Volume 2 - Issue 2, Winter 2008 - Healthcare Economics

Marketing Your Healthcare Services: What You Need to Know

Prof. Dr. med. Mathias Goyen
Industry Adviser
******@***goyen.de

Professor of Diagnostic Radiology
- Hamburg University, Germany
Chief Medical Officer - GE
Healthcare, Europe

LinkedIn Twitter

Healthcare's once-upon-a-time days are gone. Simply being the nearby hospital does not automatically stake your organisation's financial claim. So, in an increasingly competitive industry, what is the ideal way to market a hospital or healthcare service to consumers—who are often no longer just patients?

Throughout Europe, healthcare has to date remained largely insulated from normal market mechanisms. Rather, healthcare providers are operating in a jungle of rules and regulations created by bureaucrats and enacted by politicians. Obviously, there are many reasons why healthcare cannot be considered a "normal market". First and foremost, health is a very special commodity which should be affordable for all members of a society regardless of their income levels. Acceptance of this paradigm remains the basis for all European healthcare systems. Despite the introduction of patient co-payments for physician visits as well as medication, thankfully there appears to be consensus that healthcare needs to remain available for all in need.

Insulation from market mechanisms has resulted in highly inefficient healthcare service structures. Ever-increasing healthcare costs have now resulted in a growing trend towards the introduction of market mechanisms based on supply and demand. In some regions, particularly large metropolitan areas, healthcare providers are therefore confronted with increasing competition mandating the development of marketing and sales strategies for individual healthcare providers.

Take Home Points:

- Current health systems based on state-governed regulations have failed to provide affordable and efficient health care.
- The introduction of market mechanisms based on supply and demand to healthcare is rapidly gaining acceptance.

Healthcare - a Special Product

In an abstract sense, healthcare is a product rather different from most other commodities. From a customer perspective it is of unsurpassed value, as it represents the virtual bases for a productive life. Despite its importance to the individual patient, it is difficult for the customer, i.e. the patient, to define its monetary value or the required product quality. Healthcare providers expect their patients to trust that their product is of high quality and priced correctly. In view of the multitude of regulations governing the way healthcare is provided, patients only too willingly place this trust into health care providers and their professionals including physicians, nurses and technologists.

Unfortunately, relying on rules and regulations does not necessarily assure sufficient quality of healthcare. In contrast to all other products, regulations governing the health sector only affect the process of administrating healthcare regardless of outcome. If the same principles were applied to the production of cars, the assembly of brakes in a car would be regulated whereas performance of the same brakes would not be subject to any checks at all.

Increasingly, patients are becoming aware of this central shortcoming of European healthcare systems. The pressure has grown to a point where even governments are reacting. New rules and regulations are being implemented. Most again fall short of what is needed: transparency of quality and pricing for healthcare products to the customer, i.e the patient. Efforts to provide reliable quality data can hence be considered one of the most important contributions to any health marketing strategy.

The process of pricing healthcare products has remained as elusive to the average patient as the assessment of product quality. For many healthcare services, patients do not even receive a bill. Rather, payments are provided by anonymous insurance or health service agencies in accordance to rules lacking in transparency and frequently sense. For the healthcare market to gain in efficiency, it is of utmost importance that pricing becomes transparent to the patient. Clearly this does not mean that bills should also be directly paid by the patient. Rather, the underlying insurance system with acceptable co-payments should be maintained.

Take Home Points:

- For market mechanisms to unfold their desirable effects, healthcare products must become far more transparent to the customer, i.e. the patient, regarding pricing and quality. The latter should be based on outcome and should represent a central theme in all marketing strategies.

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- While transparency in pricing requires patients to be billed, it does not require the patient to pay those bills themselves. Rather, the underlying risk sharing systems should be maintained as payers.

Hospital Marketing Strategy

Just like in other industries, marketing a hospital or healthcare system comes down to brand awareness. If your hospital's name is well-regarded within the community and by potential patients, you have a distinct advantage over competitors.

Most healthcare professionals would probably associate marketing with advertisement strategies. First and foremost, such strategies should focus on information to the patient. Transparency should be provided regarding the quality of the medical products offered. The creation of an attractive and content-rich internet platform clearly represents a cornerstone in this undertaking. Furthermore, occasional press releases documenting the success of medical treatments should be prepared and distributed into all available channels. Finally, advertisement strategies con also include direct marketing measures such as letters to treated patients outlining progress in diagnosis and therapy regarding their disease. The healthcare provider should be careful however to respect all laws and regulations governing advertisement in the healthcare sector in most European countries. Marketing, however, covers far more ground than mere 'advertisement'. In a sense, marketing represents the very core of any company by first and foremost defining a product portfolio.

