



Business development in healthcare is much more difficult than in the consumer goods industry. While production of a 'widget' is more easily definable, there are many moving parts in a healthcare product. Occasionally, a hospital must take a hard look at the entire product to make sure it is meeting the needs of its consumers. Often-times this requires a wholesale look and modification from the ground up.

CentraState Healthcare System learned this firsthand as it tried to revitalize a slumping Obstetrics program. Located in central Monmouth County, N. J., CentraState Healthcare System is in the growing community of Freehold. Within close proximity to New York City and Philadelphia, CentraState has seen its service area population grow from a rural farming community to a full-fledged suburban community over the past two decades.

22

Marketing Rebirth

How one hospital brought new life to its stagnant obstetrics program.

By Richard Mackesy



Established in 1971, CentraState Healthcare System is comprised of several entities:

- CentraState Medical Center—a 263-bed, full-service community medical center that includes a recently opened campus ambulatory center and a medical arts building with a new radiation therapy center, ambulatory surgery center, diagnostic radiology suite and physician offices
- Applewood Estates—a continuing care retirement community with independent living, residential healthcare and skilled nursing care
- Monmouth Crossing—an assisted living community
- The Manor Care Center—a 24-hour skilled nursing care center providing subacute rehabilitation and specialized Alzheimer's/dementia care.

In 2001, new management was challenged to grow an organization that heretofore had not been overly aggressive. A thorough strategic planning process was undertaken revealing a growing local market that had gone untapped. The strategic plan included several aggressive growth initiatives to meet the challenges and demands of the service area.

Management noted that many bread and butter services had languished at the hospital even though the local market population had grown rapidly. One such service was the obstetrics program. Management felt that winning the hearts and minds of new moms in the service area was critical for further hospital growth and development activities.

The Obstetrics Program

One of the goals of the strategic planning process conducted in 2001 led administration to focus organizational growth on a few key services lines that serve as the backbone of a community hospital. At this time, CentraState found itself below the desired market share for obstetric services. The number of obstetric patients had remained flat for the prior 10 years although the surrounding market population grew by an average of 2 percent per year over the prior decade (although this was tempered somewhat by a stagnant birthrate). Of the 14 towns considered to comprise the hospital's primary service area, most of CentraState's OB volume was strongly concentrated in just four municipalities. The warning lights went off when it was revealed that CentraState had experienced market share declines in three of these four towns during the two years prior to the 2001 planning process. Further, a preference rating of only 21 percent for these services told CSMC management that something had to be done.

One of the major challenges associated with the overall program was a lack of operational efficiency.

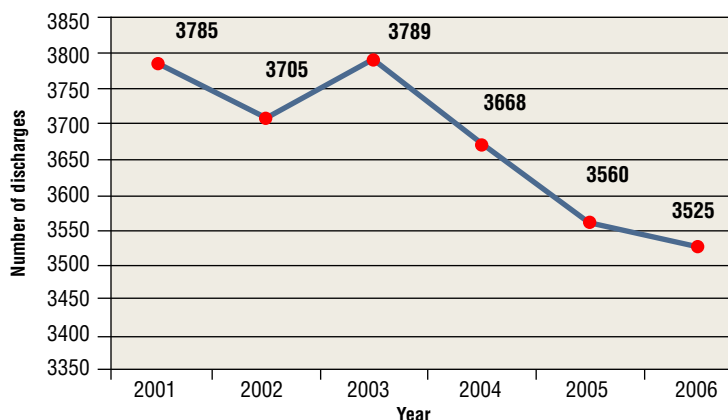
The then existing OB unit (16 combined LDRP beds) continued to operate at levels in excess of capacity. Maternity patients go through a very discreet four-stage process in birthing—the labor process, the actual delivery, recovery and postpartum (the portion of the hospital stay associated with the time after the baby is born, usually lasting two days or so). CentraState's program included all phases in just one room—a vestige of the 1990s where efforts to keep moms in the same room was perceived to be of high importance. Patient would labor for 12 to 24 hours, deliver and recover and then remain in the same room postpartum.

The growing negative impact of this operational practice on what was until then a fiscally efficient service line was significant. On any given day, three quarters of the beds in the unit could be occupied for postpartum, thereby reducing available beds for new moms to be admitted and deliver. This continued for years and led to not only reduced operating margins and volumes, but also a negative image in the medical community. This image directly led physician members of the local medical community to redirect care to competitors.

This was further compounded by a stale image regarding the actual physical environment. The only way for the hospital to regain its competitive position in the market was through a physical plant and capital equipment upgrade of the obstetric unit that met the needs of the community and physicians.

