White Paper

Industry: Healthcare

All Patients Are Not Created Equal:

How Patient Mix Can Drive Payor Mix

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"Marketing has evolved to be not only product centered but customer centered. We are saying you've got to understand and choose the customers you want to serve. Don't just go after everyone."
— *Philip Kotler*

Introduction

There is one universal truth in marketing, not all customers are created equal. For the healthcare provider this recognition too often takes the form of payor mix analyses that focus on how much revenue a hospital is reimbursed for patients based on insurance coverage. While such analyses are important, particularly to the CFO, the marketing department's charge is to effectively and efficiently allocate the organization's marketing budget. This requires not only an understanding of the importance of payor type, but even more importantly, it means thoroughly understanding *patient* types.

Philip Kotler, perhaps the leading marketing authority of this generation, phrases it this way:

> *"Marketing has evolved to be not only product centered but customer centered. We are saying you've got to understand and choose the customers you want to serve. Don't just go after everyone. Define the target market carefully through segmentation and then really position yourself as different and as superior to that target market. Don't go into that target market if you're not superior."*

The challenge for the healthcare marketer is to identify the optimal mix of patient types based on the unique characteristics of their own facility, and then utilize the right marketing messages and media channels for those key patient types.

So, how does a health marketer get started?

It begins with analyses of your current patient mix. An important, yet almost invariably underutilized tool is your patient database. Through segmentation, it is possible to gain extremely rich insight into who is using your facility and for what. With this knowledge, the healthcare marketer can make informed decisions about where to focus marketing efforts to ensure that they reach the right household with the right message. And importantly, even within the guidelines of the Health Insurance Portability and Accountability Act much can be done to extract such valuable information from your patient database.

Assume you're the marketing director for a 500-bed hospital with an experienced trauma unit and well respected intensive care facilities. Traditional payor mix analysis has likely shown that the percentage of uninsured and underinsured patients has been rising as your ER visits and percentage of patients admitted through the ER have increased in recent years. Your challenge is to find a way to offset those trends, by managing your patient mix to attract more paying patients to help offset the increased financial burden of the uninsured and underinsured. By

tweaking your patient mix you can fill beds and change your payor mix to make your CFO happy at the same time.

The first step in the process is to append external segmentation to your patient database. This allows you to understand the types of people who are utilizing your hospital, which types of patients are using which services, and which types of patients have the most favorable payor profiles. It is critical to use an external segmentation tool rather than developing one internally in order to make the analytical findings actionable in your future marketing efforts. Internally-developed modeling and segmentation tools lack the ties to syndicated market research that external segmentation offers. Syndicated market research provides a bridge to the "real" world, patients' true attitudinal and behavioral data that can complement the information in your own database.

Who are these patients anyway?

There are about 110 million households in the United States. Through exhaustive database analyses and consumer research, Cohorts has identified 30 distinct household types that collectively reflect the composition of the American household landscape. Each household type, or Cohorts Segment, represents a unique type of patient with characteristics and consumer behaviors that make it distinct from the other types. In other words, the healthcare utilization patterns and payor characteristics of households in one group are similar to one another and yet distinct from households in each of the other 29 groups.

Let's take a look at several segments and describe how their healthcare utilization patterns differ. Remember that your market area is comprised of known quantities of these and each of the other Cohorts segments. By determining which patient types are the most profitable, you gain the ability to target your marketing efforts to reach the right households with the right messages.
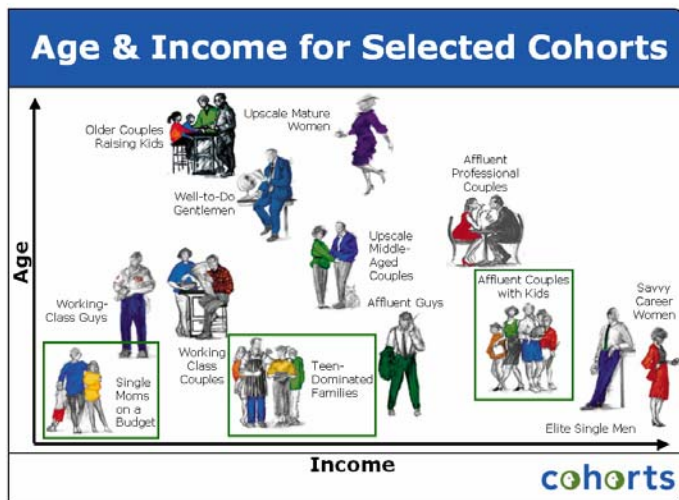
The graphic to the left illustrates several of the 30 Cohort segments that will be found in your hospital's market area.

