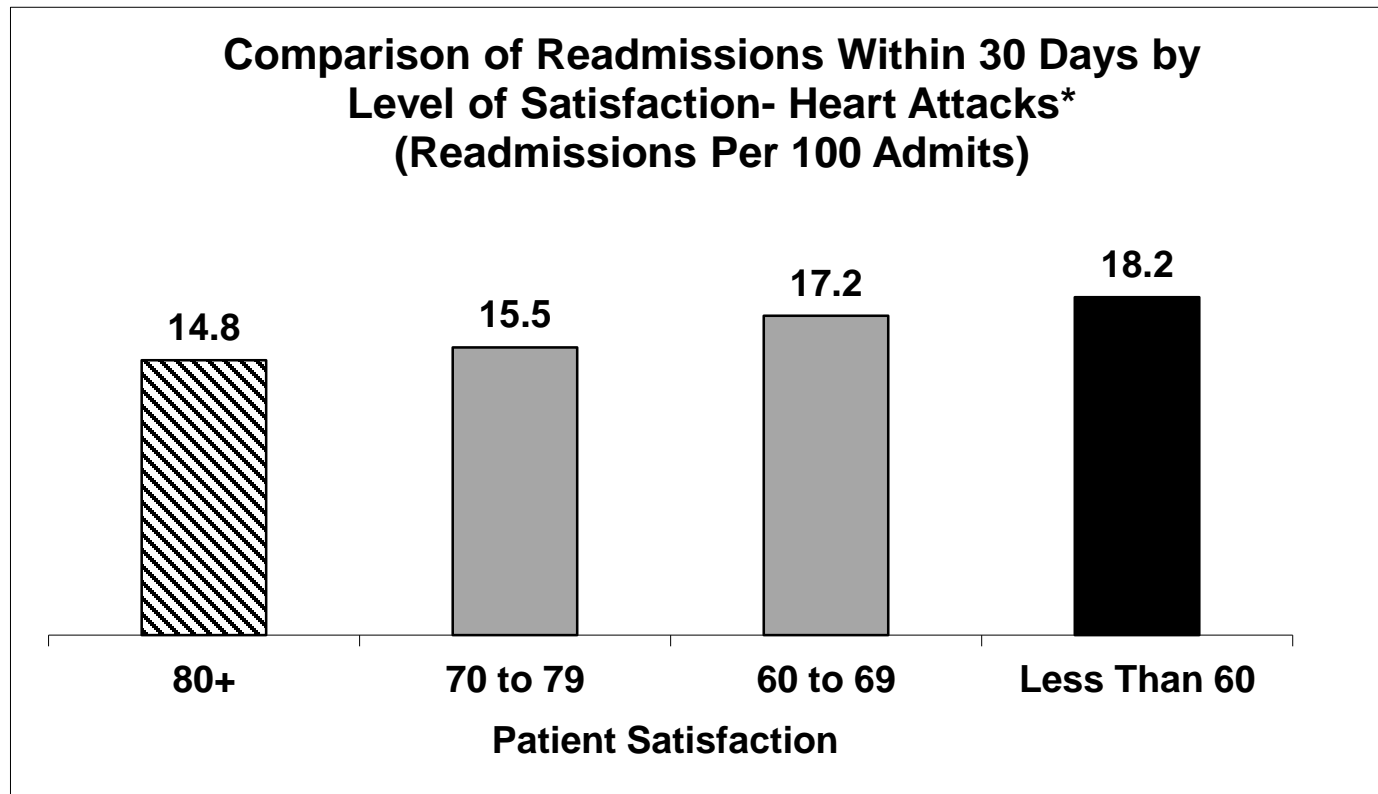
- Less than 60 percent- 186 hospitals

The time periods over which the data were collected are as follows

- Patient Satisfaction data cover the period October 1, 2016 through September 30, 2017

