

Exploiting Patient Lifetime Value

Data Modeling to Drive Growth



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Overview

In its simplest and broadest reaching form, Lifetime Customer Value (LCV) conveys the benefits customers have brought to your business during the tenure of your relationship. With correct and complete articulation, however, it can reveal far more about your business and how to improve its performance. As an example, LCV is a lagging indicator of overall customer satisfaction and directly correlates with customer loyalty – which is where the payoff comes from investing in building and sustaining customer relationships.

LCV is an important metric in guiding, enabling and tracking the marketing and service functions of a healthcare organization, regardless of their role in the industry. This article will address a subset of LCV – Lifetime Patient Value (LPV) – which measures the value that patients can bring to healthcare organizations, such as hospital and cancer treatment systems, that provide specialty and multi-specialty diagnostic and treatment services and products. Unlike the more transaction-oriented industries such as banking or retail, the specialty diagnostic and treatment segments of the healthcare industry are more event-driven and thus present some conceptual and calculation challenges in developing and applying this metric. However, this should not deter nor postpone the effort to understand the significant scale of value, and their component drivers, that can be achieved through thoughtful attention to the composition and exploitation of the many elements of LPV.

Performance against a fully-articulated LPV is largely measured by the proportion of available LPV achieved by an organization. Recognizing that LPV can extend broadly and longitudinally from a patient to their extended family, and friends, there are three primary categories of value that can be obtained directly from patients over their lifetime; these are Advocacy, Compliance and Repurchase. Each of these categories offer multiple sources of value that can be quantified, tracked and empowered to achieve a maximum level of available LPV.

Advocacy

Beginning with the Advocacy benefit opportunities of LPV, we can divide them into two categories, Public, and Private, for value determination. In the Public arena we can consider such behaviors as completing and posting favorable reviews on providers' websites and other third-party provider search sites. Posting favorable comments on social media venues also creates greater awareness of provider organizations and positions them in favorable and productive ways. Private advocacy behaviors of value include favorably recommending providers, services and products to other patients, providers and payers, and resisting consideration of other providers' services. The value of these benefits can be obtained through the calculus of new patients driven to providers through the various personal and digital referral channels.

Experience Mapping for Advocacy

Compliance

A customer/patient of a specialty diagnostic and treatment organization has the ability to encourage and benefit the organization through three types of patient Compliance. One type is Medical compliance where, for example, the patient obtains and takes their prescribed medications fully and timely, visits their physicians as directed in a timely manner and/or performs their rehabilitation activities as prescribed. Quantification of the benefits of these behaviors can be approached, in part, by estimating the improvement in resulting outcomes, and lost revenue avoided from missed visits and unfilled prescriptions.

Another type of Compliance is Administrative, in which case compliant patients are helpful by completing forms fully and timely, registering for and using patient portals, paying bills timely and scheduling timely provider visits with minimal “no show” events. Financially articulating these behaviors can be approached by employing personnel and logistics cost data to assess the impact.

A third type of Compliance is Healthy Behaviors wherein patients are helpful by eating a healthy diet, exercising appropriately, and avoiding negative behaviors such as smoking and harmful drugs. Other healthy behaviors of value to a specialty diagnostic and treatment organization may involve taking nutritional supplements and engaging in encouragement of other patients to behave in healthy ways. These benefits are expressed in the form of improved treatment outcomes and lower disability rates. Healthy behavior value propositions are a bit more difficult to detail financially but can be approximated, in part, through outcomes assessment and disability and excess treatment cost analyses.

Repurchase

The LPV category of Repurchase is perhaps the easiest one to grasp and articulate. Here we have the patient returning to their provider for additional services of the same or different type. The calculations of subsequent/additional revenue obtained from each patient can be fairly straightforward to complete. Speaking again of the “extended family” aspect of LCV, with individual patient information, data-linking to related patients can be performed and credit to an individual patient’s LPV estimated.

Using LPV to Drive Growth

LPV is a metric that can guide the strategic deployment of many resources directed toward the growth and performance of a healthcare firm. Obtaining an understanding that patients should be viewed longitudinally in their value to an organization is imperative as a starting point. Once embraced, approximating a value that patients provide individually and collectively is crucial to solidify the importance of servicing them well and communicating effectively to/with them. The elements of value emanating from LPV can and should be determined and quantified so that specific marketing and service strategies and tactics can be designed and monitored to obtain the optimum benefit from each source.

Lifetime Value can be calculated and exploited for other customer types (e.g., payers, referring physicians) as well. In most cases the value components can be categorized similarly to that done above for LPV. The use of this metric for these other customer types will be addressed in a subsequent article.

Experience Mapping for Advocacy

About Endeavor Management

Endeavor Management is a management consulting firm that leads clients to achieve real value from their strategic transformational initiatives. We serve as a catalyst by providing the energy to maintain the dual perspective of running the business while changing the business through the application of key leadership principles and business strategy.

In 2012, Gelb Consulting became an Endeavor Management Company. Our combined experience (Gelb founded in 1965) offers clients unique capabilities to focus their strategic initiatives with a thorough understanding of customer needs to drive marketing strategies, build trusted brands, deliver exceptional customer experiences and launch new products. Our experienced consultants and analysts use advanced marketing research techniques to identify customer needs and spot high potential market opportunities.

The firm's 50 year heritage has produced a substantial portfolio of proven methodologies, enabling Endeavor consultants to deliver top-tier transformational strategies, operational excellence, organizational change management, leadership development and decision support. Endeavor's deep operational insight and broad industry experience enables our team to quickly understand the dynamics of client companies and markets.

Endeavor strives to collaborate effectively at all levels of the client organization to deliver targeted outcomes and achieve real results. Our collaborative approach also enables clients to build capabilities within their own organizations to sustain enduring relationships.

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