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Toward hospitable healthcare

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ABSTRACT

Customer satisfaction data confirm what many adults believe intuitively: their service experiences with most healthcare service providers (hospitals, clinics, physicians) fall well short of their service experiences with most hospitality providers (hotels, resorts, restaurants). Because the services delivered in both industries are intangible, one wonders whether adoption of the principles known to enhance guest satisfaction in hospitality could elevate the level of patient satisfaction in healthcare. The exigent need for healthcare service providers to explore the adoption of these principles is accelerated by three converging trends: 1) the new "information everywhere" environment that has precipitated more patient-directed selection of healthcare service providers, 2) the move toward more transparent pricing of healthcare services to enable greater competition and more informed consumer choice, and 3) the fact that most healthcare providers must now engage in direct-to-consumer marketing to attract new patients. The authors address these and related issues through the examination of 24 service "touchpoints" common to both hospitality and healthcare experiences in an original survey of 1200 U.S. adults.

1. Introduction

Customer satisfaction data confirm what many consumers believe intuitively: their service experiences with most healthcare service providers (hospitals, clinics, physicians) fall well short of their service experiences with most hospitality providers (hotels, resorts, restaurants). Yet, because the services delivered in both industries are intangible, one wonders whether adoption of the principles that have enhanced guest satisfaction in the hospitality industry could elevate the level of satisfaction patients express with healthcare service providers. These include common points of patient engagement such as the ease of making a reservation/appointment, the arrival experience, knowing the price of the service before it is delivered, quick and thorough resolution of problems, the creation of more welcoming environments, and the use of reward programs to build loyalty and lifetime value. The need for healthcare service providers to explore adoption of these principles is exigent, however, accelerated by three converging trends: 1) the new "information everywhere" environment that has precipitated more self-diagnosis of clinical symptoms and patients' selection of providers independent of referrals from medical professionals, 2) the move toward transparency in pricing healthcare services to promote competition and enable more informed consumer choice, and 3) the fact that most healthcare service providers must now compete for new patients through direct-to-consumer marketing.

In this article we provide comparisons of the importance of, and satisfaction with, different guest/patient service "touchpoints" that apply to both hospitality and healthcare experiences with results from an original survey we conducted with 1200 U.S. adults screened to establish their frequency of engagement with hotels, resorts, restaurants, hospitals, walk-in clinics, and physicians' offices during the year *prior* to the arrival of COVID-19 (hereinafter referred to as our GAP survey). The data reveal prevailing sentiments toward each group of service providers and specific areas in which healthcare service providers could benefit from the adoption of practices embraced and refined by hospitality service providers.

2. A Stark contrast

In the sidebar appearing at the end of this article, we chronicle two different service experiences of our fictional protagonist, Roger Conway: scheduling and receiving a colonoscopy; thereafter, booking and taking a trip to Las Vegas. Granted, the motivations for each action were dramatically different, yet they entailed the delivery of services that resulted in two disparate customer experiences. Why? We assert because Conway's hospitality experience addressed the needs and concerns of *the customer*, while his healthcare experience focused on the needs and

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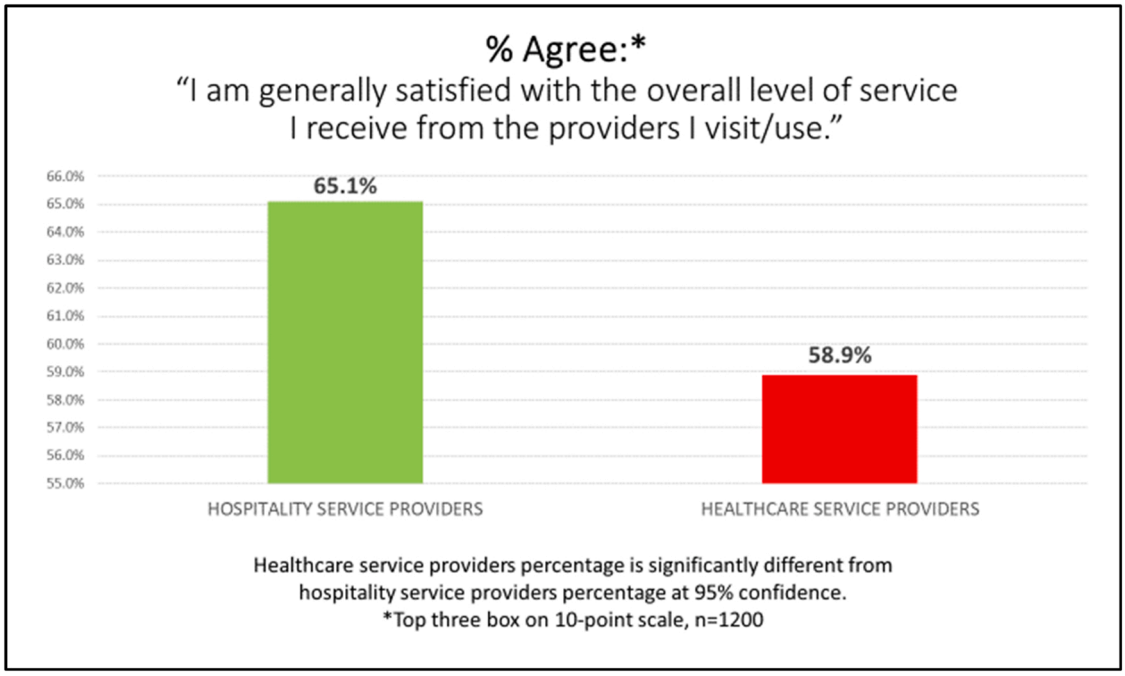

Fig. 1. Satisfaction with hospitality and healthcare service providers.

concerns of *the service provider*. The consumer sentiment that derives from these two different approaches to service delivery is evident in the relative degree of satisfaction consumers express with their overall experience with each of the two groups of service providers measured in our GAP survey as revealed in Fig. 1 *(note: the "hospitality" cohort combines ratings for "hotels, resorts and restaurants," and the "healthcare" cohort combines ratings for "hospitals, walk-in clinics and physicians' offices"*):

As reflected in Fig. 1, consumers rate their level of satisfaction with the overall experience provided by hotels, resorts and restaurants significantly higher than their satisfaction with the experience delivered by hospitals, walk-in clinics, and physicians' offices.

We acknowledge the circumstances that often precipitate the need for healthcare services are fundamentally different from those that motivate the consumption of hospitality services: the former typically reflect "needs," whereas the latter reflect "wants." Yet, our data clearly reveal significant gaps in the quality of healthcare service delivery and suggest the adoption of proven principles of hospitality by healthcare service providers could enhance patient satisfaction despite the disparate motivations for consumption.

3. The need for improvement

Competition in the hospitality industry has forced practitioners to discover and embrace new ways to reach, engage, serve, and listen to feedback from customers. This awareness has led the most successful

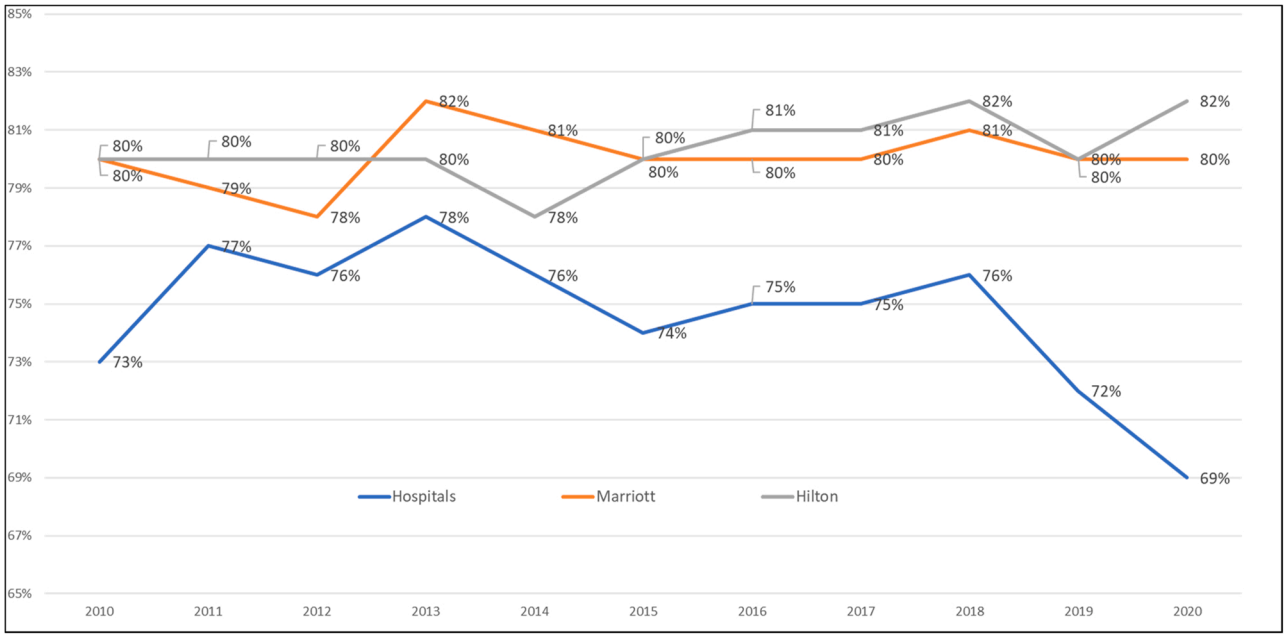

Fig. 2. American Customer Satisfaction Index, hospitals versus select hotel brands.

