



# Breakthrough Strategies that Shift Market Share

Michigan Society for Healthcare Planning & Marketing

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# The Imperative for Stunning Innovation

- Why It's Your Job to Identify the Initiatives
- What It Means for Your Organization and You
- Where to Enlist Support and Strategic Alignment
- What to Pursue: Four Strategies that Will Differentiate
- How to Make it Happen: Don't Leave Providence Without It

## Why It's Your Job: *If Not You, Who?*

- Who is in charge of knowing the market and the trends
  - \* It's an operators world
  - \* It's a financial realm
- The Past Record of Innovation is Not Noteworthy
  - \* Not indigenous to this industry
- Realization of the Painfully Obvious
  - \* Hospitals have got to start being more innovative market-driven, and enterprising to survive

## What It Means: *Job Security, Financial Stability*

- Great organizations don't just stay alive, they thrive
- How many hospitals are really on the vanguard?
- Your organization needs new or enhanced revenue streams
- The competition has changed dramatically—has your organization?
- If your organization isn't committed to innovation, is it worth staying?
- Competitive differentiation is the market mantra by which we will live and breathe

## Where and How to Enlist Support: *It's Only at the Top*

- Most hospitals pivot strategically on CEO fulcrum
- CEO buy-in and support essential for long-term viability
- Key words for CEOs—share, margin, competition, ROI
- Plant the seed, don't take the credit
- Planning sessions--excellent forums to review opportunities
- Where has it worked before and what were the results?
- Upside potential, downside risk
- Others to bring on board: CFO, COO, CMO, CNO

# What to Pursue: Broad Categories of Differentiation:

- Consider these as wide-swath themes
- Think conceptually as well as strategically
- In applying to your organization, look for close parallels, not granular particulars
- Innovative thinking requires inventive models
- Envision what the end game should be
- High strut the broad strategy, and low bar the derailing details

# The Dynamic Duo from Drucker

There are two questions that every organization should ask:

- \* What business are we in?
- \* How does the organization achieve a differentiating advantage?

Peter Drucker

# Breakthrough Strategy Categories: Three Ps and a PM

- *Physicianship*
- Preeminence (The Pursuit of)
- Prioritization
- Parlay Mentality

## *Physicianship: Partnership with Physicians*

- The key element of strategy going forward
- Adopting a new mental model
- Sync with 'em or sink without 'em
- A wide range of options and opportunities
- The wider and deeper the better
- A model in Montana

# KRMC & Full-Physician Ownership: *Firing on All Cylinders*

- Involved the entire medical staff
- Primary care physicians were driving force
- Full-hospital JV-next to “charity hospital”
- Everyone involved in outcomes and “what’s good for the community”
- An amazing thing to witness—long-term engagement of physicians in every aspect of the delivery system
- Success on every metric

## KRMC/HCNW Model: *Metrics to Match their Mountains*

- Increased OP surgery cases by 22%
- Increase imaging procedures by over 78%
- Increased net revenue of 54% in 3-year time period from start of physician JV

## Pursuit of Preeminence: *Commitment to Excellence*

- Identify the areas of potential distinctiveness
- Laser-like focus on differentiating excellence
- Ensure that the area is perceptually aligned and ultimately doable
- Should be an area that will achieve competitive differentiation and ensure long-range market success
- Must be intensive, aggressive and pervasive
- The relentless pursuit of preeminence – leader driven

# Baptist Health System: *A Quality Fixation in Florida*

- Tough spot in the market
- Geographically restricted and disadvantaged
- Couldn't outspend or outmaneuver the competition—HCA or Sacred Heart in services or technology
- Differentiating dynamic was quality
- Pursued the Malcolm Baldrige Award
- Pervasive program and all-inclusive pursuit

# Baptist Health System: *Results and Revenue Streams*

- Received the Malcolm Baldrige Award in 2003
- Fortune Magazine's "100 Best Companies to Work For in America" 2002-2006 (#18 in 2006)
- Ranked in Solucient's Top Cardiovascular Hospitals in 2005
- Press, Ganey patient satisfaction database—consistently in the 99<sup>th</sup> percentile
- Established a division for instruction in quality—successful and profitable
- Received benchmark visits from companies from all 50 states and abroad