Getting to understand different patient types creates some unique opportunities for the healthcare marketer. Once your patient database has been analyzed, an external segmentation has been appended, the relationships that different segments have with your organization become visible. Let's take a closer look at three household types that the patient database analyses determined had a higher than expected affinity for your hospital. By comparing the percentage of your patients in each patient type with that of your hospital's overall market, say you identify that three select patient types were much more likely to utilize your hospital than we would expect. These patient types are: *Affluent Couples with Kids*, *Single Moms on a Budget* and *Teen-Dominated Families*. Let's examine each in more detail.

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First, *Affluent Couples with Kids* comprise 5.7 million households in the U.S.   From a payor mix perspective, they are not Medicaid patients, and are very likely to participate in a managed care plan with good benefits. Diagnosis-Related Group (DRG) analyses show that they are somewhat more likely to enter the hospital through trauma, orthopedics and oncology diagnoses.   They have children and the resources to both seek out and utilize the best medical care they can find. Keeping your ER top-of-mind for these patients and stressing the quality of care and your new pediatric cancer center will be important objectives in attracting more of these patient types to your hospital.

Affluent Couples with Kids will react to your reputation, be very concerned about quality of care and react well to messages with an emphasis on education. A Web presence is essential and it should feature a lot of relevant content for this Web-savvy group. And keep in mind, they are also likely to have aging parents, with ever increasing healthcare needs to worry about.   Also, they are finding that the fine print in marketing messages they once found merely annoying is now becoming completely unreadable.

There are 5.1 million *Single Moms on a Budget* in the United States. They may not have the best healthcare coverage, but have children and are trying to manage their busy lives as best they can.   DRG analyses show these households are more likely to be treated for dermatology, mental health, and reproductive services than other patient types. The patient type is more likely to be a self-pay patient. Preventive health ideas presented in a straightforward manner resonate with this group. They typically won't want as much detail as the *Affluent Couples with Kids*, but like helpful, easy to understand medical tips. Don't talk platitudes—talk practical.

Finally, *Teen-Dominated Families* represent dynamic families with medical needs ranging from broken limbs to migraines. DRG analyses show these households are over-represented in endocrinology, rehabilitation and urology, and nephrology diagnosis at your hospital. These patients' medical coverage, while not quite as good as *Affluent Couples with Kids*, is generally very adequate.   You're going to see more of these households choosing you based on location and primary physician recommendation, rather than researching you

Affluent Couples with Kids

Health Habits
- We gather health information from the Internet
- We make sure to exercise regularly
- We get advice on health care issues from our friends
- Generic drugs work as well as advertised brands

Hot Buttons
- Being active both recreationally and culturally
- Keeping up with the Joneses
- Organization and efficiency
- Tone: Intelligent, upbeat, informed, excited about life, upscale

- Median Age: 43
- Median Income: $141,000

JEFFREY AND ELLEN

Affluent Couples with Kids

Source: Cohorts and Simmons Market Research Bureau

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Single Moms on a Budget

Health Habits
- I research treatment options, then ask my doctor about them
- I'm usually the first to try a new health food
- It's important to see the doctor when I'm sick
- I only use drug brands that are recommended by my doctor

Hot Buttons
- Finding time for herself
- Boring job, yet dreams of a brighter future
- Despite the kids, she feels lonely
- Money is the best measure of success
- Occasionally blows off steam with a girls' night out
- Tone: excited, hip

- Median Age: 36
- Median Income: $17,000

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Single Moms on a Budget

Source: Cohorts and Simmons Market Research Bureau

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Teen-Dominated Families

Health Habits
- We take OTC drugs as soon as we get sick
- Because of our busy lifestyle, we don't take care of ourselves as well as we should
- We still drag ourselves to work when we're sick
- OK, we admit it, we're smokers

Hot Buttons
- Parenting
- Getting a break from parenting
- Budget conscious
- Electronically de-pendent households:
  - DVDs, CDs, home video games, Internet, cell phones
- Tone: encouraging, smart, sympathetic

- Median Age: 42
- Median Income: $58,000

Danny & Vickie

Teen-Dominated Families

Source: Cohorts and Simmons Market Research Bureau

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on their own. They are also going to choose medical services from the same providers their friends do. Targeted neighborhood outreach programs and emphasis on convenience will be important. Referral programs will be helpful in attracting these patients.