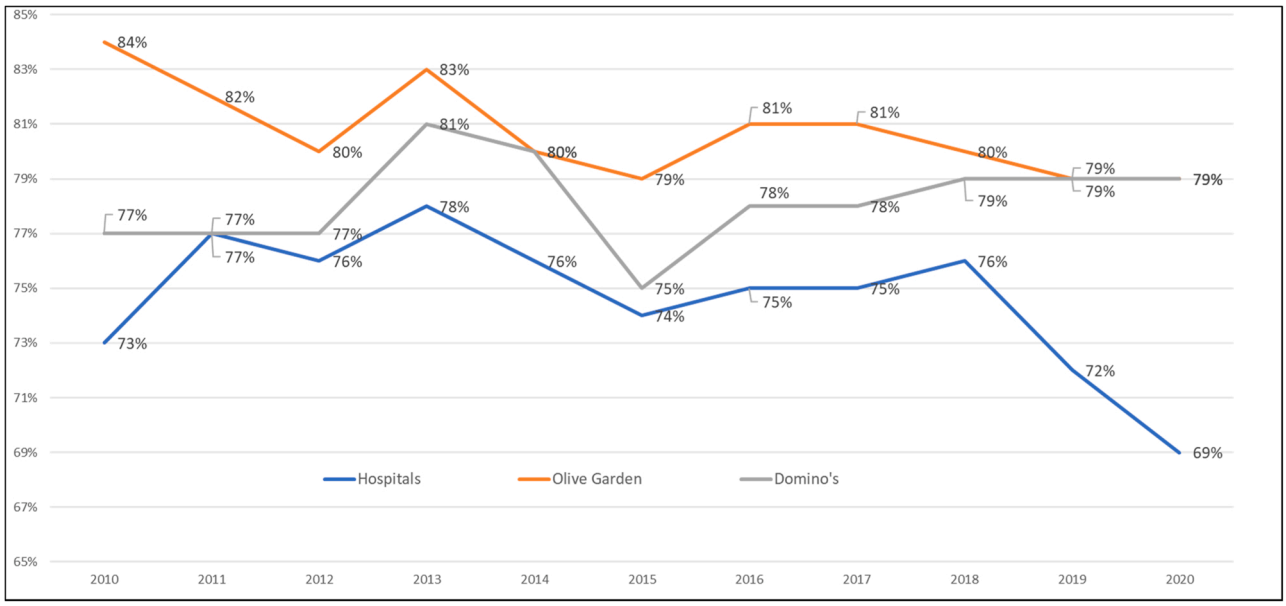

Fig. 3. American Customer Satisfaction Index, hospitals versus select restaurant brands.

Table 1
Mean rating of importance of select hospitality and healthcare service variables on a 10-point scale.(n = 526).

Variable	For hospitality	For healthcare
The invoice/bill I receive is easy to understand	8.51	8.45
The invoice/bill I receive is consistent with my expectation	8.64	8.36
Quick resolution of any problems I express about my experience	8.45	8.37
Knowing how much I have to pay for the service before I receive it	8.50	8.03
The ease of resolving disputes I have about the value of the service I received	8.19	8.14
The people I interact with make me feel welcomed	8.14	7.92
The provider makes me feel my visit/patronage is appreciated	8.29	7.72
The arrival experience	7.69	7.35
The arrival environment	7.62	7.29
The provider asks for feedback about my experience after I leave	6.53	6.65

hospitality service providers to develop comprehensive profiles of customers' preferences and consumption habits which, in turn, enable these businesses to anticipate customer needs and desires, offer more innovative product/service options, recognize and reward customer loyalty, and request and act upon feedback about their experiences. Furthermore, most hospitality industry providers accomplish this while making the process of consuming the services they provide easy, even in difficult circumstances.

Can the same be said about most patient encounters with healthcare service providers? Apparently not, based on the trends observed in the American Customer Satisfaction Index (ACSI). The ACSI is the only national cross-industry index of customer satisfaction in the United States. The data in Fig. 2 below reveal the national index (100-point scale) for hospitals in the U.S between 2010 and 2020 *declined* four points (from 73 in 2010 to 69 in 2020), while the same indices for the best performing lodging company, Hilton, *increased* from 80 to 82 during the same period. The thirteen-point difference between these industry scores in 2020 is noteworthy, but the directional trend over the ten-year term is even more so.[1]

Results for the other major component of the hospitality industry, restaurants, are equally compelling as revealed in Fig. 3. Olive Garden, one of the leading brands in the casual dining category, weighed in ten points higher than hospitals in customer satisfaction in 2020. Domino's, a leader in the fast-food category, rated two points higher over the 10-year term.

The observed decline in customer satisfaction with the service provided by hospitals is particularly vexing given the rising cost of the services they provide. According to the American Medical Association, spending on hospital services grew by roughly five percent annually between 2009 and 2018 (total spending on personal healthcare during the same period grew by just over six percent annually).[2] Notwithstanding a per capita spend on healthcare of almost $11,000 in 2018, fewer than one-third (30 %) of U.S. adults were "fairly/very satisfied" with their healthcare that year. One can reasonably surmise that satisfaction with healthcare in the U.S. has declined further since then given that the average annual cost of employer-provided health coverage for a family plan topped $22,000 for the very first time in 2021.[3]

So, what service strategies practiced by hospitality service providers could be adopted by healthcare service providers to enhance patient satisfaction? We offer several recommendations below.

[1] "Unparalleled customer intelligence," *Benchmarks*, American Customer Satisfaction Index, August 10, 2022, https://www.theacsi.org/acsi-benchmarks/benchmarks-by-industry.

[2] "National per capita health expenditures in the Unites States," *Statista*, 2020.

[3] Anna Wilde Mathews, "A family's health insurance cost more than $22,000 in 2021, survey finds," *Wall Street Journal*, November 10, 2021.

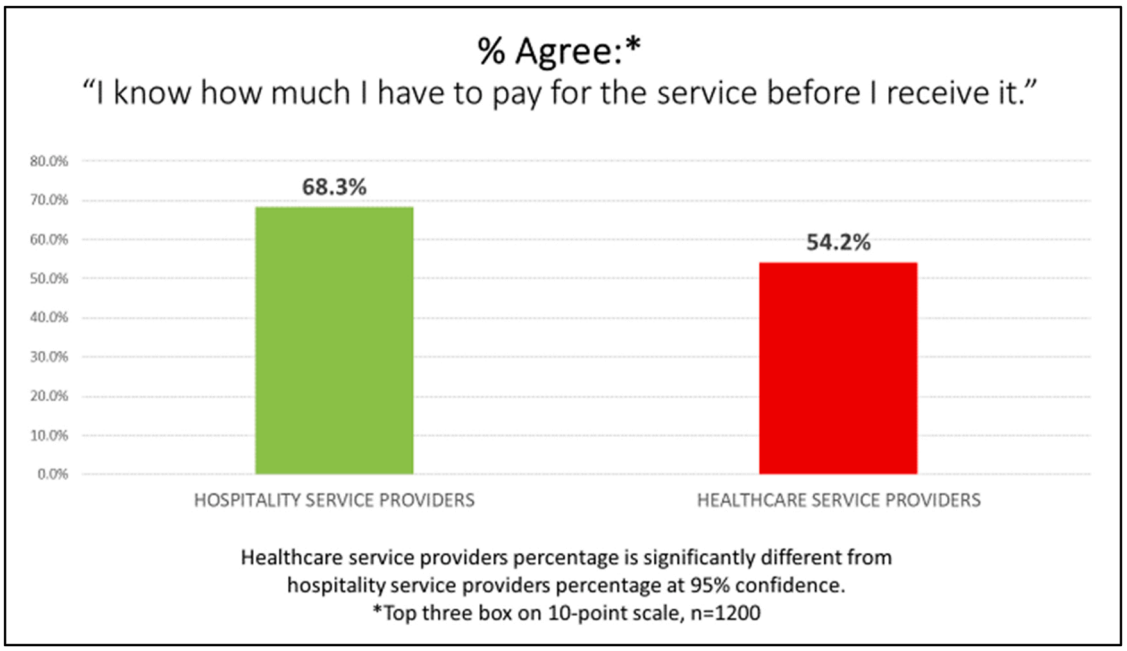

Fig. 4. Knowledge of cost before services are received.

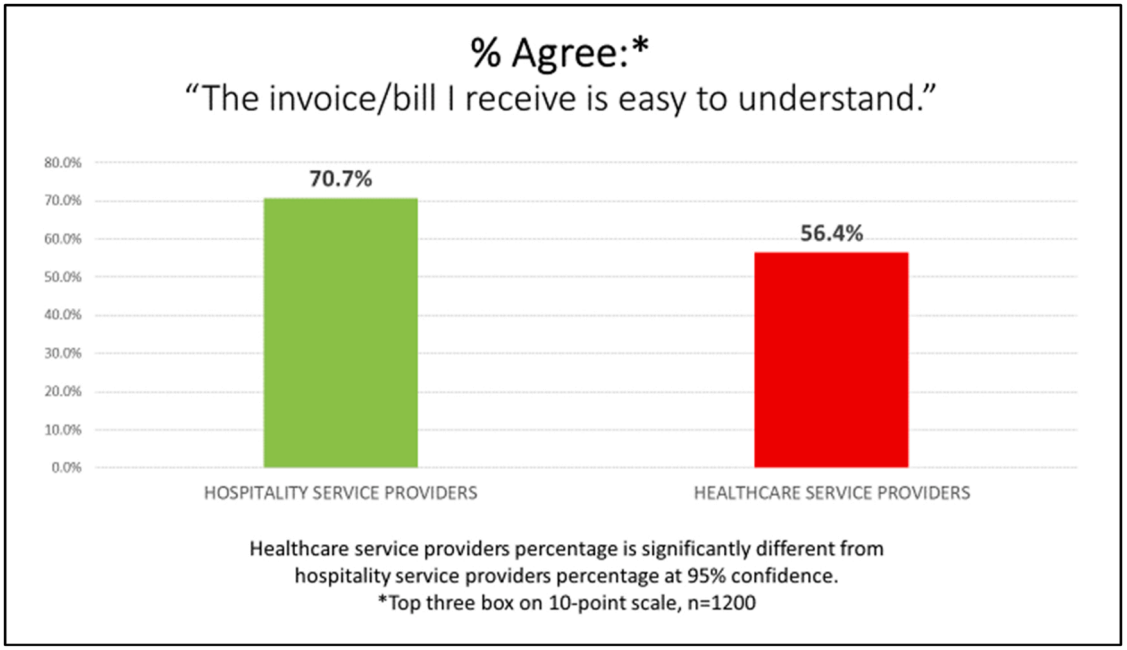

Fig. 5. Ease of understanding invoices/bills.

