

If satisfaction drives loyalty, what drives satisfaction?

Whitepaper Series Part 3

How service is connected to the bottom line

In January 2009, the American College of Healthcare Executives reported the top concerns of hospital CEOs after conducting their annual survey. *Patient satisfaction* was in the top 10 items of greatest concern*. It shouldn't be a surprise that satisfaction ranked so high on the list. CMS' posting of hospital satisfaction scores (HCAHPS) and health plans' pay-for-satisfaction performance are significant reasons for it ranking so high.

The Satisfaction Connection

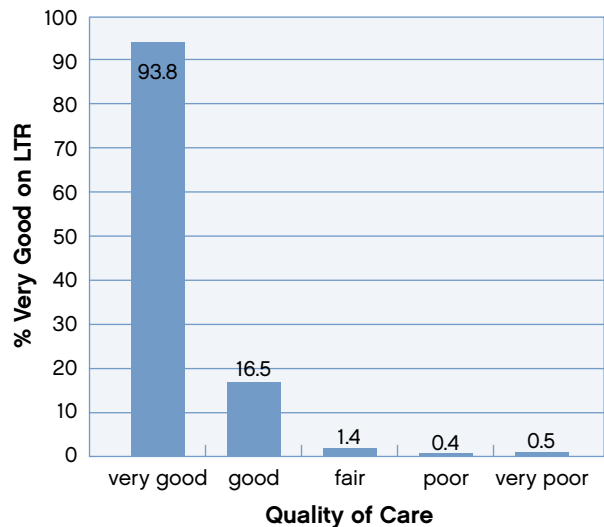
Many hospital executives don't think much about the role of patient satisfaction in the daily concerns of operating a hospital. After all, patient satisfaction is a "soft, feel good" outcome measure, not a hard measure like clinical and financial metrics. Some say patient satisfaction doesn't have a direct relationship to the bottom line, so why be concerned about it.

the highest possible rating (Very Good) were nearly six times more likely to recommend a hospital than those rating Quality of Care as "Good". The chart below illustrates the stark reality of patient satisfaction and loyalty on likelihood to recommend.

Customer satisfaction drives customer loyalty, and customer loyalty drives growth and profitability.

Actually, customer satisfaction has a direct correlation to growth and profitability. Customer satisfaction drives customer loyalty, and customer loyalty drives growth and profitability. Loyalty is typically defined as a patient evaluating overall experience of care as the highest possible score. By an extremely large margin, loyal patients are the most likely to return to your facility and to recommend the facility to friends and family. Press Ganey Associates, the nation's largest patient satisfaction measurement firm, reported in 2008 that those patients who rated Overall Quality of Care with

Likelihood to Recommend by Quality of Care



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Therefore, loyal patients return for additional services and recommend your facility to friends and family. In turn, they produce revenue growth and presumably profitability. Reicheld and Sasser, experts on the subject

of customer loyalty, estimate that a 5% increase in customer loyalty can produce profit increases from 25% to 85% (*Harvard Business Review*, Sept-Oct, 1990, pp 105-111). Another study found that hospitals in the upper 10th percentile of patient satisfaction experienced a 33% increase in patient volume, while those in the lowest 10th percentile lost 17% in patient volume. Clearly, patient satisfaction drives to the bottom line.

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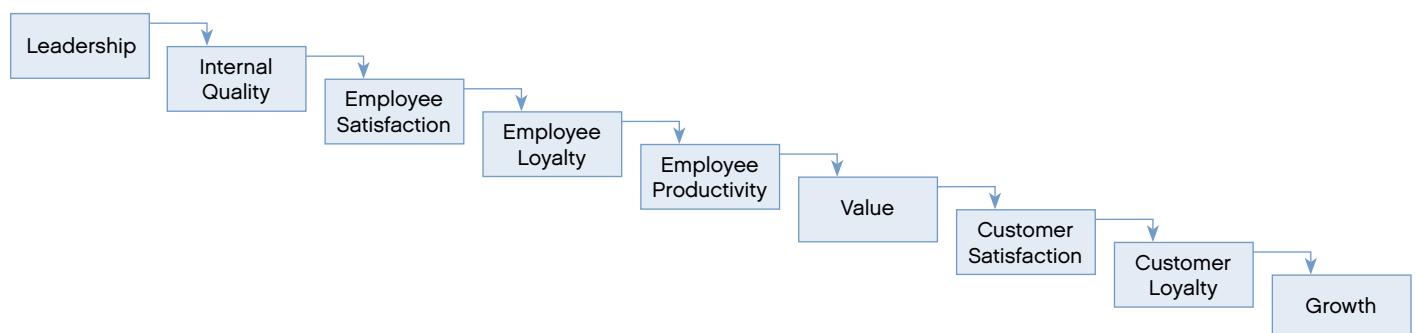
What Drives Patient Satisfaction?

