

Significance of Patient Satisfaction in the Healthcare Industry: Part 1

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Abstract— Healthcare industry has been noticed as one of the largest and fastest growing industries in the service sector. Healthcare industry, however, has been challenged to find alternative ways to sustain compatibility among them due to dramatic changes in the environment, such as competitive pressures, alternate health care delivery mechanisms, changing cost structures, monitoring by public and private groups, increased information availability, and a markedly better-informed clientele. Specially, increasingly knowledgeable consumers, with rising demands to have information available for them to make appropriate health care decisions, have driven healthcare managers and administrators to focus on an improvement of the service quality to increase patient's satisfaction. As efforts, many of them are trying to adapt well-established, successful business models like total quality management (TQM), and quality function deployment (QFD) and also trying to learn in what aspects of the health care service provision generate or inhibit patient satisfaction. The primary objective was to discuss issues when employing the models to health care industries.

Index Terms— Healthcare, Satisfaction, Patient.

I. INTRODUCTION

In the USA, the service sector is of undeniable importance (Braunsberger and Gates, 2002). Zeithaml and Bitner (2000) reported that the service sector accounted for 76 percent of the gross domestic product and approximately 79 percent of employment. Furthermore, the healthcare industry has been noticed as one of the largest and fastest growing industries in the service sector (Braunsberger and Gates, 2002). In 1991, Reynolds (1991) reported that expenditures in healthcare totaled \$ 671 billion, and Wechsler (2002) reported that the expenditures rose to \$ 1.3 trillion in 2000. Although this increase appeared to be impressive, healthcare expenditures as a percentage of the gross domestic product (GCP) was fairly stable at about 13 percent from 1992 to 2000 (Carroll, 2002; Wechsler, 2002). Nevertheless, the expenditures on healthcare will grow faster than GDP during the coming decades (Carroll, 2002).

Manuscript Received November 10th, 2017

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That is, expenditures on healthcare have been projected to reach a total of \$ 1.5 trillion by 2002 (Shinkman, 1997), 2.6 trillion or 16 percent of GDP during 2010 (Healthcare Financial Management, 2001) and \$ 2.8 trillion or 17 percent of GDP by 2011 (Wechsler, 2002). This represents an increase at an annual rate of more than three times the rate of inflation (Davis and Luthans, 1990; O'Conner and Lanning, 1991).

The primary objective of this paper is to provide information about relationships between healthcare system performance and the levels of customer satisfaction. More specifically, the paper will attempt to provide information for healthcare providers to understand fine approaches and backgrounds that lead to develop more effective and efficient service and care, and appropriate methods in assessing and fulfilling customer satisfactions.

II. LITERATURE REVIEW

A. Prologue

The rapid growth of service sector was accompanied by dramatic changes in the environment, challenging health care managers and administrators to search for alternative ways of maintaining competitiveness (Andaleeb, 1998). As an outcome, many providers, with help from the research community, are beginning to realize that providing customer satisfaction is a key element of strategy and a crucial determinant of long-term viability and success (Andaleeb, 1998). Customer satisfaction has shown to be a profitable competitive strategy variable because the public is convinced to spend more on healthcare from quality institutions that are willing to fulfill customers satisfaction (Boscarino, 1992; Hays, 1987) and, also, hospitals with better images have been able to translate these into increased utilization in attracting more patients and increased market share among competitors (Boscarino, 1992; Gregory, 1986). Delivering patients a good care is also essential because today's buyers of health care services are more informed or educated by private insurance companies, health maintenance organizations (HMOs), and preferred provider networks (PPOs), and more aware of healthcare system than in the past (Andaleeb, 1998). One of the primary changes that exist today in the health care industry is an increasingly knowledgeable consumer with intensifying demands to have information available to help them make appropriate health care decisions. These buyers carefully study and monitor the options available to them (Andaleeb, 1998). These changes are being driven by the abundance of information that is available to them from public and private sources (Andaleeb, 1998). Healthcare

consumers include not only individuals but also private insurance companies, health maintenance organizations (HMOs), and preferred provider networks (PPOs) (Smith and Swinehart, 2001). These consumers are demanding complete, accurate, detailed information about patient satisfaction with the health care providers. The information often must be network specific, physician specific, and provider specific (Smith and Swinehart, 2001). A primary outcome of concern to the knowledgeable health care consumer is information on the quality of the health care provider. Such healthcare consumers can influence the policy, strategy, operations, and investment decisions of healthcare entities across the country (Smith and Swinehart, 2001). Petersen (1988) suggests, "It really does not matter if the patient is right or wrong. What counts is how the patient felt even though the caregiver's perception of reality may be quite different". Furthermore, successes in implementing total quality management (TQM) in the global marketplace have stimulated interest in the non-manufacturing arena, especially in healthcare management (Smith and Swinehart, 2001). These strategies from TQM are being implemented by US healthcare providers to prepare for the challenges over a rapidly changing healthcare industry in the future (Smith and Swinehart, 2001).