4. Importance of select service variables

At the outset, we should state we did not measure the relative importance of clinical outcomes in determining overall patient satisfaction for two reasons: 1) the importance of clinical outcome varies dramatically by clinical procedure (e.g., treatment for metastatic cancer versus a broken ankle), and 2) most consumers are incapable of evaluating the success or failure of clinical outcomes because they do not possess the technical knowledge required to do so. Further, there is empirical evidence that overall patient satisfaction is driven more by the "hospitality" aspects of care than the clinical outcomes.[4]

The relative importance of a *partial list* of the service variables we

[4] Cristobal Young and Xinxiang Chen, "Patients as consumers in the market for medicine: The halo effect of hospitality." *Social Forces* 99(2) 504–531, December 2020.

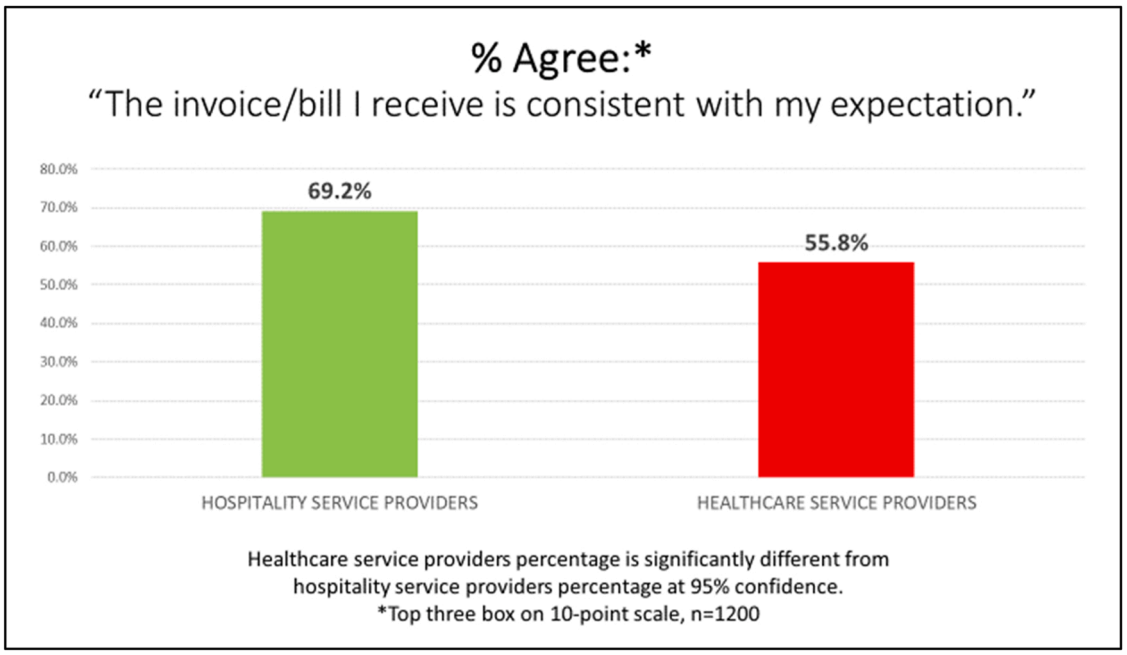

Fig. 6. Alignment of actual versus expected charges.

measured in both the hospitality and healthcare industries is revealed in Table 1:

The data reveal four primary themes:

- Financial Concerns:
  - Knowing the cost of the service before it is provided/received.
  - Understanding the invoice/bill.
  - If the invoice/bill is consistent with expectation.
- Problem Resolution:
  - Ease of resolving disputes about the value of the service.
  - Quick resolution of problems expressed.
- The Service Environment:
  - The arrival environment.
  - The arrival experience.
- Communication:
  - Opportunity to provide feedback.
  - Empathy displayed by staff.
  - Appreciation for patronage.
  - Recognition and reward.

We explore each briefly below.

4.1. Financial concerns

Our GAP survey examined how the pricing practices of both hospitality and healthcare service providers align with consumers' expectations. As revealed in Figs. 4–6, hospitality service providers perform much better than healthcare service providers on three important considerations: 1) consumers' knowledge of the price of the service before they receive it, 2) the comprehensible nature of the invoice/bill for services rendered, and 3) whether the invoices/bills are consistent with expectations.

The lower ratings for healthcare service providers on all three variables may be explained by a simple but controversial fact: consumers of healthcare services generally do not know the cost of the service(s) they are about to consume because price(s) are not readily available. The opaque nature of pricing for healthcare services has precipitated a growing crescendo of rhetoric about the need for more transparency. This sentiment is particularly pronounced for services provided in the hospital setting and was the impetus for the executive order issued by the Trump Administration in 2019 (effective January 2021) wherein the Department of Health and Human Services ordered hospitals to publish rates for 300 common medical services such as X-rays, outpatient visits, lab tests, etc., in an online searchable way.[5] The executive order also stated hospitals must disclose the payment they were willing to accept for those services if payment was made in cash. The order was intended to enable patients to shop for lower-priced medical services and reduce overall healthcare costs. Hospitals that didn't comply faced a civil penalty of up to $300 a day. The legality of this order was contested by the American Hospital Association but upheld by the U.S. District Court for the District of Columbia. The Centers for Medicare and Medicaid Services (CMS) recently announced a significant increase in fines for non-compliance effective January 1, 2022. The specter of these fines notwithstanding, according to a recent survey of 3500 hospitals across all 50 states undertaken by the Johns Hopkins School of Public Health, more than half of U.S. healthcare providers still do *not* comply with the new federal rule.[6] If consumers do inquire and are quoted a price for a service, the latter frequently does not reflect the patient's actual obligation because of uncertainty about what the "purchaser" of the healthcare services (typically the insurance company or payor) will cover.

The government's fledging effort to force hospitals to reveal prices for many services notwithstanding, we believe healthcare service pricing will become more transparent as result of the groundswell of consumer advocacy on this issue, increased competition for patients among providers, and the growing influence of social media. How could healthcare service providers address the inevitability of this outcome in a manner that enhances patient satisfaction? The hospitality industry provides some guidance.

Unlike booking a medical procedure, guests of hotels, resorts, and transportation companies know the price of the service(s) they desire at the time of booking, typically inclusive of taxes and incidental fees. Furthermore, the quoted price is *guaranteed* unless the roster of desired

[5] "Trump administration announces historic price transparency requirements to promote competition and lower healthcare costs for all Americans," Centers for Medicare and Medicaid Services, November 15, 2019.

[6] Publichealth.jhu.edu/2021.

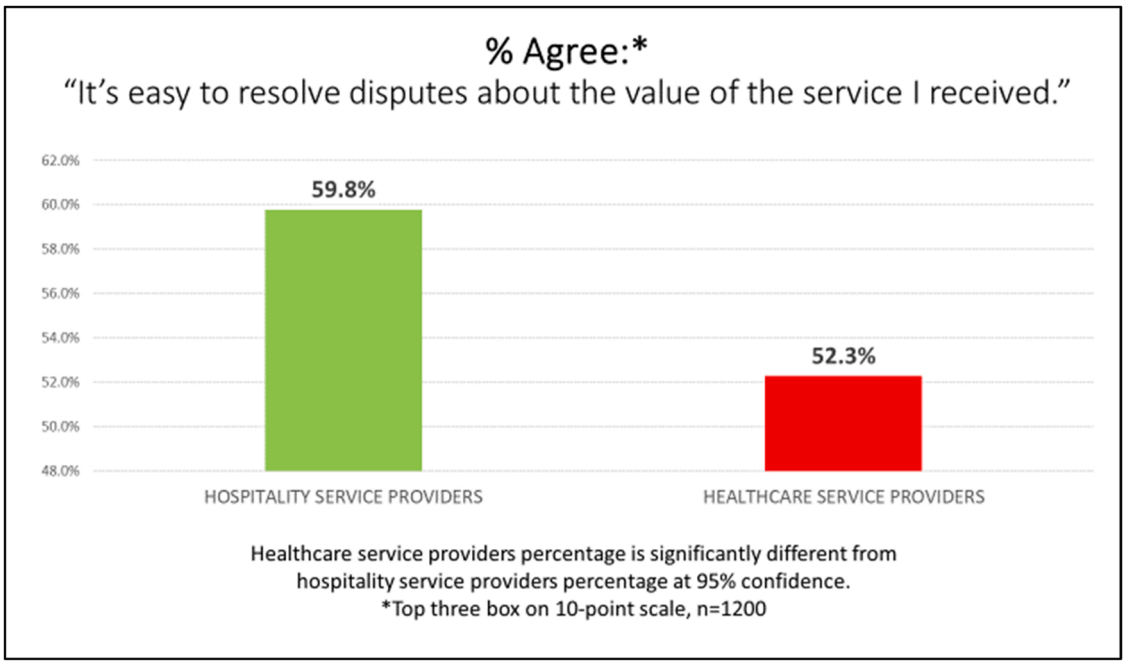

Fig. 7. Ease of resolving disputes about service quality.

services is amended. Most hotels and resorts confirm these estimates at the time of booking and once again prior to check out on the in-room television and/or a branded mobile app. A similar process could be adopted by healthcare service providers through issuance of a "pro forma" estimate of charges based on the schedule of services planned. One that reveals payment(s) the provider expects to receive from the government or applicable insurance company versus the expected obligation of the patient would be especially helpful. Should the patient require additional tests or other procedures that may not be known at the time of booking, he/she could be notified that any required adjustments would be made on the final bill. Such an arrangement would presumably diminish the unpleasant surprise that accompanies receipt of a "surprise" bill for healthcare services for which no estimate of the cost was provided in advance.

