

Revolutionizing Healthcare Services-Strategic Alternatives

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ABSTRACT

Recent statistics indicates that Indian healthcare industry is worth \$ 23 billion today or roughly 4 percent of GDP. Further, the industry is expected to grow by around 13 percent per year for the next four years. In India more than 50 percent of total health care expenditure comes from individuals as against contribution from states, which is below 30 percent. It is also noted from the survey that the growing middle class population is showing significant interest for quality health care (Europasia 2007). Some private health care providers are striving to bring India an international health resort, with the concept of health tourism. At the domestic outset, challenges for the hospitals include Information strategic plan, Management information system (MIS), functional scope or defining business, operational maintenance and infrastructure, technology, human resource planning, etc. Poor quality management and lack of resource mobilization appear to be the major stumbling blocks faced by hospitals in competitive domestic hospital environment. Indian hospitals, especially those in public sector, need to invest and leverage for competing in this era of globalization. In this scenario, the following questions assume significance:

- " Why are some hospitals not able to provide quality healthcare and customer commitment?
- " What is the nature of resource crunch?
- " How do those hospitals meet the intense market demands with increased efficiency?
- " Can partnership, collaboration, alliances, networking, telemedicine, and branding strategies facilitate higher productivity?

In the light of the above questions, an attempt will be made to conceptualize intervening strategies in the turbulent health care environment.

Key words: Healthcare, Hospital, and Strategic alternatives.






INTRODUCTION:

In India healthcare delivered through both public sector and private sector. Over the years the number of private clinical establishments all over the country has grown significantly. The private sector, therefore, assumes considerable importance in India's health care delivery system. The reason for popularity of these establishments has been their ability to bring almost all types of healthcare services to the doorsteps of patients. Most of these establishments use latest medical technologies in provision of health services. The recent study shown that on an average 3/4th of outpatients and 1/3rd of in-patients seek care from private providers. About 75 percent of health expenditure in the county is for private healthcare treatment. About 80 percent of the qualified doctors in the county are for private sectors.

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The private out-of-pocket expenditures have grown at the rate of 12.5 per cent annum. (Source: Public expenditure -Finance Accounts up to 2001 and Budget for 2003; Private-CSO estimates on consumption Expenditure 1985 series; BE= Budget Estimate) .The Indian healthcare sector constitutes:

-  Medical care providers: Physicians, specialist clinics, nursing homes and hospitals.
-  Diagnostic service centers and pathology laboratories.
-  Medical equipment manufactures
-  Contract research organization (CRO), Pharmaceutical manufactures
-  Third party support service providers (catering, laundry).

The healthcare industry is expected to increase in size from its current €12.7 billion to €29.6 billion by 2012. India will spend €33.8 billion on healthcare in the next five years as the country, on an economic upsurge, is witnessing changes in its demographic profile accompanied with lifestyle diseases and increasing medical expenses. Revenues from the healthcare sector account 5.2 per percent of GDP and it employees over 4 million people. By 2012, revenues can reach 6.5 to 7.2 percent of GDP. Private healthcare will continue to be the largest component in 2012 and is likely to double to €26.41 billion. It could rise by an additional €6.5 billion if health insurance cover is extended to rich and middle class. Coupled with the expected increase in the pharmaceutical sector, the total healthcare market in country could increase to €39.22 - €54 billion (6.2-8.5 percent of GDP) in the next five years. (As reported by The Indo-Italian Chamber of commerce and Industry, April 2007)

One of the important components of the private health care sector has been health care facilities set up by corporate sector. Many corporate entities in India have also set-up health facilities, which are dedicated to their employees. These facilities depend on main business of these corporate for their financial allocations. The financial sustainability of these facilities is closely linked to the financial performance of the main business. There have been number of cases where the health facilities set-up by corporate face severe financial crises when the performance of the main business of the corporate goes down. For any type of hospital, the ultimate the end user of healthcare services is a patient who treated in the hospitals. At what extent a hospital is self reliant to serve the need of customer is a very basic question for the discussion in this paper.

