

Consumer Influence on Technology Investments

As consumers become increasingly savvy about medical and information technologies, they are holding providers to higher standards of quality and service. Add to this consumers' greater involvement in healthcare purchasing decisions, and making the right investment in these areas becomes of even greater significance to a provider's competitive positioning. To find out more about ways in which consumers are affecting technology investment decisions, HFMA, with sponsorship from GE Healthcare Financial Services, brought together a group of healthcare finance executives in Los Angeles. The following is a highlight of the discussion.

Blackwood: In what ways might a provider's level of investment in information and medical technologies influence healthcare consumers?

Sparks: One thing we're already seeing is that hospitals are targeting consumers with advertising on emerging healthcare technologies. And consumers are looking for that angle: 'What's the latest and greatest machine that's going to be used to fix whatever I have?'

Kirk: I think it's also important to note that investing in technology can attract key physicians, which will then bring in the consumers. Physicians want access to advanced clinical technology and electronic health records because of their aid in reducing errors. So I would say that a lot of the technology we're installing has an indirect effect on the consumer. Consumers may not know about the specific equipment a hospital has, but they do know where the best doctors are.

Turner: I think in some ways, physicians will end up acting as their patients' spokespersons on this topic. They're instilling in the consumer what the consumer thinks that they should be looking for. Also, physicians are the ones at our door looking for specific technology that they want to use for their patient population—whether or not there's any method of reimbursement. From the hospital's standpoint, we have to evaluate the

importance of a physician's demand for a certain level of technology to treat his patients. The physician is, in a way, presenting a group of patients with this particular need, and we have to make the decision of whether we want to respond to that consumer demand.

Correa: I believe that patients can drive decision making along with their physicians.

Americans who have choices and payment responsibility for their health care are becoming increasingly informed. Ten years ago in managed care, you would pay a \$10 co-pay and accept that it took a lot of the decision-making away from you. I think as more costs shift back to the subscribers, we will see more choice, more influence, and more demand for quality. When you start to see advertising from healthcare providers or suppliers saying things like, 'We have electronic health records' or 'We've reduced our adverse drug events,' that can be very compelling for the patient as a consumer.

Castro: Speaking of electronic records, I think they could be a strong competitive advantage right now—and not just in terms of attracting consumers or physicians, but also in relation to hiring other staff. The fact of the matter is that moving to these technologies is attractive because it increases our excellence. That's what it all boils down to. We're in the business of taking care of people.

Blackwood: Do you believe electronic records will actually influence a person's decision to come to a facility? Because I think it's such a back office-type operation that in and of itself, it doesn't influence consumers.

Castro: I think you may be right today. But do you make your decisions about what's happening today or what's going to happen down the line? I think that this will be something that you can't operate without in the not-so-distant future.

Now, with that said, we know it's a good idea, but I also do the budget. And let me tell you, capital dollars are extremely tight. By the way, we're putting on a new addition, so we have to pay for that first. And if you think California is a place where hospitals just flourish, think again.

Kirk: Is an electronic record going to influence consumers' decisions? I believe it will. I also think that the industry is on the edge of widespread adoption of CPOE (computerized physician order entry). Physicians are resisting these technologies because they think they will be slowed down. The argument is not that they won't improve quality or improve safety and cut errors; physicians don't want to be slowed down in the hospital.

Yet it's so inefficient and inaccurate not to have CPOE and electronic records that I think hospitals are going to

have to do things to force the physician's hand, and say, 'Look, it's been long enough, we know it's good, it's going to slow you down at first, but you're going to get patients.' And on the whole, it will speed everybody up. Physicians just don't want to take that first step on their own.

Blackwood: What technologies overall are likely to have the greatest influence on the consumer's decision?

Correa: I would say the electronic health record definitely will. I also think automation of medication administration and bar coding has tremendous implications for patient safety and will be very compelling. In addition, I think that personal health records, which obviously are built on a foundation of your electronic health record, will be a real competitive advantage within the next five years.

In the recent past, I would say that PACS (a picture archiving and communication system) has proven to be the smartest thing my organization has done from an IT perspective. It was a very expensive project, but the turnaround time to make patient care decisions related to diagnostic imaging has been cut in half. In addition, patients can get their X-rays on CD, so a history of all of their imaging tests that they've had in our hospital can be made available to them no matter where they receive service in the future.

Pugh: I think the biggest influence we'll see in terms of technology will actually be in medical equipment—CT scanners, MRIs, and any other advancement there. That's going to drive the business. The other stuff may make processes a little bit easier or less irritating, but it's still going to be primarily about your medical equipment.