The critical thing to understand is that once you recognize the unique consumer characteristics within different segments in your market, you can leverage this information into successful marketing campaigns.

This is possible because patients—regardless of payor-type—are people too.

Love them all, just love the right ones a little more

It's worth mentioning that, we are not suggesting you ignore potential patient types that have unfavorable payor characteristics. Rather, when spending discretionary marketing dollars, it simply makes sense to prioritize those expenditures towards the patient types your hospital deems the most beneficial. If you don't do it, your competition certainly will.

Let's look at an example of how your hospital might target key patient types to improve your payor mix. Let's say your hospital has also just built the region's newest, state-of-the-art pediatric cancer center. *Affluent Couples with Kids* will be potentially good targets, and your PR and marketing efforts should go beyond generating awareness of the new facility among doctors and the medical community. You're likely competing with local, less specialized facilities, as well as other regional facilities located farther away. Making sure that *Affluent Couples with Kids* know about the center will be important in increasing utilization. General marketing efforts in the local markets can be augmented with targeted direct mail in outlying areas.

Here's an example of how household-based segmentation can help craft a relevant message about healthcare services, targeted at these two distinctively different types of patients:

Sample E-Mail Copy

Affluent Couples With Kids
Median Age: 43
Median Income: $141,000
5, 714, 000 (5.2%) U.S. Households

Did you know that 85 percent of people over the age of 45 need reading glasses? You will find this and much more at www.XYZGeneral.com the most comprehensive medical information in Gotham.

Whether it's what's causing the kids' sniffles, or Mom's hearing loss, we've got the most reliable medical resource in the region. Be sure to check us out.

While you're there, take a virtual tour of the new Schmidt Pediatric Cancer Center. It's the finest facility in the northeast and sets the new standard for advanced diagnoses and treatment.

XYZ General - Continually improving medical care in Gotham for 75 years.

Sample Direct Mail Copy

Teen-Dominated Families
Median Age: 42
Median Income: $58,000
6,313,000 (6.4%) U.S. Households

Did you know that sprained ankles are the most common form of sports injury for athletes under the age of 18? We do. We're XYZ General Hospital and we know that and a lot more.

Our Emergency Room is nationally ranked and last year alone treated over 20,000 of Gotham's sprains, bumps, and worse. So don't tell your kids not to have fun, just remember that XYZ is here should they need us. Chances are one of your friends' kids has already been here.

And, we've just opened the most state-of-the art Pediatric Cancer center in the region. Stop by and check us out.

XYZ General - Continually improving medical care in Gotham for 75 years.

As you can see, customizing messages for each patient type doesn't have to be elaborate — just relevant. Appeal to the *Affluent Couples with Kids*, not only with your exhaustive information resources, but with the technological sophistication they would expect of a state-of-the-art medical facility. Let them know your reputation is not just local.

What appeals to the *Affluent Couples with Kids* is very different from the fast-paced and practical copy that suits *Teen-Dominated Families*. In this ad example, the marketer has recognized that these families' kids are always on the go, and communicated that you're there if they need them - a comforting thought.

Final Thoughts on Patient Types

A thorough understanding of the patient mix provides significant opportunity for any organization to evaluate and improve its business practices. Using the knowledge segmentation offers, hospitals can better understand their payor mix in addition to analyze service line performance. They can identify which patient segments account for the most revenue and which services bring patients into their facilities. Marketers can focus their efforts on prospecting for those patient types most appropriate for the organization. Once identified, one option is to then purchase household-specific direct marketing lists comprised only of those prospect households for specific locations. Additionally, strategic planners can determine new service lines and locations, based upon community needs. Or this information can be used in budgeting and resource allocation activities. And these are just some of the processes household-based segmentation can enhance.

Armed with an understanding of all the different types of patients and their impact on your payor mix, healthcare marketers can effectively develop relevant marketing campaigns that maximize the use of budget and satisfy the CFO. The bottom line is: the powerful combination of your patient knowledge and a household-based segmentation initiative can unlock the potential of a whole range of short-term and long-term marketing strategies. Ultimately, through patient mix analyses and targeted marketing, you'll be able to get the right message to the right patient types, to stay ahead of the competition.

For more information, visit www.cohorts.com or contact info@cohorts.com. 1624 Market St., Suite 311, Denver, CO 80202; (303) 893-8600; fax (303) 893-8611.

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