



MARKET SEGMENTATION

Sixth in a Series Examining Revenue Growth Strategies in a Difficult Health Care Market

Market segmentation is a useful business tool to identify new and expanded ways to improve services and enhance revenues. This tool identifies unique subsets of the population to target for specialized services and marketing initiatives. Market segments can be defined by three major categories: demographic characteristics, disease categories, and geographic location.

DEMOGRAPHIC CHARACTERISTICS

Demographic segmentation targets services for certain socioeconomic characteristics such as gender, age, or cultural/ethnic background. Strategies that target women, in particular, are becoming increasingly prevalent for several reasons:

- Capturing the female patient means influencing the vast majority of health care decisions made for families.
- Women use health services more frequently than men, including physician visits (31 percent more) and admissions to the hospital (17 percent more).¹
- Most women are dissatisfied with how they receive care, which is often in settings that do not support the unique aspects of care to women.

For these reasons, significant opportunity exists to develop services targeted to women, and even to certain age groups within this population, that can make a meaningful distinction in the marketplace, improve quality of care, and increase patient satisfaction. These opportunities can range from focused niche service development to comprehensive approaches that incorporate a wide range of programs.

Most acute care hospitals provide maternity services and, historically, have defined their strategy for women around obstetric services and little

else. This narrow approach forces hospitals to compete in a highly competitive and, in many places, shrinking market. Strategies that target a wider spectrum of women and their health needs—such as older women who are interested in perimenopausal care, breast health, bone health, and fitness—will increase the opportunity to reach and retain this market segment for all their health care needs.

The most comprehensive approach, which is being used at such places as Magee Women's Hospital, Pittsburgh, involves developing services for women across other non-gender-specific clinical service lines, such as cardiology, orthopedics, and oncology (beyond breast and gynecological cancers). Although this approach is the most difficult to put into operation, it goes farthest in establishing a market presence in women's health. Magee's program is one of 14 medical centers federally designated as a "center of excellence" for women's services, a program of the office on women's health in the U.S. Department of Health and Human Services. These centers of excellence for women are also distinguished by a multidisciplinary approach and strong education and research programs supporting the development of treatments for women.²

Key non-maternity-based strategies for women include mid-life women's programs and women-oriented services in oncology and cardiology. Although the appropriateness of various strategies for developing differentiated women's services will ultimately depend on the organization and its marketplace, those that provide only amenities and not substantive services, compete with physicians, follow late in the marketplace, or attempt to add too many services without ensuring program stability and commensurate market support are less likely to succeed. Strategies that are more likely to succeed focus on market-based

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program design, partnering (not competing) with physicians, niche programming, and careful market positioning and differentiation.

Health care organizations are also recognizing the importance of the aging population and its impact on demand for services. Targeting older adults for care and improving access to services in a meaningful way has proved more challenging than offering comprehensive women's services. Greenwich Hospital in Greenwich, CT, has partnered with area agencies and organizations to create the Geriatric Health and Resource Center of Greenwich Hospital. This center focuses on four areas, including:

Interdisciplinary geriatric assessment provided by a board-certified geriatrician, including any necessary treatment plan

- Geriatric continuum of care that uses case managers to link a variety of services frequently needed by the elderly, including inpatient and outpatient care, rehabilitation and fitness, respite care, adult day care, group living, skilled nursing, hospice, and home health services

- Education and awareness through a variety of media sources and a membership program providing discounts on drugs, eyeglasses, and hearing aids

- Resource information services linking various data sources within the community to health care providers

The Geriatric Health and Resource Center has improved health care services for the elderly and increased the hospital's share of its primary market as well as expanded its share of the secondary market.³

In some areas of the country, ethnic characteristics are useful to identify special needs, particularly for minority or immigrant populations. Health care organizations, particularly in urban areas, are frequently faced with the special needs of immigrant populations in their communities. The Hispanic population in the United States increased by 58 percent between 1990 and 2000,⁴ and immigrants from dozens of countries have settled in greater numbers, even in rural areas in the Midwest.⁵

Sensitivity to cultural issues that may be barriers to accessing health care can lead to the development of programs that increase access, improve health status, and increase patient satisfaction. Bilingual staff and even multilingual translation services in very diverse communities are an important first step in reaching out to these markets. In many Arabic and Asian communities, women must be chaperoned by male rela-

tives to see health professionals. An obstetric health clinic at St. Joseph's Hospital in Paterson, NJ, expanded its hours into the evening so that husbands could bring their wives for care after working hours.

Programs that modify the delivery of care to meet cultural and religious needs can also enhance services and revenues. "Bloodless medicine" programs have been successful in communities with a significant population of Jehovah's Witnesses and other religious groups whose beliefs forbid blood transfusions.

