SATISFACTION snapshot

news, views & ideas from the leader in healthcare satisfaction measurement

PATIENT AND EMPLOYEE SATISFACTION DEMONSTRATED RETURN ON INVESTMENT

Why are healthcare organisations paying increasing attention to patient satisfaction and employee satisfaction?

Traditionally seen as the 'soft' side of the business there is now substantial evidence to show that incorporating consistent satisfaction measurement, acting on patient feedback and developing leaders to elevate the priority in these areas improves patient loyalty, improves operational efficiency, improves the capacity to treat more patients, retains staff and ultimately provides increased financial returns.

The January 2008 Satisfaction Snapshot, provides three newly released research papers that showcase strong evidence of the impact high patient satisfaction has on future volumes, shows that providers focusing on patient satisfaction see higher levels of profitability and highlights the relationship between high patient satisfaction and enhanced efficiency.

The Satisfaction Snapshot is a monthly electronic bulletin freely available to all those involved or interested in improving the patient/client experience. Each month the Snapshot showcases issues and ideas which relate to improving patient satisfaction and customer service, improving workplace culture and improving the way we go about our work in the healthcare industry.

The Satisfaction Snapshot features:

- relevant articles from healthcare industry experts
- case study success stories
- tips and tools for quality improvement
- patient satisfaction and other industry research findings
- articles with ideas to help achieve success in your role

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PRESS GANEY

Return on Investment Paper 1: Creating Efficiency by Improving Patient Satisfaction

Executive Summary

Today's health care leaders face many challenges as a result of rising consumer expectations, new technology, growing competition, and scarce resources. Efficiency in the care process, a key component of managing increasing patient volumes, has become a focal point for many providers faced with the reality of doing more with less. Leading providers have found that there does not need to be a trade-off between efficiency and service and, in fact, excellent service can lead to improved efficiency. Health care organisations can identify inefficiencies through patient satisfaction initiatives and target improvement efforts in areas that negatively impact both patient satisfaction and efficiency. Focusing improvement efforts around the areas causing patient dissatisfaction can streamline processes to better meet the needs of patients while at the same time improve other key organisational measures.

> *"Patients are the best source of information about a hospital system's communication, education, and pain management processes, and they are the only source of information about whether they were treated with dignity and respect. Their experiences often reveal how well a hospital system is operating and can stimulate important insights into the kinds of changes that are needed to close the chasm between the care provided and the care that should be provided."*
>
> *Cleary 2003, 138*

Identifying the Cause: The Relationship Between Efficiency and Satisfaction

Discharge planning, capacity management, and patient throughput all have a direct impact on an organisation's financial health. Overcrowding and inefficiency can lead to higher treatment costs, staffing difficulties, and poor patient satisfaction. The following examples illustrate the capacity gains realised from improving patient flow and efficiency at a typical 300-bed hospital (Kobis and Kennedy 2006):

- Reducing length of stay by 0.25 days results in a functional increase of 12 beds
- Increasing the number of patients discharged by 11:00 a.m. from 15% to 30% adds 8 functional beds
- Decreasing the average bed turnover from 4 hours to 1 hour can add 4 to 6 functional beds
- Reducing weekday surgical volume variability through demand smoothing can add 3 to 5 functional beds

These improvements can increase functional bed capacity by 27 to 31 beds—the equivalent of a typical nursing department—thus saving annual labour expenses of $2 million to $3 million. By providing the appropriate service in the right place at the right time, hospitals can improve throughput, length of stay, and cost per case. Not only does patient satisfaction help highlight efficiency bottlenecks within the organisation, but improving satisfaction and improving efficiency are often done simultaneously.

Proven Results: Improving Patient Satisfaction Pays

Utilising validated measurement and improvement resources are powerful tools for driving efficiency. Individual providers and institutions can create efficiency by understanding the factors that promote patient satisfaction. Differences in patient satisfaction can be traced to differences in service delivery and organisation (Clark et al. 2007).