- Readmission data cover the period July 1, 2013 through June 30, 2016

- Cost Per Medicare Beneficiary data cover October and November of 2016
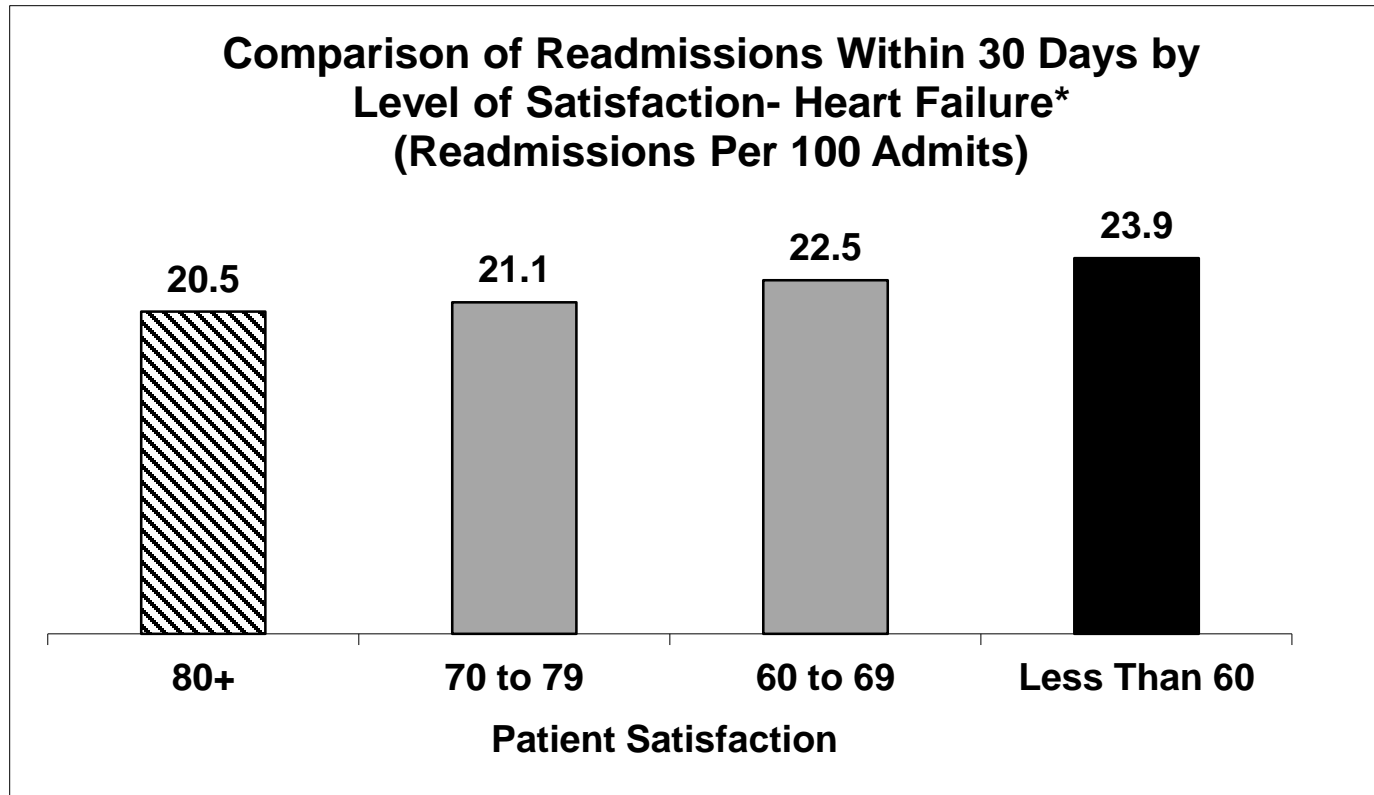
Satisfaction Reduces Readmissions

In each of the three disease states we examined there is a strong inverse relationship between Patient Satisfaction and readmissions within 30 days

- Heart attacks

Comparison of Readmissions Within 30 Days by Level of Satisfaction- Heart Attacks*
(Readmissions Per 100 Admits)

80+	70 to 79	60 to 69	Less Than 60
14.8	15.5	17.2	18.2

Patient Satisfaction

* = Differences are statistically significant at the 99+% level of confidence

- Heart failure

Comparison of Readmissions Within 30 Days by Level of Satisfaction- Heart Failure*
(Readmissions Per 100 Admits)

Bar chart:
- 80+: 20.5
- 70 to 79: 21.1
- 60 to 69: 22.5
- Less Than 60: 23.9

Patient Satisfaction

* = Differences are statistically significant at the 99+% level of confidence

- Pneumonia

Comparison of Readmissions Within 30 Days by Level of Satisfaction- Pneumonia*
(Readmissions Per 100 Admits)

