

Insight Driven Health

Patient Engagement: Happy Patients, Healthy Margins

A large, stylized blue chevron graphic pointing to the right, serving as a background for the text "High performance. Delivered.".

High performance. Delivered.

A superior customer experience doesn't just strengthen patient engagement — it also correlates to 50 percent higher hospital margins.

Cost cutting has long been the strategy hospital systems have first turned to for improving margins. Patient experience, on the other hand, is often viewed as a cost driver, with limited to no measurable financial upside. However, today's patients "shop" for healthcare services and, like all consumers, they want and will seek out the best possible overall experience when receiving care.

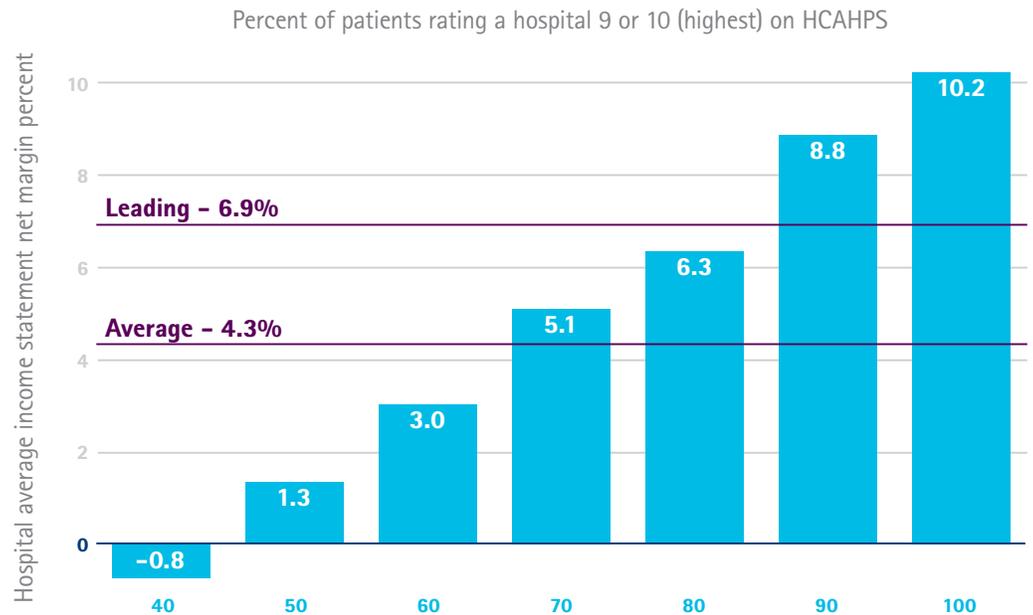
Recent Accenture research suggests that hospitals that offer a superior patient experience tend to have 50 percent higher margins than their peers (Figure 1). Hospitals that deliver a superior experience have the opportunity to create happy and healthy patients, as well as a healthy financial future.



To examine the relationship between patient experience and hospital financial performance, Accenture analyzed hospital income margin data reported to the Centers for Medicare and Medicaid Services (CMS) and survey results from the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS). Although HCAHPS is just one of many evaluative tools measuring patient experience, its widespread U.S. adoption makes it a good proxy for health consumer experience.

Figure 1. Hospitals that offer patients a better customer experience tend to perform better financially.

Hospitals rated a 9 or 10 on HCAHPS are more likely to have higher margins.