If patient satisfaction drives patient loyalty, and patient loyalty drives revenue growth and profitability, what drives patient satisfaction? A group of Harvard Business School professors have studied this subject extensively (Heskett, Jones, Loveman, Sasser & Schlesinger, *Harvard Business Review*, Mar-Apr, 1994, pp 164-170). They developed a concept called the **Service-Profit Chain**. The service-profit chain establishes relationships between key factors within a business, like profitability and growth with customer loyalty and customer loyalty with customer satisfaction.

How the Chain Works

- In their research, the team says *customer satisfaction is driven by value*— what customers receive in relation to their total cost. Total cost is more than simply what a patient pays out of pocket. It includes the other “costs” of being your patient— how long the patient had to wait for service, the level of communication between the patient and hospital staff, and other similar factors. Providing higher levels of service increases value, which drives customer satisfaction.
- In turn, *value is driven by employee productivity*— the intangible character of hospital and clinic staff who come to work with a sense of purpose and work together as a team. Employee productivity helps drive down costs and drive up efficiency, all of which contributes to the perception of value delivered.
- *Employee productivity is driven by employee loyalty*. Besides turnover costs, the real cost of employee disloyalty comes in the form of lost productivity, decreased patient satisfaction and increased training costs. Loyal employees, like loyal patients, recommend your facility to friends and family and recruit high quality fellow workers. They also do their best at all times, which drives the productivity factor.
- As you might expect, *employee loyalty is driven by employee satisfaction*. The more satisfied an employee is, the more loyal they become. They

Service Profit Chain



are the ones who go out of their way to escort a patient or family to their destination, and act as ambassadors enroute. If the organization endures some challenging times, they are the ones who hang in and try to help weather the storm. Their high levels of satisfaction don't waver with circumstances.

Leaders develop and maintain the corporate culture within the organization.

- *Internal quality drives employee satisfaction.* The authors define internal quality as “the feelings that employees have toward their jobs, colleagues and companies.” In other words, it is the sense of mission and purpose. It can be the ability and authority of hospital staff to achieve results. It can also be the attitudes workers have toward one another and the way they serve each other inside the organization.

It Starts with Leadership

What drives internal quality? Leadership clearly is the foundation on which the entire service-profit chain sits. Leaders develop and maintain the corporate culture within the organization, which drives how customers and employees are treated. Strong leaders care about employees, patients, their families and other customers. Their actions show their caring concern. And, their actions and attitudes rub off on others, which initiates the chain all the way back to growth and profitability.

As pointed out earlier, patient satisfaction and loyalty are lynchpins within the chain. They must be present for growth and profitability to occur. But, they are very dependent upon leadership and staff. Leaders must nurture staff and ensure they are aware of the importance of their jobs in the facility. Service training can help reinforce this message, while teaching other key items such as understanding their role, communicating effectively, problem solving and understanding behavior styles. It's only then, when the service-profit chain is running like a well oiled machine, that growth and profitability will occur.

The Service Solution

More than 100 hospitals, medical centers and clinics have partnered with Integrity Healthcare Services to help change the service culture in their organizations. Integrity's proven approach addresses all three dimensions of a person. Skills, attitudes and values each has a unique focus. And, the one-of-a-kind six week follow up program ensures that your training “expense” becomes an “investment”. You'll see the results, just watch your satisfaction scores.

Let Integrity Healthcare Services partner with you to change the service culture in your organization.

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*For the full story of what keeps CEOs and hospital leadership up at night, go to:

http://www.ache.org/Pubs/Releases/2009/CEOTopIssues_2008.pdf