- A 62,000-visit emergency department and level I trauma centre found patient complaints decreased by over 70% from 2.6 per 1,000 ED visits to 0.6 per 1,000 ED visits following customer service training conducted as part of a patient satisfaction initiative, and patient compliments increased more than 100% from 1.1 per 1,000 ED visits to 2.3 per 1,000 ED visits (Mayer et al. 1998).

- Lourdes Hospital in Binghamton, New York experienced a 16% increase in ED volume. With a focus on measuring and improving patient satisfaction, the average number of patients who leave before being seen decreased from 3.2% of the total volume per month to 0.3%, and length of stay for less acute patients decreased by an average of 67%, all with the dramatic increase in volume.

- Baptist Health System, (the first healthcare organisation to win the prestigeous Malcolm Baldridge Quality Award) increased its focus on patient satisfaction improvement and saw in-hospital mortality drop from 4.8% to 1.9%; length of stay drop from 5.9 days to 4.6 days; and average cost per case drop from $11,777 to $10,623—an average saving of $1,154 per acute coronary syndromes patient (Jackson, Sistrunk, and Staman 2003).

Bottom Line Results

Without strong and organisational patient satisfaction initiatives, providers will lack the critical information needed to improve efficiency and solve problems with overcrowding. "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 et al. 2003). Patients provide a critical viewpoint into the organisation's operations that can indicate opportunities for improvement. By being in tune with patient perceptions of all touch-points in the care cycle and by utilising valid measurement instruments, providers can improve patient satisfaction and loyalty while increasing efficiency and productivity.

"Ultimately, better doctor-patient communication can increase patient and doctor satisfaction, improve efficiency, enhance compliance, and improve patient health outcomes."

Barrier and Jensen 2003, 78

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Return on Investment Paper 2: Increasing Profitability by Improving Patient Satisfaction

Executive Summary

Patient satisfaction measurement identifies opportunities to better meet the needs of patients. As hospitals successfully meet these needs, their patients continue to utilise hospital services, which boosts the overall volume and profitability of the organisation. Numerous studies confirm that highly satisfied patients are loyal patients. They are more likely to return to the same provider for future medical care if required and to refer other patients. Leading providers who have recognised the lifetime value of a satisfied patient are finding enhanced profitability to be among the resulting outcomes.

Identifying the Cause: The Relationship Between Profitability and Satisfaction

"Meeting the challenges of patient satisfaction has proven not only possible but profitable. Satisfied patients are more likely to return to a hospital the next time they need medical care, and they tell friends and family of a positive experience."

Rave et al. 2003, 159

Research confirms the link between patient perceptions of quality and financial measures, particularly profit margins. In a study of 82 hospitals, a one standard deviation change in the quality score resulted in a 2% increase in operating margin (Harkey and Vraciu 1992). Another study of 51 hospitals found that approximately 30% of the variance in hospital profitability can be attributed to patient perceptions of the quality of care (Nelson et al. 1992).

Press Ganey measures have long been linked to greater service utilisation and risk management (Burroughs et al. 1999; Press 1983, 1984). When hospitals are ranked by profitability into quartiles, the most profitable hospitals have the highest Press Ganey scores on average. The least profitable hospitals have the lowest Press Ganey scores. In other words, average hospital profitability increases with patient satisfaction.

Reputations are built over time as word of mouth spreads through a community. When Press Ganey analysed clients' patient satisfaction in 1999, and then subsequent changes in patient volume between 2000 and 2004, the results were stunning. Hospitals with patient satisfaction in the 90th percentile experienced nearly a 1/3 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 decrease was 17% or 2,599 patients. In other words, hospitals with high Press Ganey scores were likely to see an increase in volume. Hospitals with low scores were likely to see a drop.

Of course, patients tell others about their hospital experiences. Positive experiences will promote a stronger customer base and increased market share. Conversely, negative experiences will diminish your gains. For every patient who voices a complaint about his or her care experience, there may be as many as 20 dissatisfied patients (Zimowski 2004). After discharge, these 20 patients will talk to other potential patients.

