



S. Harvey Price is editor of *For Your Advantage*. A health care industry strategist based in Boca Raton, Fla., Mr. Price has worked as an independent consultant since 1971. His clients are community hospitals, hospital systems and major corporations.

About FYA

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With every issue, FYA provides insights into the topics that concern healthcare leaders today and the challenges that will be faced in the near future.

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TrendLeader Connections
406-586-8775
www.ForYourAdvantage.com

Patients First Then Employees

By Fred Lee

A legitimate concern of a great service organization is that trying to please employees can sometimes run counter to pleasing your customers. Which comes first? The Disney organization would subscribe to the theory, although I have not seen it written anywhere or spoken of, that customers come first and employees come second when you are considering any action that affects either one.

Let me offer an example. Hospitals often set up committees to make suggestions for improving employee morale. Many times their recommendations include relaxing dress codes. They may reason that the dress code is too conservative. That people should be free within reason to dress as they please. That clothes do not make the person and regimentation is stifling. That there is no consistency in the current policy anyway. That managers don't like to enforce dress codes and employees resent it if they do. So the logic goes, and it's easy to be persuaded.

At Disney, the "appearance guidelines" (strictly enforced!) are determined by customer expectations, not employee satisfaction. Employees who take pride in the Disney organization's obsessive dedication to making the best possible impression on guests, understand this, and would never whine about their lack of freedom to express themselves.

A compromise motion also seems to come out of these committees with some regularity. In most places it's called "casual Fridays," and is common in many companies. If we don't want to loosen our daily dress code, why don't we at least give people their freedom of expression one day a week? Is that too much to ask? We have read in the media how effective this seems to be for boosting morale in other workplaces. Why wouldn't it do the same for us?

Guess what Disney would say to such a request? The same thing hospitals need to say: "Guests who come on Friday are just as important as those who come on Monday. For them it could well be their only contact with our company. What makes the impressions of one-seventh of our customers less important than the rest?" The right people on the bus would agree. They would be just as jealous for the reputation of their company on Friday as any other day.

Of course even the most dedicated people can be persuaded to adopt a misguided idea. When you consider where the idea comes from, it is easier to understand why many get drawn to something that seems so harmless. The technological revolution of the last two decades has been stunning. Those of us in the service sector have watched with envy as employees in hundreds of Silicon Valley start-ups and dot-com ventures became rich overnight. Talent from all over the world flocked to these companies, where they reported being

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Patients First Then Employees (Continued...)

so energized that they worked day and night for the success of their venture. Morale in these places soared, and so did creativity and drive. Everyone wanted to be part of something exciting. The media wrote endearingly about the free-wheeling cultures that allowed people to think and act outside the box. We read about how liberating it was for employees to come to work in frayed shorts and a tee shirt if they wished. How nobody ever wore a tie and you could wear nose rings or sport tattoos or let your hair grow as long as you liked. We were given to believe that this helped free the human spirit that was so stifled in the up-tight cultures of traditional corporate America.

Any hospital employee, or Disney cast member for that matter, could easily be persuaded that freedom from dress restrictions would have a positive impact on morale. After all look what it is doing in these exciting places. But in all the praise about these unfettered cultures, we can easily lose sight of the single biggest difference between their customers and ours: Their customers never actually see their employees. How people look to each other in a workplace where customers do not see them doesn't matter much. If an insurance company wants to have casual Fridays or abolish the dress code, who cares? Their customers are on the phone, not sitting or lying in front of them. If a web-based catalog service has scruffy-looking employees, what does it matter? They do not see each other face to face. Customers do not walk down the halls of companies where employees are writing software. They do not rub shoulders with service-center personnel

when they are online about a computer problem.

But that is not the way it is with our patients in the hospital, or Disney's guests in its resorts and theme parks, or Marriott's patrons in its hotels and restaurants. Here, the customer comes face to face with the employees who represent the company, and their first impressions are often their most lasting impressions.

I will never forget the shudder I felt when a hospital CEO in Colorado told me why he felt compelled to take away casual Friday after he had approved it. One Halloween a family had asked to see him in his office. Their daughter had died in the operating room, and the person who gave them the tragic news was a nurse dressed up like a clown. The incongruity of the moment was deeply disturbing to the family. And the CEO never wanted to take the chance that such an encounter could happen again.

The determining question regarding all suggestions in a service industry should be "How will this affect the perceptions of our customers or guests?" Their impressions always come first and are an important key to their continued loyalty.

Fred Lee is a highly popular speaker; and the author of "If Disney Ran Your Hospital." His book was named the 2005 book of the year by the ACHE.

You can contact Fred at
FredLee@patientloyalty.com



About



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Do You Have A Succession Plan?

By: Rick Kneipper, Chief Administrative Officer and Co-Founder of PHNS

Does your hospital have an approved succession plan in place? It's well-acknowledged that a primary responsibility of CEOs and boards is to prepare a CEO succession plan, but only about 50 percent of public and private corporate boards have such plans in place according to a recently published survey by the Center for Board Leadership with Mercer Data Consulting (see article in *The Wall Street Journal* on 11/23/07). As the article points out, lack of an agreed upon CEO succession plan recently left huge public companies like Citigroup and Merrill Lynch without successor CEOs.

