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BEST PRACTICES GUIDE

Driving Hospital and Health System Growth Strategy

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INTRODUCTION

Amid the pandemic, health care leaders have been focused on their most urgent priorities – caring for patients, securing staff, and acquiring sufficient supplies. During this time, and understandably so, many aspects of strategic planning had to be put on hold.

But now, questions around growth strategy are gaining momentum. Health care leaders are getting more confident in their ability to pivot in a positive way to the type of growth that's meaningful for both the communities they serve and their organization's overall mission.

Meeting consumers on their terms

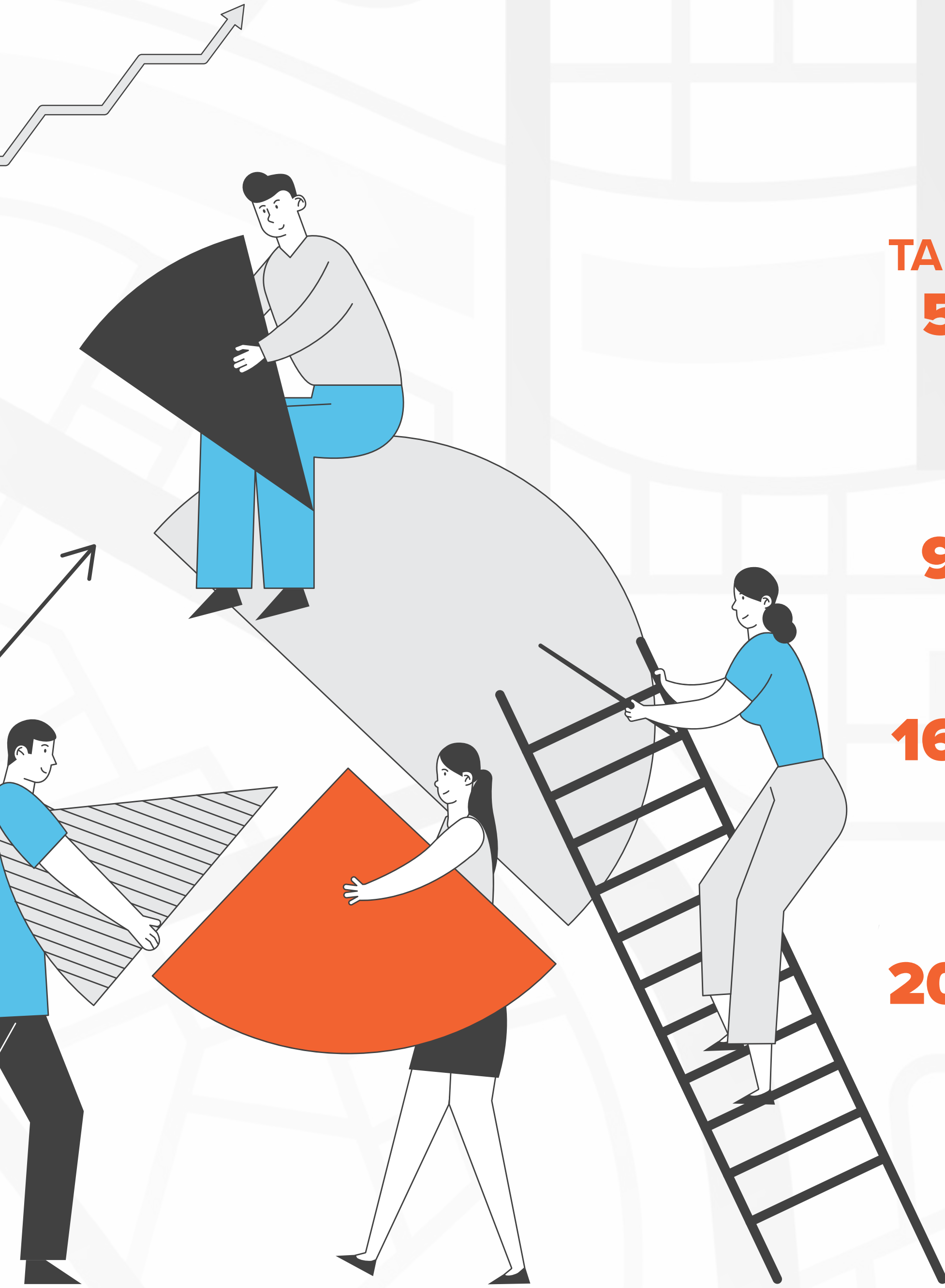
Care delivered in digital environments grew significantly during the pandemic. If consumerism was a trend before 2020, it's a driving force in 2022 and beyond as patients have grown accustomed to the convenience and affordability of meeting their doctor online. Today, health care providers must prepare to reach new consumers and engage current patients with offerings and experiences they have now come to expect, such as online scheduling, telemedicine, convenient locations and self-service offerings.

