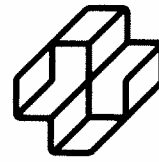


Managing the Margin



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Using Price as a Marketing Tool

By Anthony Cirillo

Price packages for preventive care give you an opportunity to create relationships with patients before they have a major medical need.

American hospitals have a problem with price. It seems as though foreign hospitals, many Joint-Commission-International-accredited, can provide a price on the spot. Need a facelift in Thailand? Cost: \$4,134. Need carotid artery surgery in India? Cost: \$5,100. Need a coronary artery bypass graft in the United States? Wait a minute, I have that price somewhere. Let me call you back.

The whole issue of price transparency has become a public relations issue. There is a need to drive the industry to transparency, but frankly, the issue is much too complex. At the end of the day, for the insured, the question is, "What's my deductible?," and for the uninsured, "What's my price, and do I qualify for charity care?"

It's time to invert the pyramid. Hospitals are paid for episodes of sickness. Insurers profit from a well population.

Whether or not you are being paid for preventive care from insurers, there is profit in prevention.

Developing Preventive Medicine Packages with Value

Consider the growing number of people in high-deductible plans. Recent federal legislation expands the amount you can deposit into a health savings account even if the actual deduction for the health plan is lower. Much of the cost of this population's screening services is going to come out of their pockets. And they may consider more preventive services with the extra money they have in their pockets. Consider the uninsured with means—those who have elected to be uninsured. Eight percent earn \$75,000 or more a year. They are gambling with their health, for sure. But they are betting the odds that they will stay healthy, and they will pay for preventive care after shopping around.

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There is a mobile screening service with JCAHO accreditation making its way around the country, stopping at corporations and at drugstores. The service offers a "heart prevention package"—echocardiogram, electrocardiogram, and arterial stiffness index ("hardening of the arteries") test—all for \$135. The service's stroke and aneurysm package costs just \$95. Act now and get all six plus an osteoporosis screening for \$179. Oh, and you can schedule online!

Then consider the company *My Medical Control*. This company brings sophisticated medical claim evaluation and settlement tools to obtain additional savings on claims from medical providers. It claims to know the lowest rate a hospital has already accepted for a given service, and the company will negotiate a better rate on the consumer's behalf for a 35 percent commission on the money saved.

Bring Marketing into the Fold

In most industries, marketing helps use price as a strategic advantage. Sophisticated marketers will tell you two reasons why loss leaders are valuable:

- > You may be losing some incremental business because of competition.
- > You are missing an opportunity to build a relationship.

With hospital services, you are marketing something people do not want—but when they need those services, your hospital had better be on their radar screen. Bringing people in for screenings gives you an opportunity to deliver an exceptional experience on the first encounter. That will be remembered. Price packages give you an opportunity to create relationships with patients before they have a major medical need.

Use the first experience to collect data. Data collection is one of the main benefits of customer experience management. Use the first encounter to collect meaningful

data about the person seeking care. Move beyond demographic information to collect data about influence behavior and interests. Have customers opt in so you can market to them later.

Don't miss out on an opportunity in corporate wellness. Forty-four percent of companies offering health promotion activities report a reduction in healthcare costs. Fifty percent realize a decline in absenteeism, and 56 percent see an increase in productivity. The message is simple: "Dear CEO, our organization can help your company decrease healthcare spending, reduce absenteeism, and increase productivity by bringing a systematic approach to wellness to your workforce." Who better to design corporate wellness programs than hospital or healthcare professionals? Still, many large companies that have built on-site fitness facilities or started in-house programs outsource this activity to the fitness industry, not health care. Your prevention packages can be your entrée.

Crafting Defined Preventive Packages

There is no deep mystery here. Most hospitals market around service lines. Put a package of very defined services together as entrees into each service and market to the out-of-pocket, cash-paying public. Vary the packages to attract different segments. Let's take one example, the cardiology service line, and work through options.

Determine which prevention screenings you could offer by service line. Price the packages so they would not cost more than the amount an individual can earmark in an HSA to pay for healthcare services (currently around \$2,850 for an individual).

