

THE ROI OF PATIENT EXPERIENCE

Rising costs of providing healthcare and volatile changes in payment systems and reimbursements all contribute to the challenge healthcare organizations have when it comes to protecting the bottom line. In the past few years, the *Hospital Compare* website and associated *HCAHPS Patient Satisfaction* survey from the Centers for Medicare & Medicaid Services have focused a bright light on healthcare providers' ability to deliver excellent patient experiences. Most healthcare organizations today are making some effort toward specifically improving patient experiences, with 84% of healthcare executives placing "Patient Experience" among their top three priorities, according to a survey conducted by HealthLeaders Media in 2012.¹

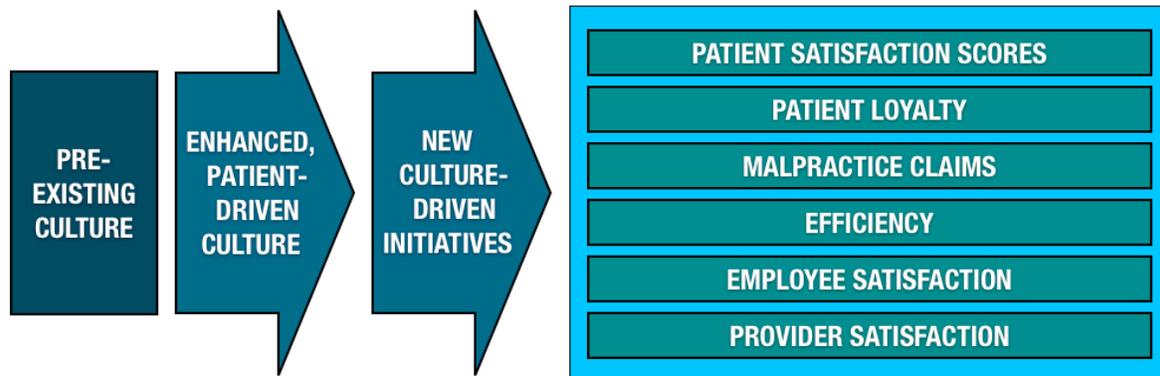
With so much focus on improving patient experiences, some healthcare organizations remain skeptical about the return on investment they can expect to see by allocating resources, especially in light of the emphasis placed on value-based purchasing systems. There must be a more fundamental question asked, however, that precedes an ROI discussion of patient experiences: *Is delivering consistently excellent patient experiences just something we do, or is it a part of who we are?*

The experience patients have with a healthcare organization is the additive effect of multiple factors, including the human interactions, physical environment, operational processes and, of course, the clinical care they receive. All of this has its root in the organization's culture which, by design or default, influences all of the components of a patient's experience. To truly impact patient experiences consistently and "by design," efforts must start by defining your organization's culture... that is, delivering consistently positive, memorable patient experiences must be a part of who you are as an organization. It cannot be an initiative, project or short-term undertaking; rather, a sustained, hardwired effort that will ultimately define: "the way we do things here" for years to come.

This concept of defining "the way we do things here" is like balancing on a three- or four-legged stool, with legs that include the fiscal goals of the organization, the needs of employees, your providers' needs (if not part of the employee group) and, of course, what patients and their family members need and want. Undertaking such a global effort to first define the organization's culture does not carry with it an intrinsic return on investment; it is the resulting culture-driven initiatives that can themselves be drivers of more clear-cut return-on-investment data:

¹ Patient Experience and HCAHPS: Little Consensus on a Top Priority





Organizations that seek improvements by targeting distinct aspects of their operation run the risk of having such efforts become one more “program of the month,” until another research report, management article or idea from a board member takes its place. Without a foundation in and alignment to a clearly defined, patient-driven organizational culture, such initiatives rarely sustain. To become a part of “the way we do things here,” each distinct initiative and effort must make a clear contribution to the organization achieving its ultimate goals, which are inevitably tied to patients’ willingness to return and recommend.