While operational challenges contributed greatly to flat growth in OB at CentraState, the most significant factor contributing to its lackluster performance was a shrinking OB referral base. In 2001, the OB department at CentraState was comprised of 11 active and full-time obstetric physicians. All 11 were male with an average age in excess of 45. There was a general belief that the lack of female OB physicians and the age of the existing medical staff limited the growth of the program overall.

Exhibit 1
Marketwide OB discharges



CentraState decision makers faced two tough questions: (1) how to rebuild the loyalty of existing physicians and at the same time attract new ones and (2) how to redesign the actual program to meet the needs of consumers.

Through the use of local market data analysis, CentraState was able to build a strong case for the amount of volume (and corresponding market share) that could be recaptured if the investment in the new unit was made. They were also able to package this information to demonstrate to physicians the local opportunities that existed for them—in terms of both delivery volumes and office visit volumes. This helped build confidence among existing physicians and helped in the recruitment of new physicians looking to establish practices in the local community.

CentraState commissioned a study of females in childbearing years under the care of a physician within the primary service area. The results revealed the following:

Sex of current physician

- 34 percent respondents had a female OB
- 66 percent respondents had a male OB

Preferred sex of physician

- 11 percent preferred a male OB
- 33 percent preferred a female OB
- 56 percent had no preference

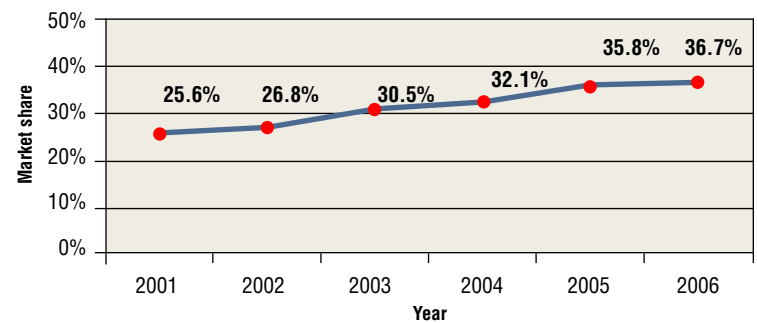
Also, 32 percent of those females who preferred a female OB above currently had a male OB. It was obvious that the lack of female OBs on staff was having a direct impact on preference and utilization of services. It could lead to a erosion in future market share, especially by those using a male OB when a female alternative would have been preferred.

Implementation

In 2002, a major \$2.9 million renovation was undertaken. The LDRPs in use became LDRs, and a separate 20-bed postpartum unit was developed. Somewhat surprisingly, new moms appreciated the separation as the hustle and bustle (not to forget the noise) of the LDR was removed from their postpartum stay. A new young OB/GYN group was recruited to the hospital that consisted of two females and one male (later to grow to five females and one male by 2007). An aggressive marketing program was developed highlighting the variety of new physicians on staff, improvements to the physical facility and other related program enhancements. Community education programs, health fairs and tours were established. Direct mail brochures highlighting the diversity of physicians and amenities of the remodeled birthing areas of the hospital were sent to specific segments within the PSA.

CentraState moved forward with its investment based on the opportunities identified as well as the positive feedback of physicians. The result has been a strong recommitment by ex-

Exhibit 2
CentraState gains market



isting physicians and the successful recruitment of new groups. In addition, the expansion of offices of existing groups has led to significant growth in obstetric volume.

In fact, the immediate impact of the successful strategy was apparent. In 2003, CentraState saw obstetric volumes increase by 23 percent over 2002 levels. And by 2007 obstetrical volumes had increased by nearly 70 percent over historical levels. Average annual growth amounted to in excess of 9 percent during this period—a period in which the birthrate in the service area declined and the resulting number of births dropped in excess of 1 percent per year.

As obstetric volumes grew, so did the number of babies requiring care in an intermediate nursery setting. CentraState quickly ran into capacity issues as a result of the increased volume. As a result, CentraState capitalized on a Certificate of Need call (which is still required in the state of New Jersey) that was issued in 2003 for intermediate care nursery bassinets, and it expanded the intermediate care nursery from four to eight bassinets. Other related programs, such as the establishment of a comprehensive perinatology program, also were established due in large part to the success of the obstetrical program.

Challenges

One of the most challenging aspects of this program was working with the existing physicians in the department. Documenting and sharing the consumer survey with these doctors helped change these perceptions. Even with the research, however, there was a certain degree of dissonance as the OB/GYNs believed these efforts by the hospital could be detrimental to their own livelihood. Constant reinforcement by administration, board and medical staff leadership of the strategic need for the hospital to respond to the needs of the community and maximize the hospital's market share in obstetrics helped work through these rough spots.