The pandemic accelerated consumer expectations across all industries for service, quality and convenience and providers must keep up with the pace.

The acceleration of value-based care opens new opportunities

Something similar is taking place on what has until recently been the long march toward value-based care. Until 2020, many organizations were complacent to test and experiment but not commit fully to new payment models. The suspension of primary care visits, elective procedures and most other services suddenly made the predictable cash flow of value-based contracts a real lifeline for organizations that embraced the shift sooner.

Eventually, we will emerge from the pandemic. Our communities and economies will recover. And we will adjust to new realities, including the new and innovative ways technology continues to power our interactions.



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NEW INDICATORS OF GROWTH: MEASURE SUCCESS OF CONSUMER RELATIONSHIPS IN TODAY'S MARKET

BY: KEITH SHAH, SENIOR VICE PRESIDENT, OPTUM ADVISORY SERVICES

Consumer withdrawal, staffing challenges, coverage shifts, M&A activity, new market entrants and disruptions are all threatening profitable growth. These dynamics have forced significant adjustment by clinicians and administrators alike. But they have not altered the compass points of The Quadruple Aim — those still apply.

What has changed is the need for real-time, holistic and in-depth insights into consumer behavior, organizational performance and competitive threats. In today's environment, it's critical to spot risk and opportunity — and then respond quickly.

As we determine where to look for risk or growth indications, let's focus on three areas with respect to the changing dynamics of consumer relationships:

1. How well you engage and understand your consumer
2. How well you facilitate a complete care experience
3. The lifetime value of your consumers

THE METRICS OF CONSUMER ENGAGEMENT

Consumer engagement is paramount to growth. As people face their own economic and safety concerns, they are exploring the virtual and direct-to-consumer options now available in the market. As COVID-19 has proved, consumers will flock to simple, cost-effective, convenient care.

Here are several ways to track, measure and grow consumer relationships:

- **Net promoter score (NPS):** This is an important, foundational method. Consider automating the collection of these scores often — throughout the customer experience via text or email. This approach can show the specific areas where you are at risk. It also pinpoints areas of the customer journey that are doing well and that you could scale or replicate across your system.
- **Customer effort score (CES):** Another key to consumer sentiment, this metric looks at convenience (or inconvenience). It illustrates how hard a consumer has to work to engage with you. It can tell you where you need to adjust to make it easier for consumers to do business. It can also be an indicator for how competitive you are in the market.

THE METRICS OF A COMPLETE CARE EXPERIENCE

Consumers, payers, employers and clinicians are all focused on optimizing cost-effective health services that deliver quality outcomes. But as the care experience spreads into retail, ambulatory and in-home environments, these performance metrics are harder to track and improve.

Providers can use traditional and digital channels, performance dashboards, predictive analytics and data sharing to confirm that their services are competitive, efficient and contributing to a high-performing health continuum.

- **Monitoring and managing quality**: Data analytics tools can measure quality at the physician, team, facility and/or program level. Performance dashboards bring transparency and act as change management support. Physicians can see how their performance compares to their peers and to market benchmarks. Clinical leaders can measure how competitive performance is within their market and focus on improvements needed to drive growth. However, understanding measures in silos does not result in the clear understand of where improvement may be required. It's critical to understand key performance indicators in both the acute (for example, average length of stay) and ambulatory (for example, time to third next available appointment, no-show rate) environments, as performance is inextricably linked.
- **Tracking staff productivity and sentiment:** Serving more lives with existing resources is a strong growth indicator. Increasing consumer engagement in the low-cost channels consumers prefer — such as telehealth, remote monitoring and other digital channels — can increase physician capacity. At the same time, it's important to establish and track standard performance expectations across domains to improve efficiency and set consistent expectations for both clinicians and patients. Finally, monitoring staff satisfaction levels is another valuable dimension for productivity and growth.

