

# THE COMPLETE GUIDE TO SERVICE LINE MARKETING



KAREN CORRIGAN

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 HealthLeaders<sup>Media</sup>  
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# Contents

About the Author .....	v
Acknowledgments .....	vii
 Chapter 1: Driving Growth Through Service Line Marketing .....	 1
Evolution of Clinical Service Lines .....	3
Current and Emerging Service Line Structures .....	4
Service Line Marketing Opportunities and Challenges .....	9
Summary .....	10
 Chapter 2: Creating a Strategic Marketing Framework .....	 13
Aligning Health System Strategy and Service Line Goals .....	13
Service Line Business Planning Focuses Marketing Investments .....	15
Marketing as Strategy: Markets, Products, and Channels .....	17
Service Line Brand Management .....	20
Prioritizing Marketing Resource Allocations .....	22
Marketers Held to a Higher Standard .....	28
Summary .....	29
 Chapter 3: Marketing Planning, Processes, and Tools .....	 31
Market Intelligence: Insights and Discovery .....	31
Segmentation and Targeting .....	36
The Marketing Mix: Fundamental to Target Marketing .....	47
Channel Strategies and Referral Relationships .....	52
Promotion Strategies .....	57
Payers, Pricing, and Performance .....	63
Summary .....	65



<b>Chapter 4: Developing the Service Line Marketing Plan .....</b>	<b>67</b>
Engaging Operational, Clinical, and Physician Leaders .....	67
Setting Marketing Goals and Objectives .....	72
Focus Marketing Measurement on Strategic and Financial Outcomes .....	75
Content of a Service Line Marketing Plan.....	78
Service Line Marketing Performance Management .....	83
Summary .....	85
 <b>Chapter 5: Service Line Marketing Case Studies .....</b>	 <b>89</b>
Cardiovascular Service Line Marketing.....	89
Oncology Service Line Marketing .....	96
Orthopedic Service Line Marketing.....	101
Neurovascular Service Line Marketing.....	107
Women's Health Service Line Marketing.....	112
General Surgery Service Line Marketing .....	116
Summary.....	119
 <b>Chapter 6: The Success Formula: Strategy, Leadership, Performance .....</b>	 <b>121</b>
Market Orientation Is Essential .....	122
The Service Line Marketer's Call to Action .....	126
Building a Service Line Marketing Culture.....	128
Summary.....	129

# About the Author

## Karen Corrigan

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Karen Corrigan is an author and speaker on health industry trends, competitive strategy, brand building, and strategic marketing. She is a leading proponent for value innovation in the healthcare industry. In 2007, Karen founded and launched the Innovator's Studio to provide a unique forum where chief marketing and chief strategy officers can discover, create, and adopt market-leading ideas and strategies.

Today, Karen provides counsel on competitive positioning, brand, growth, and marketing strategies to health systems, businesses, and service organizations. Recently, she was chief strategy officer for Navvis & Company, a St. Louis-based consultancy providing planning, physician alignment, leadership, and performance strategies to health systems and physician organizations. In 1998, Karen founded and served as CEO of The Strategy Group, a management consultancy that merged with Navvis & Company in 2008.

Before embarking on her consulting career, she held the position of vice president for system development at Sentara Healthcare in Norfolk, Virginia, and she also worked with Riverside Health System and Winchester Medical Center in Virginia.



Karen is a member of the Forum for Healthcare Strategists, American College of Healthcare Executives, Society for Healthcare Strategy and Market Development, and Virginia Press Women. She hosts and writes for Chief Marketing Officer (*[www.karencorrigan.com](http://www.karencorrigan.com)*), a blog for healthcare marketing executives.

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*Karen Corrigan*

# Driving Growth Through Service Line Marketing

Since its inception nearly three decades ago, service line marketing has remained a primary focus for health systems seeking growth, profitability, and sustainable competitive advantage in a complex and rapidly evolving industry. In its earliest days, the discipline of marketing in hospitals was a fledgling practice confronting the advent of market competition in a trade historically cast as public service.

Those first rudimentary attempts at service line marketing had one thing in common across markets and organizations: They were mostly about promotions. Consequently, hospitals experienced a mixed bag of results from their service line marketing investments. Marketers focused more on messaging reach and frequency than on positioning and differentiation. In their defense, administrators and physicians believed marketing to be a communications discipline rather than a core business competency. Thus, most service line marketing initiatives were overinvested in advertising and significantly underinvested in research, product development, customer service, brand building, channel strategies, marketing information systems, and other capabilities essential to driving strategic growth.

Throughout the 1980s, 1990s, and into this century, new competitive challenges emerged with increasing frequency in the healthcare industry, constantly reshaping the basis for competitive effectiveness. Rapid diffusion of clinical technologies into community hospital settings sparked a medical arms race as hospitals sought to be the first to market with new service line capabilities. Growth in managed care patients set off the first round of consolidation in the healthcare industry as hospitals sought contracting leverage through scale and market coverage. Impending physician shortages and unsustainable practice economics drove hospitals and doctors together into new integrated business arrangements. Emergence of retail health models disrupted conventional channels. And the Internet provided unprecedented access to information, resources, and commerce for a growing, graying population and increasingly informed proactive health consumers.