Castro: The big picture is that everybody wants all this stuff that's going to make service delivery better, and they want it quickly. We don't have to crack your chest open to do surgery anymore, and that sort of advancement is worth the money.

On the other hand, I was thinking to myself as I was listening to the others, 'You know, how is it that I can look up everything about my bank account, but my medical record is so difficult to access and maintain?' The customers of tomorrow want health care to keep up.

Now we can lag behind to a certain degree because we have to make sure the technology works, and we need

ATTENDEES

Darren Castro, executive director of strategic planning, budget, & decision support at Simi Valley Hospital, a 153-bed member of Adventist Health, in Simi Valley, Calif.

Sharon Correa, IT director at Glendale Adventist Medical Center, a 450-bed acute-care facility and member of Adventist Health, in Glendale, Calif.

Tim Kirk, chief information officer at Huntington Hospital, a 525-bed acute care center facility in Pasadena, Calif.

C. Larry Pugh, CPA, CFO for Simi Valley Hospital.

Kelly Turner, CFO for Glendale Adventist.

Representing the roundtable sponsor were **Bruce Barnum**, vice president of business development; **Mary Kristy**, regional manager; and **Sue Sparks**, managing director, for GE Healthcare Financial Services.

The moderator for the discussion was **Terry W. Blackwood**, CFO for City of Hope, a 165-bed Comprehensive Cancer Center in Duarte, Calif.

to wait until the cost comes down. But when I can go to a grocery store and swipe a card and complete the whole transaction in a few seconds—that is the type of consumerism that will drive us into a new paradigm of service.

Sparks: I think that consumers are going to want that information, and I think they're going to want it for reasons of not only efficiency, but also for peace of mind in terms of medical errors. A big sense of security comes from knowing that the hospital is not going to give you the wrong medicine.

Kirk: My thought is that it's not one technology that's going to be the biggest influence on consumer choice; consumers will be looking for technologies that integrate throughout the entire system to improve quality of care. Expectations of an electronic health record may be an initial draw, but improved quality through uses of technology to improve efficiencies and eliminate errors is what's really going to make the difference.

Blackwood: Do you see level of technology investment as a true criterion for competitive differentiation? How will investment and information in medical technologies compare with competing capital demands?

Kirk: The amount of capital devoted to IT has to increase tremendously. I'm a CIO—so I say that kind of jokingly. But it's true. If you take the trend of what we're spending now on information technology, it's going to double and triple and quadruple over the next five to 10 years.

I do think there are going to be returns to justify the investments because of the rise in consumerism. People are not going to select your hospital unless your technology is up to a certain level. In terms of level of investment, however, I don't believe it's going to be a matter of the percentage that you're spending. Instead, I think it's going to come down to whether you're keeping up with an exceeding market average.

Turner: I absolutely think that level of investment in technology is an appropriate criterion for differentiation. When a facility adds a new state-of-the-art treatment modality and the physicians embrace it, you clearly see it moves business. It's very dramatic.

And I think you're going to see something evolve related to electronic health records and clinical information

systems that will have a similar effect a few years down the road. If you look at physician offices that have already taken that step, you'll see patients have embraced it. Physicians are educating that segment of consumers on what an electronic record's capability is and how it can be used to enhance their own knowledge of the care experience. Consumerism is all about patients who want to participate in their own health care.

Some clinical offices in our area let patients enter their own information into a health record, if they so desire. These patients can then review these data and test results. Afterward, when the doctor enters notes using an electronic clipboard while going through test results and treatment plans, you see the patients truly appreciate such transparency with their own health record. Soon they are going to expect the same level of service from the hospitals they visit. When those patients are admitted, they're going to want to see their chart and look through related information, because they'll be accustomed to it. So I certainly think they will be seeking that out as they learn more about what we're capable of doing.

Castro: There's another aspect to this issue that is perhaps only a theory. It's related to the fact that the baby boomers are one of the wealthiest generations that are reaching retirement age, and the people with money are not going to go to a local hospital just because their insurance company will pay for it. Instead, they are going to go to the place where they feel staff can do the job. So as a hospital, you may attract a lot more paying customers from across the country because of being able to provide a certain level of



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technological advancement. That's a piece of consumerism that you're going to have to invest to go after in order to differentiate yourself not just from your community but also on a national level.

Blackwood: Have any of you had a situation where competing capital demands came into play, when someone chose equipment over IT or vice versa?

Castro: I've been in a lot of those meetings myself, working the budget. The prioritization of the capital during the budgeting process is one of the most intense meetings you'll ever go to. Hospitals always have to address life and safety first, along with regulatory issues. But as you talk about IT, it's very difficult to produce an ROI on the things for which you want to spend a little money.

Pugh: Medical technology will always be the top priority during budget talks.