The various strategies to enhance the hospital productivity presented here provide many interesting ideas of reviving hospitals, which are facing the difficulties of optimization of resources today .The discussion presented here is has some key learning for the government and private hospitals to enhance their productivity. In some sense the government hospitals have many similarities like a corporate hospital dedicated to its internal and external customer satisfaction. Like dedicated corporate hospital, these facilities are required to provide free care or highly subsidized to its users and depend on financial allocations from government. Besides these the governments perform preliminary two roles relating to health sector. First, it frames rules, procedures and policies and regulates the services in this sector.

Second, government invests resources in the sector to ensure provision of health services. Today the healthcare market seems to be highly dynamic and uncertain. Hospitals need to look for viable solutions to limit such risk. The basic question arises how does a hospital meet the intense market demands of increased efficiency and quality of service? Blucke says many smaller and medium size hospitals had not been perusing written, systematic strategic planning in the past many years. Can partnership, collaboration, networking, alliances, telemedicine and branding strategies facilitate higher productivity? Can they serve as alternative strategies for managing the greater efficiency or effectiveness to achieve maximum market coverage? Further more turbulent healthcare environment on one hand, economic slow down; on other hand confront the business as challenges for survival and success. According to Egger²etal the result has been those freestanding hospitals, which relied mainly on for - free revenues could not generate enough patient revenues. Now it is the high time to think and act! . In the Indian scenario, we find healthcare service mainly in three sectors: the Government, the private and voluntary organization over the years. It is true that since independence, there has been significant growth in government infrastructure but efficiency has been suspect and this has caused confusion among the customer.

Studies have led to the conclusion that quality of healthcare provided by public delivery systems inevitably need to be improved. The following queries facilitate useful discussion inputs for the paper:

1. Are people seeking the private hospitals out of their frustration?
2. Why do some hospitals suffer lack of profit / productivity?
3. How can hospitals balance the quality service to customer in relation to other hospitals?
4. What makes people opt for private healthcare facilities?
5. Can Government/private Hospitals go for alliances/ partnerships with competent hospitals?
6. How to overcome the problem of patient switch over?
7. Do the average hospitals provide quality healthcare?

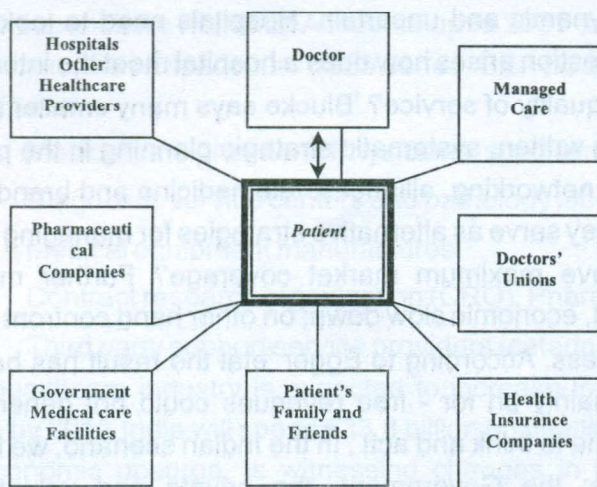
NEED FOR ALLIANCE/PARTNERSHIP

Who are the stakeholders in the healthcare system? The patient should be the central focus in healthcare decisions, and the doctor is the ultimate provider of healthcare services. Other "players" in the healthcare delivery system include insurance companies, managed care organizations, doctors' unions, the patient's family and friends, hospitals, clinics, and other healthcare providers, pharmaceutical companies, government programs such as community health insurance. The key stakeholders of the organization need to generate the ideas to improve the productivity of the hospital.