A related issue that confounds the interpretation of bills for healthcare services is the price/quality conundrum. Specifically, there is generally little or no relationship between the price of healthcare services rendered and the actual clinical outcome (performance). We acknowledge the CMS maintains a program that rewards healthcare providers for achieving better outcomes by increasing the value of the payment(s) made for service(s) rendered that meet or exceed specific clinical criteria. Nevertheless, the contrast between the hospitality and healthcare industries could not be starker than on the critical dimension of "pay for performance." If one has a bad night at a hotel, the manager

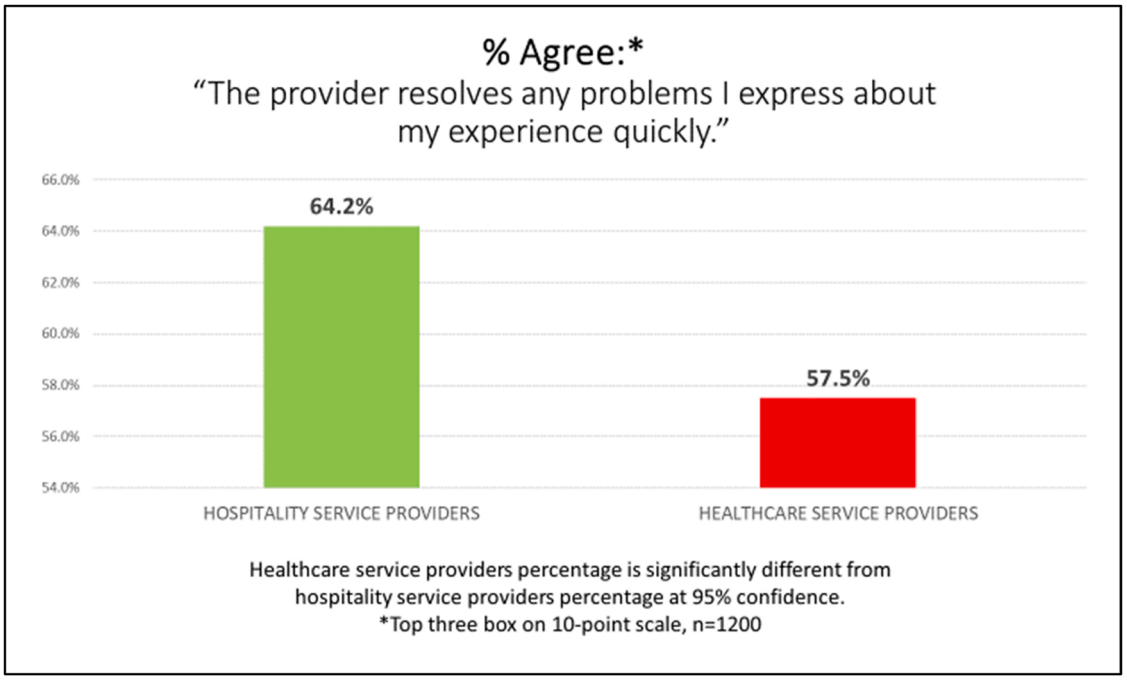

Fig. 8. Speed of resolving disputes about service quality.

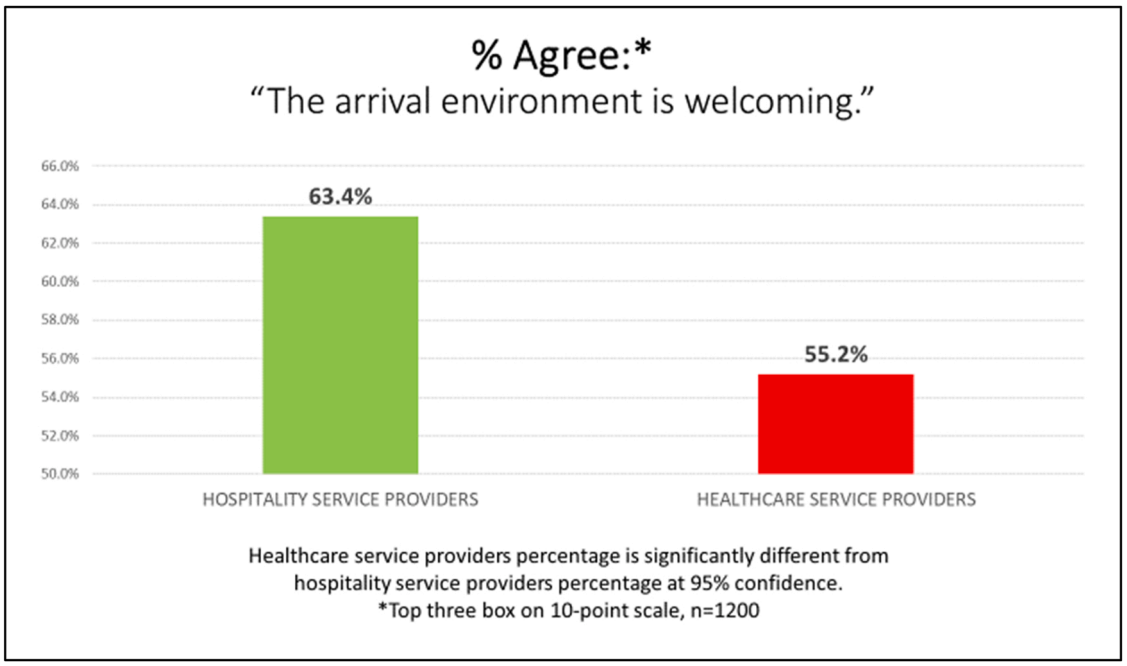

Fig. 9. Impression of the arrival environment.

will be quick to adjust the bill; send an entrée back to the kitchen in a fine-dining restaurant, and an adjustment will be made to your check with apologies typically followed by a complimentary desert; but contest the bill for a surgical procedure that resulted in unexpected complications and your petition for any adjustment to the bill will likely be denied.

Further, for consumers of both hospitality and healthcare services the price of the service is an important "cue" about quality because of the presumed relationship between price and quality. There is a common belief that price is an accurate *predictor* of the quality of the product or service to be consumed. Yet, this relationship appears more applicable to hospitality than healthcare service providers. For example, when evaluating two different hotels located near each other in the same destination travelers typically conclude a hotel that offers accommodations at $300 per night is superior in quality to one that offers comparable accommodations at $159 per night. Similarly, when evaluating different restaurants to celebrate an anniversary, diners typically conclude a restaurant rated "$$$$" is more unique or special than one rated "$$." But does this same "logic" apply to the evaluation of healthcare services? Clearly not because of the variable reimbursement rates most healthcare providers have negotiated with payors that remain hidden from patients and the widely disparate fees charged to patients as a result. This "price/quality conundrum" is sure to abate as greater visibility into pricing facilitates more competition for patients, however.

5. Problem resolution

Our GAP survey also examined how both hospitality and healthcare service providers respond to service failures. Figs. 7 and 8 reveal consumers' belief it is easier to resolve disputes with hospitality service providers and, if petitioned, hospitality service providers resolve disputes more quickly. We believe this behavior derives from the hospitality industry's more guest-centric culture and the fact that hospitality service providers are much more diligent in their effort to collect feedback immediately after services have been rendered than healthcare service providers. This immediacy allows hospitality service providers to conduct a root cause analysis of the structural issues responsible for problems so they may be fixed quickly and satisfactorily. We believe this customer centricity is also the result of the competitive conditions that prevail in both industries.

One of the most compelling strategies adopted by hospitality service providers to preempt guest dissatisfaction is to *guarantee* performance. Hampton Inn introduced the first "100 % Satisfaction Guarantee" as part of its 25th anniversary in 1989 and articulated the guarantee in a clear and convincing manner:

> "If you're not 100 % satisfied, we don't expect you to pay. That's our promise and your guarantee."

Several lodging companies and at least one popular food delivery organization now offer some form of satisfaction guarantee. For example, the Grubhub guarantee states that:

> "We understand that delivery issues are often due to elements outside of the restaurant's control and can negatively impact a diner's experience and the restaurant's reputation. With our on-time delivery guarantee, diners will receive a Grubhub Perk if an order arrives late."[7]

These promises are operationalized through the empowerment of stakeholders to do whatever is responsible and necessary to address guest complaints quickly and satisfactorily. Failing resolution, an appropriate adjustment is made immediately to the guest's bill, no questions asked. Senior management of Hampton was understandably nervous about the possible consequences of promoting such a bold service promise when it was introduced. Some financial concessions were made across the enterprise as the program matured, but the net effect was an increase in market share, incremental systemwide revenue, greater customer loyalty, and higher guest satisfaction. In short, the performance guarantee has been a real win-win. One wonders if a similar satisfaction guarantee could apply to certain aspects of healthcare, especially services for which the outcome is generally controllable and predictable? Clinic wait times, turnaround times for test results, resolution of financial disputes, and the level of empathy displayed by staff are just a few of the possible applications that come to mind.

[7] "Grubhub launches 'Grubhub Guarantee' to promise on-time delivery and lowest prices," *OSR Industry News*, July 12, 2021.