LIFETIME VALUE

If you understand the population that you are best suited to serve, you can calculate the lifetime value (LTV) of each. The formula may change depending on areas of specialty, the services you offer and your reimbursement structures. But basically, annual revenue × years of service = LTV.

It's also worth exploring what population you aspire to serve. Different metrics measure different aspects of engagement and experience. Ultimately, you want to pull it all together and define what value means to your organization.

The metrics associated with achieving the lifetime value of your population are all related to relevancy.

- Do you understand their journey well enough to be relevant over the long term?
- Are you the most convenient, affordable option they have?
- Can you engage them at the right time and place with the right information and services that align with their expectations and desires?

If you are tracking and reacting to your consumer metrics and those associated with the complete care experience, the answer to these three questions should be "yes." And as you move forward, this level of tracking will help you spot new shifts in consumer behavior, react to competitive activity and build your organization's ability to continually adapt. ■

TRENDS THAT WILL ADD TO FINANCIAL DISTRESS AT MANY HOSPITALS IN 2022

BY: DAVID WELDON, CONTRIBUTING WRITER, HEALTHLEADERS

COVID-19 cases are skyrocketing, sapping the staff and resources at nearly all hospitals. But this care brings in little revenue, and it comes at the expense of elective procedures that do.

KEY TAKEAWAYS

- COVID-19 care is basically nursing care, not doctor care, and adds little to the revenue generated at any hospital.
- The nation's hospital and ICU beds are overwhelmed with COVID-19 patients, forcing most to delay or cancel elective procedures that can generate welcomed funds.
- Hospitals need new strategies to diversify operations, facilities and locations, and to form partnerships that can help generate profits from non-traditional sources.

As the COVID-19 pandemic continues to surge, this time from both the Delta and the Omicron variants, hospitals and health systems are once again being stressed to the brink. And as bad as things have been in the healthcare sector over the past two years, 2022 could be even worse.

Three financial trends will impact hospitals significantly in 2022. The first two are directly related to the pandemic, and the third is an indirect consequence. Taken together, they spell extreme financial distress for the industry. Some hospitals may find themselves on life support.

“The number one issue that will have a financial impact is the pandemic itself,” says Kristina Wesch, an attorney with Wiggin and Dana who spends the bulk of her time working in the healthcare space, including work on bankruptcies as well as mergers and acquisitions.

“We’re going on almost two years now. Everybody knows that there was a tremendous loss of revenue for hospitals and health systems due to the postponement of elective surgeries. Even now, many people who would be able to have elective surgeries are not feeling comfortable going into a hospital environment and are choosing not to move forward.”

ELECTIVE SURGERIES ARE WAY DOWN, ACCOUNTING FOR SIGNIFICANT LOST REVENUE

The impact of this loss in elective surgeries can’t be understated. Elective surgeries are often the bread-and-butter for a hospital in terms of revenue generation.

“Elective surgeries such as joint replacements and things of that nature are really big revenue generators that health systems and even standalone hospitals are missing out on right now,” Wesch stresses.

In contrast, COVID care is dominating the resources at many care providers, especially with the allotment of ICU beds. The need for COVID care is skyrocketing, but revenues generated by that care are not.

"We hear a lot about how hospitals are overwhelmed and overflowing with patients. It's a little counter-intuitive, but I guess if you don't work in this space you'd be wondering, well, if hospitals are so busy, how could they be financially distressed? But the type of care that COVID patients require generally does not generate high reimbursements," Wesch explains.

The bottom line is that the growing number of COVID patients filling hospitals and care centers are certainly receiving care. But they're not tapping into anything that drives a lot of revenue for hospitals.

Reimbursements are primarily for the hospital space itself. In terms of revenue generated by medical procedures, most hospitals and healthcare centers aren't receiving anything significant, Wesch says. "It's really just keeping airways open, maybe putting a patient on a ventilator, providing medication, making sure they're comfortable, monitoring them, things of that nature. It's primarily nursing care."