Hence we can summarise as follows: the central aspect of any marketing concept relates to the definition of products. Advertisement strategies only represent the tail end of a marketing concept.

Product Portfolio

In our current hospital world, product portfolios have by large developed in a historic sense. While there are variations in the number and type of healthcare products offered by different hospitals, few providers have consciously decided upon what is offered as part of the existent product portfolio. Rather, portfolios appear to be the results of historic processes based on individual physicians' interests and abilities as well as perceived patient needs, expressed by insurance carriers. Frequently, a hospital offers various healthcare products for no identifiable reason at all.

As a first step in the process of developing any marketing strategy, the currently offered products should be listed. Using portfolio analysis tools each of these products should be analysed regarding quality, profitability, and future relevance. The assessment of quality and profitability should be based on comparative benchmarking data. Both factors generally relate to volume.

Thus, there is ample data illustrating a direct relationship between outcome quality of a particular procedure or operation and the number of times that this procedure is performed within the same hospital in a given time frame. Case volume has also emerged as a direct predictor for cost. Similar to most other products, economy-of-scale effects contribute toward reduced cost also of medical procedures. Put differently: the same procedure becomes less expensive if it is performed more often within the same hospital.

Take Home Points:

- Product portfolios should be consciously defined based on different criteria including quality, cost and 'future relevance'.

Unique Selling Proposals (USPS)

Future relevance of products relates to existent Unique Selling Proposals (USPs) of the hospital offering the product. Each hospital should define these USPs which set it apart from its most direct competitors. USPs can relate directly to the type of patient group served by the hospital (community hospital Vs. specialised referral centre), offered medical services (cardiac surgery or organ transplantation), or the quality of care provided. In addition to that, USPs can also relate to aspects of process affecting all products such as a special means of nursing, the implementation of a quality assurance program or a particularly innovative means of electronically archiving medical patient data.

USPs should be designed to be as defensible as possible. Thus, USPs which can easily be copied by a competitor is of considerably less value than those, which will remain truly unique preferably over a very long period of time. But differently, Unique Selling Proposals should be associated with 'high barriers of entry' for any potential competitor.

For a University Medical Centre (UMC) the following USPs seem to bear relevance: All products requiring an interdisciplinary approach: Since UMCs will generally be home to more sub-specialists than any other hospital, diseases requiring a multidisciplinary approach will be treated in a more efficient manner.

Complex diseases requiring intensive care: Since UMCs are generally equipped with vast intensive care resources, they should be used for the treatment for the most complex disease entities requiring such services. Ability to adapt to new therapies: Since UMCs encompass research as well as medical care, it should be far easier to implement new medical advances in health care products.

Once defined, the USPs should be checked against those products, which have been determined to be both of high quality and high profitability. At the end, only those products combining defensible USPs with high medical quality and profitability should be further developed and entered into a future product portfolio.

Take Home Points:

- USPs can relate to various aspects defining the character, infrastructure or medical abilities of a hospital.
- Defensible USPs is those associated with high barriers of entry for any direct competitor.

Sales Strategies

Once a product portfolio has been defined, the hospital infrastructure has to be developed in a manner that strengthens the ability to deliver these products at maximal quality in minimal cost. These efforts should be made transparent to the customer by publishing them on the web. Furthermore, these efforts must provide the basis for any direct sales strategy which, in analogy to all other industries, can only be based on quality and pricing. In this regard it will be most important to provide transparency regarding the definition of quality. Clearly, these aspects will need to be regulated in a homogeneous, hopefully European manner.

Take Home Points:

- Any sales strategy must be based on transparency regarding the quality and pricing of the medical products offered.

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- Attention must be paid to existing laws and regulations governing the healthcare sector.

Summary

Healthcare is rapidly evolving from a totally non-transparent and heavily process-regulated system to a competitive market. To survive in such a market, hospitals will require the conscious development of marketing and sales strategies. These should be based on a product portfolio defined by quality, profitability and USPs. The bases of marketing and sales strategies must, however, lie in providing transparency to the customer, i.e. the patient, regarding outcome quality and pricing of healthcare products.

Published on : Sun, 21 Dec 2008

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