16.0 — 80+
16.7 — 70 to 79
17.6 — 60 to 69
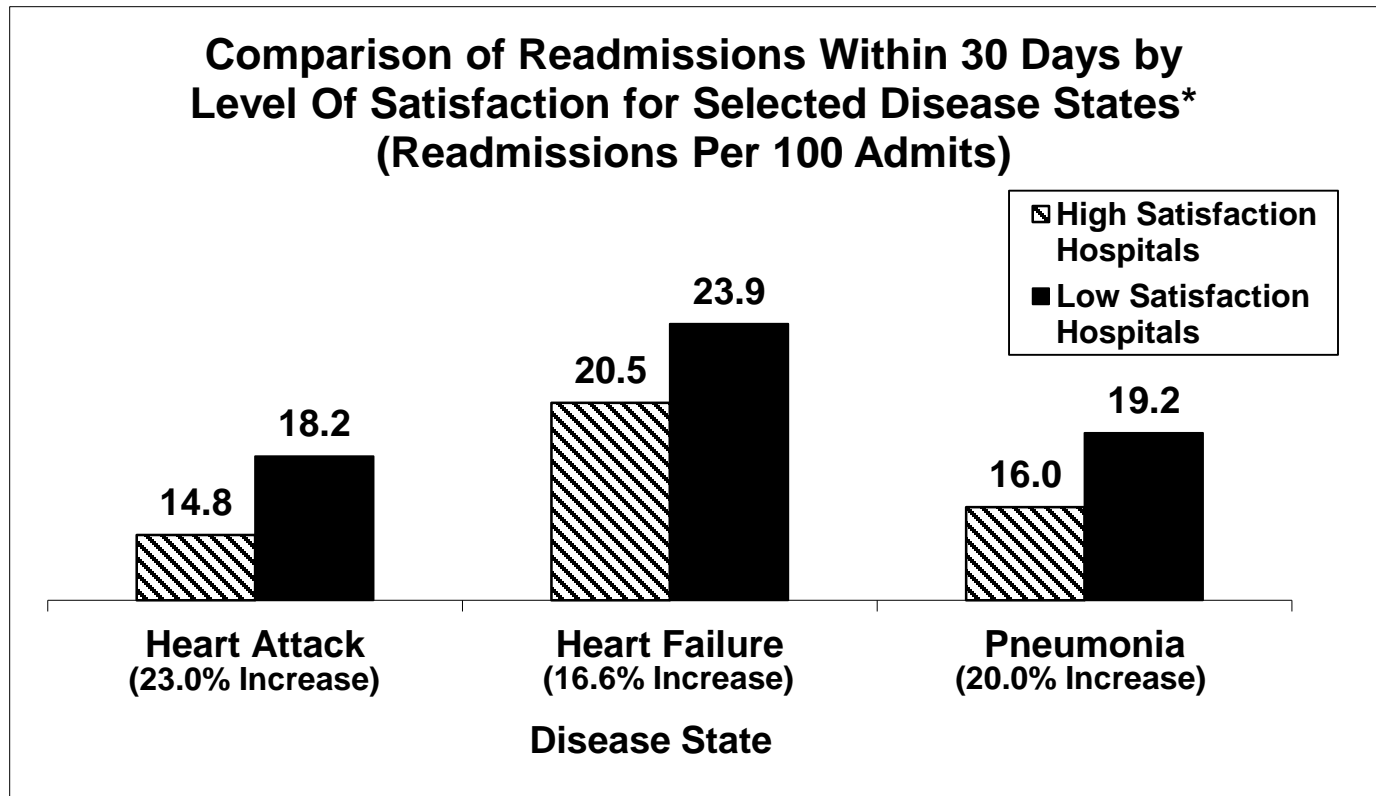19.2 — Less Than 60