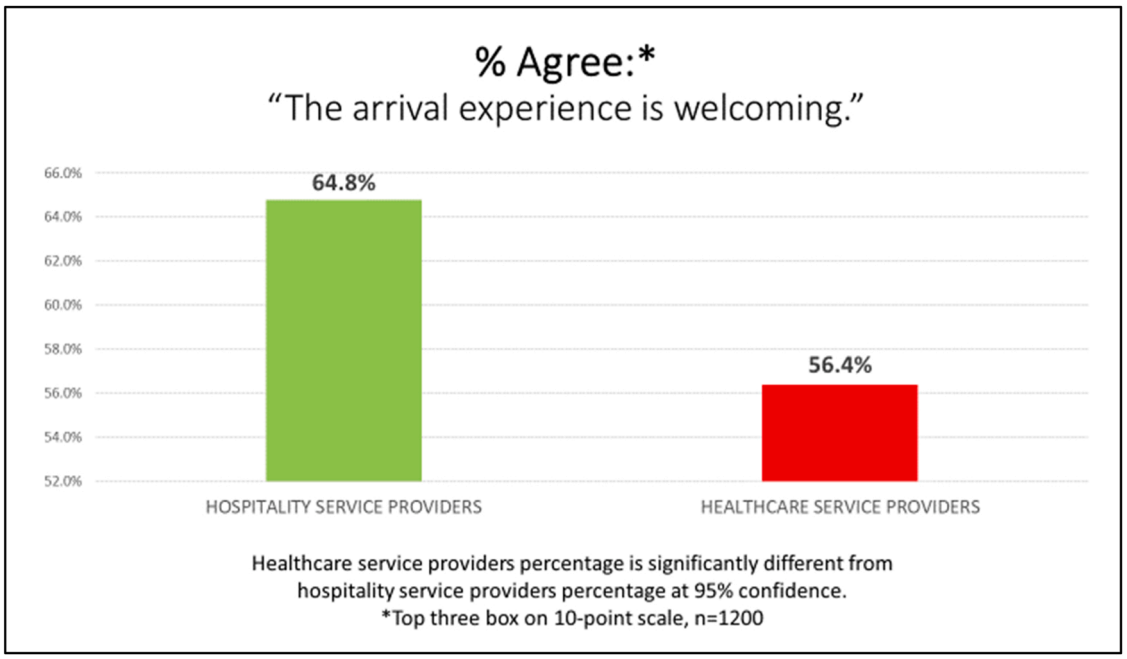

Fig. 10. Impression of the arrival experience.

6. A welcoming environment

The different physical environments and operational protocols maintained by hospitality and healthcare service providers also contribute to disparate experiential outcomes. The psychological state of customers as they enter those environments is a contributing factor. For example, anticipation is a natural precursor of the consumption of many services, especially those in which we make a significant emotional or financial investment. This is evident when people express how they feel about a special evening out at an expensive restaurant, or a "relationship building" weekend away with a spouse or partner at a pricey resort, such as Roger's trip to Las Vegas. It also explains why many individuals are anxious about visiting a healthcare provider: uncertainty about the outcome feeds the associated anxiety. All service providers must therefore consider the elements that coalesce to create their "Servicescape" as a result.[8] This is the environment, both external and internal, in which these interactions take place.

Our data suggest that six aspects of healthcare make patients anxious: 1) the diagnosis, 2) the recommended treatment, 3) the lack of certainty about the outcome of the treatment, 4) the cost of the treatment, 5) the attitude of the staff that delivers the care, and 6) the inconveniences they will likely endure throughout the process (e.g., the repetitive submission of administrative information, wait time for appointments, billing disputes, etc.). Direct engagement with the clinical team is generally required to address the first three, but much may be done by the administrative and clinical teams to address the latter three. This is where the principles and practices refined by hospitality service providers may have the greatest impact on healthcare.

Progressive healthcare providers have attempted to mitigate the related anxiety through enhancements to their Servicescape: the design of more welcoming arrival environments, pre-registration to minimize the time required to collect and approve administrative information upon arrival, training staff to become more observant and empathetic, the issuance of pre-arrival messaging that includes instructions on "what to expect," even the vicarious introduction of clinical teams through the issuance of a pre-arrival videos. The data revealed in Figs. 9 and 10 suggest these efforts have had a positive effect on the sentiments expressed by patients about the healthcare arrival experience, yet still fall well short of the arrival experience orchestrated by hospitality service providers:

Select operational techniques adopted and refined by successful hospitality service providers to enhance the guest arrival experience are presented below, contrasted with the arrival experience more typical in healthcare:

Hospitality:

- The public areas have been carefully crafted to yield a pleasant sensory experience through a curated combination of design, texture, lighting, music, and scent (yes, even Holiday Inn Express has a brand scent: "Crisp lemon top notes accenting a heart of watery green florals, sweetgrass, a dash of exotic herbs, spicy perilla, and a base of sheer woods and musk!").
- The receptionist is standing behind the registration desk, makes eye contact with the guest as he/she approaches the counter, and welcomes the guest by name. For example, the Ritz-Carlton Hotel Company has a 10/5 rule: at 10 feet, employees are instructed to make eye contact with the guest; at five feet, employees are instructed to smile and say hello to the guest, preferably addressing the guest by name.
- Guests who have achieved preferred status are typically greeted in a separate registration area and frequently "pre-registered" so they may bypass the traditional registration process (note: this reflects the belief that although all guests must be *treated* as equals, they do not have to be *served* as equals).
- Guests are presented with a registration form pre-populated with the information they provided when they made their reservation and/or is part of their loyalty program profile. Therefore, they only need to verify the accuracy of this information upon arrival, not endure the process of having to provide information that is readily available from previous visits.

Healthcare:

[8] Hooper, Daire, Coughlan, Joseph, Mullen, Michael R. (2013). "The servicescape as an antecedent to service quality and behavioral intentions," *Journal of Services Marketing*, **27** (4): 271–280.

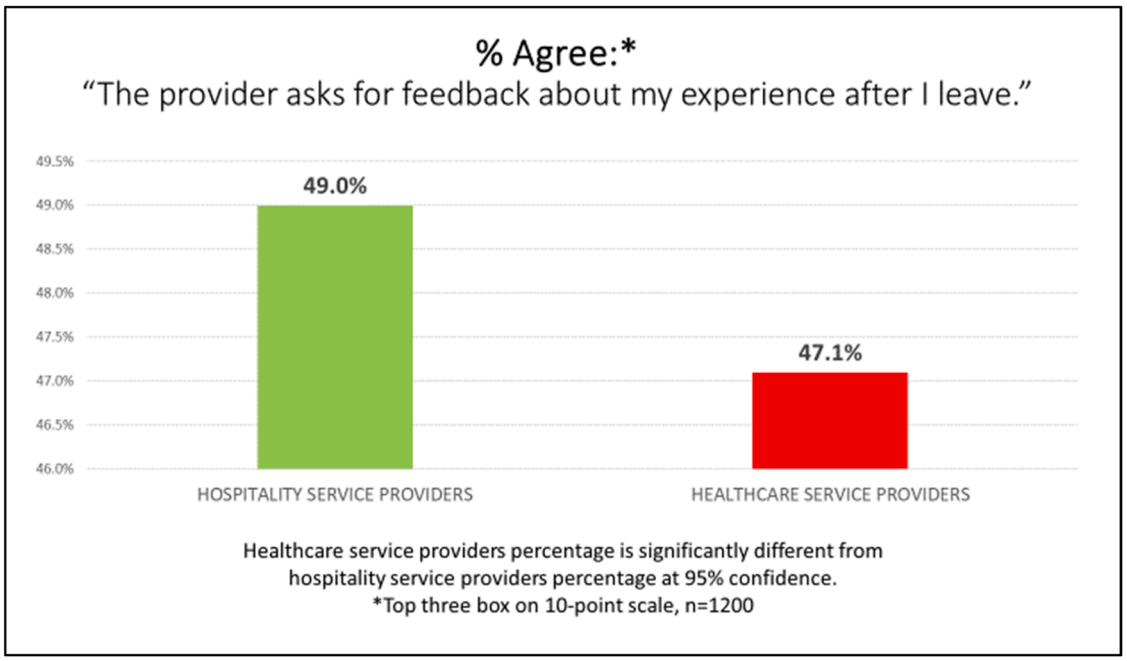

Fig. 11. Feedback about the service experience.

- The public areas tend to be monochromatic (beige or off white) and devoid of any lighting, music or other sensory stimulation that would facilitate relaxation.
- The receptionist at most healthcare facilities is frequently seated in a congested space, often fixated on a computer screen, and may give the arriving patient a cursory glance and welcome at best.
- Everyone checks in at the same place, regardless of their relationship with the provider (first time or repeat visit), the duration of their relationship with the provider, or frequency of patronage.
- The patient is typically asked to initial a master sign-in sheet, given a clipboard and instructed to complete multiple forms, many of which could have been completed in advance of his/her visit.
- The patient is instructed to take a seat in a communal waiting area until he/she hears their name announced by a nurse's aide who emerges from the clinic entry door! (Note: some healthcare service providers have elected to announce numbers rather than names out of respect for patients' privacy to let them know when the clinician is ready to see them as most patients are familiar with this "now serving X" technique… reminiscent of a visit to their favorite deli!).

Healthcare service providers should carefully consider the merits of adopting many of the techniques embraced and refined by their counterparts in hospitality to enhance the arrival experience.

Fig. 12. Expressing dissatisfaction about poor service.

