

Marketing in the Era of Health Reform



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Marketing in the Era of Health Reform

Overview

Gelb Consulting Group, with the support of the American Association of Medical Colleges (AAMC), conducted a benchmarking survey of academic medical center marketing and communications executives. The survey objective was to assess the state of organizational readiness for health reform. The findings suggest that there is still an opportunity for marketing executives to play more of a leadership role in shaping strategy in a post-reform era. The current barriers to formulating winning strategies include pause from marketers in an era of uncertainty, a higher level of attention paid by C-level leaders to the current economic challenges than longer-term health reform, and the changing legislative environment. Despite these barriers, best-practice organizations are using scenario planning (i.e., defining likely future states and developing several plans to address each) to prepare for the coming changes.

Traditionally, marketing's role is to increase patient volumes into the institution. To fulfill this charge, academic medical center marketers should assess the likelihood to future market states, understand the dynamics of patient choice, prioritize segments, and optimize their marketing mix accordingly. Furthermore, marketers need to speak in financial terms and report impact measurements to their management teams to remain accountable for results. This will not only establish a much-needed strategic framework for their conversations with management, but will also improve the stature of the function within the organization.

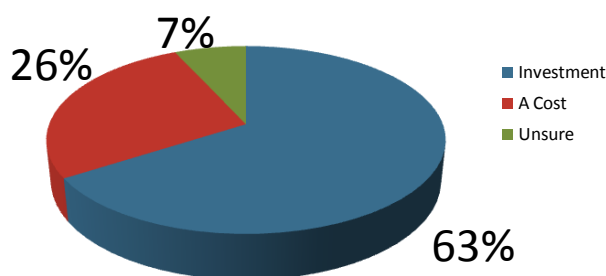
Note: As of the writing of this paper, health reform legislation has passed both the Senate and House, but bills have not yet been reconciled.

Acknowledgements: Gelb would like to thank the following people for their support and contributions in completing the benchmarking survey and providing us the opportunity to share results with the AAMC GIA community: John Cragin, Boston Medical Center HealthNet; Janet Caldwell, Meharry Medical College; Brenda Maceo, City of Hope; Eric Weissman and Sandra Dunmore, AMMC.

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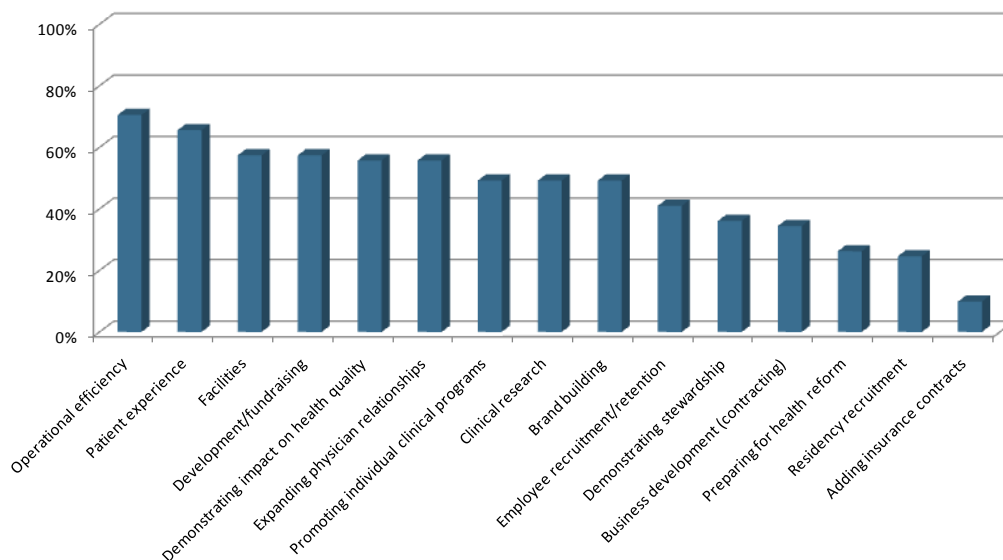
The Current State of Marketing

In 2009, academic medical center priorities were focused on the current state of the economy instead of the long-term consequences of health reform. With the reduction in 2009 consumer spending, demand generation became the mantra for marketing organizations. To a great extent, the marketing function at was successful in keeping beds and outpatient appointments filled. Consequently, academic medical center leaders saw marketing as an investment and paid more attention to operational efficiencies (for cost reduction) and managing the patient experience (for patient retention).



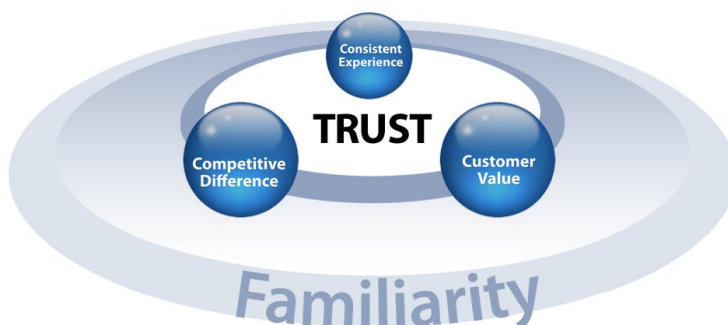
Conversely, marketers did not see health reform as a marketing issue. Most reported that health reform-related activities, if any, were relegated to the governmental affairs groups whose charge included legislative monitoring and, in some cases, lobbying. However, if marketers are seeking to play a more strategic role in their organizations, it is imperative that they keep abreast of legislative changes and develop plans to address likely scenarios.