Patient Satisfaction
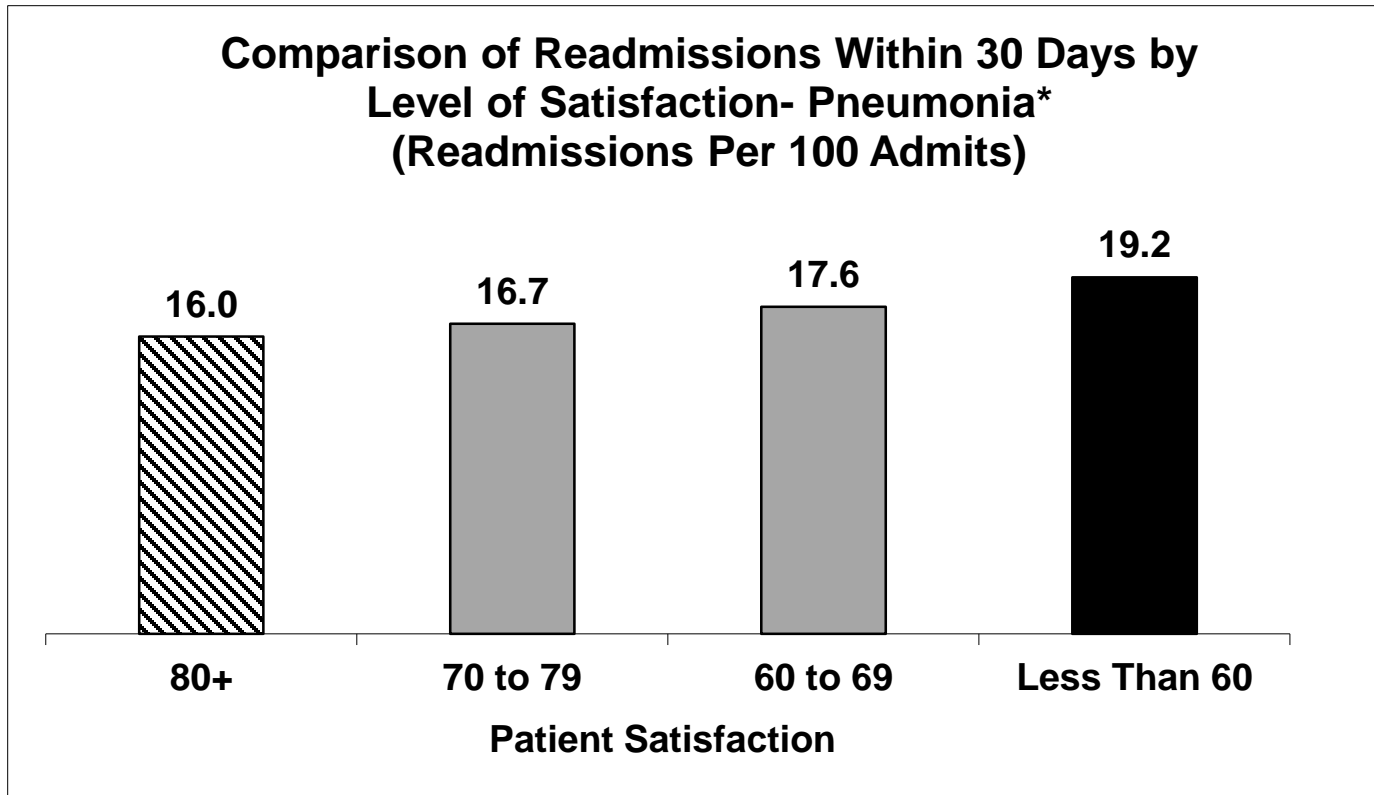
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The impact of Patient Satisfaction on readmissions is starkest when we compare performance for two key subgroups

- High Satisfaction Hospitals (80+% Patient Satisfaction)

- Low Satisfaction Hospitals (Less than 60% Patient Satisfaction)

Readmission rates are 16 to 23 percent higher in the Low Satisfaction Hospitals

Comparison of Readmissions Within 30 Days by Level Of Satisfaction for Selected Disease States* (Readmissions Per 100 Admits)

- ⊠ High Satisfaction Hospitals
- ■ Low Satisfaction Hospitals

Heart Attack: 14.8 / 18.2
Heart Failure: 20.5 / 23.9
Pneumonia: 16.0 / 19.2

Disease State

Heart Attack (23.0% Increase)
Heart Failure (16.6% Increase)
Pneumonia (20.0% Increase)

