



What's Your Organization's Value Proposition?

Boards and leadership must monitor customer needs and competitor positioning strategies.

As the healthcare field transitions to a business model focused on value and population health, the need for stronger board and management performance is greater now than perhaps ever before. Success in developing and executing strategies is achieved by leadership teams that adjust their overall strategy to align with the imperatives of a very different care delivery environment.

The Consumer-Centeredness Imperative

The core imperative of this new environment is to make customer wishes and requirements central to health and healthcare delivery models. To do so, provider organizations must understand the differing needs of individual consumers, payers and physicians, and the strategies to meet the needs upon which the organization will focus.

Nationwide, many organizations have significant room for learning in this regard. In an October 2016 survey on consumer-centric healthcare conducted by Kaufman Hall and Cadent Consulting Group, 66 percent of respondents said that consumerism was an “above average priority,” whereas only 23 percent said they had the capability to develop the consumer insights needed to understand needs and wants. Only 16 percent were confident of their ability to implement strategies on the basis of such insights.

Achieving customer centricity is not an initiative or a program, but a fundamental organizational competence and the organizing theme for hospital and health system strategy. “Informed intuition” is not adequate to guide providers going

forward. Organizations need a customer strategy that positions them for distinct advantage in the face of growing competition, particularly from nonhospital providers that are making significant inroads in such areas as low-intensity services.

The challenge for all organizations is to determine which combination of positions is compelling to its target market and presents a distinct competitive advantage.

Dimensions of Value

What do customers value? Different customer groups function under different value equations, namely the benefits they hope to gain given a certain price or cost. No business can meet every dimension of value for every customer. Boards and executive teams must make choices with each customer group about where they will be able to excel and where they will not be able to directly compete with higher-performing organizations.

Dimensions of value for healthcare customers typically include a mix of

Dimensions of Healthcare Value

	Business/Service/ Product Mix	Access	Price/Cost	Quality	Customer Experience
Consumers		✓	✓		✓
Payers		✓	✓	✓	
Physicians	✓	✓		✓	

Source: Kaufman, Hall & Associates LLC. Used with permission.

business or service offerings, availability and convenience of access, price or cost, quality and outcomes, and customer experience.

Highest-value elements for individual consumers typically include access, price and experience (see chart on page 62). For payers, top elements may be quality of services and cost. Elements of value for physician customers often include access (i.e., getting the patient into the facility quickly), quality and mix of service offerings, and customer experience (i.e., the operational ease, consistency and reliability of the physician's experience with facility staff). Value elements may vary significantly by service for specific customers. For example, with consumers in need of laboratory testing, access and price may be top of mind; however, for elective inpatient surgery, quality and outcomes may be most critical.

Value Proposition

Business leaders in many industries recognize the importance of a thoughtfully developed value

proposition as part of their business strategy. In a June 2013 *Forbes* article, author Michael Skok writes, "a value proposition is a positioning statement that explains what benefit you provide for who and how you do it uniquely well."

To establish a value proposition with a differentiated position across selected dimensions of customer value, boards and executive teams must thoroughly understand the organization's current position in the market. This understanding can be achieved through a comprehensive position assessment, which includes analytics related to the market (e.g., demographics, use rate trends, payer market characteristics, competitor analysis), operations (e.g., access, cost and quality positions, and service distribution), customers (e.g., segmentation, satisfaction experience, demand elasticity) and financial strength (e.g., credit profile, debt capacity, capital position).

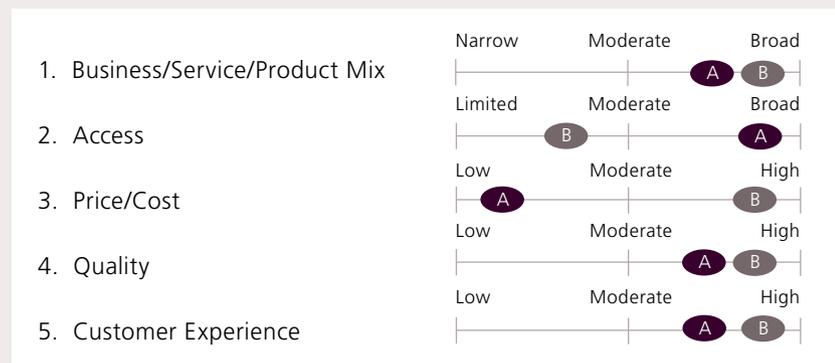
These four analytic segments should be supplemented by research into likely future customer wants and

needs. According to an August 2016 article in *HFM* magazine, many tools are available to gain information about consumer preferences, behaviors and experiences, including the following.

- Customer segmentation: This technique groups individuals into segments on the basis of their needs and how those needs are expressed or acted on. For example, psychographic segmentation, which studies the "whys" of motivations and how to meet those motivations, may identify groups such as "at-risk evaders" and "healthy hesitants."
- "In situ" and exit interviews: In-depth, often in-person interviews occur where the health-care purchase decision or service is provided.
- Experience mapping: This tool involves collecting insights related to the patient experience, mapping the intended patient experience (e.g., what activities should occur during the hospital discharge process) compared with maps of the actual experience.

The combined knowledge gained by current position analysis and future needs analysis helps boards and management teams clearly articulate a desired position for each dimension of value. The challenge for all organizations is to determine which combination of positions is compelling to its target market and presents a distinct competitive advantage. Different combinations are likely to appeal to different customer segments.

The Value Proposition Framework



Source: Kaufman, Hall & Associates LLC. Used with permission.

In a comparison of two organizations within the value proposition framework, health system A's differentiated advantage is its broad access of facilities across the care continuum and low prices offered to its plan members (see chart on page 64). Its tagline might emphasize its comprehensive and affordable coverage.

Health system B's differentiated advantage is its exceptional quality, breadth and depth of services at its large flagship academic medical center. Its tagline might emphasize its ability to provide the highest-quality medical care and treatment for complex conditions.

Both organizations are highly successful, as each has found a value proposition that is compelling to a large enough portion of the market to establish a distinct competitive advantage.

Achieving and Maintaining the Desired Value Position

The board and leadership team define the program of initiatives needed to improve the organization's positioning on value dimensions. The goal is to reposition in a way that leaders believe will meet the needs and wants of the segments the organization wishes to serve. Business development and investment decisions should support that initiative set.

For example, if a legacy health system seeks to provide the broadest possible service offering to become the provider of choice to networks developing in its region, initiatives might include acquiring additional primary care groups, partnering with a wellness provider, right-sizing acute capacity, discontinuing poorly used or uncompetitive services and developing a

post-acute network. To ensure broad access, the health system might build virtual and mobile health platforms, expand its medical group operations and develop urgent care sites.

Initiatives will be competing for scarce capital resources; their strategic and financial impact must be quantified and integrated with the organizationwide strategic financial plan.

As markets evolve and mature, growth opportunities for hospitals, health systems and other providers will emerge from the creation of a compelling value proposition.

Hospital and health system boards and leadership teams must constantly monitor changing customer needs

and competitor positioning strategies and ask themselves the fundamental questions of market relevance: Is our current customer value proposition distinct and relevant, and how will it need to evolve to remain so? ▲



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