Emphasized for 2009

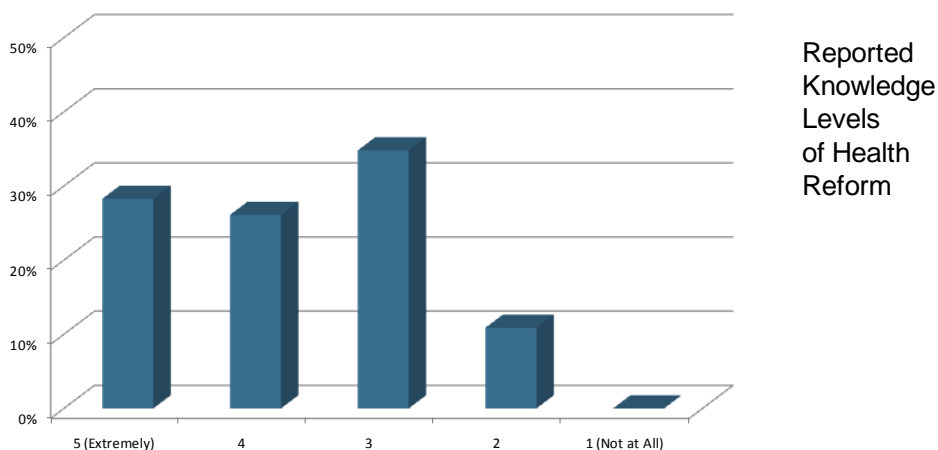


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In the era of health reform, marketing's focus will be on demand generation through brand and patient experience management. Best-practice organizations are making stronger connections between marketing and operations by becoming more involved in understanding patient needs and monitoring service delivery. The thinking behind this connection is that marketing is or should be the "voice" of the organization and represents the "voice of the customer." In fact, brand management should be about building trust. Such trust is built based on the value the brand provides to patients and physicians, differentiation, and delivering an exceptional experience.



While marketers reported generally high levels of focus on promoting individual clinical programs, brand building, and demand generation, health reform was the lower rated role for marketing. Changes to the healthcare system will in turn cause consumer choice to peak. Therefore, drawing patients and referring physicians into the academic medical center pathway is paramount for sustaining and growing revenues. In most organizations, this is marketing's explicit charge.

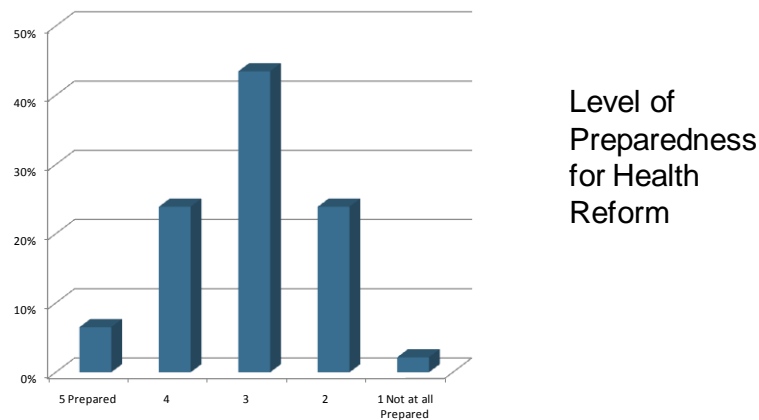


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Increasing the Value of Marketing

Survey results indicate that the perceived value of the marketing function within organizations increased and is expected to do the same in 2010. This provides marketers with a window of opportunity to demonstrate strategic thinking. However, only one-third of respondents have actually developed strategic scenarios around the more certain futures for healthcare provision.

Therefore, 2/3 of the AAMC marketing executives participating in the survey are potentially squandering a unique opportunity to earn a seat at the senior decision makers' table. Additionally, the reported knowledge of health reform issues and consequences was moderate at best. There was a large degree of uncertainty and, collectively, marketing executives indicated they were not prepared for the advent of health reform. Stifled by barriers, marketing decision makers reported they were powerless to act. The barriers in the way: marketers themselves frozen by frequent changes, organizational leadership for cutting marketing staff, and the uncertainty of the macro-environment.



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Prescriptions for Growth through Marketing

To take action, marketers should think about other situations in which scenario planning was performed and marketing was looked to as a solution; natural disasters (crisis communications plans), and nursing shortages being two examples.

