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Exploring the Impact of Service Excellence on Hospital Success

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RESEARCH IN BRIEF

With consumers increasingly playing an active role in health care delivery, hospitals are becoming more service-minded to attract and retain loyal customers. Taking cues from the hospitality industry, administrators across the country have implemented service excellence programs that include all employees, both clinical and non-clinical. By establishing a culture of service, administrators hope to improve the entire patient experience and improve satisfaction rates and, ultimately, profitability. The following brief profiles four service excellence initiatives that increased hospital success in patient satisfaction, profitability, or both.

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I. INTRODUCTION AND KEY OBSERVATIONS

The delivery of care in today's hospitals is noticeably different than in previous decades because it is more focused on the patient experience. As consumers now play an increasing role in choosing their providers, and health care institutions face growing competition, administrators have implemented programs to retain loyal patients and employees by creating a service excellence culture. Hospitals are increasingly borrowing concepts from the service and hospitality industry, with many administrators attending the Disney Institute and the Ritz Carlton Leadership Center. This increased focus on service delivery can produce a significant impact on hospital success.

The following observations were drawn from interviews with administrators at hospitals with dedicated service excellence initiatives:

Observation #1—Service excellence is an integral part of hospital success, both in terms of patient satisfaction and financial viability.

Service excellence plays a critical role in meeting mission-related and financial goals at hospitals; several administrators characterized service excellence as a strategic priority for their institution. Though service excellence is not intended to replace clinical excellence, hospitals excelling in the two areas can reap complementary benefits.

Observation #2—Successful service excellence programs include a focus on both clinical and non-clinical employees.

The focus of all profiled service excellence programs includes clinical employees, such as physicians and nurses, as well as non-clinical employees, such as food and environmental services staff. Administrators emphasized the importance of creating an all-inclusive culture because all employees play a role in the delivery of care and patient satisfaction.

Observation #3—Employee satisfaction drives patient satisfaction and significantly impacts hospital finances.

Several service excellence programs include specific initiatives to increase employee satisfaction and engagement, with the expectation that improved employee relations will positively contribute to the service excellence campaign. In addition, not only do satisfied employees result in lower turnover rates—thus saving the organization significant funds dedicated to recruiting and training—but they also work more productively and are often more committed to the institution's goals.

Observation #4—Service excellence concepts must be present in the daily working environment.

Most institutions adopt guiding principles for their service excellence programs, and these principles should be present in everyday work and thus ingrained in the hospital's culture. Similarly, administrators should strive to provide individuals with immediate recognition. While most institutions conduct annual ceremonies to recognize superior service, managers at the hospital profiled in Section IV have access to a toolbox filled with pre-purchased prizes to award when they witness an employee performing exemplary service delivery.

The following profiles present an overview of four service excellence programs and the impact each program has on patient satisfaction, employee satisfaction, and financial performance.

II. PROFILE: *System develops service excellence program in midst of exemplary performance*

In 2001, senior health system administrators began an intense effort to improve internal and external customer service. This executive-led effort—estimated to cost over \$1 million—has focused on improving the environment for both staff and patients. Notably, when the program began, the system was operating more efficiently and profitably than it had been in recent history. Administrators began the program not because they were experiencing dire circumstances, but rather because they understood that to remain competitive in the future they would need to provide the highest quality of service and could not “rest on their laurels” forever.

Initially, the executive team coordinated a six-month best practice investigation of organizations both inside as well as outside of the health care industry. They held over 100 focus groups with key constituencies including patients, employees, and physicians to identify areas for improvement. In addition to conducting research through literature and conversations with other health care providers, the CEO led a small team for a week’s retreat at the Disney Institute; other organizations that managers worked closely with included General Electric Company and the Ritz Carlton Leadership Center. Health system administrators culled insights from all of these organizations and developed a hybrid service recovery model. The Studer Group has served as the organization’s consultant in ensuring that these practices are integrated.

Institution type:	1,000+-bed, not-for-profit health system
Source:	Director, Service Excellence
Program attributes:	Hybrid of various external organizations’ offerings
Effect on patient satisfaction:	Increased from 20 th percentile to 65 th percentile
Effect on employee satisfaction:	System-wide turnover rates reduced from 14.4 percent to 11.4 percent
Effect on financial indicators:	Positive impact; difficult to separate from other factors

Individual facilities own service recovery

Responsibilities for service recovery as well as reward and recognition have been delegated to the individual facility and department level. Facility-level service recovery teams—which comprise approximately 10 multidisciplinary employees per institution—help craft a unique organizational strategy.