The hospital also created comarketing opportunities for all physician practices that provided the physicians an opportunity to promote themselves in conjunction with the hospital. In addition, as the program rolled out, administration was diligent in watching the corresponding impact on the remainder of the department and shared this information with these doctors.



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Competitive responses were varied during the course of this program. Neighboring hospitals attempted to recruit the new physicians in the department (which was largely unsuccessful) and also responded through a variety of print, billboard and radio advertising. Although these responses appear to have been moderately effective, CentraState's word-of-mouth marketing was even more effective as moms who delivered at the hospital in the new environment became the leading marketing agents for the organization. Continued efforts at bringing in potential new mothers and fathers to tour the new facility, meeting the physicians face to face during health fairs and lectures and similar personal efforts seemed to effectively overcome the marketing advances made by the competition and continued to support the program's position in the community.

Results

Today, the OB medical staff is comprised of 21 physicians, of which nine are female. Average age has been reduced to 42 with a variety (young and older, male and female) to meet the preferences of most of the community. The groups have each expanded locations and now have multiple offices strategically distributed throughout the service area.

Preference for CentraState OB services by the community grew by more than one-third, from the 21 percent in 1999 to more than 28 percent by 2007. Newborns increased at CentraState from a flat volume of 1,200 births during the 1990s to 2,026 babies in 2007.

Exhibit 1 shows the total number of OB discharges from the primary service area from 2001 to 2006. As mentioned earlier, volumes increased at CentraState despite a declining birthrate. As captured on Exhibit 2, CentraState's market share for OB increased by 11.1 market share points during the period from 2001 to 2006. Market share leadership in the 14-town service area increased from only four towns in 2001 to 12 (of the 14) towns by 2007.

Patient satisfaction likewise increased significantly. Prior to the improvements with the program, the Press Ganey Patient Satisfaction scores for the unit were in the 40 and 50th percent-

Exhibit 3

Patient satisfaction-OB 2001-2003

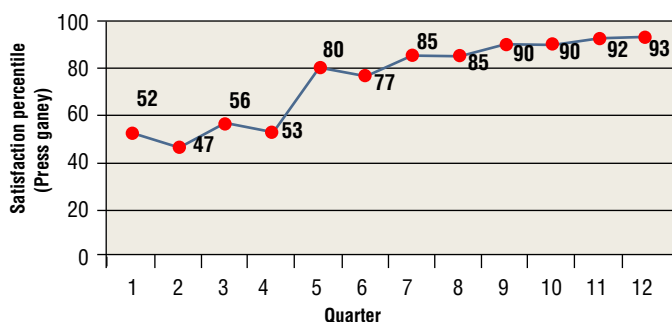
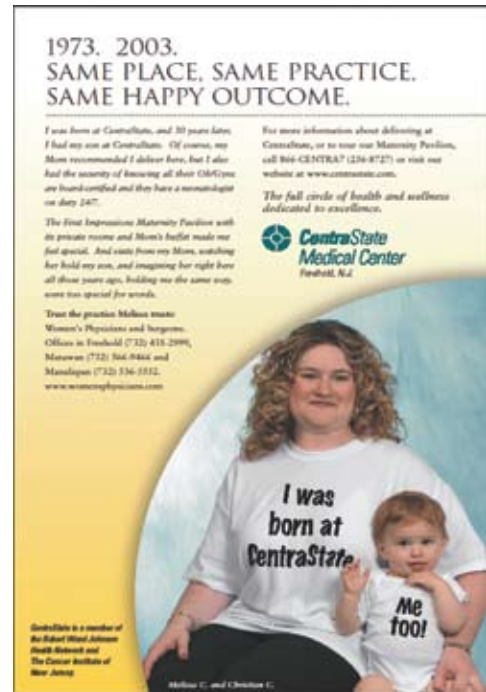


Exhibit 4

Sample advertisement



tile nationwide. Immediately after the improvements, scores rocketed to the 90th percentile and have been there ever since.

Business development in healthcare requires a comprehensive analysis and approach to service design and delivery. This case illustrates effective business development and suggests that marketers must partner with operations in aligning the service more with the expectations of the general public and referring physicians. Understanding and being responsive to the changes in consumer preferences is also crucial. As demonstrated here, a well-balanced business development culture can lead to significant improvements in overall volume and profitability. Understanding and building a market driven product is the key to such successful business development. **MHS**

About the Author

Richard Mackesy is vice president of strategic planning and business development with CentraState Healthcare System in Freehold, N.J. Prior to joining CentraState, Rich was vice president for strategic planning and marketing with a national health system and prior to that in a similar role with a multi-specialty group practice. He is a frequent author and lecturer on healthcare marketing and strategic planning and has served in a variety of leadership roles with many national and regional professional marketing organizations and associations. He may be reached at rmackesy@CentraState.com.