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looking to improve financial results?
start by listening to patients



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Improving patient satisfaction can have a direct impact on your hospital's reputation—and financial results.

AT A GLANCE

For healthcare organizations, the rewards of assessing patient, employee, and physician satisfaction can include not only increased utilization and reduced employee turnover, but also:

- > An enhanced reputation in the community
- > Increased patient loyalty
- > Reduced malpractice claims
- > Greater efficiency

The rising costs of providing health care and the changes in payment systems are having an obvious impact on hospitals' bottom line. The Centers for Medicare & Medicaid Services (CMS), for instance, no longer reimburses the additional costs associated with certain hospital-acquired conditions and is transitioning from the current Reporting of Hospital Quality Data for Annual Payment Update system to a pay-for-performance or value-based purchasing program.

The value of patient surveys has taken center stage with the public reporting of patient satisfaction data. CMS's emerging value-based purchasing bases reimbursement in part on the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS)[®] survey. Portions of payments will begin to be directed to those hospitals that provide the best care and have the highest patient satisfaction.

Healthcare financial leaders are realizing the importance of listening to patients. Greater flexibility in treatment options and new quality and transparency initiatives will place more power in consumers' hands. However, patients need more information than is available in HCAHPS. According to Redge Hanna, director of service performance for Emory Healthcare, Atlanta, "We try to measure everything we do, by looking at what we do and how we do it at the same time. That essence does not always come through in the HCAHPS survey" (Larkin, M., "Quality—Is HCAHPS Enough?" *HealthLeaders*, March 12, 2008).

In a 2008 national survey of hospital executives, the three major reasons respondents gave for organizations' focus on patient satisfaction were to improve quality of care (47 percent of respondents), measure loyalty

(26 percent), and increase market share (13 percent) (2008 Press Ganey Client Survey). Indeed, there are multiple returns from improving patient satisfaction: enhanced community reputation (and future volumes), increased patient loyalty, reduced malpractice claims, improved efficiency, and greater employee and physician satisfaction.

Enhanced Reputation

There is no doubt that increased transparency will increase competition among hospitals and draw the attention of board members. But what differentiates two hospitals is not only their scores on quality measures; it is also their reputations in the community and the loyalty of their patients. These factors influence not only consumer choice but also where physicians send their patients and whether current employees recommend their hospital for employment.

“I think the one lesson I have learned is that there is no substitute for paying attention.”

—Diane Sawyer, ABC television anchor

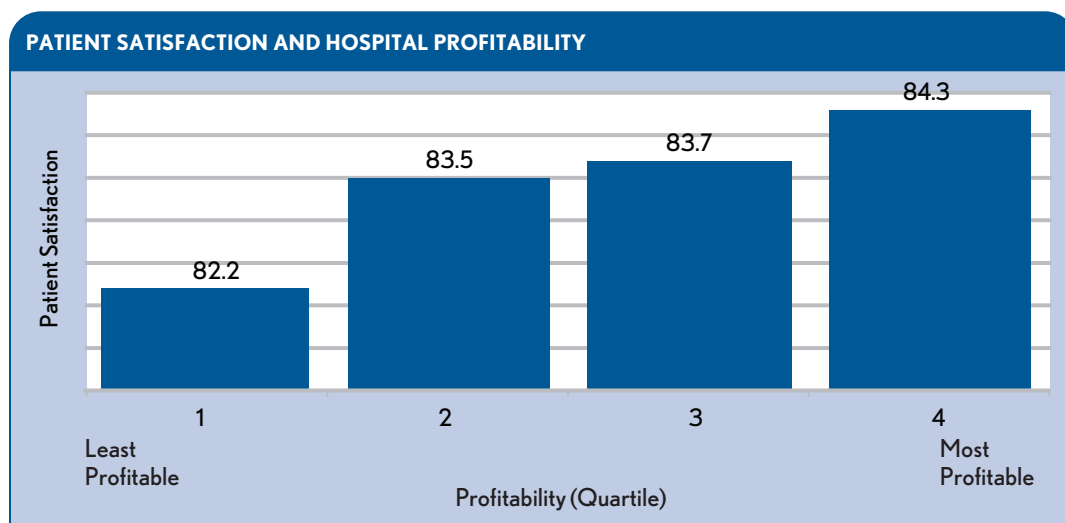
The fact that hospitals with consistently high levels of patient satisfaction are also consistently among the most fiscally successful is not a coincidence. As the graph below shows, the most profitable hospitals generally have the highest levels of patient satisfaction, while the least profitable hospitals often have the lowest.

Reputations are built over time as word of mouth spreads through a community. A major study analyzed patient satisfaction in 1999 and then the subsequent changes in patient volume experienced between 2000 and 2004. The results were stunning. 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 (Press Ganey, “Increased Patient Satisfaction = Increased Volumes,” 2005).