Each facility approaches service recovery with a different perspective; for example, some facilities offer a free 30-minute phone card to patients or visitors who have been required to wait excessively for clinical services. Staff are given significant discretion in awarding these tokens, however. Every entity also has a central repository, so that central administrators can determine overarching trends with respect to service recovery efforts.

While the health system has nearly 15,000 employees across its various facilities, all are taught that service recovery begins with them. Staff are brought together annually for a two-day retreat, at which time overarching organizational themes such as the service focus are discussed. In three separate sessions, staff attend speeches given by the CEO and motivational speakers. Additionally, the annual presentation of service excellence awards occurs during the retreat.

Comprehensive data tracking integral to continuous success

Administrators emphasize the importance of access to reliable patient satisfaction data in their service improvement efforts. Before 2001, administrators used a self-developed survey to track patient satisfaction and found that—according to their own survey—95 percent of patients were satisfied with their care delivery. However, without the ability to compare their results to other successful health systems, administrators found the information lacking meaning and functionality. As a result, they began to benchmark their performance against other hospitals with Sound Bend, Indiana-based Press Ganey Associates ratings. Once they began tracking data in this way, they found that they were in the bottom fifth of all institutions based on their patient satisfaction ratings.

Administrators also track achievement in each of the system's six "pillars of excellence," which encompass the following categories:

- Quality
- Service
- People
- Finance
- Growth
- Community

A group of 10 system leaders, called the "accountability team" continually develop specific goals for each of the six categories. All employees can access the system's progress in each area via the system intranet that features real-time data. Initially, the targets were incorporated only into the performance evaluations of over 1,000 system managers and directors. Today, frontline staff are also held accountable for the pillars; one-third of their evaluation is based on their ability to meet the system behavior standards.

Campaign results in increased employee, patient satisfaction

Beyond positive feedback from hospital-wide staff, improved employee satisfaction has also been a dramatic effect of the organization's commitment to customer service. Staff turnover has been reduced by 10 percent since the organization-wide experience was launched, with many employees indicating that the more positive nature of the working environment has contributed to their decision to stay with the institution.

Between 2001 and 2004, administrators saw patient satisfaction rates rise from the national 20th percentile to the 65th percentile. While the system's financial situation has not changed significantly—in 2001, the system was already performing well—administrators maintain that the service excellence campaign positively impacts their financial performance. They caution that drawing a direct correlation, however, is difficult due to the multiple factors involved in a large system's profitability.

III. PROFILE: *Staff roles redesigned around customer service principles*

In early 2003, the health system's executive leadership formulated a service excellence plan with service standards and service "absolutes." As part of this plan, the executive leadership supported a patient satisfaction initiative—with an eye towards improving patient satisfaction scores on a national survey—but resolved to take efforts beyond patient satisfaction and to establish a culture of service excellence.

Customer service efforts led by non-clinical staff

As part of the service excellence effort, customer service at the organization has been repositioned as a discrete responsibility for non-clinical staff members—to allow caregivers to focus on a patient's health needs—and is overseen through the consolidated services department. Consolidated services includes oversight of nearly 700 full-time equivalents (FTEs) with a particular focus on hospitality and service support ranging from maintenance to security.

Institution type:	500-bed, not-for-profit health system
Source:	Director, Consolidated Services
Program attributes:	Non-clinical staff take ownership of internally developed customer service and service recovery efforts
Effect on patient satisfaction:	<ul style="list-style-type: none"> • 18-point increase overall • 100 percent OB satisfaction
Effect on financial indicators:	Not yet available; service excellence plan expected to increase system market share

Beginning in March 2003, administrators created a new position titled multi-service associate (MSA) as part of their service improvement initiative. The MSA's role is to provide consistent customer service and support to a dedicated group of patients by providing all of their food services and environmental needs. Each MSA oversees 10 to 14 rooms and works closely with the nursing team to coordinate service.

After a short pilot period, 120 employees were trained in a two-week program on their new role as an MSA; now that the MSA role is more established, administrators offer the same program once per month for new employees. The training is conducted in classes of 25 participants and features both lecture formats and hands-on training. At the end of the program, employees must pass a written test and complete a live competency evaluation. Since the MSA program has been in place, administrators have noticed a significant increase in both patient and employee satisfaction, as indicated below.