While top quality nursing care is obviously important for a patient, it isn't quite so good for the health of a hospital's bottom line.

CONSUMERIZATION OF MEDICINE WAS ALREADY DILUTING REVENUE STREAMS

The loss of revenue-generating procedures during the pandemic would be bad enough, if it weren't for another trend that was already underway – the consumerization of medicine and the growing shift to outpatient settings.

"For hospitals and health systems that weren't prepared for that, it's a big loss of revenue-generating opportunities if they don't have ambulatory surgery centers, urgent care, or walking care centers," Wesch says. After all, many patients don't have a particular loyalty to a specific hospital. They just want instant healthcare gratification.

"So providers that were focused more on a traditional model might have lost out on those higher profitability factors by not having diversified in time," Wesch explains. "Maybe before there were hospitals that were reluctant to acquire more ambulatory surgery centers or affiliates, or even open their own urgent care centers. But the pandemic has really driven home the point that you need to shift to these outpatient settings in order to generate revenue."

HOSPITALS NEED TO DIVERSIFY OPERATIONS AND LOCATIONS

In addition to the need to diversify where care is provided, hospitals and healthcare centers also need to diversify operations if they are to increase revenue generation, Wesch believes.

“We’re seeing a lot of that, where hospitals and health systems get into spaces that may be related, but not considered traditional in the past,” Wesch explains. Examples include getting into the payer space, tackling insurance-type transactions with tech startups, and partnering with pharmacy management companies.

In terms of mergers and acquisitions, there is a great deal of interest in these activities now, Wesch says, but the pandemic has slowed down the ability to make many of the deals happen.

“Where I am in New York, from a regulatory perspective, things have really slowed down because of the pandemic. The Department of Health is overwhelmed, but there’s still a lot of interest,” Wesch says.

“We are seeing providers that want to affiliate, but we’re also seeing a lot of different types of transactions that going back three or five years ago we really didn’t see very much,” Wesch continues. “I think they tie back to the shift to outpatient settings and the need to diversify. So we’re seeing hospitals and health systems take advantage of non-traditional parties that may not be care providers, such as private equity firms.”

MAKING PROGRESS STARTS WITH CANDID SOUL-SEARCHING

Whichever strategy that a hospital or health system favors, there is a commonly used expression that sums up the first step in overcoming financial distress: “physician, heal thyself.”

For hospitals that are already in financial distress, Wesch recommends that they focus on the following:

> Look at your lenders, not as the enemy, but as a partner that might help get you to the place that you need to be.
> Consider potential opportunities for expansion, either with new business lines or by providing more outpatient care.
> Conduct a critical analysis of what is broken in your organization, and what is within your control to fix.

“Obviously, we have to treat COVID patients, and we can’t fix the fact that they’re not going to generate a tremendous amount of revenue,” Wesch says. “But really getting a handle on what is threatening your business plan. Seeing with fresh eyes what works and doesn’t work is often a much better strategy than just jumping into something new.”

In the midst of all this change and challenges, the burden is squarely on the healthcare CFO to review their organization’s business plan on a regular basis. The CFO needs to ensure the business plan is aligned with the current reality and to make sure that the goals are either being met or that they are restructured in such a way that they’re achievable, to help the system become profitable or remain profitable, Wesch says.

THE NEED TO BRING IN OUTSIDE HELP TO RIGHT THE SHIP

The unfortunate reality for some hospitals and health systems is that, no matter how they look at it, the best financial option for the organization is to bring in outside help and to restructure.

It's really hard to convince officers and directors to spend more money, but hiring outside expertise that specializes in hospital turnarounds can be a great resource, Wesch stresses.

"Sometimes, what I see in giving restructuring advice to providers is that maybe they jumped into some new things and they weren't successful. They're generating revenue, but they're not getting the maximum bang for their buck, because they still have business lines or operational inefficiencies that are causing them to run at a deficit overall," Wesch explains.

"It's a great strategy to expand if you're aware of the legal and compliance consequences, and all the other things that could be hidden costs when you do diversify. There are tons of great outside advisors who can come in and give hospitals a deep dive into what's going on and what can be fixed, or if something should be eliminated," Wesch continues.

