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giving a consumer focus to strategic planning

Having a strong consumer focus has become a fundamental organizational competency in today's U.S. healthcare system.

Strategic planning in health care has undergone a shift over the past 50 years. From the 1960s into the 1980s, it was all about the buildings: The cost-based payment environment of the time spurred strategic focus on expanding the physical footprint with new brick-and-mortar facilities. Then, from the 1980s until the first part of the 2010s, strategic planning was all about physicians and scale: With the advent of managed care, prospective payment, and the Affordable Care Act, the primary focus for healthcare organizations was on achieving competitive advantage through broader services, more extensive geographic reach, and relationships with a greater number of referring physicians.

Now, strategic planning is all about the consumer. Achieving consumer centricity involves much

more than simply developing a strategic initiative or program. As a fundamental organizational competency, the focus on consumers must become the organizing theme for hospital and health system strategy.

Despite this very real imperative, however, results of an August 2017 survey suggest legacy healthcare providers have been slow to keep pace with evolving consumer demands.^a Although many healthcare leaders acknowledge that meeting consumer-centric objectives should be a high priority, the survey found that only about one in 10 organizations is consistently applying and building consumer-centric capabilities.

For lagging organizations to respond fully to today's consumer imperative, the consumer's perspective must begin to permeate their strategic planning efforts.

Driving Forces

Numerous forces are creating the new inflection point in consumer-centered health care. Patients and families are bearing a greater share of healthcare costs as premiums and copayments rise, and as more employers move workers to

AT A GLANCE

A healthcare provider's game plan for strategic planning in 2018 and beyond will require a consumer focus to keep up with the inexorable rise in consumerism within the nation's healthcare system. In carrying out the game plan, providers should take the following essential steps:

- > Clearly articulate the unique value propositions they intend to offer consumers.
- > Perform a comprehensive position assessment.
- > Create a well-defined set of strategic initiatives for effectively achieving organizational goals and targets.

a. Kaufman Hall, *2017 State of Consumerism in Healthcare: Slow Progress in Fast Times*, Aug. 16, 2017.

high-deductible insurance plans to control costs. The number of commercially insured workers with high-deductible plans rose from 10 percent in 2006 to more than 50 percent in 2016, and families' direct healthcare costs have increased far faster than incomes.^b

Meanwhile, digital conveniences have become fully ingrained in people's lives. Total digital media use has tripled since 2010.^c More Americans are becoming accustomed to new levels of convenience, such as apps that direct them to available parking on packed city streets, smart wallets that combine multiple payment cards into one, and voice-recognition devices that allow them to play music, search the internet, or order goods and services by merely asking.

As consumers feel more invested in their care and experience new levels of convenience in nearly every other aspect of their lives—from ride-sharing to same-day deliveries to streaming video—they are coming to expect a similar experience in health care. Hospitals and health systems need to adapt to a world in which more than three-quarters of the population carries a smartphone, consumers have access to more than 165,000 health-related apps, and more than 72 percent of U.S. internet users look for health information online.^d

To ensure focus on the consumer, a provider's game plan for strategic planning in 2018 and beyond requires:

- > A clearly articulated value proposition
- > A comprehensive position assessment
- > A well-defined, effective initiative set

Value Proposition

Author Michael Skok defines *value proposition* as “a positioning statement that explains what benefit you provide for who and how you do it uniquely well.”^e

Today's healthcare leaders must work toward differentiating their organizations' positions across the relevant dimensions of *consumer value*. There is no one-size-fits-all solution. Each market is unique based upon the underlying mix of consumers, consumer segments, and competition.

The August 2017 survey of hospital and health system leaders found that, overall, organizational value propositions in health care are out of sync with consumers. Most healthcare organizations lack alignment between the factors they see as their primary competitive differentiators and the factors they perceive consumers value most.

For example, consumers rank accessibility of care as most important, followed by consumer experience—but those factors rank third and fifth respectively as differentiators in terms of what organizations currently offer consumers. Meanwhile, quality of clinical outcomes was cited as the top competitive differentiator for hospitals and health systems, but this measure was ranked third by consumer respondents.

To help close this gap, hospital and health system leaders should consider five key categories in defining and articulating their organizations' value propositions:

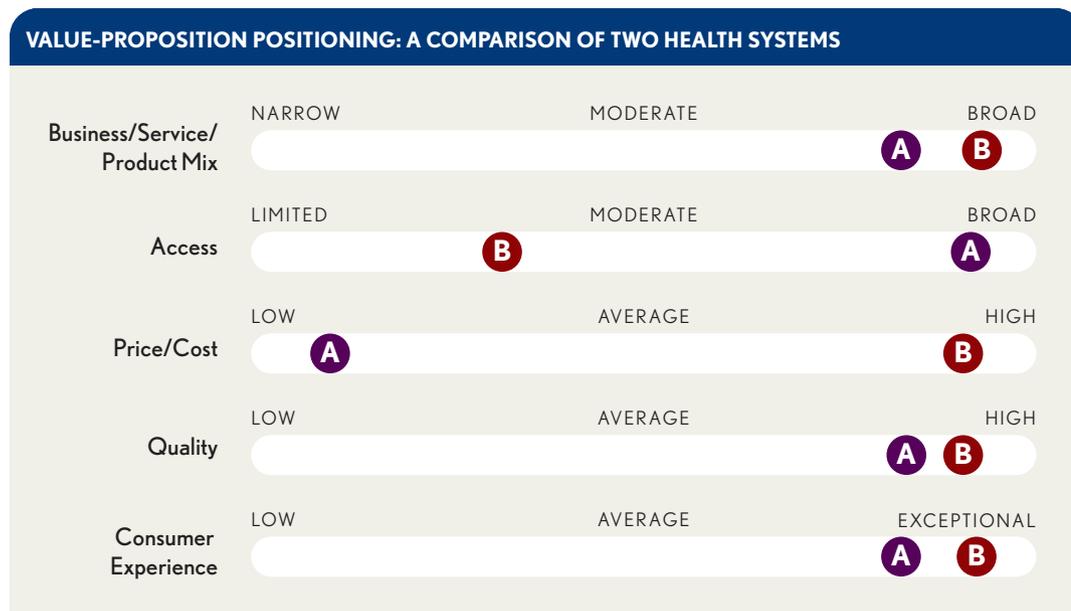
- > Business/Service/Product Mix

b. The Henry J. Kaiser Family Foundation, *2016 Employer Health Benefits Survey*, Sept. 14, 2016; and Murphy, T., “Why Health Care Eats More of Your Paycheck Every Year” AP News, Nov. 3, 2016.

c. Lella, A., *2016 U.S. Cross-Platform Future in Focus 2016*, com-Score, March 30, 2016.

d. Smith, A., “Record Shares of Americans Now Own Smartphones, Have Home Broadband,” Pew Research Center, Jan. 12, 2017; Devlin, H., “Health Apps Could Be Doing More Harm Than Good, Warn Scientists,” *The Guardian*, Feb. 20, 2017; and Fox, S., and Duggan, M., “Health Online 2013,” Pew Research Center, Jan. 15, 2013.

e. Skok, M., “4 Steps to Building a Compelling Value Proposition,” *Forbes*, June 14, 2013.



Source: Kaufman, Hall & Associates, LLC

- > Access
- > Price/Cost
- > Quality
- > Consumer Experience

The exhibit above provides a comparison of two hypothetical health systems, labeled A and B, in each of these categories. The analyses reveal that Health System A's primary value proposition lies in its relatively low costs and broad access, whereas Health System B's value proposition lies in its high-quality care, positive consumer experience, and broad service mix.

Taken a step further, healthcare leaders should consider value proposition relative to three types of customers: patients, physicians, and payers (including insurers and employers). Each of these customer groups functions under different value equations—namely the benefits they hope to obtain given a certain price or cost. As a result, an organization's value proposition will differ for each group. Patients, for example, may be focused on access, price, and the patient experience,

whereas physicians might focus more on access, quality, and the presence of a strong mix of businesses, services, and products.

No business can meet every dimension of value for every consumer. Healthcare leaders should choose where their organizations can excel and where the organizations cannot reasonably expect to compete directly with higher-performing organizations. Ultimately, a healthcare organization's leaders should examine how their value proposition is articulated, asking two basic questions: "Is our positioning sustainable? If not, what needs to change?"

Comprehensive Position Assessment

To shape a truly effective future course for their organizations, hospital and health system leaders first must understand where the organizations currently stand, incorporating deep consumer insights and intelligence. This understanding can be gained through a comprehensive position assessment that covers the traditional areas of market, financial, and operational analytics, with



Source: Kaufman, Hall & Associates, LLC

the support of sophisticated consumer analytics, as shown in the exhibit above.

To better understand healthcare consumers, organizations should analyze and segment patients psychographically based on factors such as their motivations, attitudes, expectations, communication preferences, and wants and needs.

In examining high-cost chronic conditions, for example, one health system analyzed its population of patients with diabetes and found that the primary cost drivers were lack of regular blood sugar monitoring and poor eating habits. Eighty

percent of costs were attributed to two categories of patients—those who are at-risk but tend to avoid routine medical care, and those who receive routine care but otherwise are unengaged and often fail to follow physicians' recommendations. By conducting further research to understand specifically how to interact with and motivate each of these groups to address the issues preventing them from keeping their blood sugar under control, the health system was able to substantially improve health in this population while reducing the need for expensive emergency care and other acute care services.

Healthcare providers also should map consumers' "path to purchase," starting with how a prospective patient makes the initial decision to pursue care and select a provider. The path varies for different patient populations. The decisions of an hourly wage worker on a high-deductible plan, for example, might be influenced largely by cost and the ability to schedule appointments outside of working hours. A salaried employee with a chronic illness, however, might base care decisions more on quality considerations and the ability to ensure continuity of care.