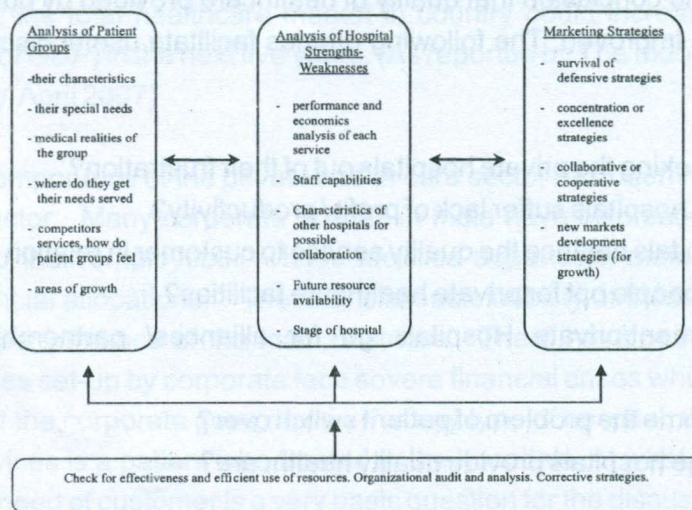
¹ Blucke D., Den, V., Zhang H. and Li.X. (2000), "Interaction between business environment and the corporate strategic.....

² Egger.E (1999b), " Possible Solution to bottom Line Blues", Health care Strategic Management, May pp.19-20

Fig : 1 key stakeholders of healthcare organization



The SWOT analysis will help to identifying its strengths, weaknesses, opportunities and threats of the hospital. One of the strategic directions that hospital can look for partnerships or alliance. Before attempting alliance /partnership, hospital need to take up good strategic analysis. Marketing strategies will help the hospital to position it self in the market place, leveraging of value over cost and integration of strategies for successful partnerships.



source: Yezi et al.,(2002),Marketing issues for the hospital industry, International Journal of healthcare quality assurance vol.15,p.27.

Such strategies need to aim at combining the resources and services of two or more hospitals. An alliance occurs when two or more hospitals come together to achieve a long-term purpose, which is not possible by a single hospital. The idea behind this is such that, each hospital would bring some specialty service to the alliance or partnership or build alliances stronger. This strategy seeks to compensate the strengths and weakness of the individual hospitals and gain advantage from partnerships and alliances through synergistic opportunities. The synergy being in goals, technology, and sharing human resources.

The alliance/partnerships can strengthen a hospital position by eliminating duplicate services and improving patient care, thus reducing the hospital risk. The cost is the one, an alliance seeking to keep it relatively low and strengthen its competitive position.

Alliances can minimize the reduced utilization of capacity; improve poor financial position and improving the access to quality healthcare. Hospitals are in need of providing more value to customers. Alliances can offer this added value by affecting cost and quality.

The review of literature suggests that the motives for participating in alliance or partnerships are:

- Strengthen purchasing power and creating geographical advantage
- Added quality of service focusing on its specialties.
- Decrease in duplication of services and facilities
- Containment of operating costs
- Increased clinical effectiveness
- Lower procurement costs
- Shared risks
- Less tension between physician and hospitals
- Better position in negotiating with insurance companies
- Access to new markets
- Increased occupancy rate

$$\text{Occupancy Rate} = \left\{ \frac{\text{In patient days} \times 365}{\text{No. of beds}} \right\} \times 100$$

- Decreased number of personnel per occupied bed
- Lower total expense per occupied bed.

STRATEGIES FOR SUCCESSFUL PARTNERSHIP / ALLIANCES

Alliance membership should be designed to achieve a homogenous collection of hospitals. For example, non-profit hospitals should seek non-profit hospitals to assure a general consensus with respect to business strategy. Non-profit hospitals have an advantage because they do not have to report to any stakeholders who demand returns in a short period of time. Further more, a new business strategy requires human and financial capital that is easier to depreciate over a long time.

There is a requirement of hospitals which seek alliance essentially to co-operate, collaborate and partner one another for the mutual goal and commitment to effective organizational performance. There is need to apply certain strategies which are discussed below.

