



Breakthrough Strategies for Market Share

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Preston Gee

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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 99th 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

Contact Information

Salt Lake City, Utah Office

2120 South 1300 East, Suite 301

Salt Lake City, UT 84106

Telephone: 800-995-0097

Fax: 801-596-2127

Austin, Texas Office

5914 West Courtyard, Suite 360

Austin, TX 78730

Telephone: 512-346-0500

Fax: 512-343-9275

St. Louis, Missouri Office

7733 Forsyth Boulevard, Suite 2300

St. Louis, MO 63105

Telephone: 800-677-1202 ext 2105

Fax: 314-659-2376