DISEASE CATEGORIES

Segmenting the market by disease can be another useful way to identify gaps in the delivery of care and to enhance services and revenues. Unlike the service continuum concept (discussed in an earlier article, "Filling Gaps in the Continuum," November-December 2001, pp. 34-38), which starts with the question "What are all the diagnostic and treatment services we can offer in a clinical specialty area, such as cardiology?" segmenting the market by disease asks, "What services are needed by those with a certain condition or disorder?" This approach starts with a comprehensive review of the patient's needs and may cross traditional service lines.

A community assessment of key health status indicators in the service area and review of high-volume diagnoses admitted or treated at the health system are good ways to identify health conditions and disorders that may warrant more focused attention. Typically, conditions related to an aging population—such as diabetes, arthritis, neurological conditions, heart disease, and pulmonary disease—are found frequently in patients accessing health services. In some areas, asthma, particularly in children, is a significant health issue.

Once the major health issues in the population are confirmed, an inventory of services potentially needed by patients with specified conditions can be prepared and compared with existing capabilities to identify gaps in services. If the service area has a high incidence of diabetes, a comprehensive diabetes program can provide the entry point to multiple services, including assessments, education, weight management, laboratory services, vascular studies, wound care, and surgery. An arthritis program targeted to older residents can coordinate patient services, including assessments, imaging, pain management, physical/occupational therapy, joint replacement, and clinical trials.

Neurologic institutes can provide an umbrella for a number of conditions, including strokes,

Parkinson's disease, Alzheimer's disease, multiple sclerosis, epilepsy, balance disorders, and sleep disorders. As discussed in a previous article in this series ("Niche Services," January-February 2001, pp. 23-28, 51), the aging of the U.S. population, advances in technology, increasing subspecialization, and higher levels of research funding are fueling interest and service development in the neurosciences. Although some capabilities will remain only in academic medical centers that provide the most comprehensive array of services, many subspecialty neurology programs are becoming increasingly feasible for community hospitals because of growing volumes and the diffusion of technology to lower-cost settings. Community hospitals serving populations of 250,000 or more should be able to sustain a fairly comprehensive neuroscience program. A population of this size can generate 1,200 neurology-related discharges, nearly 1,000 neurosurgical procedures, and more than 2,500 neurodiagnostic procedures for a variety of conditions.⁶

Many health systems and hospitals already provide most, if not all, the services to treat certain diseases but need to reconfigure them to be much more patient focused, accessible, and visible to the community. Health care organizations may also want to take their programs to a higher level of clinical and market effectiveness by developing centers of excellence.

By reorganizing and marketing existing services more productively, hospitals can not only serve patients better, they can also make their services more visible to targeted audiences by presenting them in a comprehensive, integrated way. Moreover, implementing a center of excellence will move an organization to a higher level of performance through patient-centered service enhancements, clinical alignment, integrated operations, outcomes measurement, and focused investment.

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GEOGRAPHIC LOCATION

Yet another way to target opportunities for growth through market segmentation is to iden-

Segmentation by market will help identify needed services.

tify geographic subregions that may be experiencing significant population growth. Fast-growing suburbs in many parts of the United States have led some health care organizations to invest heavily in new outpatient facilities and sometimes entire new community hospitals.

Many areas across the country are experiencing significant population growth. The population of Clark

County, NV, which includes the Las Vegas metropolitan area, grew more than 85 percent between 1990 and 2000, adding 600,000 people during the decade.⁷ With this population growth expected to continue, St. Rose Dominican Hospital has recently announced plans to add a third acute-care hospital to its system in the Las Vegas area, "designed to meet the future needs of our valley's rapidly expanding population."⁸

Another fast-growing county in Colorado has become the target of two health care systems looking to add acute care facilities in the area. Douglas County, just south of Denver, nearly doubled its population between 1990 and 2000 to more than 115,000 people.⁹ Both HealthOne and Centura Health, Colorado's largest health care system, are planning new hospitals in the county to serve the growing demand for services and relieve the stress at neighboring facilities.¹⁰ Centura Health, established through a joint operating agreement between Catholic Health Initiatives and the PorterCare Adventist Health System, will open a 100-bed facility in 2004 that is expandable to 200 beds.¹¹

Although many communities are not projected to grow enough to justify the construction of a new hospital, some communities may have pockets of population growth, particularly in the periphery of the existing service area, that would support some outpatient service development and also support a phased strategy of adding more (and possibly acute) services in the longer term. With outpatient use rates growing on average by up to 5 percent per year, the combined effect of population growth and use rate increases makes ambulatory needs great in any sizable, rapidly growing population area.

Segmenting the market by key characteristics will

help identify needed services and opportunities to enhance programs, visibility, and revenues. These approaches include identifying certain socioeconomic characteristics, disease categories, and/or fast-growing geographic markets within the population being served that can be targeted for new or enhanced service development. This population- and market-based approach will increase differentiation of services in the marketplace and help support the feasibility of new program development and the organization's financial success. □

NOTES

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