The average lifetime revenue per patient is the average revenue per stay (e.g., $5,000) multiplied by the average number of stays per life of a patient (e.g., 5). Patients who choose to leave your facility after a negative experience represent a significant loss to future earnings.

Proven Results: Improving Patient Satisfaction Pays

Patients are simply more likely to recommend and reuse the hospital's services if they have a satisfying experience. Satisfied patients also are more likely to cooperate and communicate with staff (resulting in fewer errors), more likely to utilise fewer resources, and less likely to experience stress-related complications. This means lower costs per hospital stay.

- Duke Children's Hospital's increased focus on patient and employee satisfaction resulted in a reduction in average cost per case from $14,889 to $10,500 and a turnaround in overall margin from an $11 million loss to a $4 million profit (Meliones 2000).

- Across the Veterans Health Administration's 147 medical centres, increasing employee satisfaction saved hundreds of millions of dollars in service delivery costs. An increase of just 0.77 standard deviation accounted for a reduction in costs of $128.38 per patient for a total savings of approximately $400,300,000 (Feuss et al. under review).

- Garman, Garcia, and Hargreaves (2004) estimated that the financial implications of moving all patients with average satisfaction ratings between 3 and 4 to between 4 and 5 was $2.3 million in additional annual revenue. Falls Memorial is a rural 49-bed hospital with an average daily census of 7 and a staff of 112. It had a total margin of 0.5% and only 7.3 days cash on hand. The hospital suffered from poor employee relations, strained doctor relationships, and poor patient satisfaction exemplified by pending lawsuits. The hospital's new leadership incorporated patient, doctor, and employee satisfaction measures into a balanced scorecard approach. This approach led to more focused improvements. In the first year, net revenue increased 8.6%, total margin improved to 7.7%, and operating days cash on hand rose to 103.6—all without layoffs or massive budget cuts. The hospital's satisfaction scores increased to the 79th percentile, and doctor and employee relations improved. After 5 years, day's cash on hand was 85.8, total margin was 16.0%, and there was a 3-year revenue increase of 48%. The story of Falls Memorial Hospital demonstrates that even small rural providers can execute a turnaround with limited resources (Madison Area Quality Improvement Network 2004).

"Quality of care and level of patient satisfaction are emerging as the core of many marketing strategies in health services. Payoffs include reduced risk of a malpractice suit and greater profitability, in addition to improvement in referrals, compliance, productivity, collections and efficiency."

Spiegel and Kavaler 1997, 124

Bottom Line Results

Improving satisfaction can significantly affect an organisation's profitability and pay for service initiatives many times over. Health care providers that are already focused on measuring and improving patient satisfaction are finding healthy benefits for the bottom line.

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Return on Investment Paper 3: Patient Loyalty Pays

Executive Summary

Loyalty has been an area of focus both within and outside of the health care industry for some time. The links between customer satisfaction, loyalty, and profitability have been well established (Reichheld 1996). High levels of satisfaction with a service relationship will override service failures, suppress shopping for another service provider, and maintain high compliance (Forrester & Maute 2001). Further, employee satisfaction and customer satisfaction are inexorably linked (Atkins, Marshall & Javalgi 1996), so organisations that invest in their employees reap rewards in more satisfied, loyal customers and healthy financial performance. The vast majority of evidence is clear, compassionate communication from medical professionals—especially from nurses and doctors—drives satisfied patients to become loyal advocates for your organisation.

> *"Customer loyalty means that customers are so delighted with a company's product or service that they become enthusiastic word-of-mouth advertisers. Further, they extend their loyalty not only to that product or service, but also to the whole portfolio of the corporation's products and services for the better part of their lifetime—in short, brand loyalty forever."*
>
> *Bhote 1996*

Identifying the Cause: The Relationship Between Loyalty and Satisfaction

- The implications of moving those patients who had rated an average 3-4 (Fair or Good) on a satisfaction survey to an average rating of 4-5 (Good or Very Good) was $2.3 million in annual revenue from additional repeat customers (Garman, Garcia, and Hargreaves 2004, 75).

