HOW REWARDING IS PATIENT LOYALTY?
CUSTOMER LIFETIME VALUE IN HEALTHCARE.

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Executive Summary:

What is a loyal patient worth to your Health System AFTER the bill is paid? Examining Customer Lifetime Value (“CLV”) is a common practice in consumer-focused industries, but it can understandably make healthcare leaders uncomfortable. In our field, discussing “lifetime” value of a patient may strike some as insensitive. But we’re going to let you in on a secret: it shouldn’t be insensitive.

In fact, we believe that the concept of Customer Lifetime Value should be embraced for the mutual benefit of health systems and patients. Taking a page from retail and ecommerce, considering CLV can give you a new perspective on how important each patient interaction is to the financial wellbeing of your Health System and the communities you serve.

Consumerism in Healthcare:

As healthcare leaders, it’s nearly impossible to avoid the topic of consumerism in healthcare. With rising out-of-pocket costs, patients increasingly behave like consumers who shop, compare, and manage a growing set of healthcare options. Today, healthcare embraces new practices and technology to meet consumer expectations, which continue to be influenced by retail and on-demand experiences. Patient access solutions abound allowing patients to identify, schedule, and review their healthcare provider. Meanwhile, technology creates new ways to consume healthcare through virtual channels.
When the time comes for additional care, Health Systems strive to be worthy of that next visit.

Patient Relationships are Assets

Beyond digital engagement and new patient-facing technologies, there are other cross-industry lessons we can apply to support consumerism initiatives. For example, the concept of CLV is frequently used in retail to examine the costs and benefits of customer acquisition and retention. When discussing how this applies to healthcare and its implications for Revenue Cycle leaders, two themes of feedback emerge: First, many have not attempted to quantify the value of a loyal, returning patient to their Health System. Second, there is sensitivity to discussing “Lifetime” value of a patient. However, quantifying CLV does not immediately transform your organization into a cold or uncaring business. Think about it: when the time comes for additional care, Health Systems strive to be worthy of that next visit.

Understanding CLV can help focus your Health System on the value of managing each patient relationship as an asset. Not only is it a logical approach for healthcare, ultimately, it can lead to a more compassionate and improved patient experience.

Percent of personal health spending:
- 32% Hospitals
- 20% Physicians

Healthcare spending is forecasted to grow 5.5% over the next 10 years, reaching $5.7 trillion by 2026
So, just how valuable is that patient to your Health System after they pay their bill?

How significant is the CLV of a patient?

So, just how valuable is that patient to your Health System after they pay their bill? Let’s find out using the following example for an ‘average’ patient:

\[
\text{Adjusted Average Healthcare Spend} \times \text{Percent of Hospital & Physician Spend} \times \text{Average Length Patient Engagement} = + \$650,000^* 
\]

\[\text{Adjusted for future healthcare spending growth at 5\% per year}\]

Granted, every patient is different. Some will spend more, others less. So, to calculate the CLV of an ‘average’ patient, we used the most recent CMS National Healthcare Expenditure Analysis which reports the average health spend totaled $10,348\textsuperscript{1} per person in 2016. The CMS data also reports 52\%\textsuperscript{2} of that spend was used for hospital care and physician services. CDC data estimates average life expectancy at 78\textsuperscript{3} while US Census reflects a median age of 38\textsuperscript{4}.

Using the given data, the average CLV of a patient is $215,238. If you adjust for 5\% future healthcare spending growth, just below CMS forecast through 2026\textsuperscript{5}, average CLV grows to more than $650,000. And, this does not include any referral visits from family or friends of your loyal patient.

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\textsuperscript{3} https://www.cdc.gov/nchs/data/hus/hus16.pdf#015
\textsuperscript{4} https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml?src=bkmk
\textsuperscript{5}
The Bottom Line:

If, after payment, an average patient could still generate more than $650,000 of revenue, what should healthcare leaders do to improve patient loyalty and create sustainable value for your organization and the communities you serve?

1. **Focus on Patient Experience.**
   The patient billing and payment experience is often the last touchpoint after an episode of care. A negative interaction or outcome (e.g., confusing patient statements, collection agency calls) can quickly tarnish an otherwise excellent experience. Consider revisiting staff training and explore tailored communications to deliver a better payment experience.

2. **Win With Access.**
   Most Health Systems are in a competitive market and consumer choices are growing. Beyond Patient Access, consider how your organization solves for Financial Access by offering flexible payment solutions to make healthcare expenditures fit into household budgets.

3. **Foster a Revenue Mindset.**
   It’s not enough to simply borrow consumer-facing functionality from other industries. Revenue cycle leaders can help grow top-line revenue by utilizing modern and compassionate billing practices while insisting on patient satisfaction as a required outcome.

By embracing the concept of Customer Lifetime Value, you can increase your ability to provide a lifetime of value to your patients, which is better for everyone.

**About Patientco:**
Patientco is reimagining the patient financial experience by leveraging data to create engaging consumer payment technology built on healthcare-specific payment infrastructure with robust analytics. With Patientco, health systems gain the ability to transform a superior patient financial experience into an economic growth engine for the organization.

To learn more, call 1-844-422-4779 or visit Patientco.com.