⇒ **Key indicators:** Patient satisfaction for food and environmental services rose from percentages in the low 70s to the high 80s. In the obstetrics (OB) department, patient satisfaction rose from 86 percent to 100 percent.¹ The more-involved role has also impacted staff satisfaction as well, with turnover rates for MSAs at only 8 percent, compared to 22 percent across consolidated services.

¹ Administrators note that patient satisfaction figures through 2004 were determined by a survey developed in-house; starting in March 2004, they began using Press Ganey surveys to allow comparison with other hospitals.

Hospitality and support staff empowered to address service recovery

Approximately \$20,000 is allocated to discretionary service improvement efforts each year at the health system. This budget includes funding for coupons and vouchers for employees to use within the organization—such as in the gift shop, hospital cafeteria, or a complimentary massage from the on-campus spas—as well as money set aside to fix small problems.

Additionally, each staff member—including clinical employees—is empowered to perform service recovery tasks. For any valid reason, employees may spend up to \$200 on a patient in a “no questions asked” policy; later, staff must submit a receipt as well as a brief explanation via a reimbursement form.

Survey alerts staff to service failures, issues addressed within one hour

The health system employs GetWellTV, an education and entertainment service developed by San Diego, California-based Skylight Systems, Inc., to solicit patient feedback at the bedside. The technology enhances administrators’ ability to track adherence to service standards; patients not only have access to a wide variety of television programs and films, but also can use an interactive module to directly share their feedback on hospital services via the in-room television.

This survey—developed by the health system in conjunction with GetWellTV—focuses on determining the levels of respect and communication achieved throughout the patient’s stay. Specific questions in the survey delve deeper into the patient’s perception of the hospital’s accommodations—similar to a “hotel-type” survey, focusing on service as well as the food and board provided—in addition to the likelihood to recommend the health system for future care needs. Patients may respond to questions with either “Yes,” “No,” or “Sometimes.” If the answer to any of these questions is anything other than a yes, a service alert appears in the service call center; a staff member is then dispatched to the patient’s room to intercede within 60 minutes and achieve problem resolution prior to discharge.

The bedside survey is extremely effective at reaching patients; while previous paper satisfaction surveys may have been filled out by five to ten percent of patients, response rates via GetWellTV reach approximately 30 percent. Administrators point to the “real-time” feedback that the system offers as an incentive for patients to share their concerns, as well as the approachable nature of the survey allowing patients to more freely express their concerns.

Outsourced support management allows for speed in innovation and implementation

Administrators have outsourced support staff management since 1999 and are pleased with the current arrangement. They believe the benefits of partnering with a national management firm are the following:

- ✓ Access to “best practices” innovation
- ✓ Managerial experience in service program implementation, realization of faster results
- ✓ On-site support for new initiatives

Additionally, administrators feel the management firm is appropriately flexible for the system’s goals and initiatives. When administrators wanted to improve internal patient transportation, for example, the management firm helped them to develop a new program in 90 days, resulting in hundreds of thousands of dollars in savings.

IV. PROFILE: *Historical commitment to patient satisfaction contributes to service culture*

Administrators measure their hospital's service excellence performance through a survey conducted by a market research firm. Each month, the firm surveys 100 discharged patients—which totals approximately 15 percent of all patients served in a month allowing for a high statistical certainty—by using a telephone survey that has been in place since 1994. The survey can be completed in fewer than 10 minutes and is designed to measure not only patient satisfaction, but also patient loyalty. Administrators receive the results of each month's survey by the tenth of the next month, ensuring that relevant information is communicated promptly and steps can be taken immediately to solve any pressing problems. To be considered loyal, "secured customers," patients must report high levels of satisfaction with the care delivered and also agree that they would return to the hospital and recommend the hospital to a friend.

Orientation introduces culture of service excellence to new employees

Since 1993, all new employees and hospital volunteers must attend an orientation prior to their first day of work. The orientations are held once per month, and senior level administrators consider the sessions integral to their goal of creating a cohesive employee environment. The CEO provides the first lecture, which is a two-hour discussion of following topics:

- ❖ What is service excellence?
- ❖ Why is service excellence important?
- ❖ How can an individual employee exhibit and promote service excellence?