Package the services in a logical fashion and market multiple sets. Use the patient diagnostic experience as a guide. Consult with your physicians in developing these packages and marketing to potential customers. Offer a free, online health

assessment that customers could complete for free. Next, point the consumer toward a more advanced health assessment that could cost \$25. Then, target the customer for blood tests or other noninvasive screenings, depending on the customer's health needs and potential risk factors that were identified in the initial health assessment(s). For example, cardiac blood screenings, which might include a heart failure screening, could be offered as a package for \$400 (based on a brief scan of prices available on the Internet); a cardiac scoring test could be offered for \$250 as a high-end single test that falls within the deductible. A chest X-ray (\$150) and a pulmonary function test (\$350) could be offered as next-level screenings, while some other noninvasive procedures—such as an echocardiogram, EKG, and ASI—could be priced as a group. (Can you match the \$135 example cited earlier?) Advanced screenings such as stress echo, cardiac MRI, and stress

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set a primary goal of reducing postoperative complications and mortalities at RCH by 20 percent. Secondary goals and objectives included:

- > Reduce cancellations for same-day surgeries
- > Reduce inappropriate diagnostic tests and increase appropriate tests
- > Improve the correct level of care placement for postoperative patients

Implementation Strategies

The team used the rapid cycle Plan-Do-Check-Act methodology to improve patient care in the surgical population. Orthopedics and ear, nose, and throat preoperative patients were selected for pilot testing, as these cases tend to be scheduled long before the surgery is performed.

RCH made a number of system and process changes through the creation of a preoperative anesthesia clinic, pertinent preoperative history and physicals, and participation in the Surgical Complication Improvement Project, a national quality improvement project.

Preoperative anesthesia clinic. The creation of a preoperative anesthesia clinic allows preoperative nurses to meet with elective surgery patients a week or two before surgery to complete an assessment, provide instructions, and order necessary diagnostic testing. Patients also are directed to admitting to complete their preadmission paperwork.

The preoperative clinic focuses on patients with chronic and acute preexisting cardiac and respiratory conditions. The goal is to mitigate any adverse patient outcome.

RCH is able to evaluate preoperative patients' perceptions through a brief, online healthcare questionnaire that generates a hospital-specific set of recommended guidelines. The online program produces a history and physical, recommended testing, an American Society of Anesthesiologists score, and recommended consultations.

The multidisciplinary team also created new order sets, a revised admission packet, and a new

anesthesia and surgery information booklet and educated physicians' office staff.

Pertinent preoperative history and physicals. RCH provided physician education regarding the importance of accurately reflecting surgical patients' conditions and comorbidities in the preoperative history and physical, and establishing a plan for postoperative management based on the needs of each patient. The hospital offered both individual physician education and group educational forums, such as continuing medical education programs for primary care physicians and surgeons.

RCH also standardized anticoagulation practices by creating an ad hoc committee to develop preoperative and postoperative order sets, including evidence-based deep vein thrombosis prophylaxis.

Participation in the SCIP. During creation of the preoperative clinic, the team also began collecting and tracking the SCIP data to measure key surgical processes known to contribute to surgical complications.

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EKG may not fall within this pricing structure and therefore should be left out.

Next, set up the infrastructure for delivering a great experience. Let patients register online. Provide transportation as needed. Have a dedicated staff for these prevention services. Appoint a concierge or navigator to help shuffle the patient through the system. Deliver results immediately as available. Map out the scenarios that will take place after results are obtained. Post results securely online for the patient and their physician. Allow for the acceptance of HSA debit cards, online bill pay, and online balance checking. Once you have the package, market the hell out of it.

The Train Has Pulled Out. Jump Onboard.

One of the arguments against consumer-directed health care is that there is a

financial incentive that high-deductibles create to delay care. Delaying care could mean sicker and more costly patients for insurers down the line. Insurers are already receiving fewer premium dollars on the front end, and they can't afford to pay more on the back end for higher acuity experience. So there's growing support for more comprehensive preventive care.

The key is value, not price, and value is defined by the needs and desires of consumers. People will be willing to pay more for a package of services that meets their needs just as they will pay more for Starbucks coffee than for making it at home. Starbucks can charge a higher price because they offer a range of products and an experience based on asking customers what they want and delivering it. This type of service creates a buzz in the coffee-drinking community.

Healthcare marketers need to be more strategic, and hospital CEOs need to start rethinking the skill sets needed in this area. The need to "see yourself in the paper" is going to be replaced by the reality that the millions of dollars hospitals are throwing away on traditional advertising are making the advertising agencies rich and contributing to the huge healthcare costs in this country, when they could be used more effectively for revenue-producing initiatives that make communities—and hospital margins—healthier. ☞

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