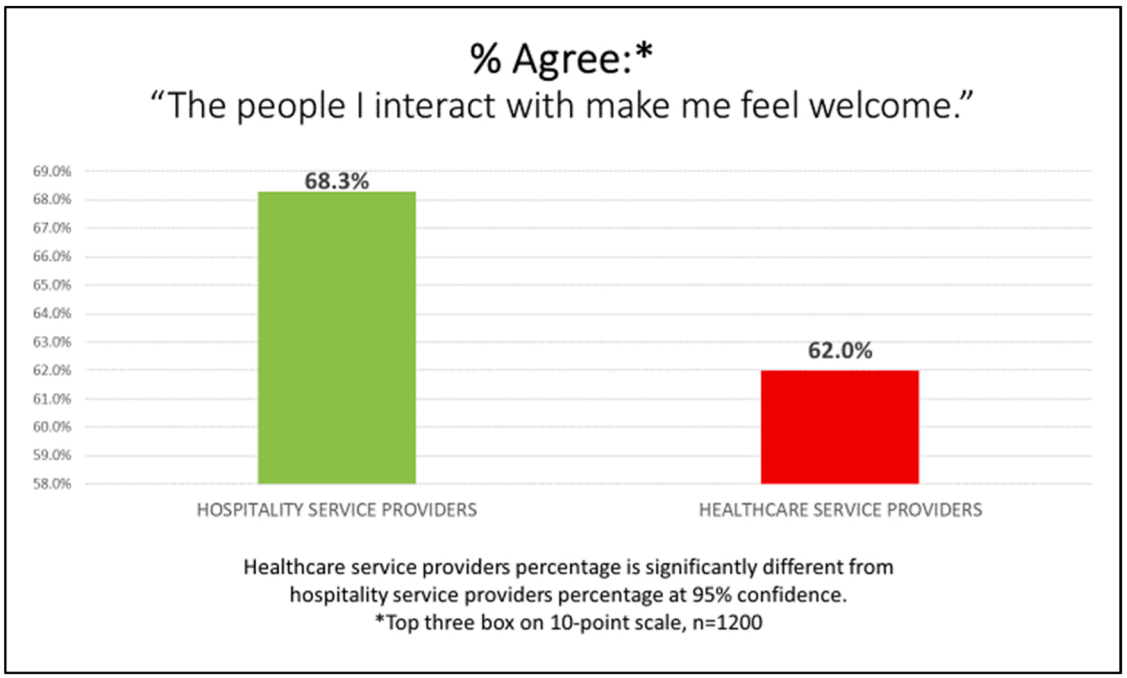

Fig. 13. Sense of welcome.

7. Communication

The data in Fig. 11 reveal another opportunity for healthcare service providers to enhance patient satisfaction: the solicitation of feedback on services provided.

Although our data do not reveal any significant difference in the rated importance of this variable across the cohorts, less than half of adults report healthcare service providers request their feedback, significantly fewer than the percentage of adults who receive such requests from hospitality service providers. Physicians' offices are more likely than other healthcare service providers to solicit feedback from patients, presumably because of the more personal nature of the relationships they form with their patients over time, although the incidence of consumers acknowledging receipt of such requests from these providers is also less than 50 %.

Why more healthcare service providers don't routinely solicit feedback on the experience of their patients is a mystery. Possible reasons include the staff time required to manage data collection, the lack of expertise in survey design and data analysis to discern actionable insights, the expense of activating and maintaining such programs, or perhaps the hubris displayed by some providers who believe they don't need to ask patients about their experiences as *they* are the only qualified arbiters of excellent patient care! Similar concerns were expressed by hospitality service providers years ago, yet their discovery of the value of guest feedback when charting a course toward higher guest satisfaction silenced those objections.

So, why are service providers in the hospitality industry more focused on the solicitation and utilization of customer feedback than those in healthcare? Again, we believe part of the difference may be explained by the more guest-centric culture of the hospitality industry (after all, it purveys "hospitality!"). Perhaps the hospitality industry's more rapid adoption and integration of technology that enables guests to share opinions and other information about providers and services is the primary reason? Alas, we surmise there is an even more basic reason for the disparity observed in the value ascribed to customer feedback between the two industries: restricted competition. Whereas most hospitality industry providers operate in highly competitive markets, many healthcare providers do not. Companies (and practitioners) who wish to provide hospitality services typically gravitate to markets where demand for their service(s) is greatest, thereby increasing competition for the addressable demand in those markets. In contrast, many companies (and practitioners) who wish to provide healthcare services are typically subject to legal or policy regulations that constrain competition (for example, Certificates of Need), including strictures imposed by regulators who control the licensing of facilities, payors who decide which service providers will be included in their "networks" and how much they will be paid for the services they provide. The need to solicit, share and act upon customer feedback is not as compelling in this less-competitive environment.

One of the unintended consequences of not soliciting feedback from patients is reflected in Fig. 12: failure to recognize points of improvement because of consumers' reluctance to express dissatisfaction with poor service from all healthcare service providers, especially hospitals. We believe this reticence is attributable to two things. First, the deference most of us have been raised to show medical professionals because of their extensive training and presumed commitment to our well-being. Second, the lack of context most adults possess to evaluate the quality of clinical services provided (unlike the context most possess for the evaluation of hotel stays or meals in restaurants). Either way, the absence of patient feedback on service failures creates a perilous information void for healthcare provider management if/when focused on enhancing patient satisfaction.

8. Communication

A significant contributor to the guest or patient experience is the attitude displayed by the host staff. Hospitality service providers have made training to enhance this aspect of the guest experience a priority given the importance of the resulting "first impression" and how this colors sentiment toward all other aspects of the guest experience. The positive impact this investment has made on the guest experience is evident in the GAP survey data appearing in Fig. 13:

A simple but highly effective practice most hospitality service provider staff have been trained to observe at the conclusion of engagement with each guest is to thank them for their patronage and, if appropriate, express interest in serving them once again. This recognition is

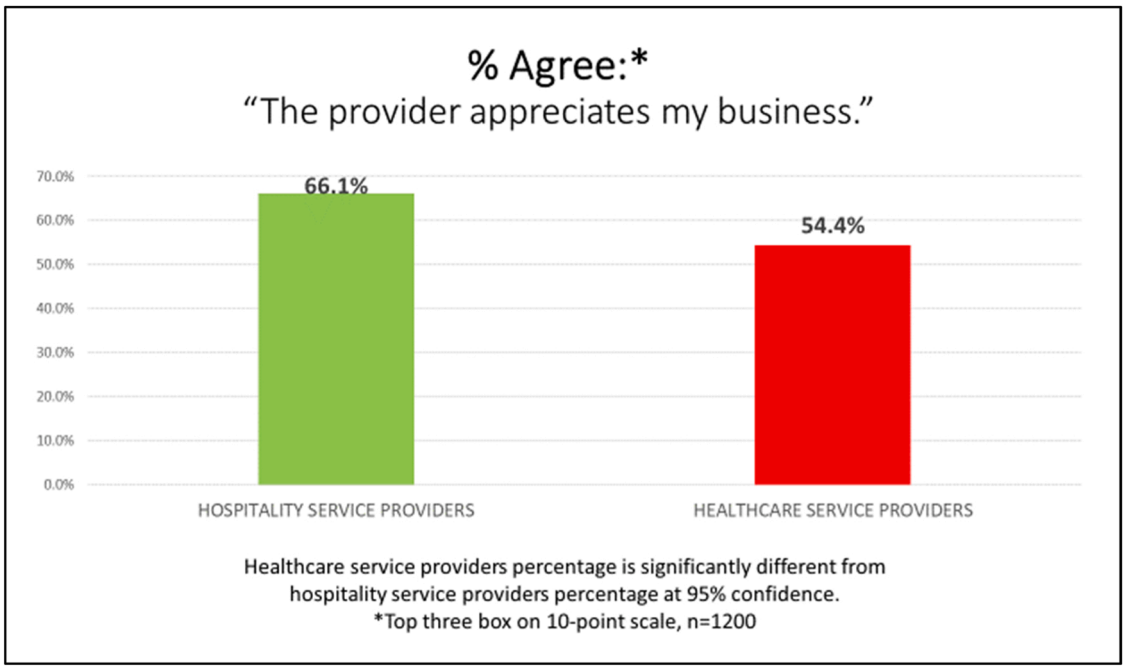

Fig. 14. Sense of appreciation for patronage.

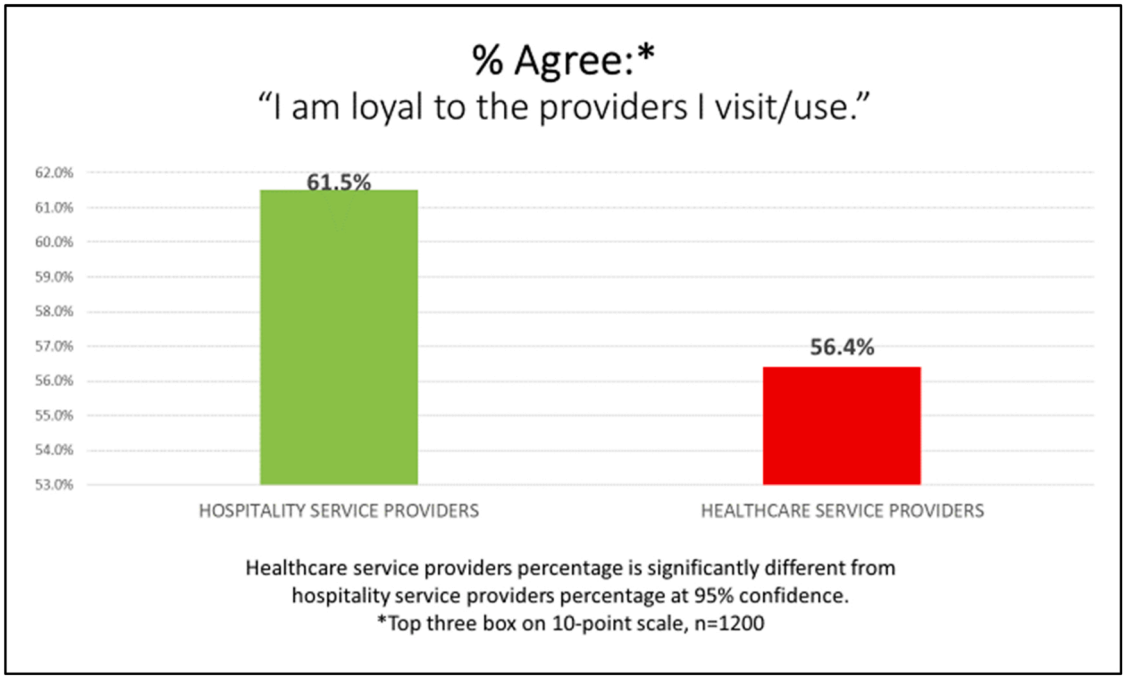

Fig. 15. Loyalty to service providers.

especially important for services readily available through competitors and guests who are likley to increase their frequency of patronage. Yet, this expression of appreciation appears less common among healthcare service providers than hospitality service providers as revealed in the following results from our GAP survey Fig. 14.