The SVP follows this presentation with a 90-minute overview of the current health care environment. Lastly, the VP of patient care services lectures on the patient-centered model of care that the hospital exemplifies.

Once staff members have been employed for six months, they are offered an opportunity to attend a two-day retreat to further understand their role in patient satisfaction. Since administrators began offering the retreat, over 1,100 employees have attended the session intended to help them view the hospital "through the patients' eyes." Employees can also attend continuing education classes in this area throughout their tenure; even though the hospital has received consistently high patient satisfaction ratings, administrators periodically engage consultants to perform day-long training sessions on customer service. Over 240 employees have attended these sessions.

Institution type:	200-bed, not-for-profit hospital
Source:	Director, Patient Services
Program attributes:	Extensive employee orientation and training emphasizes service culture
Effect on patient satisfaction:	Increased from 83 to 98 percent over 10 year period
Effect on employee satisfaction:	<ul style="list-style-type: none"> • Low turnover • Vacancy rate of four percent • Over 5,200 applications received for 200 open positions in one year
Effect on financial indicators:	<ul style="list-style-type: none"> • 70 percent increase in outpatient volumes • 25 percent increase in inpatient volumes

Employee recognition programs encourage continued service excellence

Administrators have created a number of programs to recognize employees who exemplify the hospital's service culture. While they have historically awarded individuals monetary bonuses and preferred parking spaces for employee of the year designations, administrators sought to develop a more immediate rewards system. To achieve this, administrators designed both a formal, goal-driven performance reward program and an informal, personalized reward system, as described below.

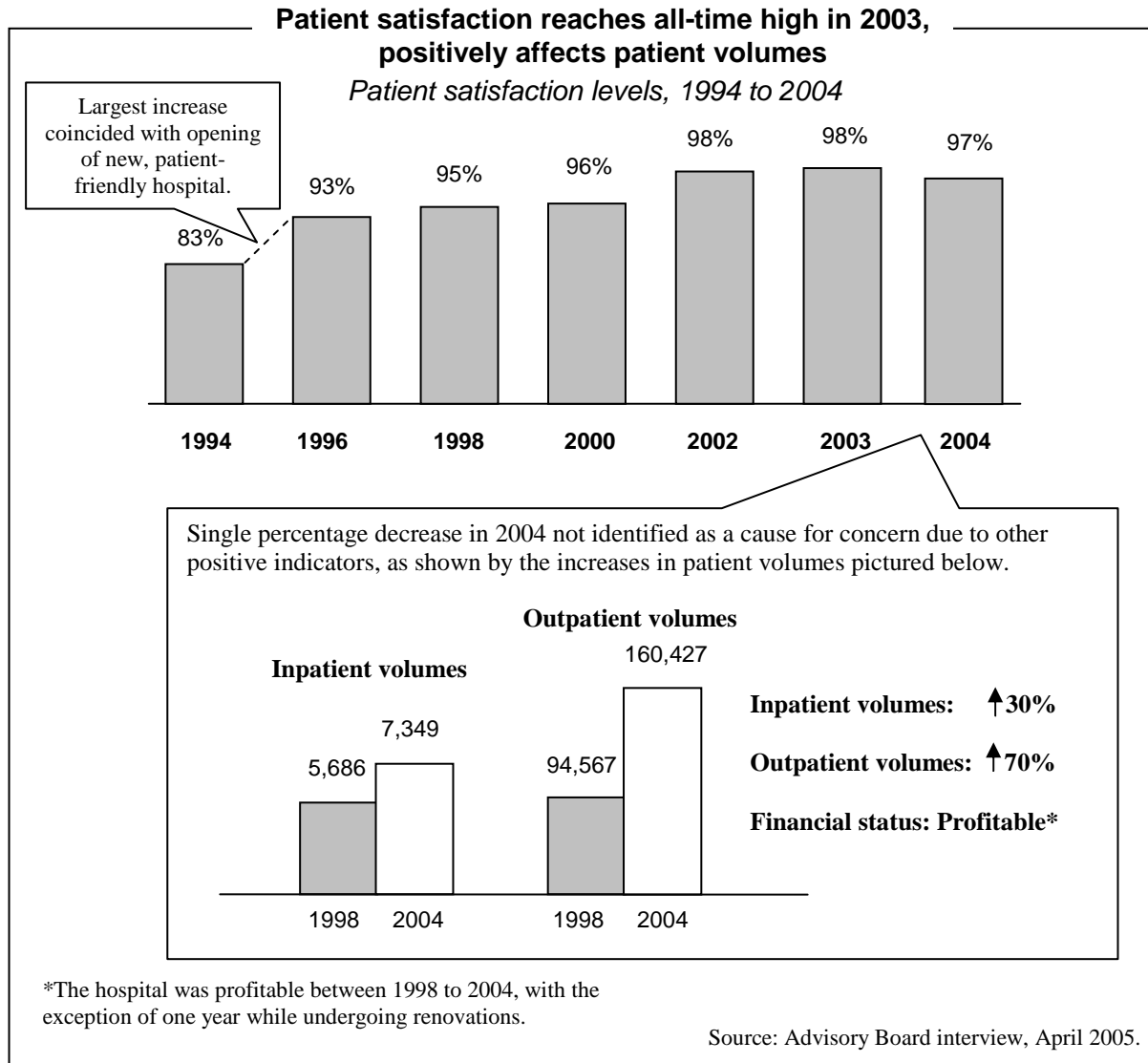
- ***Hospital-wide performance reward program:*** Beginning in 2001, administrators have championed a reward system to help employees understand the integral role of patient satisfaction in overall hospital performance. Quarterly, administrators develop hospital-wide and department-specific goals in patient satisfaction, business growth, and productivity. These targets are communicated through bulletin boards throughout the hospital. If the hospital-wide targets are met, all employees receive a \$25 reward. If department-level goals are met, employees receive an additional \$25 to \$50 bonus. Administrators emphasize that all targets are intended to be “stretch goals;” typically, hospital-wide goals are achieved 75 percent of the time and department-level goals 50 percent of the time.
- ***Immediate employee recognition by frontline managers:*** Since 2002, administrators have equipped each department with a toolbox filled with car wash gift certificates, movie passes, gifts featuring the hospital's name, and other similar rewards. Managers award prizes from the toolbox immediately after witnessing employees performing exemplary service to patients or other staff members. Since the initiative began, employee surveys have shown an increase in scores for recognition from frontline managers—a metric closely tied to overall employee satisfaction.