# Wright Medical Center: *The Clarion Call for Excellence*

- Critical access hospital in rural Iowa
- 25-bed facility in a daunting situation (small/rural hospitals)
- How to stave off larger facilities with an eroding model
- Emphasis on accountability, transparency and “ownership”
- Started at the top and cascaded throughout the enterprise
- Proof in the results

## Wright Medical Center: *Results and Revenue*

- Patient satisfaction from 60% to 99% -- received the Summit Award from Press Ganey in 2006
- Employee satisfaction among the highest in the U.S.
- Annual revenues have increased from \$12 MM (2000) to \$29.5 MM (2006)
- Operating margin up from 2% to 6.5%
- Nursing turnover at 4% (less than one-third the national average)
- Everyone is accountable – senior leadership, physicians, all employees – and environment is transparent

## Prioritization: *Cash and Cachet in the Core*

- Need to focus on the service line that matters most
- What business are we really in--perceptually
- Market research as the revealer
- Example of Disney and animation—what we're about
- Move within the perceptual parameters--Pontiac
- All eyes on the prize—all focus on the fulcrum

## One Line to Rule Them All: *Concentration on Neuro*

- Already a solid performer
- Increased the emphasis by raising the ante
- Physician and technology as the distinguishing factors
- Focused capital commitments
- Achieving the competitive distinction in a tight market
- The high value of the halo effect

## Parlay Mentality: *Building on a Strong Base*

- Work from an established position of perception and prominence
- Don't try to build on a weak or moderate foundation
- This is service line extension more than expansion
- Think spherically in terms of the overall experience and customer needs
- All facets or components of the patient's or consumer's "space"
- Maximize the reach of that particular service—convenience, expertise, timeliness, relatedness, mindset

## Traffic Control: *The Revenue Stream of Retail*

- Retail is where the model is moving
- “Big-box healthcare” has become a reality (i.e. Wal-Mart)
- Migration away from the medical campus
- Hospitals need to expand/enhance the patient experience
- Need to revitalize the magnetic draw of the medical campus
- Hospitals and health systems are realizing what other businesses have recognized for years – it’s about convenience, expertise, timing, ambience

## Traffic Control: *The Revenue Stream of Retail (con)*

- Average traffic in hospital is one of highest in community
- On average, hospitals generate \$500K in retail revenue
- When retail system is implemented, hospital can expect to generate \$3.5MM in retail revenue
- ROI within first two years
- Margins of between 12% to 18%
- Increased patient/physician/employee satisfaction
- Mindset shift to heightened customer orientation

# Retail Case Study: 176-bed Hospital

- Average traffic in hospital is over 8K per day (3mm annually)
- Projected spending of \$6.6MM annually
- On the hospital campus: Gift & Floral, Kids Health, General Store, Health & Care
- Total square ft: 3,672 X \$782/sq ft = \$2.9MM
- Add a Health & Wellness Center with Fitness, Rehab and Juice Bar for another \$1.1 MM per year
- Most of the capital can be capitalized (\$1.4 of \$1.7 MM)
- Flagships on the Frontier (experience of major systems)

# How to Make it Happen:

## *Applying your Acumen and Mitigating Interference*

- Highlight the need for the nexus—physician alignment (*physicianship*)
- Spotlight the market movement toward distinctiveness—quality, pricing and service transparency (preeminence)
- Integrate current trends with future potential—service line resurgence and the need for focus (prioritization)
- Outline recent developments in retail medicine and expansion initiatives (parlay mentality)
- Underscore the potential for breakthrough initiatives
- Validate the realizable impact with empirical results
- Project the financial and competitive impact of such bold and calculated initiatives

# Summary

- Healthcare organizations need to pursue stunning and differentiating innovation to remain viable in the long run
- Strategy and marketing executives should lead the charge in developing and recommending breakthrough initiatives that distinguish their organization in the market
- The CEO needs to buy into the process, and own the initiative to guarantee long-term commitment and appropriate resource allocation
- The big four (broad categories) are: *Physicianship*, Pursuit of Preeminence, Prioritization and Parlay Mentality
- Such strategic inventiveness and success will enlist support, enrich the organization, and empower the strategist

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