These trends, such as changes in customer's characteristics, and healthcare provider's attitude, in healthcare industries have been attributed to consumers' preference for better healthcare program (Pham, 1998) and less restrictive forms of managed care (Wechsler, 2002). Consumers today are more aware of alternatives on offer, and healthcare providers' rising standards of service have increased customer's expectations (Lim and Tang, 2000). Consumers are also becoming increasingly critical of the quality of the service they experience (Lim and Tang, 2000). In healthcare industry, service providers offer the same types of services, therefore, what distinguishes among them is the quality of service (Youssef et al., 1996). In order to sustain competitiveness among healthcare providers, and to continue to grow and thus increase profitability, healthcare providers should therefore be interested in examining what represents "better healthcare" from a consumer's point of view (Braunsberger and Gates, 2002). Furthermore, a healthcare provider can use service quality as a strategic differentiation to gain a unique competitiveness among healthcare providers (Lim and Tang, 2000).

B. Development

Traditionally, quality of healthcare has been evaluated from the provider's point of view because many healthcare professionals believe that consumers (patients) have a little knowledge to evaluate care providers intelligently (Berwick, 1997). Because of a rapidly changing and increasingly competitive market (Davis et al., 1995), in order to increase or sustain profitability, focus of healthcare providers has shifted to patient perceptions of care and service delivery. In addition, healthcare providers have realized that patients/customers desire more control, and demand greater focus on their needs and wants (Decker, 1999). In order to survive in this kind of environment,

healthcare providers tried to recognize effectiveness of determining patients as consumers and of evaluating patient relations on competing in a rapidly changing healthcare market (Para, 1997).

Quality of care from the consumer's point of view is generally defined and measured as patient/consumer satisfaction (Beatty et al., 1998; Dansky and Miles, 1997). In order to establish relationships between customer satisfaction and healthcare providers' performance, firstly, researchers have done numerous attempts to define patient satisfaction. Secondly, they attempt to identify measurement dimensions to find out what needs to improve in healthcare systems in order to satisfy patient needs and to improve overall competitiveness. Lastly, they have tried to predict success of healthcare providers by evaluating the relationships between customer satisfaction and system performance.

The literature review is divided into four sections. First section will discuss why healthcare providers must focus on patient satisfaction. The next section will discuss definition of patient satisfaction. Additionally, measurements, and implementation and analysis in patient satisfaction will be addressed in the following section. Lastly, effects of predictors such as age, gender, and system usage and performance on the levels of patient satisfaction will be discussed and, further, attribution theory will be described to explain what aspects in healthcare system a patient wants to see improvement.

C. Definition of Patient Satisfaction

Davis, and Heineke (1998) stated that the customer's experience with the service firm is also likely to be multiplied through interactions with other prospective customers via word of mouth: when customers are satisfied with the service they receive, they influence the expectations of other customers with whom they interact. In other word, patients with good satisfaction are likely to come back to the providers with more customers.

Beatty (1998), and Dansky and Miles (1997) suggested that quality of care from the consumer's point of view is generally defined and measured as patient/customer satisfaction. Zabada, Singh, and Munchus (2001) suggested that there are two parts to the definition of patient satisfactions: expectation and perception (experience), and that many authors use expectation versus perceived experience to define and assess patient satisfaction. The followings are two suggested approaches to define customer satisfaction in service operations (Davis, and Heineke, 1998):

- 1) Satisfaction as a function of disconfirmation; and
- 2) Satisfaction as a function of perception.

Disconfirmation is the difference between customer perception and expectation (Anderson, 1973; Parasuraman et al., 1994): $satisfaction = f(\text{perception} - \text{expectation})$. Anderson (1973) and Swan et al. (1981) suggested that high customer satisfaction results when the service performance is greater or equal to the service level desired by the patients, customer satisfaction occurs when the service performance is less than the customer's desired service level but greater than or equal to the predicted service level, and customer dissatisfaction occurs when the

service performance is less than customer's desired and predicted levels of service. However, some researchers (Moutinho, 1995; Teas, 1994) have criticized a model using the disconfirmation as patient satisfaction in regard to its validity of measuring expectations of patients. Thus, an alternative approach to measure patient satisfaction, which primarily focuses on the customer's perception of service performance rather than on the disconfirmation between perception and expectation, was proposed by Cronin and Tanlor(1994): Satisfaction = f (Perception). Perception indicates the patient's perception of actual performance (Davis, and Heineke, 1998). However, Parasuraman et al. (1994) suggested that although perception itself can be used as a better predictor for patient satisfaction, it might not provide enough understanding of the underlying events or trends than the disconfirmation model.