Having robust consumer insights is critical. Organizations require access to reliable data from a variety of sources, including patient satisfaction surveys, qualitative and quantitative research, real-time feedback, analysis of internal patient data, and advanced analytics. Yet the previously cited survey found that many organizations are not utilizing modern tools and methodologies to gain comprehensive consumer insights. Only 23 percent of organizations use advanced analytics to develop consumer insights, and just 34 percent gather real-time feedback from patients.

These statistics put healthcare organizations far out of step with the digital economy, where

companies like Google, Amazon, and Netflix have developed deep consumer insights to help them improve offerings and make multimillion-dollar decisions about new products. Netflix, for example, tracks what programs customers watch as well as when, where, and how they do so, and uses that information to drive marketing strategies and new production decisions. “Because we have a direct relationship with consumers, we know what people like to watch and that helps us understand how big the interest is going to be for a given show,” says Jonathan Friedland, Netflix chief communications officer.^f

Well-Defined, Effective Initiative Set

Armed with solid consumer insights, healthcare leaders can begin to work with internal stakeholders to define organizational goals and targets and the strategic initiatives for effectively achieving those goals.

As part of this process, it is imperative that finance professionals closely review the financial implications of different proposed initiatives. Each should be evaluated individually and in various combinations. This information helps ensure that healthcare leaders are informed and aware of the projected pros and cons of various initiative sets, enabling them to make optimal decisions that will benefit the organization and the communities it serves for years to come.

An effective strategic-planning template looks at value proposition and strategic imperative, and then maps out the timeline for specific initiatives. Ideally, the sequence falls in such a way that each initiative builds upon the next.

For example, initiatives to enhance customer experience might proceed from a current state where customer-relevant information is available

on a limited basis—and only at the health system’s discretion—through five phases, where the targeted ends of each phase are as follows:

- > *End Phase 1.* Selected price lists are available online, and self-scheduling is partially available.
- > *End Phase 2.* Price transparency recommendations and self-scheduling are fully implemented.
- > *End Phase 3.* Simplified billing is implemented, and patient navigation and wayfinding are simplified.
- > *End Phase 4.* All customer-relevant information is available online, and the organization has become a scheduling, price transparency, and navigation/wayfinding leader.
- > *End Phase 5.* The organization provides a hospitality-like patient experience before, during, and after each intervention or interaction with the consumer.

Organizations must turn their focus outward to the consumer if they are to plan effectively for health care’s future, and to stay relevant and grow.

A two-track strategic approach makes sense for most organizations. One track might focus on a high-impact consumer initiative, such as strategic pricing. With such a focus, consumer research could help organizational leaders identify which service lines or sites might be vulnerable to lower-priced competition, and the financial implications of different pricing tactics.

A second track then might focus on building a core capability within the organization, such as implementing a highly effective and quantitatively driven consumer insights function. Developing

^f Carr, D., “Giving Viewers What They Want,” *The New York Times*, Feb. 24, 2013.

such a function is a vital long-term investment that enables healthcare leaders to measure consumer perceptions in association with each element of organizational value (as shown in the exhibit on page 3) in order to design strategies to meet consumer needs.

A Culture Obsessed With the Consumer

Shifting to a consumer-centric planning approach requires a significant shift in mindset. Historically, strategic planning for hospitals and health systems has focused largely inward. These organizations must turn that focus outward—to the consumer—if they are to plan effectively for health care’s future, and to stay relevant and grow. As such, consumer insights will influence all aspects of the strategic plan, from staffing to clinical care delivery to service line planning.

As they undertake this new approach to strategic planning, healthcare leaders also should consider initiatives within the following two general frameworks.

Re-engineer the “factory.” Hospitals and health systems must do the basics extremely well to meet consumer demands for access and efficiency. For example, they must significantly reduce clinical variation, eliminate duplicative sites and services, and rework clinical and operational processes to eliminate unnecessary steps and costs. Common consumer dissatisfiers such as long wait times and confusing websites need to be remedied.

Reimagining growth. Using consumer insights as the fundamental guide for strategic planning will aid healthcare leaders in gaining a broader view of growth. In response to competitors that are encroaching from all sides, hospitals and health systems should expand beyond the traditional focus areas of inpatient and outpatient care. Virtual visits, digital assistants, medical tracking

devices, transportation, and wellness services are only a few of the many features that are part of the healthcare picture for modern consumers.

To make this shift in mindset, healthcare leaders must be prepared to make the needed investments, in terms of both people and resources. They should create a culture of innovation and reward initiative from front-line managers and staff in finding new approaches to meeting consumer needs and expectations.

Ultimately, the consumer should be at the core of an organization’s strategic goals. As Amazon CEO Jeff Bezos says of his company: “We want other companies to look at Amazon and see us as a standard bearer for obsessive focus on customer, as opposed to obsessive focus on the competitor.”^g

Hospital and health system leaders should embrace a similar purpose and mindset, and develop a robust understanding of consumer needs and expectations that informs all aspects of strategic planning. ■

g. Byrne, J.A., *World Changers: 24 Entrepreneurs Who Changed Business as We Knew It*, Penguin Group, 2011.

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