9. A word about loyalty

It is also important to understand how loyalty programs are used by hospitality service providers to establish on-going communications and create enduring relationships with guests. Customer loyalty should not be confused with customer frequency, however. Just because a customer patronizes a specific brand frequently does not mean he/she is loyal to that brand. Brand selection is often constrained by availability, not just loyalty. Customer loyalty derives from an emotional bond with the brand, while customer frequency simply defines the cadence of purchase behavior. Loyalty is a key determinant of the "lifetime value" of a patient. The cultivation and maintenance of loyalty will therefore become increasingly important to healthcare service providers as competition for new patients intensifies and provider networks expand to serve patients in multiple locations and different geographic markets.

It would appear healthcare service providers have considerable room

for improvement in their quest to build patient loyalty, however: the average "retention rate" for patients treated by U.S. hospital systems over a five-year period is a modest 43 %.[9] Retention is defined as repeated service "encounters" of any kind with the same patients during the five-year term. By comparison, although the incidence of repeat patronage varies by type of lodging (from economy to luxury), *annual* revenue generated from guests who were active members of U.S. hotel loyalty programs accounted for 56 % of total revenue realized in 2019.[10] The percentage of *multi-year* revenue derived from active members of hotel loyalty programs was even higher.

Some healthcare service providers now quantify the "lifetime value" of patients to understand the financial impact of this attrition, yet most have focused on attracting and serving new patients more than actively working to retain existing ones. The lower incidence of loyalty to hospitals and walk-in clinics is reflected in the sentiment expressed by respondents in our GAP survey as revealed in Fig. 15. It is interesting to note this sentiment doesn't apply to physicians' offices, presumably because of the relationship individual physicians establish with patients over time as well as the complexity, and inconvenience, typically associated with the decision to seek care from other providers.

The hospitality industry discovered the myopia of neglecting "lifetime value" years ago and has since developed, refined, and fortified "loyalty" programs to encourage repeat patronage. These have become the principal drivers of revenue from both first-time and repeat guests, and a defining element of the host brands: Bonvoy for Marriott, Honors for Hilton, etc. The appeal of these programs is evident in data from MMGY's *2021 Portrait of American Travelers*: 52 % of travelers are members of hotel loyalty programs and active in an average of two; the incidence of airline loyalty program membership is 48 %, also with active membership in an average of two.[11]

Assuming one accepts the premise that loyalty programs could contribute to overall patient satisfaction in healthcare, it is important to define the components to ensure they address the most important deficiencies revealed in our GAP research and comply with prevailing regulatory requirements. First, however, we need to clarify the difference between "recognition" and "reward" as both are critical components of successful loyalty programs.

"Recognition," as implied by the name, is the practice of acknowledging and serving program participants in a manner that reflects their importance to the enterprise. "Importance" may be defined and classified by any of several metrics: cumulative revenue realized from healthcare services provided, cumulative margin realized from the same services, public advocacy beneficial to the institution, or the reduced cost of future care attributable to the adoption of healthier lifestyles. Although conferring the same degree of recognition on all participants might appear to be a commendable achievement, recognizing different cohorts of customers is an essential aspect of effective loyalty programs for one simple reason: all customers are not "created" equal. Most customers understand recognition varies with the type and/or amount of consumption, and this determines their "status" in loyalty programs: stay more often and receive complimentary upgrades; fly more often and check in at the "Priority" counter; dine more frequently and get access to preferred reservations; purchase more items and receive bigger discounts; etc. To be clear, however, these cohorts should be differentiated by how they are *served*, not how they are *treated*. For example, members of hospitality loyalty programs who check in at the "Main" counter should receive the same gracious greeting and attentive service on board as those who present at the "Priority" line; guests who dine at restaurants for which hard-to-get reservations are a prized possession should enjoy the same cuisine and ambiance in the restaurant as those given VIP access; shoppers who spend less overall should be offered the same tiered discounts by retailers as their more acquisitive colleagues, and so forth. This is an important distinction fundamental to the composition of hospitality loyalty programs, as it should be in the creation and introduction of loyalty programs in healthcare. And it is important to understand "recognition" may be conferred without the express or implied financial benefit of "reward."

"Rewards" are more tangible and accelerate engagement with loyalty programs. They are also the currency that extends the duration of engagement. Hospitality loyalty programs have traditionally used their "own" currency as rewards (e.g., free nights in the same hotel or chain, free tickets on the same or affiliated airline, free food and beverages in the host casino, etc.). As these programs matured, however, it became increasingly clear to sponsors that participants wanted to use their accumulated currency to purchase other goods and services: items from Home Depot, pizza from Domino's, office supplies from Office Depot, etc. The most successful programs now permit redemption for non-sponsor products and services, and this flexibility has strengthened the loyalty of participants as a result.

The application of this idea in healthcare is arguably more nuanced, however, because the U.S. CMS, responsible for providing coverage to the roughly 35 % of the population with healthcare insurance, proscribes the use of any "remuneration" by providers that directly encourages patients with government insurance (primarily Medicare and Medicaid) to seek care from the conferring provider. Yet, the universal application of this policy is confounded by what is permissible in some states versus others, depending on differences between Medicare Advantage plan benefits and the applicable scope of benefits for Medicaid recipients. Further, the U.S. Office of the Inspector General (OIG) published a final regulation of the Affordable Care Act in March 2017 announcing certain "safe harbors" for the use of incentives to attract patients that included guidelines for how such programs may be designed to avoid penalties under the federal civil monetary penalty statute (CMP) or anti-kickback statute (AKS). Although the guidelines lack definitive clarity, they have been interpreted to suggest "rewards" that promote access to care *("…access to items and services that are payable by Medicare or a state health care program for the beneficiaries who receive them.")* are permissible so long as they pose a "low risk of harm" to the Medicare or Medicaid beneficiaries who receive them. As an example, providing Medicare or Medicaid recipients with free childcare to attend a smoking cessation program would be permissible, while offering them free movie tickets to access the same program would not because the latter wouldn't "remove" a barrier to accessing the care. Bottom line: healthcare service providers *may* create and support loyalty programs that facilitate access to care within the guidelines established by OIG. Care must be exercised in crafting the roster of rewards, however, and cash (and/or items that may be converted to or used like cash) is proscribed.

It is important to note the restrictions imposed on the introduction of loyalty programs for patients with government insurance do not apply to the 65 % of the insured population with private or commercial insurance. Hence, the curation of loyalty programs for these individuals is constrained only by judgment about the appropriateness of the rewards, the cost of program development and administration, and patient receptivity to the incentives.

10. The ROI

As reflected in our GAP survey data, satisfaction ignites loyalty, and loyalty increases repeat patronage over time. Together, these relationships suggest healthcare service providers would be the beneficiaries of enhanced clinical and financial outcomes if they adopted the principles of hospitality revealed in this article to enhance patient satisfaction. The fact that the majority (57 %) of patients who seek care from a hospital system fail to return to the same system for care of any kind during the

[9] "How to take an analytical approach to new patient retention," Mercury Healthcare, 2021.

[10] "Are hotel loyalty and rewards programs enough to keep customers loyal to the brand?" Max Starkov, *HospitalityNet*, October 2021.

[11] "*Portrait of American Travelers*," MMGY Global, 2021.

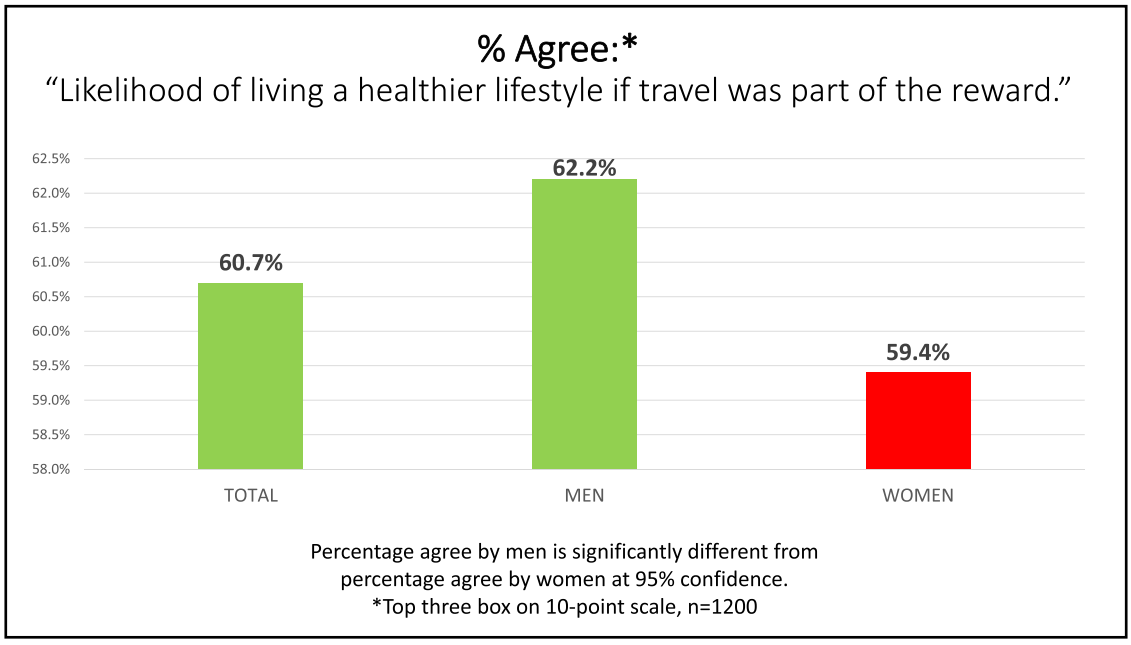

Fig. 16. : Motivational value of travel as reward.

subsequent five years underscores the magnitude of this opportunity.