Service culture has significant impact on patient satisfaction, volumes

Administrators believe that the hospital's inclusive service culture, which emphasizes the role that individual employees have on hospital performance, is responsible for the extremely high patient satisfaction levels. Patient satisfaction ratings over the last decade have increased to a steady average above 97 percent, as shown in the graphic on the following page.

Additionally, administrators judge the success of their initiatives by changes in community perception. They have administered a biannual survey via telephone for over 20 years to gauge the community's response to their hospital in comparison to other competitors. In the 2003 survey, 62 percent of respondents agreed that their impression of the hospital has been “very improved” in the previous three years, as compared to the hospital's seven competitors whose ratings ranged from 7 to 37 percent. Administrators reference this statistic as an indication that their hospital is becoming a hospital of choice not only for local patients but also for individuals in more distant service areas.

The graphic below shows the correlation between patient satisfaction rates and patient volumes over a 10-year period.

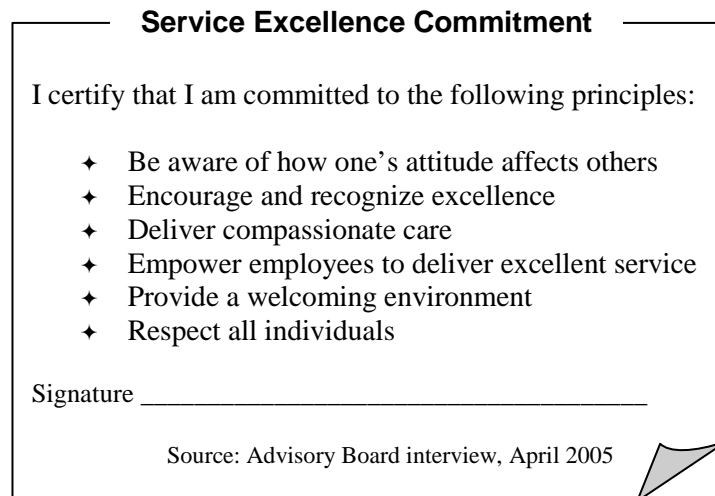


Because administrators have identified service excellence as a strategic priority for the hospital, it is an integral part of their planning and development process. With an organizational culture firmly focused on patient satisfaction, administrators expect the hospital to continue to attract new patients and expand market share.