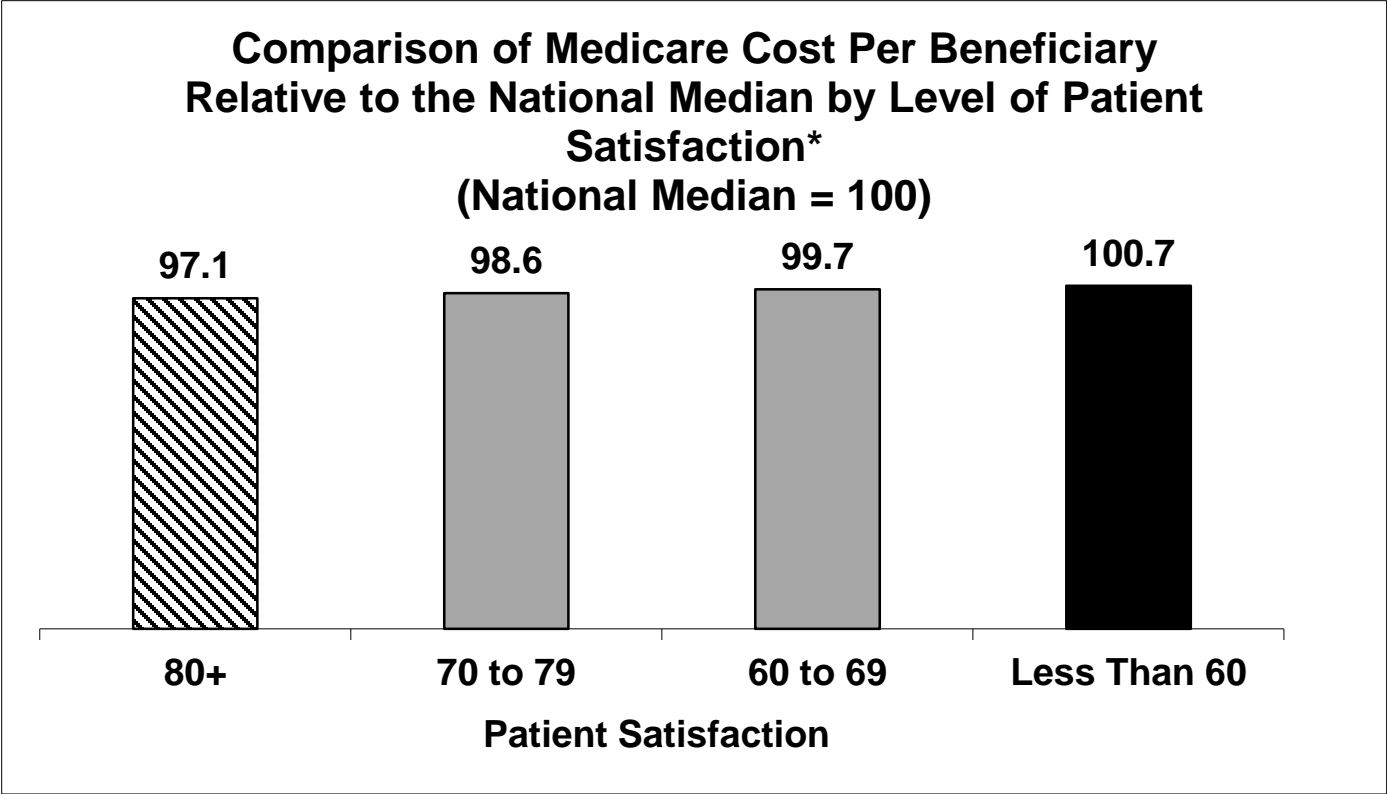( ) = Increase in Readmissions Per 100 Admits when moving from High to Low Satisfaction Hospitals

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Satisfaction Reduces Cost To Serve

Medicare computes Spending per Medicare Beneficiary in the following way
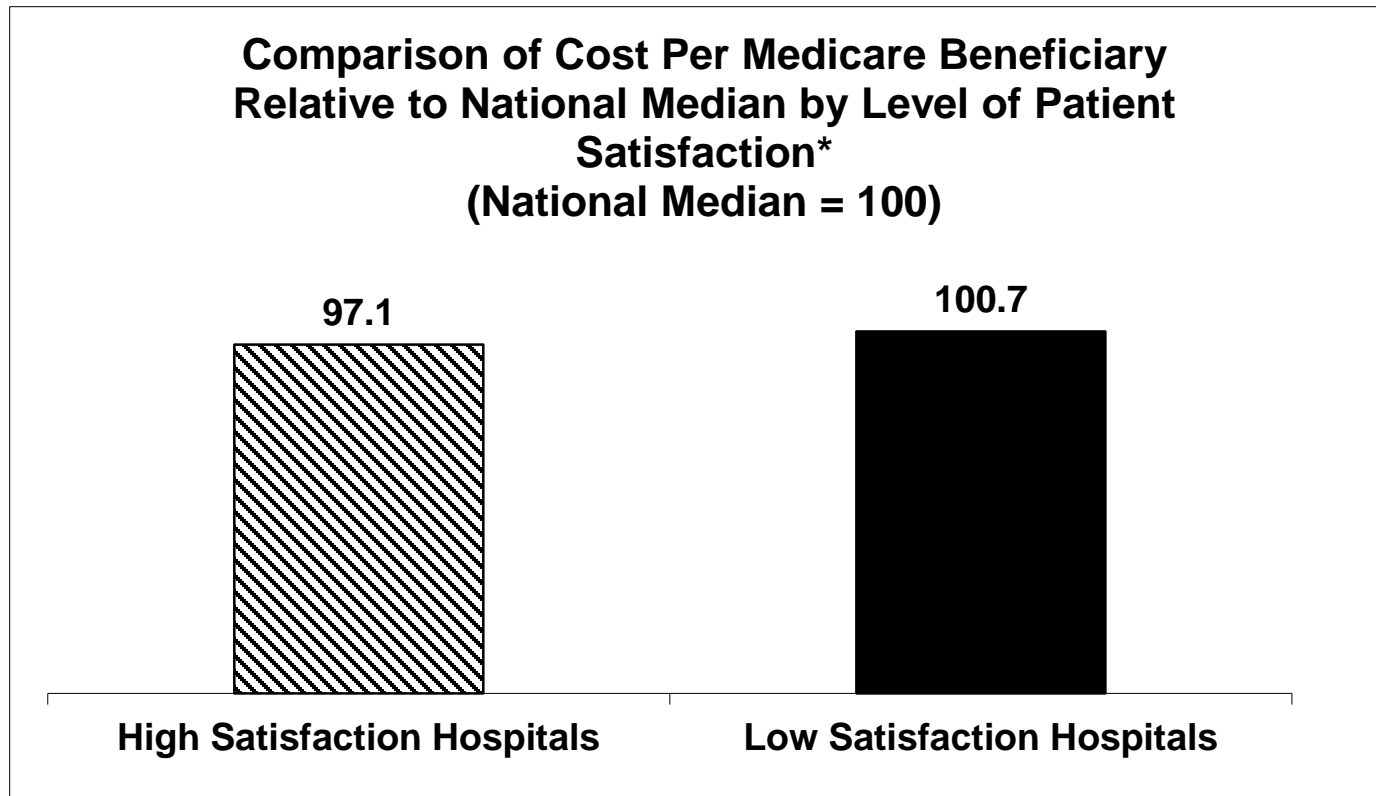
- Total Medicare payments for a Patient for the 3 days prior to hospital admission through 30 days after admission