"Obviously, I'm a big proponent of the outside consultants that come in and look at your overall record," Wesch acknowledges. "A good place to start is to conduct a compliance review before you start bringing professionals into your business. Make sure that all of your issues are being addressed from a compliance perspective, and that you don't have any issues that may sidetrack you being able to successfully reorganize or restructure, whether in or out of bankruptcy."

Finally, "don't be afraid to pay a little bit of money for your financial advisors or accountants or whoever you rely on. Let them come in and give you some business advice on restructuring options, because that's usually well worth the money," Wesch says. ■

THE FOUR MOST IMPORTANT MARKETING QUESTIONS EVERY HEALTHCARE LEADER SHOULD BE ASKING

BY: DANIEL FELL, MARKETING STRATEGIST, OPTUM PROVIDER ANALYTICS GROUP

Discussions about marketing and attracting new patients often focus on promotional tactics like advertising, digital engagement, and social media. While these can all be important tools in the marketing toolbox, they aren't the most important elements of marketing success.

To drive sustainable growth, healthcare leaders need to better understand the consumers and patients they currently serve, and leverage analytics and insights to build a truly data-driven marketing organization.

Healthcare organizations must become more consumer-centric to thrive in the rapidly changing marketplace, and marketing analytics holds the key to unlocking that potential. The good news is that there is more market data, more consumer data, more patient data, and more real-time marketing data on which to generate strategic and actionable insights than ever before.

Here are four essential data-centric marketing questions every healthcare leader should be asking:

Who are our most important customers?

Few organizations are successful trying to be all things to all people. Even those that serve very diverse audiences or broad geographies, understand that their underlying success is tied to attracting and keeping certain customers. These may be the ones who value your services the most, or derive the most benefit, or remain the most loyal. Or they may be the ones who generate the most revenue or are the most profitable and that profitability may be essential to fulfilling a broader mission – as is often the case with non-profit organizations. They may also be the ones who refer the most patients to you and having better **visibility into referral patterns** may provide key insights for growth. Understanding who your most valuable customers are is essential to financial success and differentiating your brand in the market.

What do we know about our current customers?

Knowing something about your patients (beyond just what they came in for) is the second most important insight you can develop. How did they research their condition and care options? Which factors were important to them in choosing a provider? What process did they go through to select you over your competition? Are they more proactive with their healthcare or do they need more support and encouragement? What communications channels do they prefer to use? Are they generally healthy or likely to have ongoing healthcare needs? This data is easy to compile on patients today. And knowing your patients more intimately allows you to customize the services you provide and personalize your communications with them.

How do we ensure our current customers continue to choose us?

Knowing your patients at a deeper level ultimately enables you to deliver a better overall experience. At the same time, **clinical and financial analytics** can help improve outcomes and care coordination. This can all lead to higher satisfaction, greater loyalty and greater retention rates. Recently, healthcare research firm Professional Research Consultants found that patients who rated a provider "excellent" were up to four times more loyal than those who rated them "very good." And they have shown a similar lift in "likelihood to recommend" – one of the strongest indicators of loyalty. The data and deep insights, combined with powerful tools like a customer data platform (CDP) and digitally-driven patient engagement strategies, can help facilitate stronger connections and lead to better overall patient retention.

How do we attract more of the right customers?

The final element of building a data-driven marketing organization is the focus on **acquiring new customers** with the goal of achieving maximum growth through the most cost-efficient means possible. That means being highly targeted and more measurable. Augmenting your data with things like predictive analytics around the healthcare needs of consumers in your market. Building personas and target customer profiles of who the more persuadable or "likely to switch" consumers are in your market allows you to craft mire personalized messages. And finally, distributing them in highly precise media channels and optimizing the campaigns in those channels frequently provides better engagement and conversion rates. Deploying precision marketing in this way makes marketing more effective, and ultimately more cost efficient.

To thrive in an increasingly consumer-centric marketplace, healthcare organizations need to act more like consumer-driven brands. That means focusing from the inside out to better understand your current customers and patients. And building stronger and longer-lasting personal relationships that ensure your best customers remain loyal, refer friends and colleagues, and continue to choose your brand. Finally, it means leveraging better data and insights to drive more cost efficient and effective marketing programs that guarantee more measurable and consistent growth of new customers. ■

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PRECISION MARKETING CAMPAIGN YIELDS 474:1 ROI FOR ADVENTHEALTH

BY: OPTUM

When the pandemic hit in early 2020, financial losses for healthcare organizations were drastic.