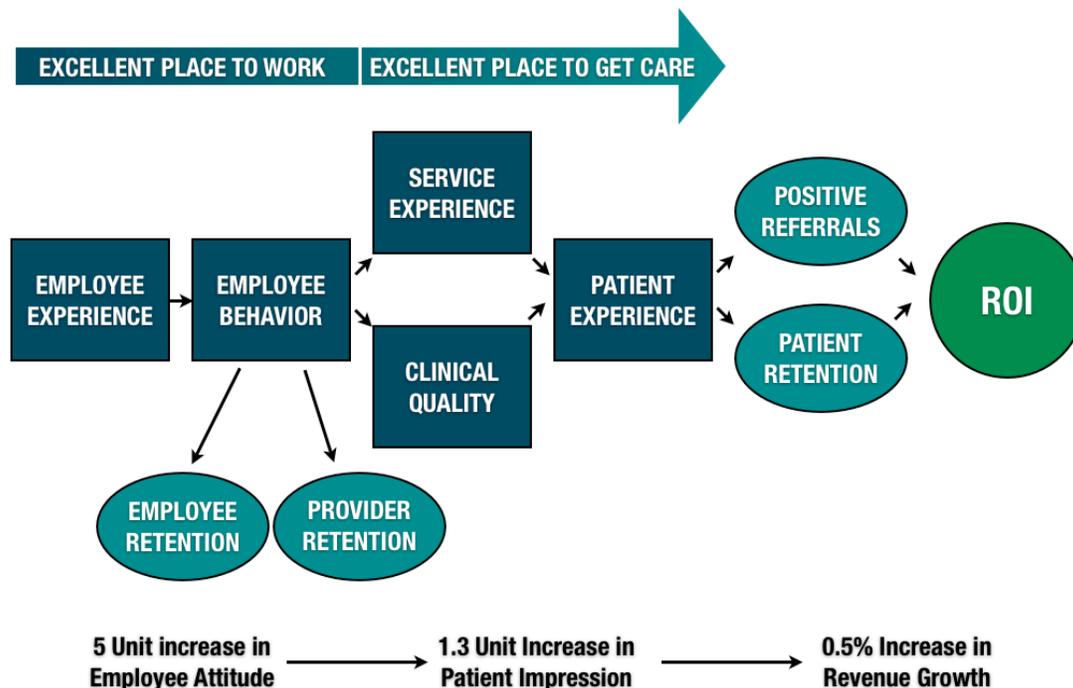
LINKING AN ORGANIZATION’S CULTURE TO PROFITABILITY

In the late 1990s, research at Harvard Business School presented what they called the “Service-Profit Chain.” The thinking was logical and straightforward: Loyal customers who return and recommend will drive profit and growth; loyal customers result when customers are satisfied; customers are satisfied when they receive both a quality product and a positive service experience; quality products and positive service experiences are delivered by satisfied, loyal employees; satisfied, loyal employees are the result of multiple factors, all tied to the employees’ overall experience and driven by the organization culture.

This theory has endured since the ‘90s, and has been validated in multiple industries; however, healthcare has its unique challenges and idiosyncrasies, and this “service-profit chain” needed to be tested in the healthcare environment. In 2009, a study was done that revealed that, in fact, there is a correlation between each of the links in the chain, as it applies to healthcare.²

² NIDA Development Journal, Vol.49, No. 2, 2009.





Based On: Harvard Business Review, July, 2008: "Putting the Service-Profit Chain to Work" by James L. Heskett, Thomas O. Jones, Gary W. Loveman, W. Earl Sasser, Jr., and Leonard A. Schlesinger

Also examined was the specific link between employee attitudes and overall impact on revenue. It was shown that a “5 unit” increase in employee attitude had an increase in the customer/patient impression, and ultimately there was a 0.5% increase in revenue growth.³ With the links of the chain validated in healthcare, and ROI directly correlated with employee behavior, it is clear that a cultural definition for all employees of “the way we do things here” will have a direct impact on ROI.

ORGANIZATIONAL CULTURE TARGETS PATIENT SATISFACTION

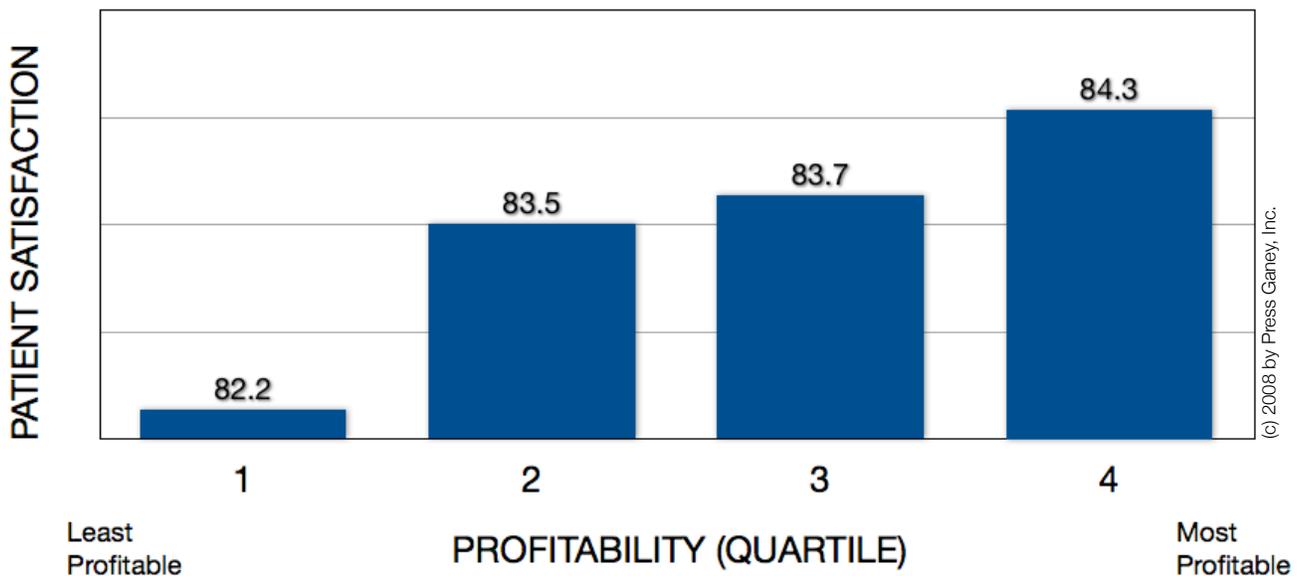
One of the key links in the chain is the patient experience, which drives referrals and likelihood to return. We also know that positive experiences favorably impact patients’ likelihood to establish additional relationships across the continuum of care -- for additional providers and services -- as well as increase compliance to clinical recommendations, thereby improving outcomes and reducing readmissions, all of which have an impact on the bottom line.