Increased Patient Loyalty

Patient loyalty translates into serious revenue gains. By improving patient satisfaction, providers increase future patient volumes through existing patients and their personal networks. On the flip side, for every patient who complains, 20 dissatisfied patients do not. Of those dissatisfied patients who do not complain, 90 percent won't return. Rush University Medical Center, Chicago, calculated that improving patient satisfaction scores resulted in \$2.3 million in additional revenues annually from repeat customers (Garman, A.N., Garcia, J., and Hargreaves, M., “Patient Satisfaction as a Predictor of Return-to-Provider Behavior: Analysis and Assessment of Financial Implications,” *Quality Management in Health Care* 13, no. 1, 2004).

The traditional measure of patient loyalty is to ask patients how likely they are to recommend the



In research conducted by Press Ganey, hospitals were divided into four groups (quartiles) based on their profitability. The least profitable hospitals had the lowest patient satisfaction scores (out of 100 points); the most profitable had the highest patient satisfaction. As patient satisfaction increased, average hospital profitability increased.

facility to others. However, loyalty metrics are simply indicators; they do not cause growth. Identifying and understanding the many touch points at which providers and patients interact—especially behaviors that increase patient trust and confidence—lead to a better understanding of opportunities to improve the patient experience and build loyalty.

Reduced Malpractice Claims

Improving patient satisfaction also can have a direct impact on financial results through a reduction in the number of malpractice claims.

With an average of nearly \$4 billion in paid malpractice claims each year and average payments of more than \$300,000, the impact of malpractice on the fiscal health of healthcare organizations is clear (Kaiser Family Foundation, “Payments on Medical Malpractice Claims, 2007”). The bottom line is that satisfied patients are less likely to seek litigation.

“No man ever listened himself out of a job.”
—Calvin Coolidge, former U.S. president

There is a significant association between patient satisfaction survey ratings and risk management episodes. Each one-point decrease in score is associated with a 5 percent increase in the rate of risk management episodes (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).

A study of a 62,000-visit emergency department (ED) and level I trauma center found that patient complaints decreased by over 70 percent from 2.6 per 1,000 ED visits to 0.6 per 1,000 ED visits following customer service training, and patient compliments increased more than 100 percent from 1.1 to 2.3 per 1,000 ED visits (Mayer, T.A., Cates, R.J., et al., “Emergency Department Patient Satisfaction: Customer Service Training Improves Patient Satisfaction and Ratings of Physician and Nurse Skill,” *Journal of Health Management* 43, no. 5, 1998).

North Mississippi Medical Center (NMMC), Tupelo, Miss., the largest rural hospital in the United States, was the 2006 healthcare recipient of the Malcolm Baldrige National Quality Award. NMMC’s approach to cost-based care management has yielded cumulative savings of \$11.1 million since 1999, largely as a result of reducing practice variation and medical complications. Along with increased patient, physician, and employee satisfaction, NMMC has reduced patient complaints, claims, and professional liability expenses.

“Patients who are more satisfied are less likely to sue. Period. All studies of malpractice claims show the same result. Communication is the key to the vast majority of suits. Anger, not injury, is the trigger for most claims. ... Empathy and good interpersonal skills prevent malpractice claims” (Press, I., *Patient Satisfaction: Defining, Measuring, and Improving the Experience of Care*, Chicago: Health Administration Press, 2002, p. 21).

Greater Efficiency

Efficiency and productivity are closely linked with patient satisfaction as well. Improving patient satisfaction involves removing bottlenecks that are frustrating to patients as well as staff. Increasing patient flow also can have a drastic impact on functional bed capacity and help manage overcrowding.

Stony Brook University Medical Center, Stony Brook, N.Y., found significant reductions in length of stay and fewer errors with increased patient and employee satisfaction. ED patient satisfaction increased from

In today’s healthcare landscape—where dollars are harder to come by and the stakes are higher—healthcare leaders cannot afford *not* to improve patient satisfaction.

LISTENING: A WINNING QUALITY

The Malcolm Baldrige National Quality Award is the premier recognition of an organization’s achievements in quality and performance.

Following are several qualities that healthcare recipients of the Baldrige award have in common:

- > They recognize the impact of employee and patient satisfaction on all aspects of the care they provide.

- > They incorporate the needs of employees and patients into their mission, vision, and values.
- > They regularly report patient satisfaction scores and other quality measures to keep the entire organization apprised of its performance.
- > They actively seek out the needs, expectations, and opinions of employees and patients to improve the quality of care.

the bottom percentile to the 80th percentile after implementing a full-capacity protocol whereby patients awaiting admission are transferred to beds in acute care hallways when the ED is at full capacity (“Tackling the Capacity Crisis: Successful Bed Management Strategies,” *hfm*, March 2006).

