



## Chapter IV

# CRM Systems in German Hospitals: Illustrations of Issues & Trends

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## EXECUTIVE SUMMARY

*German public hospitals face governmental and regulatory pressures to implement efficiency and effectiveness metrics, such as the classification of a Diagnosis Related Groups (DRG) system, by the year 2005. The current average patient stay of nine days in German hospitals is relatively high compared to France with 5.5 days and USA with 6.2 days. CRM will help increase customer satisfaction, loyalty and retention. Multiple*

*case studies, including one German hospital compared to two Dutch hospitals, as well as interviews with the management of two additional German hospitals, reveal that no hospital currently has an integrated CRM system. Rather, separate organizational functions collect and store quantitative and qualitative patient data. Furthermore, the challenges of data sharing and data security are significant barriers for technological changes in hospitals. This study focuses on CRM in a modern German hospital as it realigns its processes and strategies in order to focus on efficiency and customer satisfaction in a very competitive market.*

## **ORGANIZATIONAL BACKGROUND**

The German healthcare industry is currently undergoing a major change due to the changing demographics of the German population and budget limitations. Due to the aging and/or retired German population, there is less money contributed to taxes. This is resulting in a substantial reduction in the allocation of funds to the healthcare sector. The current cost allocation system, that is, the generation contract, is put in question, and the public healthcare system is forced to charge more of its costs to its clients. The generation contract was the standard structure for the social security systems in many countries including Germany, where the following generation would provide funding for the previous generation. At present, deregulation, increased competition, cost pressures and price reduction from the private hospitals are forcing the public hospital sector to introduce efficient economic processes and systems.

The introduction of the Diagnosis Related Group (DRG) calculation system by the German government requires hospitals to review their strategy in order to focus their communication on the patient of today and tomorrow. The DRG calculation system was initially a collaborative effort of insurance companies to establish a control system for payments for healthcare services provided. With the DRG calculation system, illnesses are categorized and acceptable treatments and standards, such as length of hospital stay, are determined. A fixed cost, or payment amount, is then assigned to each treatment or service. Insurance companies will only pay the specified amount for each service. The purpose of DRG is to provide complete patient care for a standardized disease pattern with a fixed budget. This system should also aid hospitals in meeting their budgets by reducing the length of a patient's stay in the hospital, increasing productivity and using more cost-cutting technologies (Riedel, 2001). In these situations, hospitals need intelligent Customer Relationship Management (CRM) models that interface with the DRG system to help them acquire and "nurture" their customers — both domestic and foreign patients. The key motivator for CRM system implementation is the hospital administration's realization that they have to be customer-oriented and cost-effective to survive the increased competition in the healthcare sector (MCC Health World, 2002).

CRM is an approach that focuses on the acquisition, development and, most importantly, retention of customer relationships through the collection of data and the sharing of this customer information across all areas of an organization. It encompasses both software applications and business strategies that anticipate, interpret, and respond to the needs of current and prospective customers. Access to collected customer information by employees from all areas of an organization provides a complete

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