- These payments are adjusted for factors such as
    - Disease severity
    - Local cost of service differentials

- These are then compared to the National Median
    - A score of 100 means that the hospital's costs are equal to the National Median
    - A score of less than 100 indicates that the hospital's costs are less than the National Median
    - A score of more than 100 indicates that the hospital's costs are more than the National Median

Again we see an inverse relationship between Patient Satisfaction and the cost to serve

**Comparison of Medicare Cost Per Beneficiary
Relative to the National Median by Level of Patient
Satisfaction***
(National Median = 100)

97.1	98.6	99.7	100.7
80+	70 to 79	60 to 69	Less Than 60

Patient Satisfaction

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Cost per Medicare Beneficiary is nearly 4 percentage points lower in High Patient Satisfaction Hospitals than is the lowest group

Comparison of Cost Per Medicare Beneficiary Relative to National Median by Level of Patient Satisfaction*
(National Median = 100)

97.1

100.7

High Satisfaction Hospitals

Low Satisfaction Hospitals

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Creating World Class Patient Satisfaction can be broken into three separate steps

Creating World Class Patient Satisfaction
Key Process Steps

Develop The Vision	Build Commitment	Implement Superbly

-Understand the importance of being Highly Satisfied

-Recognize that creating Highly Satisfied Patients can be challenging to your organization

-Establish a clear linkage between Patient Satisfaction and Positive Patient Outcomes

-Create a strong commitment to Patient Satisfaction at all levels of the organization

-Select a few key goals

-Assign clear accountabilities for achieving these goals

-Routinely measure and review Patient Satisfaction performance

-Leverage the "informal" leaders

-Learn from your successes and disseminate this knowledge throughout the organization

-Re-invent on an ongoing basis

Organizations that truly excel at Customer Satisfaction start with a compelling vision from the chief executive that clearly conveys the importance of creating Highly Satisfied Patients (and Customers)

- Steve Kaufman: Arrow Electronics

- Horst Schultze: Ritz-Carlton

- Maxine Clark: Build-A-Bear Workshop

The Organization Must Clearly Understand That Business Will Be Done Differently Around Here

Before committing to this initiative management must understand that creating a superb Patient Experience can be challenging

- For every Genentech that gets results in one year there are at least three where the journey can take significantly longer
  - Accuray (two years)
  - Staples (three years)
  - Arrow Electronics (five years)

