



Marketing in Times of Price Transparency

Written by

Carolyn L. Kent, Creative Strategy Specialist

Cleverley + Associates

438 e wilson bridge road, suite 200

worthington, oh 43085

888-779-5663

info@cleverleyassociates.com

As a marketer, I am fascinated by the movement toward price transparency. I can't help but wonder how hospital executives are responding to this issue and what types of strategies they have in place to address it.

Remember the 4 Ps of the marketing mix? Product, Price, Promotion, Place. Traditionally, hospital marketing has focused on the three of those that hospital marketers **could** control – Product, Promotion, Place. The Price factor was left up to the Chargemaster Coordinators and other individuals within the hospital that were involved in the price-setting process.

The notions of consumer-driven healthcare and price transparency are going to fundamentally change how hospital marketers approach the various elements of the marketing mix. With the media reporting issues surrounding hospital charges nearly everyday, Price is an increasingly important player in the marketing mix. Granted, it is still not a controllable piece for marketers, but they have an obligation to understand how pricing for procedures is determined and how certain rates are negotiated with various payers. Why?

Because consumers are demanding to know.

There is much discussion among healthcare executives about price transparency, but not many are talking **to consumers** about it, and consumers very much want to be a part of the discussion.

Price transparency and consumer-driven healthcare will force marketers to engage with consumers of healthcare as never before. When it comes to **consumer-driven** healthcare, you simply cannot afford to **not** engage the consumer. And the longer you evade discussing these issues, the more skeptical consumers will become regarding your pricing policies.

Embrace this as an opportunity to connect with consumers in a real, open dialog regarding their concerns. I know that this is a lot of conceptual talk. Easier said than done, right? I certainly do not have the "right" answer for all hospitals, but here are some specific actions to get you thinking outside of the box.

- **Invest in your web site.**

One of the key web marketing principles involves offering relevant content. Find out what customers want when they visit a hospital web site and then deliver it. Are they searching for price information? Quality measures? Service lines? Accepted health plans? Riverside Methodist Hospital in Columbus, Ohio has an excellent section dedicated to "Health Questions and Answers". Information about consumer health concerns is a value-added feature that many hospital web sites lack. Riverside also has a section entitled "Taking Charge of Your Healthcare". What a terrific example of relevant content! This type of content should be front and center on your home page because it's timely and valuable. If you're feeling especially bold, you can make your web site interactive, with an "Ask the Doctor" section or a discussion board. High Point Regional Health System in North Carolina even features patient blogs and the ability for patients to create their own personal web pages.

Bottom Line: Compared to television and print advertising, websites and online marketing programs are strong purchase influencers¹. About 80% of adult Internet users (estimated at 93 million people) have searched for health information online². In a time when more and more consumers are "shopping around" for healthcare, can you really afford to not have a strong web presence?

- **Prepare to talk price.**

Collaboration with the Chargemaster team is a must for understanding your hospital's pricing structure and how it was established. The reality is that people are going to continue to ask about it, whether they be consumers or media personnel or another interested party. The hospitals that are making a visible attempt to engage in an open dialog about price transparency, the hospitals that are not afraid to discuss their pricing

structure with the media, are going to gain the public's trust and position themselves as industry thought leaders.

Bottom Line: The US Median for surgical cases as a percentage of all hospital business is 21.98%³. Start small by communicating pricing information to just this segment of consumers, who are more likely to price-shop than any other segment that you serve. Generally, most types of surgery are revenue drivers for hospitals and delivering a relevant pricing message to this market segment focuses on the 20-22% of your most profitable cases.

- **Educate consumers.**

Many hospitals offer classes to the community for preventive care measures and other health-related topics. Consider offering free sessions about the following topics: How to Understand Your Hospital Bill, What to Expect During Your Stay, How to be a More Informed Consumer of Healthcare, etc.

Bottom Line: Are you leveraging all of your marketing channels to reach your full engagement potential with consumers?

- **Monitor and communicate quality and satisfaction.**

Via CMS' Hospital Compare web site, consumers are able to view quality measures online and compare various hospitals against one another. The drawback to this is that Joe Consumer is not familiar with healthcare lingo and standards of care; therefore, the information communicated on this site is of modest significance. Try communicating quality information to consumers in language that they understand. And at a bare minimum, conduct regular patient satisfaction surveys. Work to increase the number of satisfied patients. Start out small.

- + Simply ask patients one question: "How likely are you to recommend our hospital to another patient?" Use a scale of 1-10, 10 being most likely.
- + Those who answer with 9s and 10s are your "promoters".
- + Total up the promoters, subtract the remainder of the respondents (your "detractors"), and you've got your Net Promoter Score (NPS), expressed as a percentage of all customers that are promoters.
- + Work to improve that score.

Research by Fred Reichheld indicates a strong correlation between an organization's NPS and business growth. Monitoring and managing the NPS will help you to tie in quality and satisfaction with your marketing strategy for price transparency.

Bottom Line: Consumers of healthcare ultimately are no different from any other type of consumer: they simply want the best value for their money. They want the highest quality of care at the best price. Dichotomous, I know. Tracking your NPS while pursuing a price transparency strategy will help you to manage both endeavors effectively.

- **Remember the People.**

Some marketers will argue that the marketing mix really consists of 5 Ps, the fifth one being People. I happen to agree with them. That said, you must engage your customers. I cannot stress this enough. This is, after all, the era of **consumer-driven** healthcare.

I realize that the obstacles to making prices available and understandable are significant. I also realize that Marketing is often left out of pricing strategies and responses to transparency trends. But marketers' jobs are to understand customers' needs and develop a plan that meets those needs, and in an era of consumer-driven healthcare, customers **need** to talk about price transparency. Embrace it.

For more information, please visit www.cleverleyassociates.com.

- ¹ DoubleClick's Touchpoints III, The Internet's Role in the Modern Purchase Process (July 2005).
- ² National Center for Policy Analysis, Consumer-Driven Healthcare: The Changing Role of the Patient (NCPA Study No. 276, May 2005).
- ³ William O. Cleverley, PhD, Joanna M. LaFortune, MBA, and James O. Cleverley, MHA, State of the Hospital Industry - 2007 Edition (2007), 36.