Academic medical centers create value in the following areas which should be emphasized in messaging: increased safety, lower cost (if appropriate), improved access to the latest medical technology, training of community physicians, establishing standards of care, and ultimately, providing tomorrow's cures (per the AAMC tagline). Likewise, marketers need to persuade their organizational leadership to play a key strategic role in this new era. Marketing's charge is to put patients in beds, fund capital projects, motivate employees, and maintain physician relationships...ultimately, to draw people to the institution.

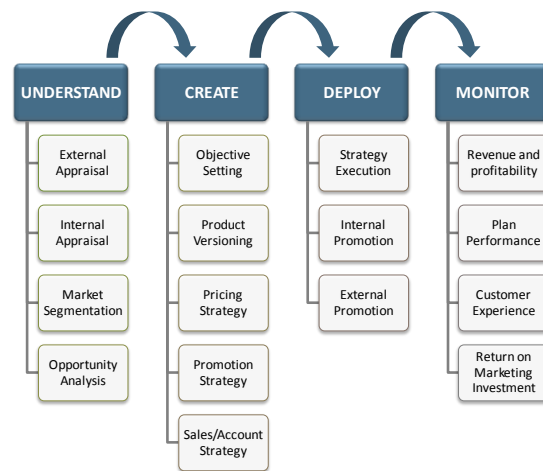
The study identified best practices from organizations such as Mayo Clinic, Cleveland Clinic, and Barnes-Jewish Hospital. Active monitoring of health reform issues is recommended through newsfeeds (e.g., AHA) and routine dialogue at the leadership level (e.g., standing agenda item). Mayo Clinic and Barnes-Jewish Hospital, for example, successfully accomplish this as their leadership presents a clearly articulated stance on health reform on their websites: www.mayoclinic.org/healthpolicycenter and www.makemedicinebetter.org, respectively. Legislative advocacy, also a best practice, was done primarily through member organizations (e.g., American Medical Association), but a few organizations reported direct lobbying and testifying before Congress regarding initiatives (e.g., Project Medical Home).

Marketers can expect an adverse financial impact with some reduction in government pay, and increased competitive pressure on payers resulting in lower reimbursement. There will also be an influx on the newly insured – those who have not previously sought or had access to healthcare. Furthermore, there will be challenges to the professional pipeline – fewer residency slots and, arguably, fewer graduates seeking careers in specialty care.

These consequences will undoubtedly put pressures on organizations to increase efficiencies and for marketers to do more market segmentation. Therefore, marketers must get back to the basics of strategic marketing planning. Effective stewardship of marketing dollars requires the following: Assessing the market, identifying likely future states, prioritizing segments, driving brand preference through messaging and effective use of marketing mix, and monitoring progress.

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It is our belief that direct patient advertising will increase and attract both the newly insured and “choosers.” Due to access constraints, segmentation will become increasingly important. Marketing leaders must also pay particular attention to strengthening referring physician relationships; an area of weakness for academic medical centers. Best practices include branded primary care clinics and branded patient education materials distributed at the first point of care, in the primary care setting.



Messaging should continually reinforce the value of the academic medical center to the healthcare system at large. Message points include the benefits of prevention (something of focus for AMCs), clinical education, establishing standards of care, promoting medical homes, creating patient education materials, installed electronic medical record systems, and outcomes measurement.

To better manage brands, AMC marketers should clearly define their brand’s promise to the community. This is frequently done by examining the value creating characteristics of the organization, its personality, and, most importantly, the ways it will consistently deliver an exceptional experience. The experience management component of branding is something that marketing departments at best-practice organizations have acquired as part of their charge. Those who deliver the experience, front line staff, must be encouraged to support organizational initiatives and standards by defining and reinforcing expected behaviors. Best-practice organizations actively monitor these behaviors through organizational excellence dashboards.

About the Survey

Over the summer of 2009, Gelb conducted a survey of academic medical center marketing executives to assess readiness for health reform. 62 responses were used to formulate the conclusions outlined herein. The complete results of this survey were presented at the annual AAMC meeting in November of 2009.

Question areas included:

- Individual and organizational views on impact of health reform
- Individual knowledge of health reform issues
- Institutional and marketing priorities for 2009 and 2010
- Perceived value of marketing
- Examples of best practices
- Respondent demographics

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About Endeavor

Endeavor Management, is an international management consulting firm that collaboratively works with their clients to achieve greater value from their transformational business initiatives. Endeavor serves as a catalyst by providing pragmatic methodologies and industry expertise in Transformational Strategies, Operational Excellence, Organizational Effectiveness, and Transformational Leadership.

Our clients include those responsible for:

- Business Strategy
- Marketing and Brand Strategy
- Operations
- Technology Deployment
- Strategic Human Capital
- Corporate Finance

The firm's 40 year heritage has produced a substantial portfolio of proven methodologies, deep operational insight and broad industry experience. This experience enables our team to quickly understand the dynamics of client companies and markets. Endeavor's clients span the globe and are typically leaders in their industry.

Gelb Consulting Group, a wholly owned subsidiary, monitors organizational performance and designs winning marketing strategies. Gelb helps organizations focus their marketing initiatives by fully understanding customer needs through proven strategic frameworks to guide marketing strategies, build trusted brands, deliver exceptional experiences and launch new products.

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