From a clinical perspective, establishing a relationship with patients over multiple occasions of care for a variety of clinical services would advance providers' desire to improve their long-term well-being. This would presumably be evidenced by patients' embrace of a healthier lifestyle including preventative screenings, medication compliance, more exercise, improved nutrition, and a greater appreciation for the lifestyle benefits of wellness. Loyalty programs that include appropriate rewards could also be introduced to facilitate this behavior. Data from our GAP survey reveal the likelihood of adults living a healthier lifestyle as a result of their participation in such programs, specifically those that include travel services and/or benefits as rewards as revealed in Fig. 16.

The financial benefit of cultivating loyal patients over time is equally compelling given the present state: healthcare is episodic. This has led most healthcare service providers to invest marketing resources primarily in programs designed to acquire new patients, to the exclusion of funding programs designed to encourage, and reward, loyalty. This myopia fails to acknowledge an important benefit of establishing an ongoing relationship with patients: the financial impact of capturing a significant portion, if not all, of the lifetime value of patients to the enterprise. The latter is especially true given the increased cadence with which people seek and consume healthcare services as they age.

The consultancy PK Global, LLC offers a compelling calculation of the magnitude of the financial opportunity lost when patients fail to continue to seek care from the same healthcare system and/or providers over time.[12]

- Average (U.S.) annual expenditure on healthcare per patient of $10,966 today (2021).
- Average (U.S.) age today is 38 with an average life expectancy of 78 years.
- Aggregate expenditure for healthcare services over the 40-year period until expected death:
  - o $438,640, assuming no increase in the annual cost of healthcare services.
  - o $1,324,690, assuming a five percent annual increase in the cost of healthcare services.

[12] "Loyalty in healthcare," PK Global, November, 2021.

The authors underscore the significance of this lost opportunity for a family of four (assuming a five percent increase in annual cost) in an arresting conclusion: *"Retaining just twenty families would represent an average lifetime value contribution of $100 million to a care organization's top line."*

Both the clinical and financial "returns" realized from loyal patients are therefore palpable.

11. The opportunity

Data from our GAP survey reveal significant disparities between consumers' satisfaction with hospitality versus healthcare service providers. Although the nature of the services provided by each is arguably different, both industries share common points of customer engagement that may be orchestrated to enhance the customer experience. Further, we believe the heightened anxiety that characterizes the mental state of patients who present for treatment amplifies the need for, and relevance of, adoption of the principles of hospitality because of their proven ability to reduce this anxiety.

Four specific opportunities for improvement emerged from our GAP survey: 1) concerns about the cost of, and payment for, care, 2) the need for prompt and satisfactory resolution of service failures, 3) the need for more welcoming environments, and 4) improved communication with patients. Healthcare service providers have much to learn from their counterparts in hospitality about how to address each of these in their quest to deliver more hospitable healthcare.

11.1. SIDEBAR

11.1.1. Meet Roger Conway, healthcare patient

Roger, 47 years of age, built a successful insurance brokerage that specializes in sourcing competitive home and auto policies for residents of the small Ohio town in which he lives. Married with two children at home, he is in good health (except for the few extra pounds he has been unable to shed since last Thanksgiving) and has visited his primary care physician for an annual physical since his 45th birthday. At the conclusion of his most recent physical, his physician recommended he get a colonoscopy as part of a "healthy aging" plan. He referred Roger to the local gastroenterologist who performs this procedure in his outpatient clinic, as he has for many years, Dr. Garcia. Roger was instructed to

contact his office to make an appointment, which is where his less-than-hospitable healthcare experience began.

Anxious about his first colonoscopy because of reports from buddies about the unpleasant preparation required and risks associated with the discovery of suspicious-looking polyps, Roger decided to research both the doctor and his clinic before scheduling an appointment. The results were concerning. The information on Dr. Garcia's website was helpful, yet Dr. Garcia's ratings on Healthgrades.com were mixed and there were several comments on social media about his abrupt style (and that of his staff) with patients. Roger decided to book an appointment anyway, as his primary care physician encouraged him to do so and finding another clinic would require him to travel out-of-town for the procedure, something he did not want to do.

When Roger called Dr. Garcia's office, he was greeted by an IVR (Interactive Voice Response system) message that instructed him to press a specific number to make an appointment. Having done so, he was advised his call was now in a queue and a member of the "care team" would be with him shortly. While he waited in the queue, he was reminded several times his call was important and the doctor's staff was committed to providing "exceptional patient care." Several minutes later he was greeted with a rushed salutation by a live voice on the other end of the line. Roger explained he was calling to schedule a colonoscopy at the suggestion of his primary care physician, upon which the anonymous voice asked him to confirm his name, date of birth, social security number and, what appeared to be the item of greatest interest to the scheduler, his medical insurance. She then stated their first opening was three weeks hence at 8:00AM, a day on which Roger had important appointments booked with clients that would be difficult to change. Clearly annoyed by Roger's lack of availability on the date that would be convenient for *the clinic,* the scheduler then reluctantly asked Roger for some days/times *he* would be available. They settled on a date approximately four weeks later. She then recited some information about how he should prepare for the procedure and sent Roger a perfunctory email with specific instructions on what to do in anticipation of his arrival that day.

The evening prior to his appointment had been rather unpleasant, but Roger understood this was just part of the preparation necessary to facilitate the procedure. Accompanied by his wife to provide a sense of comfort and a return ride home after emerging from the haze of the anesthetic, flashbacks to comments made by his buddies elevated Roger's anxiety about the procedure he was about to undergo. *What happens if the doctor finds something that looks suspicious? What happens if the procedure goes awry, and my colon is perforated? Will my insurance cover all the cost? How long will it take for me to feel normal again?*

The reception at Dr. Garcia's office was predictable, and not particularly welcoming. After saying "good morning," Roger was immediately asked for his name, date of birth, and medical insurance card. The glass partition separating Roger from the person at the registration desk amplified the emotional distance between the two of them. Eye contact was fleeting, and the somber expression on the receptionist's face signaled the tone of the experience that followed. Having identified himself, Roger was given a clipboard populated with several pages of questions he needed to answer before he would be instructed to progress to the changing room, many of which could have been answered by information maintained by his primary care physician had Dr. Garcia's offfice forwarded the information in advance of his arrival. With his documentation complete, including reconfirmation of his insurance coverage, Roger sat quietly in the patient waiting room as his anxiety continued to build. Shortly, a nurse emerged from a closed door at the corner of the room and summoned Roger by name loud enough for all seated in the room to hear. His time had come.

Roger was led into a semi-private area, told to undress and put on the gown that was on the bed. Appropriately gowned and ready to go, Roger watched the ceiling go by as he was wheeled from the prep room to the procedure room where he met Dr. Garcia for the first time. He greeted Roger with a brief "*Hello…ready to get started*?" in a tone that suggested there was no time for chit-chat because the team needed to remain on schedule for the rest of what was assuredly going to be another busy day. After listening to a few words about the anesthetic and recovery procedure Roger succumbed to the anesthetic and drifted away.

When he awoke, Roger was pleased to see his wife and yet another nurse he did not recognize from either the reception or procedure rooms. The fog in his head had cleared sufficiently for him to ask the question for which he and his wife were anxiously awaiting an answer: *How did it go*? *Everything OK*? The nurse advised she was not authorized to discuss results with patients and that Dr. Garcia's office would be in touch with the results during the next few days. So, Roger relinquished his gown, gathered his belongings, and worried all the way home.

Good news arrived a few days later: there were no signs of any suspicious polyps, so the only follow-up required would be another colonoscopy in about ten years. But concerning news arrived a few weeks later: even though he was not made aware at the time of scheduling (or check in), Roger discovered his insurance would not cover everything. He received an invoice from Dr Garcia totaling almost six hundred dollars, an expense he hadn't planned on when he booked the procedure. A few days later, he received a second bill from the anesthesiologist…almost as much as his monthly mortgage payment…that was not covered by his insurance.

11.1.2. Meet Roger Conway, hotel guest

Two months later Roger and his wife decided they needed a break from the demands of their respective daily obligations. They had accumulated quite a few reward points from purchases they placed on their bank credit cards over the previous year and resorts in Las Vegas were promoting attractive deals. So, they went online to explore the options, compare prices, check availability, and watch videos of four different resorts at which they could redeem their points. They considered the various arrival date, room type, and amenity pricing options then booked a deluxe room with a breathtaking view of the Vegas Strip at night. Roger was a member of the brand's loyalty program so the resort had his profile information including preferences on file. Upon arrival, he and his wife were greeted at the "Priority" reception desk by name. The only thing required at registration was the presentation of proper identification. And because of his loyalty, he was surprised and delighted by the resort receptionist's offer to upgrade them to a junior suite….at no extra cost! Once settled in their elegant suite, Roger and his wife began planning which of the special dining and entertainment offers they received from the resort prior to arrival they would enjoy during their visit.

Four enjoyable days and three wonderful nights later it was time to head back to Ohio. He reviewed and settled their bill on the resort's mobile phone app, then summoned a bellman who had their luggage loaded in an awaiting taxi to the airport when they arrived at the departure door. Bidding them a fond farewell, the smartly attired doorman asked if they enjoyed their stay and said "We look forward to welcoming the Conway's again soon!" Two days later, while sitting in his office in Ohio, Roger received an email from the hotel manager thanking him for his business, requesting feedback on his stay, and extending an invitation to return. He was reminded once again of the great time they had when reviewing his credit card statement the following month, noting he also earned 1600 more loyalty points to spend on a future stay as well.

About the Authors

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This article is an abridged version of a forthcoming book by the authors entitled *Hospitable Healthcare: Just What the Patient Ordered!*.

Methodology

Original survey of 1200 U.S. adults comparing and contrasting their sentiments toward 24 points of service engagement common to both hospitality service providers (hotels, resorts, restaurants) and healthcare service providers (hospitals, walk-in clinics, physicians' offices).