Governance: The management of alliances typically requires including all chief officers, CEO's from the member hospitals to govern it. The chairperson should be elected from them and there should be a provision of opportunity given to each hospital as per the association rules. By- Laws should have clear provision for member hospitals to justify their views without bias and prejudices. Thus the ultimate goal of sustainability of sharing resources can be achieved

Doctor-hospital integration:

Another important issue after forming the management could be physician hospital integration. Hospitals and physicians both provide a joint service patient care. For example, ambulatory care centers and diagnostic centers are good for physicians but difficult for hospitals. The common problems could arise with lack of co-ordination. Kevin³ et al expressed that better understanding and communications are the goals that should guide the administrators of the service, a doctors rendering care and the patients attending in order to provide optimal care. Both administration and clinical sides are equally important so equal representation at higher level makes sense. Integration between these two is essential for success in an integrated health market.

PARTNER RELATIONSHIP MANAGEMENT (PRM)

Today, partners are playing increasingly significant roles in competing for sales and streamlining supply chain in several industries. In hospital industry position in the market. According to R.Venkatesh⁴ the intense competition among healthcare organizations has now turned healthcare industry into a vital area of activity. Healthcare organizations all over the world have been inducting modern technology to health physicians and surgeons in the treatment of patients as customer service and patient satisfaction have taken a center state. As a result, telemedicine, medical tourism and Internet marketing are fast gaining momentum. In this scenario, Indian can be the preferred destination for health travelers today, apart from Thailand and Singapore. A lot is said about control measures, quality and improving access, but it is not just means to an end. The bottom line should satisfy patients who will generate revenue to the hospital through partnerships among the hospitals. It is necessary that the Private and public partnerships in hospitals need to be emphasized on PRM, so that they can increase partner loyalty and competitive differentiation. The partnership will help the hospitals to share human resources, technology and marketing resources. In the Indian scenario, public-private partnerships are required to create customer value, improve their profitability, infrastructure. etc. Partnering private - public hospital creates an opportunity for gaining a sustainable advantage to provide effective organization performance. The following figure indicates, the spread of healthcare facility in India.

PARTNER COLLABORATION

Looking at the growing trend for partnering with customers, suppliers and other service provider, the health industry is largely driven by need to reform the healthcare delivery system. In India, mortality rate in rural hospitals is higher than in urban hospitals. There is need for productive approach in meeting the healthcare needs of customer. It is very essential due to the growing demand for quality healthcare service. Hospitals should seek the opportunities to engage in partnering relationships with other hospitals, physician groups, PHCs, and similar health care providers so that they can share their resources and capabilities. There should be an opportunity to improve their effectiveness by partnering with other healthcare providers so as to provide necessary facilities to individual customers. This can be brought by the means of partnering and relationship marketing activities.

³ Kevin J. Muhall, Aftab Ahmed, Eric Maserson, (2000), "The doctor-customer relationship: Hippocrates in the modern market place", the international journal of healthcare quality assurance. Vol. 15 pp. 9-10

⁴ R. Venkatesh, (2007), "Recent Developments in Health Care Marketing", Icfai University Press. 10M-2007-02-01-10

Embracing partnerships, collaboration, alliances, proactively is the mantra today for hospitals to improve the organization performances. Such strategies enhance quality service, customer loyalty, and better healthcare delivery network. There is a need for continued partnership in public sector hospitals and private sector hospitals to seek maximization of profitability. The new approach of partnering, benefits in terms of cross-partner, cross-channel collaborations which helps to achieve the desired result of optimally utilizing the financial and non-financial resources. PRM can help to address both managerial and technical challenges and also to work optimally together. PRM results in improving general and specific performance indicators of the hospitals which may be financial or non financial like patient revenue per bed, return on assets etc. Due to these partnerships, there would be a generation of favorable image of providing quality healthcare and effective sharing of resources. It is essential that hospitals engage in partnering relationship with its customers, physicians, payers, suppliers, nurses, and technicians. Towards the new paradigm of quality health care, success should be measured in terms of improving health status of all people.

HOSPITAL INFORMATION SYSTEM AND COMPUTERIZATION

A century ago, the primary component of healthcare delivery system was based on 1:1 relationship between the patient and the treating physician with more or less well defined area of practice and limited number of patients to be examined and managed. It was not difficult for the treating personnel to know and remember relevant information of his/her patients. With increased availability of newer methodology for investigating and treating patients, and with increase in different types of healthcare delivery processes, and different activities taking place in different sections, makes the hospital a complex entity.

