

Strategic Alternatives for Capturing Market Share

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There has never been a more critical time in the hospital industry than now for Trustees to determine if the hospital and its chief administrator are strategically poised to manage market share. With the lack of access to capital markets, hospital strategies should rely less on adding service lines, recruiting specialists or expanding its walls and rely more on building the relationships that will positively impact hospital market share.

As competitive integration models become more defined, some health systems are re-examining hospital CEO performance scorecards to add indicators of effective market management. The foundation for effective market management is capturing market share in owned or affiliated primary care practices and then attracting that market share to employed or affiliated specialists and to the hospital's service lines. A simple formula, **Primary Care = Market Share**, has proven to be the strategic direction that works.

Building a strategy to capture market share that can be referred to specialists and hospitals can no longer be left to chance in most competitive markets. In fact, hospital CEOs who see themselves as "market managers" understand how to capture patients/customers in owned or affiliated primary care locations and retain them in those practices until referrals for specialty or more invasive services are needed. Astute CEOs develop strategies to capture market share in one or more of the following areas:

1. **Traditional Primary Care – Location, Location, Location**

Traditional primary care physicians are "the doctor" for most healthy households. The primary care specialties ("PCPs") include family medicine, general internal medicine, pediatrics and obstetrics. The primary customer for these practices is the woman of the household ("Mrs. Smith") who still makes the majority of health care purchasing decisions for the family. Mrs. Smith will likely select her primary care physician based on a referral from a friend or relative. She will likely select a PCP for the family who is located near her home and children's schools. She will generally prefer to develop a long-term relationship with an individual physician even if the doctor is part of a group practice. Access, convenient ancillary services and other customer service issues will be keys in her decision to remain with the physician.

Retail Strategy Analysis

Developing strategies and tactics to capture Mrs. Smith and her family members is called “Retail Strategy” and involves a careful analysis of local market demographics and competitive offerings.¹ The foundation of a primary care retail strategy is having the right number of traditional primary care practices and physicians in the right geographic locations to capture the hospital’s targeted neighborhoods. If competing, traditional primary care practices in the community offer extended hours, market managers will ensure that their traditional primary care settings have similar offerings. If extended hours are not offered, market managers may choose to set a new standard in the community by offering primary care appointments or walk-in services between 5 p.m. and 9 p.m. Most extended-hour facilities see their own patients as opposed to any significant influx of unattached patients so extending hours is usually, therefore, a market share retention strategy.

2. Urgent Care – Access and Convenience

Like traditional primary care practices in urban and suburban settings, urgent care practices generally draw their patient population from a relatively small geographic area. Their patients tend to be either unattached to a traditional primary care physician or unable to access their traditional doctor to address an immediate and usually minor issue (e.g., cold, sore throat, etc.). Mrs. Smith is still a major customer of the urgent care practices, although working adults and young healthy individuals also value the access and convenience offered by a walk-in clinic. Urgent care settings tend to see a larger portion of their patients early in the day or later in the afternoon and early evening. The care is, by nature, episodic. However, many urgent care practices struggle to keep from becoming the traditional primary care setting for some of their patients. Some urgent care practices end up seeing patients repeatedly for increasingly complex medical issues. Of note, if traditional primary care practices in the area elect to extend their office hours into the evenings, some urgent care settings have a more difficult time surviving because many attached patients would rather see their “regular doctor” if they can do so.

One-Stop-Shop Works

The success of truly urgent care strategies tends to correlate with community access to traditional primary care physicians. If that access improves, urgent care volume declines despite the fact that healthy individuals may continue to use the urgent care setting rather than to select a PCP. Some urgent care locations will develop an appointment track for regular patients. Others ultimately become

¹ Ibid. 97-111.

traditional primary care settings. Based on the local market characteristics and patient/customer similarities, some CEO market managers will co-locate urgent care and traditional primary care practices in the same facilities or even in the same practices. Some patients prefer to “walk in” rather than to make an appointment for medical care, but still enjoy coming to the same convenient location. Providing a one-stop-shop for their primary care medical needs will ensure that the practice does, indeed, capture and retain even walk-in patients as market share.

3. **Occupational Medicine – Employer as Customer**

In many markets, and depending on the industries served, occupational medicine practices meet an important community and employer need and can provide a significant source of referral business to affiliated specialists and hospitals. While occupational medicine physicians focus first and foremost on delivering high quality patient care, the employer is the primary “customer.” As such, the marketing and relationship management efforts are directed primarily at employers rather than patients. Some occupational medicine services are delivered at the client location by physicians or qualified mid-level providers. Other services are delivered in more traditional practice settings. While some injury care is episodic, other patients require extended follow-up, therapy and case management.

Injury Evaluation and Treatment is Big Business

Occupational medicine is an important part of a retail strategy in communities dominated by manufacturing and, increasingly, by many companies in the service sector. The basis for initial connection with the employer/customer is injury evaluation and treatment, and the provider’s ability to help the patient/employee get back to work. High quality medical care, including adequate diagnostic services and physical therapy, are the foundation of these medical services in many settings. In addition, when more invasive specialty services are required, referrals from occupational medicine locations are a boon to skilled specialists and their affiliated hospitals. Occupational health services may also be offered to enlightened employers who focus on injury prevention and employee wellness. Some large employers also offer primary care medical services to employees and their family members in more traditional primary care settings. Wise market managers will often contract to furnish physicians or mid-level providers for these settings, or they will ensure that they have a relationship with the employer’s physician.

4. **Non-Traditional – Store and Emergency Department Walk-Ins**

Primary care services are also offered in non-traditional settings, including drugstores and large discount stores. In recent years, certain retailers have attempted to address the PCP access issues in some communities by offering limited primary care services provided by nurse practitioners or physician assistants. Notably, WalMart, Walgreens and others offer limited primary care services on a walk-in basis in some of their stores. Similar to urgent care services, patients attracted by these offerings are frequently unattached or unable to access their regular physician for what the patients perceive to be minor medical issues. Some hospital CEOs have developed medical director relationships with these retail primary care locations in order to capture additional market share in their owned or affiliated primary care and specialty practices.

Most emergency rooms struggle with the number of non-emergent patients attempting to use the hospital emergency department as a primary care provider. Many emergency departments have developed “fast-track” services to address patient demand in less expensive settings similar to an urgent care location. In addition, in the absence of occupational medicine alternatives, emergency rooms often become the provider of choice for employers with injured workers, at least on an emergent basis.

Trustees who assess market share rather than admissions will require the administrator to build their market share strategy around the needs of the communities they serve. Administrators will implement their strategies by attracting primary care practices that focus on meeting the needs, wants and priorities of Mrs. Smith – and significant employers in the market place. As they capture adequate market share in owned or affiliated primary care locations, market managers will also focus attention on building relationships between those PCPs and qualified specialty physicians, as well as the hospital and hospital-based physicians. Strategic alternatives for capturing market share must be focused on primary care practices and should be a high priority for boards and administrators in these financially troubling times.