V. PROFILE: Individual employees commit to service excellence; leaders held accountable

The hospital launched a service excellence initiative in late 2003 across all departments, both clinical and non-clinical. The primary objective of the initiative was to improve employee morale and satisfaction, with the expectation that this change would then positively affect patient satisfaction. Administrators established six guiding principles for the initiative and then printed the text on small cards that were distributed to all employees. Over 60 percent of the approximately 4,000 employees signed the cards as an indication of their dedication to the principles. Additionally, all new staff members are now required to sign the card as a condition of their employment. A replication of the card is featured below.

Institution type:	350-bed, not-for-profit community hospital, part of a 10+-hospital system
Source:	SVP, Patient Care
Program attributes:	<ul style="list-style-type: none"> • Service excellence commitment card • Customer advocate • Focus on clinical and non-clinical staff
Effect on employee satisfaction:	Percentage increase from low 60s to high 80s
Effect on financial indicators:	Not yet measured



Service improvement committee ensures consistent action, follow up

As part of the initiative, managers and directors meet monthly to discuss progress on established goals and identify areas of concern. Additionally, at the end of each meeting, they assign action steps to specific individuals and expect these individuals to report their progress at the next meeting. The regular meetings not only increase accountability, but also provide a consistent forum for the hospital’s commitment to the initiative.

The committee is tasked with developing actionable solutions to current problems. When tracking patient satisfaction, for example, the committee identified a specific floor as consistently receiving the lowest satisfaction ratings. They developed strategies to improve these ratings from both a clinical and non-clinical perspective. The two main changes that resulted were the following:

- ✦ **Personnel training:** Staff members on the floor received additional training regarding how to address patients and their families
- ✦ **Renovation:** The space surrounding the core nursing area was updated with new carpets and paint to create a better working environment for employees

The renovation was extremely popular with staff members, and administrators expect that by improving morale, patient satisfaction will be improved as well. They are currently awaiting results from recent patient surveys to measure the success of the two floor initiatives.

Targeted service excellence tactics include customer advocate, recognition program

Also in late 2003, administrators created a new customer advocate position. This full-time employee's responsibility is to oversee non-clinical processes, such as environmental and food services, and speak directly with patients regarding their satisfaction. The advocate spends approximately 50 percent of his time visiting patients, soliciting feedback on their experience, and resolving identified problems. Additional tactics used by administrators are featured in the box below.

Tactics to increase quality of service culture on a daily basis

Administrators have taken a two-pronged approach to develop the correct service-minded behaviors, as listed below.

Rewarding good behavior: Several recognition programs serve to encourage people who exhibit the organization's values in an exemplary manner. Employees can receive gift cards worth \$25 if a colleague witnesses them delivering high quality service either to patients, physicians, or other staff members.

Correcting substandard behavior: Administrators also strive to identify individuals who are not delivering high quality service and equip them with the training necessary to perform satisfactorily. Employees who are reported as exhibiting poor behavior towards patients, physicians, or other employees are required to attend a 30-minute or 1-hour coaching period.

Source: Advisory Board interview, April 2005.

Though administrators have not linked the service campaign with the hospital's finances directly, they do believe that the improved service culture positively affects financial performance.

Research Methodology

During the course of research, Original Inquiry staff searched the following resources to identify pertinent information:

- Advisory Board's internal and online (www.advisory.com) research libraries
- Factiva™, a Dow Jones and Reuters company
- Internet, via search engines and multiple websites

Based on the leads generated from the above sources, staff members contacted administrators across the country knowledgeable about service excellence programs.

Professional Services Note

The Advisory Board has worked to ensure the accuracy of the information it provides to its members. This project relies on data obtained from many sources, however, and the Advisory Board cannot guarantee the accuracy of the information or its analysis in all cases. Further, the Advisory Board is not engaged in rendering clinical, legal, accounting, or other professional services. Its projects should not be construed as professional advice on any particular set of facts or circumstances. Especially with respect to matters that involve clinical practice and direct patient treatment, members are advised to consult with their medical staffs and senior management, or other appropriate professionals, prior to implementing any changes based on this project. Neither the Advisory Board Company nor its programs are responsible for any claims or losses that may arise from any errors or omissions in their projects, whether caused by the Advisory Board Company or its sources. 1-FYQUE

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