Lourdes Hospital in Binghamton, N.Y., experienced a 16 percent increase in ED volume. At the same time, the average number of patients who left before being seen decreased from 3.2 percent of the total volume per month to 0.3 percent, and length of stay for less acute patients decreased by an average of 67 percent. In addition to setting increased expectations for customer service and staff accountability, Lourdes Hospital improved processes for tracking patients and instituted training to improve staff interactions with patients (Press Ganey Success Story Finalist).

Without strong patient and employee satisfaction programs, providers will lack the critical information needed to improve efficiency and solve overcrowding problems. “In many ways, patient and employee satisfaction are ... indicators to look for as an early warning system. When patients and employees begin to express

dissatisfaction, it typically requires a review of operations and the patient flow process” (Rave, N., Geyer, M., et al., “Radical Systems Change: Innovative Strategies to Improve Patient Satisfaction,” *Journal of Ambulatory Care Management* 26, no. 2, 2003).

“The greatest compliment that was ever paid me was when one asked me what I thought, and attended to my answer.”

—Henry David Thoreau, *American philosopher*

Patients provide a critical voice in an organization’s operations. By listening for opportunities to improve, providers can increase efficiency and productivity while building patient satisfaction and loyalty.

Increased Employee and Physician Satisfaction

Improving patient satisfaction increases loyalty, which increases utilization. Likewise, attending to physician concerns and improving physician satisfaction increases referrals and patient volumes. Improving employee satisfaction increases employee engagement, which increases staff retention and decreases turnover costs.

REVIEWING THE NUMBERS: PATIENT SATISFACTION PAYS

Improving patient satisfaction has a clear and direct impact on organizational results:

- > For a hospital with annual revenues of \$120 million, improving patient satisfaction generates an estimated \$2.2 million to \$5.4 million in additional revenue every year.

- > For every 10 patients who complain to hospitals, there are up to 200 who do not and will tell their family, friends, co-workers, and physicians.
- > For every lawsuit avoided by improving patient satisfaction, hospitals save approximately \$53,000 in costs to prepare cases and \$173,000 in payments.

Source: Press Ganey ROI Calculators. Used with permission.

Successful healthcare organizations measure and improve on the things that matter. In health care, nothing matters more than the experiences of patients and the physicians and employees who serve them. Focusing on these areas improves the quality of health care and drives positive ROI. According to John Federspiel, CEO and president of Hudson Valley Hospital Center, Cortlandt Manor, N.Y., “The ROIs of improved employee satisfaction have been fabulous. There have been reductions in turnover and vacancy, all of which translate into higher patient satisfaction scores and profitability ... If you have happy employees, your facility will be a place people will want to go to have treatment.”

What CFOs Should Know About Patient-Centered Care

Hospitals hoping to reduce costs and increase profitability should be listening to their patients. Consider the significant loss of revenue due to healthcare-associated, or hospital-acquired, infections. Facilities with higher scores on cleanliness, blood-draw skills, and nurse responsiveness tend to have lower rates of hospital-acquired infections and infection mortality (Trucano, M., and Kaldenberg, D. O., “The Relationship Between Patient Perceptions of Hospital Practices and Facility Infection Rates: Evidence from Pennsylvania Hospitals,” *Patient Safety & Quality Healthcare*, Aug. 22, 2007). Think of patient satisfaction as a leading indicator. Patient feedback is often the impetus needed to ensure that risks are addressed before they turn into costly medical errors.

Transparency, healthcare consumerism, and government-driven quality initiatives all have turned patient-centered quality measures into a competitive necessity. With patient-centered care quickly becoming a focal point for consumers and payers alike—not to mention its demonstrated ties to clinical and financial results—patient satisfaction is fast becoming not only a competitive advantage but also a business imperative.

However, patient-centered care requires the use of accurate, systematic approaches to measuring and improving patient experiences. To obtain buy-in, healthcare organizations need evidence of real returns. Success can be achieved by learning from other hospitals that have already tackled these challenges—those that set the industry standard for quality and fiscal success.

“It’s a rare person who wants to hear what he doesn’t want to hear.”
 —Dick Cavett, *American talk show host*

Potential returns from improving patient satisfaction can be demonstrated with ROI calculators (see sidebar at bottom of page 79). Program evaluation, the systematic assessment of costs and benefits of implementing improvements, can be used to measure a hospital’s return. Improving the experience of a single patient can affect a hospital’s bottom line and pay for service initiatives many times over.

As hospitals strive to be more accountable to their boards of directors, communities, and other stakeholders, measuring ROI will become more important. Hospital leaders, concerned with the short- and long-term viability of their organizations, may not always realize the ROI to be gained from improving customer satisfaction and loyalty. But in today’s healthcare landscape—where dollars are harder to come by and the stakes are higher—healthcare leaders cannot afford *not* to improve patient satisfaction. ●

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