“We were essentially hemorrhaging as an industry. In the course of four months, from March to June, it was estimated that the health care industry was losing about $50 billion a month,” says Jason Brown, CEO and Chief Strategy Officer at the marketing firm, Brown Parker & DeMarinis (BPD).

While the cavalry soon arrived in the form of three COVID vaccines, the virus has continued to disrupt operations, most recently due to a surge fueled by the Delta variant. Many health systems are now struggling to determine how they will regain their financial footing in its wake.

A “game changing,” precision marketing approach that helps to identify the most receptive consumers and engages them with personalized messaging, may help organizations do just that. Representatives from AdventHealth and its marketing partners, Optum and BPD, recently discussed this approach during the HealthLeaders Marketing Now Online Summit for Effective Marketing webinar.

SLIPPING MARKET SHARE

Even before the pandemic, AdventHealth, a 49-hospital system based in Central Florida, was feeling the pressure from an influx of competition and a light flu season resulting in declining ER volume, says Sharon Line Clary, vice president of strategic marketing & communications for AdventHealth. As the marketplace grew more crowded, so did the marketing space.

"We could no longer approach our marketing strategy like we did in the past. We had to find a way to break through the clutter," says Line Clary.

The organization decided to pilot a precision marketing campaign designed to speak directly to the people who were most likely to use their services, says Anthony Cadieux, executive director of digital marketing strategy for AdventHealth. But they needed digital tools and help from marketing partners to make the leap.

"Cue Optum, which offers incredible visibility across the market to help you identify your best prospects," says Cadieux. Optum's detailed insights helped to identify people in the market area who were most likely to align with key hospital services and to create tailored messaging to turn them into customers.

Optum and BPD mined digital data to prioritize 850,000 people, dividing them into 11 specific cohorts, such as young singles without a primary care physician, married individuals with kids, very sick people with more than two or three diseases requiring complex and difficult care, and people of all ages suffering from unexplained stomach and abdominal pains.

BPD then designed unique messaging for each group, taking into account clinical needs, gender, language and culture, which were delivered to people using their preferred media channels at the times they were most likely to see it.

SEEING RESULTS

The campaign ran for six months, from October 2019 to March 2020, and was not only focused but nimble. "During the campaign we were optimizing and when people weren't responding we were changing the message and continually looking at it," says Line Clary. "We had tremendous results."

The campaign directed 134,000 patients to AdventHealth, rather than competitor's emergency departments, during the six-month period, says Cadieux. In terms of total net revenue, the return on marketing investment was a $474 return for every marketing dollar spent.

LESSONS LEARNED

If your organization is interested in embarking on a similar approach, there are several factors to consider.

Cost. A campaign like this will require an initial budget of up to $250,000 to install the platform to obtain consumer data, and another $250,000 minimum to run the campaign itself, says Brown. "It's not cheap, but as you can see from the results it's also not expensive," he says.

Time. A campaign should last at least six months, ideally 12-months, to be effective.

Flexibility. A precision marketing campaign can be adjusted or turned on and off at any time, says Line Clary. But to do this effectively it requires ongoing monitoring.

Access. Campaign success can be tracked in real time based on patient revenue, but the organization needs to grant access to this information to do so.

Keep in mind, that this is not your traditional marketing approach, so be prepared to learn as you go. Done well, precision marketing can not only help your organization shore up financial losses from the pandemic but may also help to better position your organization for future growth. Adopting a laser focused approach to marketing by reaching out directly to your most likely customers and engaging them in with personalized messaging can provide better results with less wasted effort.

To hear the full conversation, gain access to the **on-demand webinar**.

At Optum, we are a leading health services innovation company dedicated to helping make the health system work better for everyone. We create simple, effective and comprehensive solutions for organizations and consumers across the whole health system by integrating our foundational competencies of consumer experience, clinical expertise, data and analytics, and embedded technology into all Optum services. By understanding the needs of our customers, members and patients and putting them at the center of everything we do, we will achieve our aspiration of improving experiences and outcomes for everyone we serve while reducing the total cost of care.