While the HCAHPS survey is currently the main survey tool used, due to its reporting link to reimbursements, most healthcare organizations supplement their HCAHPS survey with additional (usually

³ Based On: Harvard Business Review, July, 2008: “Putting the Service-Profit Chain to Work” by James L. Heskett, Thomas O. Jones, Gary W. Loveman, W. Earl Sasser, Jr., and Leonard A. Schlesinger



third-party) survey tools. With “patient satisfaction” one of the critical links in the service-profit chain, it follows that there should be a direct correlation between patient satisfaction and profitability. The Press Ganey organization has done significant research into the link between patient satisfaction and hospital profitability. In 2008, Press Ganey examined hospitals based on their profitability. They divided the hospitals into four quartiles. Not surprisingly, the least profitable hospitals had the lowest patient satisfaction scores... conversely the most profitable hospitals had the highest patient satisfaction scores. The study also showed that as satisfaction increased, so did profitability.⁴



As the Press Ganey study also showed:

“Hospitals with patient satisfaction in the 90th percentile experienced nearly a one-third increase in patient volume or, on average, an additional 1,382 patients per year. For hospitals with patient satisfaction in the bottom 10th percentile, the average volume loss was 17 percent.”⁵

Further, the same study revealed an additional correlation between higher patient satisfaction scores and factors that have a direct impact on healthcare organizations’ financial results, including:

⁴ Healthcare Financial Management Association, *hfm* Magazine, October 2008.

⁵ Press Ganey, “Increased Patient Satisfaction = Increased Volumes” 2005.



- ▶ **Increased patient loyalty** - For every patient who complains, 20 dissatisfied patients do not, and 90% of dissatisfied patients won't return. Rush University Medical Center in Chicago calculated that improved patient satisfaction scores translated to \$2.3 million in additional revenues annually.⁶
- ▶ **Reduced malpractice claims** - A correlation was drawn between patient satisfaction scores showing that each one-point decrease in score is associated with a 5% increase in the rate of risk-management episodes.⁷
- ▶ **Improved efficiency** - Stony Brook University Medical Center in New York linked reductions in length of stay and fewer errors after focusing on patient and employee satisfaction, including a jump from the bottom percentile to the 80th percentile in patient satisfaction.⁸
- ▶ **Increased employee and physician satisfaction** - Increasing internal satisfaction among employees and providers results in increased referrals and volumes, increased staff retention, and reduced turnover costs.⁹

CONNECTING CULTURAL IMPROVEMENT PROJECT OUTCOMES TO RETURN ON INVESTMENT AND RETURN ON OBJECTIVES

With the link between culture-driven internal satisfaction (among staff and providers) and positive financial outcomes established, it remains to be shown how cultural improvement projects like Integrated Loyalty Systems' (ILS) Patient Experience Improvement Process fits into the chain. W. Earl Sasser, a Harvard professor and one of the "Service-Profit Chain" authors stated clearly: "Each of the links in the chain is vital... one can't simply select one or two of the links and focus on them exclusively, and expect successful results."

An effective patient-experience improvement project should, initially, focus its efforts is on the first links in the chain; this helps to define an organizational culture that will create positive experiences for employees and providers, so that they, in turn, can deliver positive, memorable experiences that impact profitability. According to the *Harvard Business Review* article¹⁰, that "first link" in the chain is comprised of elements that are addressed by the ILS Patient Experience Improvement Process as follows:

⁶ Quality Management in Health Care 13, No. 1, 2004.

⁷ Stelfox, H.T., Gandhi, T.K., et. al., "The Relation of Patient Satisfaction with Complaints Against Physicians and Malpractice Lawsuits," *The American Journal of Medicine* 118 No. 10, 2005.