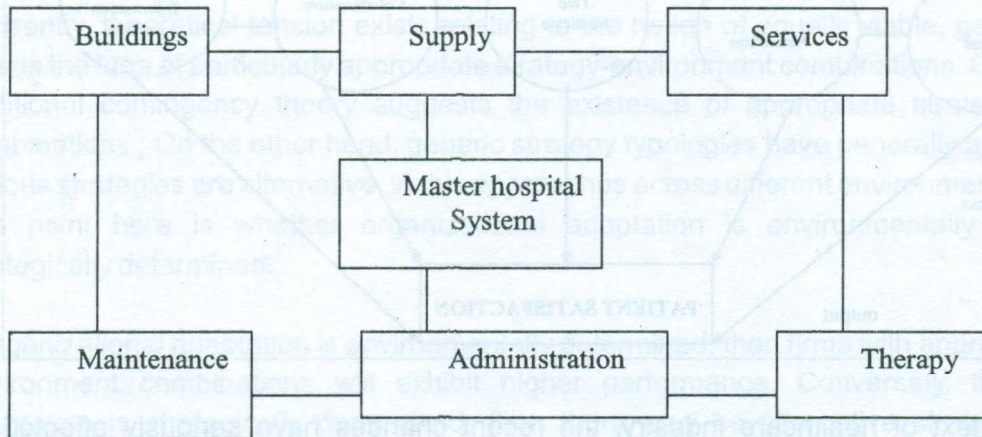
Hospital information system is required to achieve cohesive and functional net working. This is important because the hospital is a dynamic web of interrelated activities and the fibre of this web breaking, getting pulled or entangled may adversely influence some of the important functional areas. Computerization needs to facilitate the working of hospitals, which include patient data, medical records, material management, pay roll, accounting, human resource management and allied computer applications. It must be remembered that computers can facilitate the working of the hospitals; they cannot replace human skills and compassion. The following figure indicates hospital systems are activity based.

TELE HEALTH SERVICES

The most important method of providing healthcare services when the provider and patient are far away from one another is through telecommunication. In this process, physicians and patients, regardless of their physical location, are linked, allowing the healthcare provider to make a virtual visit to the patient. It allows high quality healthcare to be provided anywhere in the world, regardless of geographic location. It is considered by many international experts to represent the most important application of electronic commerce in healthcare services sector in recent years. Plock5 says telemedicine is currently being applied in cardiology,

dermatology, dentistry, gynecology, internal medicine, neurology, paediatrics, trauma, radiology, surgery, and home healthcare. Telemedicine allows physicians through out the world to trade by sending and receiving electronic images and information .It offers the capacity to treat the patients in variety of settings. Technology innovations bring the patients, technology resources and local and remote healthcare providers together in virtual medical location.