- One week after we delivered our final report to Albertson's on how to improve Customer Loyalty management put the company up for sale
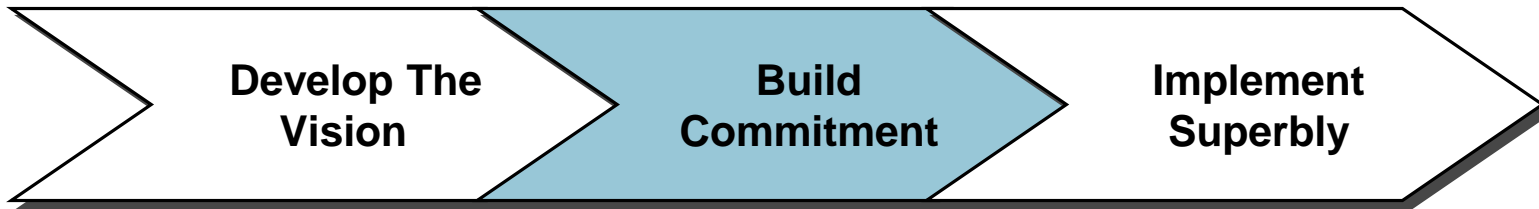
It is vitally important to avoid the pitfall of equating Knowing with Doing

Knowing What to Do ≠ Actually Getting It Done

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Truly successful organizations establish a direct linkage between being Patient Satisfaction and positive Patient Outcomes

- Reduced rates of readmission
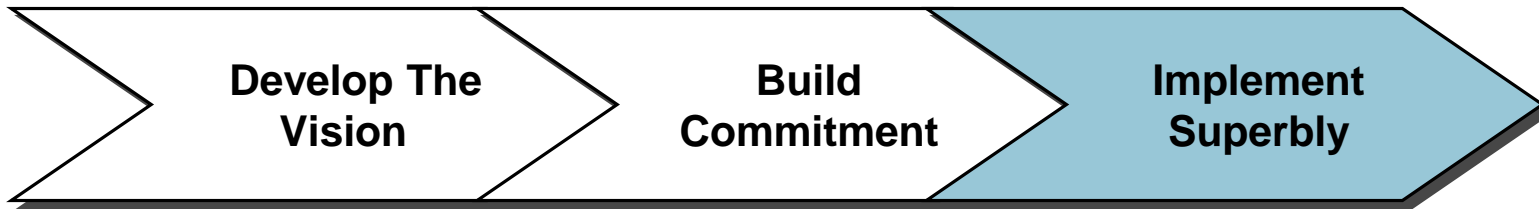
- Lower Cost to Serve

They clearly communicate this basic message to all levels of the organization

- Highly Satisfied Patients are significantly more compliant with discharge instructions than Patients with lower levels of Satisfaction

- Minimizing Patient Dissatisfaction produces limited value and may actually divert your attention from the need to create more "5's"

As a general rule, **senior management commitment** is a necessary, but not sufficient, condition for success- true success requires **significant line management "buy-in"** as well

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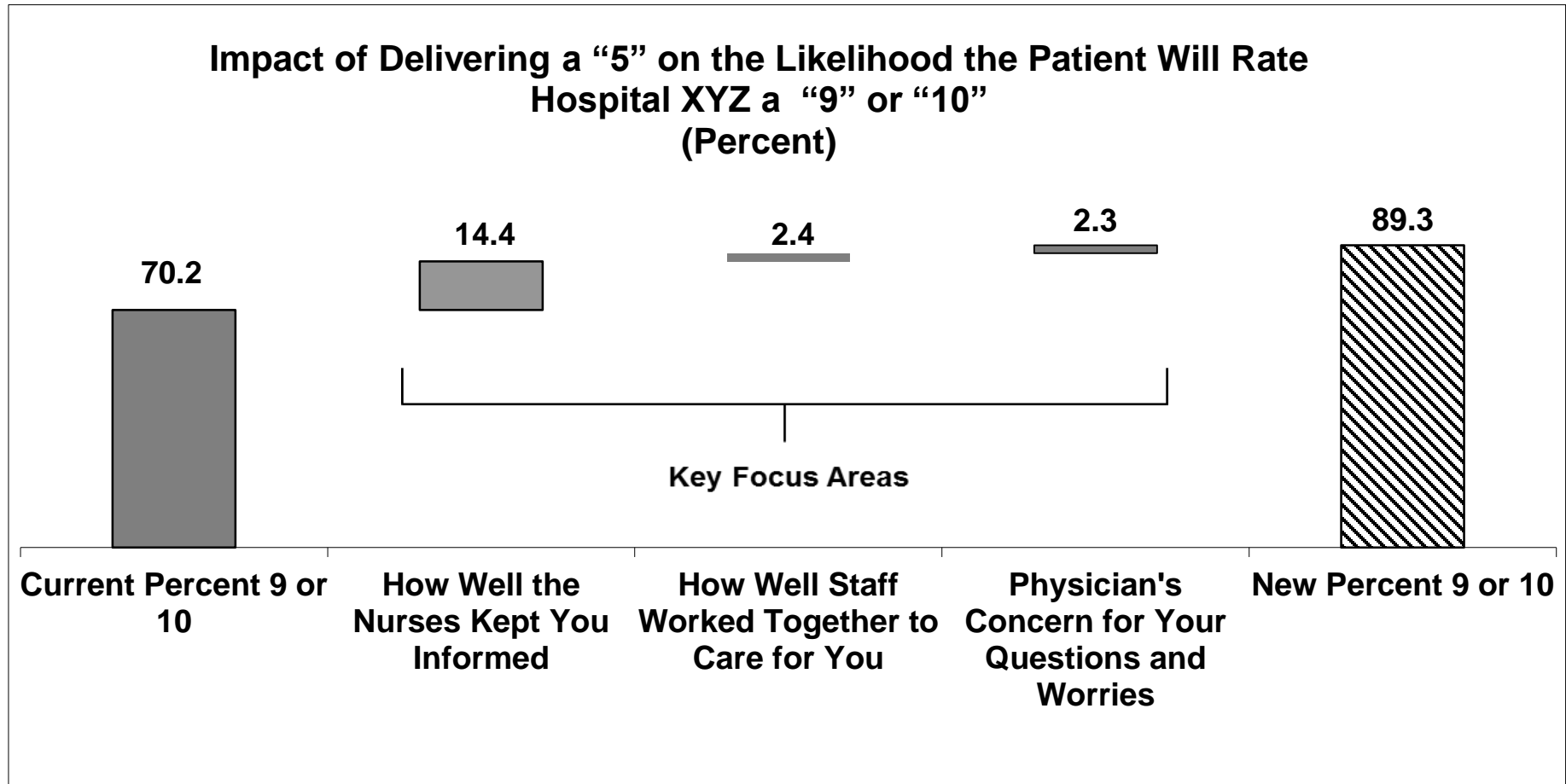
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Excellent companies "keep it simple"- they identify the two or three key activities that will have the greatest likelihood of creating Highly Satisfied Patients