Kirk: Clearly, ROI shouldn't be the only factor though when choosing which capital demands to fund. The issue is whether you can improve the quality of your institution. Huntington Hospital will continue to thrive if we continue to improve our quality. If we focus solely on ROI and don't pay attention to quality, then we're going to start losing our good standing with the community.

Even with that said, you look at the equipment that's very expensive and it often does have a good ROI—actually PACS pays for itself quite quickly by getting rid of film and other imaging supplies. I think we had an 18-month turnover on a \$3 million investment. Also, sometimes you may need to examine the new technology to find ways to make investment worthwhile. For example, our cardiologists requested state-of-the-art equipment that would have been too expensive as a standalone system. We examined work flow and incorporating the new system into the electronic health records system, which the cardiologists did not believe they needed. And now we have automated the reporting, and they love it. So there is a partnership there. You can't easily differentiate saying, 'Well, should we get medical equipment or IT equipment?' In this case, the investment was both.

Blackwood: How might providers incorporate the role of consumerism into over-arching capital planning efforts?

Turner: To a large extent, our overall capital strategy already does take into account some impact of consumerism.

Everything that we look at, we're asking: 'Is this attractive to the consumer as well?' It used to be that you made your decision based on ROI or the financial analysis in front of you. Now we're looking more at how investments affect perceptions in our community, and how they can open the door for enhanced knowledge and education. Those aspects are creeping into every decision that's made in the capital process.

Correa: Our organization is committed to the concept of the patient experience, whether through establishing kiosks or online pre-registration. We have now purchased a product that is going to allow us to offer online patient accounts that go beyond basic bill pay, actually allowing the guarantor to manage a variety of things for his or her family. Investing in such technology is an excellent example of how the organization probably won't see a hard return, but where our executive team sees that it is needed to move us in a strategic direction and to support community outreach. It has a lot of marketing potential.

Pugh: The part that I'm struggling with has to do with the comment that Tim was making about the baby boomers reaching retirement age. They're going to be the big pushers in health care, and they didn't grow up with computers. The perception is that they're not that computer savvy, so I wonder what percentage is really going to make use of that.

Blackwood: So the question is, how many consumers falling in that generation will use a computer to actually access the data and services that we provide?

Correa: I would encourage any CIO or CFO to embark on a process to understand your market related to Internet usage in the home—the data are available for purchase. You can then examine the data with a healthcare-centric type of focus. Types of questions include: Would you pay your bill online? Would you want to schedule online? Would you want to refill prescriptions online?

We had a company do that for us, and the percentage of baby boomers who are computer users was up there—

definitely over 20 percent. You'll find similar trends in online banking, which is the fastest growing sector of the Internet today. When you look at the curve and the distribution of age, you're not going to find baby boomers on the short list.

Kirk: There's a whole bunch of reasons that a person will finally get on the Internet, such as managing their money or exploring health information. For whatever reason, they are going to come to your site, and they're going to be looking and shopping for a good place to get their care. If they come to your site and they've seen that your quality is rated one step below, you had better be prepared with a sufficient response. I think there are many reasons why consumerism is going to force us into using the web a lot more.

Blackwood: How are financial managers likely to make the business case for consumer-driven technology investments? What will they use to quantify?

Turner: It's a tough call when you're actually faced with trying to build a business case. You can't just rely on the numbers—you have to look beyond them. And, honestly, you have to take some guesses and make some leaps based on what you believe will truly occur. If you track how large those leaps are and measure your progress to determine whether those leaps truly paid off, that's how you build your case for similar investments in the future.

Blackwood: Who would be involved in the decision-making process in your organization?

Pugh: Our real customer is the physician, and primarily everything is aimed around meeting the physician's needs. Clearly, physicians need to be involved in the process.

Turner: You will need finance, operations, and business development. As you said though, physicians are our partners in making sure that the investment is successful and that clinical equipment and technology uses are proper, made available, and communicated.

Blackwood: Where is the money likely to come from to invest in technologies to meet consumer demand?

Turner: I wish I had a good answer to that. That's what we struggle with every day. In our hospital, it all comes down to getting it through operations. We've got to be able to generate the level of income that we need to reinvest in these strategies.

Correa: If you're smart about grants, there are a ton of opportunities out there. We recently participated in a project that implemented electronic health records at our safety net providers within our community. The effort was entirely grant-funded.

Kirk: I think it goes back to much of the conversation we've had here today. The efficiencies that technology can bring will not only create savings but also can bring in more revenue. And if physician offices and the hospital are working a lot closer together and sharing information about the patient, then it should result in a shortening of length of stay so that you have more capacity in your buildings and patients spend less time in the ICU.

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