Fig.4 Hospital systems activity based

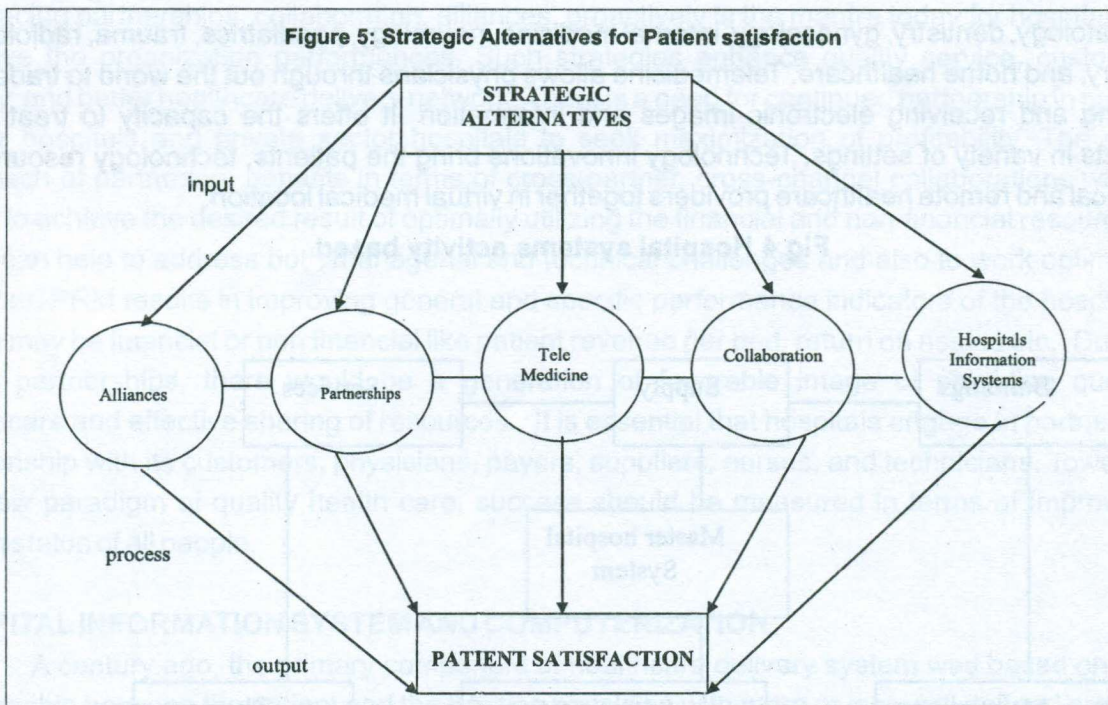


Source: Healthcare management (2002), The National Book depot.

These innovations in technology allow providers to effectively and efficiently meet the needs of the patients (Magel, J., 1999). In a global economy that places stress on quality and cost, the organization must have motivated employees who are able to perform unencumbered with healthcare concerns. Healthcare for international employees, in the words of Maslow, 'a low order' need that must be satisfied (Hellriegel et al, 1999). Allawi, S.J.6 expressed that Innovations in technology will provide a strategic tool for solving the challenges of international healthcare. Hospitals will have to play a major role in ensuring quality healthcare services through telemedicine with great deal of coordination and communication. Telemedicine should cross the state, national and international boundaries to make healthcare facility accessible to the unreached.

Porter's Generic Strategies.

Porter (1980) suggested that certain generic strategic approaches can be used by firms to outperform other organizations in an industry. One generic strategy is to achieve overall cost leadership in an industry by devoting considerable effort to cost control so that average returns can be obtained even with low prices. Another generic strategy is for an organization to differentiate its product or service offering in order to create something that is perceived industry wide as being unique. Approaches to differentiation may rest on breadth of product or service offerings, technology, special features and customer service. Organization with no coherent strategy are considered 'stuck in the middle,' pursuing a muddling strategy.



Within the context of healthcare industry, the recent changes have seriously affected the productivity of hospitals. According to Porter, three important generic strategies are, cost leadership, differentiation and customer focus. Porter drew upon the frame works of industrial economics, which perhaps best known through the simple paradigm.