Why aren't CEOs and boards dealing with this obvious and necessary responsibility? The starting point should be the CEO, who should recognize that picking his or her successor is a primary responsibility that needs to be given priority – and if the CEO doesn't fulfill this responsibility, then the board ought to force the CEO to act or ought to act without the CEO. It is critical that the process be started soon since proper succession planning takes a lot of time. The article quotes Joseph Bower, a Harvard Business School professor and author of *The CEO Within: Why Inside Outsiders Are the Key to Succession Planning*:

"Succession planning isn't an event, it is a process that is best managed over three, five, even 10 years...[yet] a lot

of CEOs are focused mostly on getting through the next quarter, and they ignore the hard work of grooming future leaders."

Another problem with succession planning is the difficulty of picking the right successor based on the company's future needs, not its past accomplishments. As the article points out, "In today's changing business landscape, companies need leaders with strengths and talents that are different from those of their previous CEO – no matter how successful he or she was."

So if your hospital hasn't got a succession plan, it's time to start your succession planning.



I would like to hear your comments.
Send them to:
Richard.Kneipper@phns.com

About

TrendLeader Connections

FYA - For Your Advantage is brought to you by TrendLeader Connections. The function of TrendLeader Connections is producing educational materials and seminars that help healthcare executives differentiate between fads and trends; and making connections with "Trend Leaders" within the healthcare industry.

We are committed to delivering new perspectives and ideas, creative and innovative healthcare solutions, provocative concepts and quality educational materials to today's healthcare leaders. We want to concentrate on "what comes after what comes next."

Employer Health Benefit Costs Continue to Rise

Total health benefit costs rose by 6.1 percent in 2007, the same pace as last year, to an average of \$7,983 per employee, according to the National Survey of Employer-Sponsored Health Plans, conducted annually by Mercer and released last week. The survey included private and public employers with 10 or more employees and nearly 3,000 employers participated. Mercer is a leading global provider of consulting, outsourcing and investment services.

The good news is that cost increases have held steady for three years (after spiking to nearly 15 percent in 2002) and are likely to slow a bit further in 2008, to 5.7 percent. The bad news is that's still more than twice the rate of inflation. Health cost growth is outpacing wages and material costs and eroding business profitability.

There are consequences for working Americans as well: In the absence of a mandate to provide coverage, some small employers are simply dropping their plans, adding their employees to the growing rolls of the uninsured. Among employers with fewer than 200 employees, health coverage prevalence fell from 63 percent to 61 percent in 2007 – and that's down from 66 percent five years ago. This drop-off is continuing despite the new availability of relatively low-cost consumer-directed health plans (CDHPs).

After the dramatic growth of benefit costs in the early part of this decade, a fourth year of single-digit increases raises the question, why isn't it worse? Shifting costs is one reason. Among large employers (those with 500 or more employees), average in-network PPO deductibles rose by about 11 percent, from \$426 to \$473 for individuals and from \$1,022 to \$1,134 for families.

But even if employers made no benefit cuts at all, the rate of increase still appears to be slowing. Employers estimated that the cost of their largest medical plan would increase eight percent in 2008 "before changes." That's down from nine percent in 2007 and 10 percent in 2006.

The survey found that 80 percent of large employers use health management programs as a way to control costs and improve productivity, while 52 percent are actively promoting employee consumerism. The

majority of employers using these strategies say they have been successful (63 percent for health management and 62 percent for consumerism). Large employers, which tend to be more proactive in managing benefit costs, experienced a somewhat lower average cost increase than small employers in 2007 (5.1 percent compared to 6.6 percent).

Another factor that may have served to slow increasing benefit costs was the growth in enrollment in consumer-directed health plans, the type of medical plan with the lowest cost by far. In 2007, the percentage of employees enrolled in a CDHP (based on either a Health Savings Account "HSA" or a Health Reimbursement Account "HRA") rose from three percent to five percent of all covered employees.

Evidence that the plans are cost-effective is accumulating. CDHPs delivered substantially lower cost per employee than either PPOs or HMOs in 2007. CDHP cost averaged \$5,970 per employee, compared to \$7,120 for HMOs and \$7,352 for PPOs. In addition, when Mercer asked about the reaction of employees enrolled in the plan, about three-fifths of the large sponsors with an HSA-based CDHP (61 percent) said it was either "strongly positive" or "more positive than negative."

The early advocates of CDHPs promised these plans would provide an option for small employer health plan sponsors contemplating terminating their plans because of cost. However, health plan offerings by small employers continued to erode despite the widespread availability of CDHPs in 2007.

So how do employers view the state and federal reform efforts that are aimed at increasing access for the uninsured? The Mercer survey asked whether employers favored or opposed "pay or play" laws: requiring employers to offer a health plan or pay into a fund to provide coverage to the uninsured and mandating that individuals buy insurance. Less than a fourth of all employers support pay or play (23 percent), and the larger they are the less likely they are to approve: among those with 20,000 or more employees, only 13 percent approve, while 49 percent disapprove.