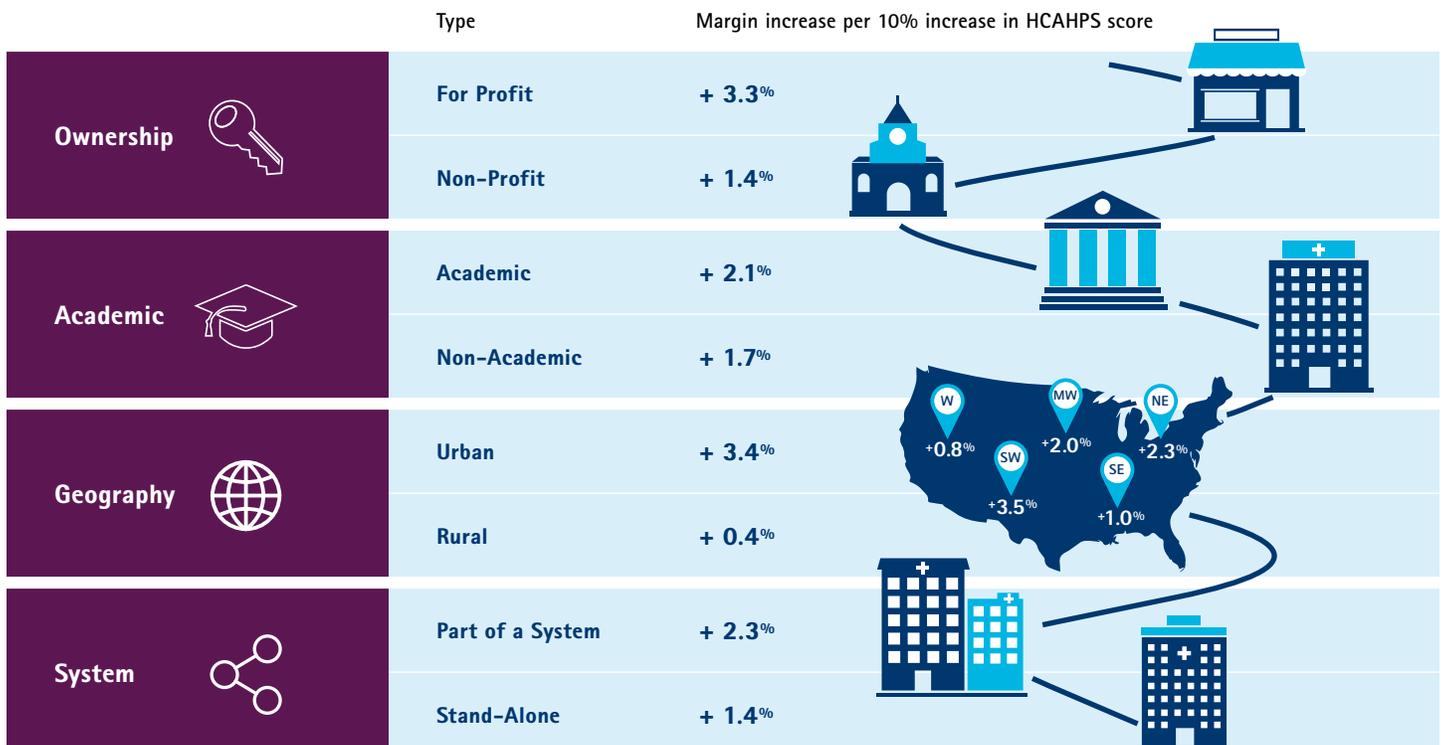


Sources: Accenture analysis, HCAHPS Hospital Survey, Centers for Medicare and Medicaid Services

The correlation between the health consumer experience and higher margins is nationwide and exists across all hospital types (Figure 2). The margin increase at urban hospitals is roughly eight times that of rural hospitals, suggesting that urban hospitals with a superior consumer experience achieve nearly double the margins of an average-experience

hospital. This difference in correlation could be attributed to many factors – e.g., patients have greater choice in non-rural areas, and select the hospital that offers the best experience; or profitable hospitals, often located in non-rural areas, have the financial means to invest in improving the patient experience.

Figure 2. The "happy patients, healthy margins" correlation is nationwide across all hospital types



Sources: Accenture analysis, HCAHPS Hospital Survey, Centers for Medicare and Medicaid Services

Prioritizing patient experience

These findings suggest that hospitals could achieve financial success through patient-centric enhancements rather than cost-cutting. For example, Accenture analysis shows that a hospital system earning \$2B in revenue would have to cut 460 jobs (assuming a loaded salary of \$100K) to achieve the same 2.3 percent margin benefit that improving the consumer experience might bring through revenue growth. The data suggest that leading hospitals are indeed growing profitability by increasing consumer satisfaction, not cost cutting: Among the top 20 percent of patient experience performers, both revenues and costs are growing at an above-average rate, with revenue growth outpacing the growth in operating expenses (Figure 3).

Figure 3. Margin improvements in hospitals that are patient experience top-performers are due more to revenue growth than cost cutting.

Metric	Top HCAHPS Performers	All Other Hospitals	Takeaway
2013 Margin Growth as % of 2012 Margin	9.9%	-4.5%	Hospital margins are growing faster for top HCAHPS performers 
2013 Patient Revenue Growth as % of 2012 Margin	10.9%	5.8%	Revenue is growing faster for top HCAHPS performers than for other hospitals 
2013 Operating Expenses Growth as % of 2012 Margin	7.8%	4.2%	However, costs are growing faster as well 

Sources: Accenture analysis, HCAHPS Hospital Survey, Centers for Medicare and Medicaid Services

Finally, this correlation is historical and growing in importance over time. Accenture analysis shows that margin increase correlated to a 10 percent improvement in consumer experience scores grew from 1.04 percent in 2008 to 1.72 percent in 2013 – this represents a 70 percent increase. As health consumers increasingly factor experience into their care selection decisions, the financial benefit associated with patient experience can only be expected to increase.

Better healthcare CRM, better margins

Hospitals that are the fastest to adopt patient experience and digital health best-practices (Figure 4) will be best positioned to improve their reputations, reap the financial rewards and outperform their peers.

Figure 4. Six practices hospitals can adopt to better engage the health consumer



Methodology

The analysis used Centers for Medicare and Medicaid Services (CMS) Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) performance scores (2008–2013) as a proxy for the hospital consumer experience, and CMS-reported hospital margins as a proxy for hospital financial performance. All CMS data was obtained through Billian's Healthdata. The correlation between the overall rating and the financial margin was then stratified by hospital type and HCAHPS sub-factors to gauge whether the positive correlation was associated with particular factors.

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