⁸ "Tackling the Capacity Crisis: Successful Bed Management Strategies," *hfm* Magazine, March, 2006

⁹ Press Ganey, "Increased Patient Satisfaction = Increased Volumes" 2005.

¹⁰ Based On: Harvard Business Review, July, 2008: "Putting the Service-Profit Chain to Work" by James L. Heskett, Thomas O. Jones, Gary W. Loveman, W. Earl Sasser, Jr., and Leonard A. Schlesinger



"First Link" Element	ILS Process Impact
physical environment of the workplace	"Graffiti," signage, IDs/nametags, "Look Book"
detailed job description	Define "True North," Operational Priorities, "Localized" Behaviors
employee selection and development	Onboarding process, new-employee orientation cultural redesign
employee rewards and recognition	On-the-spot recognition process, service recovery process
tools for serving customers	Standardized greetings, Human-Clinical-Human model, "Caring Out Loud," "Always" Playbook SM , Cultural Rounding SM

CONCLUSION

With profitability and organizational "success" directly linked to patient satisfaction which, in turn, is driven by employee and provider satisfaction, it is easy to see how the impact of a sustained cultural improvement effort will have a positive impact on an organization's profitability. Of course, many factors go in to the profitability of any healthcare organization; however, with an overwhelming number of executives making the patient experience a priority, it is difficult to imagine how such efforts would not pay dividends.

Client organizations that have used the ILS Patient Experience Improvement Process have experienced positive results. These results do not themselves reflect a positive ROI, however, the additive effect of these efforts, combined with the collateral improvements resulting from the enhanced culture, combine to create an overall impact on the organization that is significantly positive and certainly reflects a worthwhile return on the investment made.



SUPPORTING QUOTES/DATA/RESEARCH

- ▶ "Patients know their physician is listening to them through eye contact, tone of voice, paying attention, asking questions and answering their questions. Listening carefully vs. showing respect – they basically overlap and go hand-in-hand and most agree that listening is a key component of showing respect. Patients would like to have a say in their care. It should be a two-way conversation, not a one-sided lecture."
<http://blog.dssresearch.com/?p=248>
- ▶ "For the 20 patients whose physician sat during a consultation, the comments were overwhelmingly positive (95%), with patients frequently expressing that they appreciated how “the doctor took the time to sit and listen.” In contrast, those who stood got positive reviews far less often (61%), and prompted more critical remarks, such as “I didn’t have time to ask the doctor any questions,” or, “He was in and out of my room before I even knew what was going on.”
<http://healthland.time.com/2010/04/08/patients-more-content-confident-when-doctors-sit-to-talk/>
- ▶ "Research also has shown a correlation between patient experience and outcomes: good experiences and good clinical outcomes tend to go hand in hand."
http://www.cleveland.com/healthfit/index.ssf/2012/06/the_art_of_patient_satisfactio.html?utm_source=dlvr.it&utm_medium=twitter
- ▶ “Meeting the challenges of patient satisfaction has proven not only possible but profitable. Satisfied patients are more likely to return to a hospital the next time they need medical care, and they tell friends and family of a positive experience.
Rave et al. 2003, 159
- ▶ Overall, 80% of patients treated at the best-performing hospitals would definitely recommend the hospital compared to only 55% of patients who received care from the poorest-performing hospitals.
HealthGrades 2011 Patient Experience in American Hospitals



ADDITIONAL READING

- ▶ Patient Experience Leadership Survey: When It Comes To Patient Experience, Executives Are Enthusiastic, Ambivalent, And A Little Clueless
[Http://www.healthleadersmedia.com/pdf/patient_experience/PatientExperienceLeadershipSurvey.pdf](http://www.healthleadersmedia.com/pdf/patient_experience/PatientExperienceLeadershipSurvey.pdf)
- ▶ Looking To Improve Financial Results? Start By Listening To Patients
Improving Patient Satisfaction Can Have A Direct Impact On Your Hospital's Reputation—and Financial Results.
[Http://www.pressganey.com/Documents/research/hospitals/ROI%20Resources/1008_HFM_Hall.pdf?viewFile](http://www.pressganey.com/Documents/research/hospitals/ROI%20Resources/1008_HFM_Hall.pdf?viewFile)
- ▶ Outside-In Approach to Design and ROI of Patient Experiences
<http://www.beyondphilosophy.com/blog/outside-in-approach-to-design-and-roi-of-patient-experiences>
- ▶ Hospital “Team Spirit” Affects Heart-Attack Survival
[Http://abcnews.go.com/Health/heart-attack-care-organization-key-top-cardiology-hospitals/story?id=13133419&singlePage=true](http://abcnews.go.com/Health/heart-attack-care-organization-key-top-cardiology-hospitals/story?id=13133419&singlePage=true)