Impact of Delivering a "5" on the Likelihood the Patient Will Rate Hospital XYZ a "9" or "10"
(Percent)

Key Focus Areas

Current Percent 9 or 10	How Well the Nurses Kept You Informed	How Well Staff Worked Together to Care for You	Physician's Concern for Your Questions and Worries	New Percent 9 or 10
70.2	14.4	2.4	2.3	89.3

They recognize that management must be held accountable for making measurable improvements in these high priority areas

- Fidelity
  - "Owners" identified for each improvement opportunity
  - Improvement goals and timetables established
  - In select cases managers have been terminated for not attaining goals

- At Staples 20 percent of management bonuses were based on attainment of Customer Satisfaction goals

They routinely measure Patient Satisfaction and share the information broadly within the organization, which is important because most line Employees

- Substantially <u>understate</u> the percentage of their Patients that are Highly Satisfied
- Substantially <u>overstate</u> the percentage of Patients that are Dissatisfied

Sharing The Data With Line Employees Will Have A Liberating Effect That Will Improve Service Delivery To Patients

Successful organizations leverage the power of their "informal" leaders- the key mid-level managers who get things done on a daily basis

- **David Perkins (Genentech**)- "If we want to increase sales call frequency then we in Marketing have to arm the sales force with new things to tell their Customers every month"

- **Melissa Shore (Staples)-** "I just have to show you how this Customer Satisfaction information can help you drive additional sales"

- **Erin Mara (Staples)-** "I am not going to leave here until we come up with a plan to improve Customer Satisfaction in your store"

- **Pat Brodkey (Accuray)-** "We are going to convene a team of senior executives to review Satisfaction results each month- and no one is excused"

Committed organizations use the results of their surveys to identify and learn from "best practice" situations and then disseminate these findings throughout the organization

- Ritz-Carlton: Having property managers conduct quarterly presentations on successful initiatives they have put in place

- Staples: Using the results from their Satisfaction surveys to improve how they interact with the Customers in their stores (e.g., "Read the Need" gets replaced by the "Easy" service model)

Finally, excellent organizations are in a process of continual re-invention

- Competitive dynamics continually "raise the bar" (What produced excellent Patient Satisfaction five years ago is unlikely to have the same effect today)

- Therefore, these companies are engaged in an ongoing search for new ways to meet escalating expectations

In conclusion it is important to understand that improving Patient Satisfaction is not a project, **it is a way of life**

"Customer Satisfaction is not a sideline project. It is not a task to be undertaken at regular, specified intervals and forgotten in between. Regular doctor visits do not make a person healthy. A healthy lifestyle makes a person healthy." - Maxine Clark

—Maxine Clark

Foreword to *Capturing Loyalty*