Now, with the passage of sweeping health reform legislation—the Patient Protection and Affordable Care Act of 2010 (amended by the Health Care and Education Reconciliation Act)—the basis of competition will once again evolve as health systems, service line leaders, and marketing executives embrace new demands for value and accountability.

More than ever, marketing is required as a core business discipline health systems need to achieve their desired service line growth objectives. Addressing the impact of value-based reimbursement models; engaging physicians organized in integrated structures; managing service line portfolios across markets and major lines of business; embracing online and social media environments; creating a pipeline of new, brand-driven products; and driving channel development



and growth are all critical factors in successful service line marketing. To effectively compete in the marketplace, it is important for health systems to understand this new, more sophisticated approach.

## **Evolution of Clinical Service Lines**

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Clinical service line management emerged in the early 1980s when the inpatient prospective payment systems forced hospitals to look at services in new ways to better understand the impact of volume, revenue, and cost of specific programs on the overall financial performance of their institutions.

This required the creation of diagnosis-related groups (DRG)—or aggregated sets of services related to a category of primary diagnosis (e.g., heart disease), procedures (e.g., joint replacement), or need-based segments (e.g., pregnant women)—in order to evaluate clinical efficiency, business opportunity, and profitability.

As it became evident that certain types of patients and procedures contributed more to a positive bottom line than others, competition increased among hospitals for the more profitable business segments. In addition, healthcare institutions adopted the manufacturing industry's concepts of portfolio analysis and product line management.

The number of hospital marketing functions grew rapidly during the 1980s as health systems positioned themselves to more effectively grow service line volumes. Because healthcare organizations by and large did not consider themselves

true “businesses” competing head to head for consumer preference and loyalty, these early marketing operations were often spin-offs of public relations or community outreach services and focused heavily on promotions. Thus, the first generation of service line strategies tended to be service line marketing versus service line management.

The popularity of service line management has ebbed and flowed over the past 30 years; this is attributed to a number of factors ranging from the changing nature of competition in the healthcare industry to misalignment of internal resources to variations in clinical practice to mixed financial results. Since its origin in the early 1980s, much has been debated about the structure, strategy, and capabilities of service line organizations.

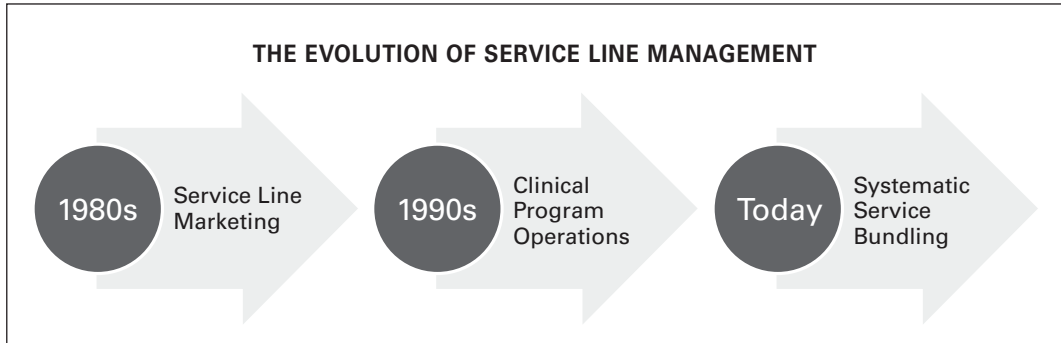
### **Current and Emerging Service Line Structures**

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Service line management is an effective approach for focusing clinical strategies, organizing for effective delivery of care, generating growth, and creating competitive advantages for health systems and hospitals.

In general, the service line business model has evolved from service line marketing in the 1980s to clinical program operations in the 1990s to today’s more systematic approach of managing a defined line of business delivering a bundle of services to distinct market segments (see Figure 1.1).

FIGURE 1.1



In practice, however, service line models differ widely across health systems and hospitals. There are multiple service line management structures, each characterized by different approaches to the market, different degrees of integration or service consolidation, and different degrees of centralization, delegation of authority, and functional specialization. Three common approaches are matrix, direct line, and comanagement structures.

### ***Matrix structures***

A matrix service line structure is typically led by an executive who has broad responsibility for setting overall strategic direction, managing service line growth, developing new programs, forging physician relationships, and achieving financial objectives. Other managers have service line responsibility for various functions required to deliver services. These include heads of clinical departments or units, such as nursing, pharmacy, imaging, and surgery, as well as of departments with administrative functions, such as marketing and finance.

Health systems composed of multiple hospitals may have matrix service line structures that span multiple facilities. Increasingly, these structures also include the continuum of inpatient, outpatient, and postacute services.

Matrix structures require significant coordination and collaboration across hospitals and systems.