D. Significance of Patient Satisfaction

Patient satisfaction is ranked among the three most important performance measures considered by consumers of healthcare service (Robert and Philp, 1996). Typically, healthcare providers measure and evaluate quality of services from organizational and professional perspectives (Zabada, Singh, and Munchus, 2001). Healthcare providers are required to meet minimum acceptable quality standards for the profession (Zabada, Singh, and Munchus, 2001). However, meeting minimum requirement among equally accredited competitors is not a good strategic plan to gain competitive advantage in a turbulent marketplace like healthcare industry (Zabada, Singh, and Munchus, 2001). Consumers today are more knowledgeable of alternatives on offers (Lim and Tang, 2000). As a result, standards of service in healthcare industry have risen to accommodate consumers' needs and wants, and this changes again leads to more increase in consumers' expectation (Lim and Tang, 2000). In other word, patients are increasingly concerning of the quality of service they receive from healthcare industry (Lim and Tang, 2000). Although healthcare providers supply the same kinds of services, the service quality in those services can be used to differentiate healthcare provider's competitiveness (Lim and Tang, 2000). Simply, to gain a strong advantage over other competitors, healthcare managers can employ service quality as a strategic differentiation tool to build a distinctive advantage, which competitors have a hard time to duplicate (Lim and Tang, 2000). Therefore, focus on achieving distinctive performance, such as measuring and improving patient satisfaction, other than on the accreditation label alone must be considered highly (Ware, 1995; Gilbreath et al., 1996). Delivering high quality service and having satisfied customers are viewed as indispensable for gaining a sustainable advantage in terms of keeping a loyal base of customers (Shemwell et al., 1998). Shemwell et al. (1998) states "... keeping a loyal base of customers is much more profitable for a company than attracting new clients". In addition, they provide a conceptual model (Figure 1) that explains why patient satisfaction is an important to sustain a loyal base of customers.

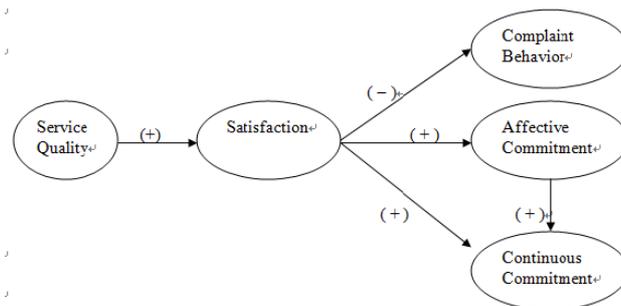


Figure 1: Relationships between patient satisfaction and outcomes (Shemwell et al., (1998))

While healthcare providers have been reformed to understand the importance of patient satisfaction as a critical strategic weapon in the healthcare market (Lim and Tang, 2000; Zabada, Singh, and Munchus, 2001), patients have been given more freedom in the choice of providers (Lim and Tang, 2000). The more freedom for patients to choose healthcare providers has created more competition among healthcare providers for their business (Zabada, Singh, and Munchus, 2001). Today, patients are more educated with knowledge about the health care provider's performance (Smith and Swinehart, 2001; Zabada, Singh, and Munchus, 2001). Healthcare consumers such as private insurance companies, health maintenance organization (HMOs), and preferred provider networks (PPOs) are demanding complete, accurate, detailed information about patient satisfaction and the information are delivered to the patient's door for them to make appropriate healthcare decision (Smith and Swinehart, 2001). Patients begin to search for better hospitals or physicians and compare them with others in their community based on information on patient satisfaction provided by those healthcare consumers. Therefore, it can be predicted that increasingly knowledgeable patients with demands for higher quality service will choose hospitals and physicians that offer higher quality care (Zabada, Singh, and Munchus, 2001). Marquis et al. (1983) suggested that patients with lower satisfaction are likely to change their old healthcare providers for a new provider. It was suggested that the best way to have those patients, who has left due to dissatisfactions on healthcare providers, back is to measure patient satisfaction and to improve current satisfaction, and, in addition, a new design for potential patient satisfaction should be implemented (Zabada, Singh, and Munchus, 2001). As described above, the issues of consumer perceptions of quality will be a significant determinant of provider's survival and success (Bowers et al., 1994). Singh (1990) describes that there is an apparent consensus in the literature that patient satisfaction is best represented as a multidimensional construct with evaluations influenced by three primary sources: physicians, other caregivers, and insurance providers. It is convincible that patient satisfaction will increasingly be used in choosing healthcare providers. Therefore, the

proper definition and the measurement of patient satisfaction is an important for the long-term viability of a healthcare organization (Zabada, Singh, and Munchus, 2001).

III. CONCLUSIONS

As industrial and systems engineers, our primary focus studying of customer satisfaction is on improvement of system performance in healthcare system to enhance viability in the market. Attempts to improve customer satisfaction in healthcare industry could be an excellent turnover for the industry.

ACKNOWLEDGMENT

This research was supported by “Research Base Construction Fund Support Program” funded by Chonbuk National University in 2017.

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