- Hill & Doddato (2002, 108) found "treatment with respect, the rating of care received, and the helpfulness of the person at the front desk as the strongest predictors of patient satisfaction....patient satisfaction is highly correlated with intent to return and intent to recommend services." In addition, "...patient satisfaction will significantly influence the intent to return and intent to recommend services to others; thereby serving as a determinant for repeated clinic visits, new patient visits, and program marketing."

- A "high level of satisfaction will lead to greatly increased customer loyalty. And increased customer loyalty is the single most important driver of long-term financial performance" (Jones & Sasser 1995, 88).

- "Satisfied patients return for care, and the positive word of mouth from satisfied patients will bring new patients into the practice" (Drain & Kaldenberg 1999, 32).

- Peltier (2002, 22) found that "loyalty was primarily a function of the amount of decision making control that doctors allotted [to patients]."

- A better patient rating of information quality and doctor quality was "associated with patients reporting that they would definitely return" for care (Lechtzin, Rubin, White, et al 2002, 1326).

- "The strength of doctor-patient relationships in primary care—as indicated by patients' trust in their doctor, their assessments of how well the doctor knows them, and the quality of communication and interpersonal treatment—was the leading predictor of patients' loyalty to their primary doctor's practice" (Safran 2001, 50).

The Cost of Dissatisfaction

The other side of the satisfaction-loyalty link is the link between dissatisfaction and loss of revenue due to patients who switch providers or hospitals. Through the Healthcare Financial Management Association (HFMA), Zimowski (2004) reports:

- For every one customer who complains, 20 dissatisfied customers do not.

- Of those dissatisfied customers who do not complain, 10% will return but 90% will not.
- Changing a poor customer service image takes 10 years average.
- It costs 10 times as much to attract new customers as it does to keep current ones.
- About 10% of revenue is lost to poor customer service.
- The average “wronged” customer will tell 25 others about the bad experience. Reasons for dissatisfaction are quite similar to reasons for satisfaction, and can prove costly.
- “Dissatisfaction with visit duration and patient reports that the doctor did not listen to what the patient had to say” resulted in increased likelihood to be unwilling to return to the practice (Federman, Cook, Phillips, et al. 2001, 674).
- The value of recovering a dissatisfied customer is $6,000 - $8,000 per patient (Strasser and Davis 1991). This would equate to over $10,000 in 2006 dollars (using the Consumer Price Index - http://www.measuringworth.com/uscompare/).
- The majority of patients leaving a Boston medical practice left for reasons within the control of the doctor:
  - Doctor care
  - Practice operation
  - Parking and transportation
- Patients dissatisfied with doctor care and practice are more likely to leave (vom Eigen, Delbanco, Phillips, 1998).
- Drain and Kaldenberg (1999) conservatively estimate: In a practice with 6,000 patients, if 5% are dissatisfied and leave with members of their household (assuming 3.5 members per household and 2.5 visits per year, this would be 8.75 visits per household per year), and the average visit averages $57 in payments, the cost of dissatisfaction is $149,625. Using the Consumer Price Index, this would equate to over $180,000 in 2006 dollars (http://www.measuringworth.com/uscompare/).

> *“The compassion with which care is provided appears to be the most important factor in influencing patient intentions to recommend/return, regardless of the setting in which care is provided.”*
>
> *Burroughs, Davies, Cira, Dunagan 1999*

Bottom Line Results

Systematically improving patient satisfaction to maximise the number of patients who are fiercely loyal to your organisation can mean more reliable revenue from patients and their families, and less cost to attract new patients. Word-of-mouth marketing—both positive and negative—is a powerful force for health care organisations that can be a driving factor for reputation, customer retention, and revenue.

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