### ***Direct line structures***

In direct line structures, an administrator has operating responsibility and accountability for the clinical departments that make up the service line, as well as for planning, clinical program development, and volume growth. The direct line leader often has a clinical background and business and management expertise. Under this structure, marketing, decision support, referral development, finance, and other similar functions provide support to the service line executive for business and administrative services—although there are hospitals where some of these functions are embedded in the service line structure. This approach may be more common in an academic medical center or hospital where core, related clinical programs are more closely aligned from programmatic, structural, and competency perspectives.

### ***Clinical comanagement structures***

Clinical comanagement is a service line structure gaining renewed interest from both hospitals and physician organizations. Under the comanagement arrangement, hospitals contract with an organized group of physicians to provide daily management services for the inpatient and outpatient components of a specialty service line, such as cardiac, oncology, or orthopedics. The arrangement provides

for and rewards physician engagement and leadership in a broad spectrum of activities that improve patient care and outcomes, generate cost efficiencies, and make the clinical service more competitive in the market.

With this approach, physicians have more clinical and operational influence than they have had traditionally, and the hospital gains from quality, safety, cost efficiency, and patient satisfaction improvements.

### ***Changes necessitate new approaches to service line management***

The healthcare industry will see many changes over the next five to 10 years as major tenets of healthcare reform legislation are enacted. Front and center will likely be the transition to value-based reimbursement models, such as bundled payments for episodes of care. New approaches to accountable service line management, which today are largely acute care-focused, may emerge as hospitals and physicians encounter the challenges of managing risks for utilization, outcomes, and defined payments. Preventive care, chronic disease management, and home care services are likely to be part of future service line portfolios.

Service line administrators and marketers planning for the future should identify and address elements that will change the requirements for success. The answers will provide the foundation for strategic decision-making regarding service line strategy, structure, and marketing investments. Key questions to raise and deliberate include the following:

- How will changes in policy and reimbursement shape future demand for the service line's services, and how will they affect financial performance?

- What will be the key levers of profitability and where does the service line stand in relationship to those requirements?
- How will the service line build and achieve distinct competencies in accountable clinical management?
- What needs and changes offer the best opportunity for profitable growth? Where are opportunities for service and/or market expansion? What new models of care should be considered?
- What is the future relationship of physicians to the service line? What mechanisms exist to align physician and service line interests? How do these opportunities vary by primary care versus subspecialists?
- What are the future opportunities for development and/or integration of physician, ambulatory, post acute, rehabilitation, and retail health services in the service line management model?
- What competitive strategies are likely to develop among and between healthcare providers in the market? When and how should the hospital cooperate, affiliate, or compete aggressively against current and new market entrants?
- What are the technological, facility, human resource, and capital investments required to support future growth and development in key service lines? What capabilities, systems, products, competitive positioning, marketing, and pricing strategies will be required?
- What guiding principles will best focus future strategy, structure, business and clinical initiatives, and investments?



## Service Line Marketing Opportunities and Challenges

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Marketing is an essential business discipline charged with creating profitable exchange relationships. Effective marketing starts with recognizing customers' needs and employs a mix of strategies configured to deliver distinct solutions to meet those needs. It is less about sales and promotion—although those are critical tools of marketing—and more about value creation through an orchestrated approach to creating markets, cultivating customers, delivering benefits, and building loyalty and repeat business.

Early service line marketing endeavors failed to deliver return on investments largely because promotional efforts were undertaken without an understanding of customers' needs or the complex selection and purchasing decision processes for health services. Marketers ran ads but didn't have responsibility for orchestrating the channel relationships (e.g., with physicians) that brought patients to the hospital. They printed brochures but didn't have influence in the design and configuration of clinical programs and processes that drive patient experience.

Concepts of segmentation, differentiation, customer experience, and value innovation took a while to emerge in health services marketing. Today, there is much greater recognition that successful service line marketing requires a partnership among clinical service line leaders and marketing professionals to discover market opportunities, target valued customer segments, cultivate enduring physician relationships, bring distinct programs to market, deliver against patient expectations, build a loyal customer base, and achieve the

desired financial and strategic benefits. A common misconception of competition is that success is achieved by being better than the competition when, in fact, sustainable competitive advantage comes from being different from the competition by delivering a distinct but customer-relevant value proposition.

### Summary

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In many ways, service line marketing leaders have never had a more opportune time to better establish the discipline of marketing as a strategy-critical business competency. The underlying basis for competition in the industry is shifting, driven by the converging forces of healthcare reform, physician services restructuring, provider consolidations, consumer expectations, and networked information technologies. Changing economics are at the forefront, and make a compelling case for the role that marketers must play in an increasingly complex, competitive industry.

The opportunities to raise the bar in service line marketing are three-fold:

- First, to build a service line marketing approach that is strategic and focused on near-term growth, as well as creation of future customers, products, and channels
- Second, to establish the critical relationships and links across the value chain—clinical operations, finance, purchasing, IT, physicians, partnerships—and orchestrate alignment of customer needs and service line growth goals

- And third, to develop a results-oriented service line marketing function that delivers on revenue growth and profit goals

To take advantage of all these opportunities, marketers must adopt a profit-and-loss mind-set, transition from promotions-oriented tactics to growth-oriented strategic leadership, drive value innovation, and promote customer-centered practices.

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