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NEW REVENUE GROWTH

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growth in the trenches: increasing market share

- > Memorial Hospital West in Pembroke Pines, Fla., increased its market share in its total service area from 11 percent in 1996 to 18 percent in 2003.
- > New York City's Hospital for Special Surgery, the *U.S. News & World Report's* second-ranked orthopedic program in the nation, saw its market share in its home county increase from 7.1 percent in 1995 to 11 percent in 2003.
- > Medical College of Georgia Hospitals and Clinics' market share in its home county of Richmond increased from 19.6 percent in 1999 to 25.3 percent in 2003.

How did they do it?

Nearly all providers want to hit a home run every time they step up to bat. For every 100 (or 1,000) glorious schemes intended to result in a devastating victory over competitors, only one or a few succeed. The battle is more often won in hand-to-hand combat, day after day in the trenches, with excellent execution of a strong, bold vision that creates a continually stronger position. And the measure of success in this ongoing competition is usually increased market share.

The market share war is basically a zero-sum game: There is only 100 percent available in any given market, so one provider gains at another's expense. Although market size may expand due to population growth and aging as well as increases in use rates (which benefit all providers), and additional markets may be annexed (with share gained in a new market at another provider's expense), most of today's and tomorrow's competition will be focused on market share battles in existing markets.

There are four main strategies that healthcare organizations employ to increase share.

Strategy: Recruit More Physicians

The most basic and most frequently used approach is to increase medical staff capacity and capabilities. Few markets exist in which a provider cannot attract a patient base fairly readily with the addition of good primary care or specialty physicians who generate downstream referrals for diagnostic and treatment services and admissions. A medical staff development plan, which includes analysis of community needs for medical services and needs of the sponsor's organization to meet market share or programmatic goals, and an analysis of the best strategies to fulfill those needs, is often a good place to start on this effort.

Increasingly, healthcare organizations are supplementing the traditional needs analysis with a variety of thoughtful, proactive initiatives to ensure that needs are met, such as recruitment assistance, proactive transition support, a focus on splitters (physicians who practice at more than one hospital), and new economic and other mutually beneficial partnerships.

Strategy: Increase Access

Building on medical staff development and recruitment, the question is how to create additional access points and intake mechanisms to capture patients

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needing healthcare services early on. Primary care capacity development is certainly one valid approach, as are urgent and emergency care initiatives and expansion of other “front door” services such as occupational health, corporate health, and direct contracts.

Healthcare organizations have increasingly turned to expanding urgent and emergency care capabilities as a way to provide additional access. Unlike other mechanisms, expanding these services is completely within the control of the hospital or health system and not dependent on other parties. As specialty call

coverage problems worsen, some providers are turning to less frequently used approaches such as strong occupational health and corporate health programs and, in some instances, direct contracting to provide new or additional access mechanisms.

Strategy: Broaden and Deepen Programs and Services

The growing popularity of centers of excellence is the most obvious indication that healthcare organizations are increasingly focusing on broadening and deepening their programs and services. Suffice it to say, for now, that providing additional or expanded specialty services or adding other important new features, such as upgraded technology, usually creates significant share growth opportunities.

Strategy: Outcompete Other Organizations

Physician recruitment, medical staff development, and access strategies can generally be characterized as mechanisms to outcompete others in the market. A select few healthcare organizations are taking their cues from nonhealthcare businesses operating in highly competitive markets and moving competition onto a much higher level. These organizations realize that creating sustainable, important differences

HOW ONE HOSPITAL HANDLES THE COMPETITION

Founded in 1863, the Hospital for Special Surgery is the oldest orthopedic hospital in the nation. Among the world’s leading institutions specializing in the treatment of musculoskeletal disease, it is a major teaching affiliate of the Weill Cornell School of Medicine. It is based in what has to be one of the most competitive markets in the country—New York City. The competition for its core services of orthopedic surgery and rheumatology consists of another similar specialized institution based in Manhattan, the principal teaching hospitals and faculty of the five other New York-area medical schools, and a number of extremely prominent and financially strong teaching and community hospitals and systems and their medical staffs.

The Hospital for Special Surgery has been on an aggressive, profitable growth track since the mid-1990s. Its core strategy has been to support the growth and continuous improvement of its entrepreneurial medical staff. As part of this strategy, the hospital has infused its organization with a continuous stream of new, young, extremely well-trained and qualified physicians. It has also broadened and deepened the subspecialty programs it offers. This initiative is part of an overall effort to stay at the cutting edge of quality in the clinical areas in which the hospital operates, which has been recognized by the National Institutes of Health and other funders who have significantly increased their support of the hospital’s research programs during this period.

Another complementary strategy has been a major effort to raise the service levels within the organization, thus making the institution highly attractive to the primarily elective patients it seeks to attract and overcoming some of the disadvantages of its congested, though central, location.

between themselves and the competition gives them a significant competitive advantage.

Such healthcare organizations have studied carefully the practices of industry leaders such as Federal Express, Starbucks, Intel, Ritz-Carlton, and others. As a result, they are on a quest to fundamentally differentiate themselves from other seemingly similar organizations. Some are pursuing high-quality differentiation strategies, others are focusing on service differentiation, and a few are trying cost differentiation. These long-term efforts demand patience; only time will tell whether they have the same impact in health care as they have had in other fields.

One More Strategy: Don't Rest on Your Laurels

Market share growth remains the most basic of approaches for any organization seeking growth opportunities. No healthcare organization today, no matter how competitively strong or rural or remote, can afford to rely on past successes, geographic isolation, community goodwill, or other aspects of yesterday's competitive attributes. If your organization is not a formidable competitor at its home base, it is unlikely to be more successful further afield. ●

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