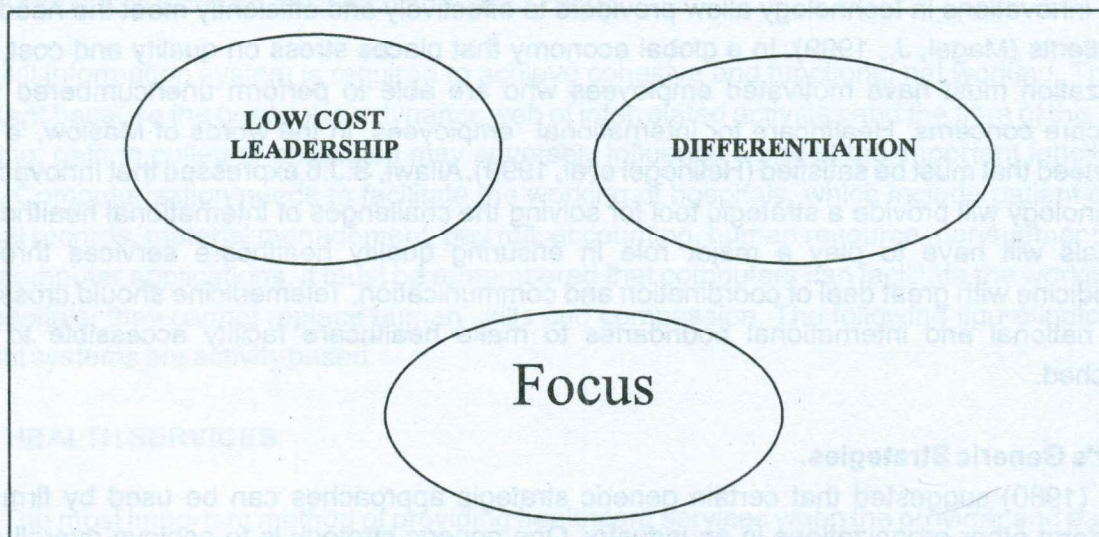


Fig.6 Porter Generic strategies

Market structure → Firm conduct → Performance

Porter Generic strategies are useful for the hospitals industry because it helps in Strategic formulation process. The political, economic and regulatory changes of recent years have stimulated cost containment strategies in Indian hospital industry.

For Examples the cost control strategies required to use by the hospital includes reducing the waste, improving inter- functional coordination, reducing the staff and eliminating unprofitable services. There is strong emphasis on differentiation strategy, includes High tech medical services, provision for hotel services, travel, entertainment, recreation, quality medical and non medical staff, etc., Further there is need to demonstrate competency through relationship marketing strategies. However, cost leadership and differentiation strategies can effectively achieved if there is clear customer focus. Hospital should target the patients with unique services. The focus include the specialty like obstetrics and gynecology, pediatrics cardiac care etc.,

Currently, theoretical tension exists relating to the notion of equally viable, generic strategies versus the idea of particularly appropriate strategy-environment combinations. On the one hand, traditional contingency theory suggests the existence of appropriate strategy-environment combinations ; On the other hand, generic strategy typologies have generally assumed that the various strategies are alternative, viable approaches across different environments (Porter 1985). The point here is whether organizational adaptation is environmentally determined or strategically determined.

If organizational adaptation is environmentally determined, then firms with appropriate strategy-environment combinations will exhibit higher performance. Conversely, if organizational adaptation is strategically determined, then there may be alternative strategy-environment combinations with an equal probability of success. The impact of environmental change on strategy and performance is an important area of study, since change can restructure an industry and change is the cause of competition .This has been the case of hospital industry where dramatic changes have occurred since last one decade. During this period, the emergence of new technologies, changing consumer expectations, and new sources of competition also contributed to turbulent healthcare environment. There is need to study Porter's typology of differentiation, cost leadership, and focus strategies is equally viable in the healthcare organisational settings. Hospital with appropriate strategy-environment combinations may exhibit higher performance than other .We can state following hypothesis for the further study are;

(1) hospital with a proper strategic-environment fit will outperform other hospitals; (2) hospital whose strategic response is toward a proper strategy-environment fit will exhibit an increase in productivity; and (3) hospital whose strategic response is away from a proper strategy will show a decrease in performance.

Further, there is scope for the research to study what extent do Indian hospital pursue Porter generic strategies to enhance the productivity.

CONCLUSION

The basic thrust of strategic interventions in hospitals for customer commitment is discussed in this paper. The productivity of the hospital depends on how well the strategic blend of hospital information system, alliances, partnerships, telemedicine and networking are shared, pooled and integrated to provide every one a better quality healthcare service.

The paper explores the scope of resource maximization and seeks the competitive advantage to achieve customer commitment. It also explains the implications of Porter Generic Strategies to enhance the productivity in Healthcare organizations. There is scope for further study to examine the use of Porter's Generic strategies and their effect on performance in the context of Indian hospital industry.

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