

Spring 1984

Consumer Medical Service Purchases: Physician Services and Mystique

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Recommended Citation

Rudolph, Bennett L. and Densmore, Max L. (1984) "Consumer Medical Service Purchases: Physician Services and Mystique," *Seidman School Management Memo*: Vol. 4: Iss. 2, Article 2.
Available at: <http://scholarworks.gvsu.edu/ssmm/vol4/iss2/2>

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American Economist Receives F. E. Seidman Award

Dr. Robert M. Solow, Professor of Economics at the Massachusetts Institute of Technology and past chairman of the Federal Reserve Bank at Boston, received the 1983 F. E. Seidman Distinguished Award in Political Economy. The award carries a stipend of \$10,000 and is given annually to an economist who has distinguished himself or herself by contributing internationally, in the judgment of his or her peers, to the interdisciplinary advancement of economic thought as it applies to the implementation of public policy.

Previous recipients of the award include Gunner Myrdal, John Kenneth Galbraith, Kenneth Boulding, Thomas Schelling, Arthur Burns, Arthur Okun, Albert Hirschman, Richard Musgrave, and Janos Kornai.

The award was established by Mr. and Mrs. P. K. Seidman in 1974 in honor of Mr. Seidman's deceased brother, F. E. (for whom the business school at Grand Valley State was named). The award program is directed by Mel G. Grinspan, Distinguished Service Professor, Department of Economics and Business Administration, Southwestern at Memphis. Dr. Marvin G. DeVries, Dean of the F. E. Seidman School of Business, has served on the selection committee.

This year's award banquet took place in Memphis, Tennessee, on Thursday,

September 29. Dr. John Bornhofen, Chairman of the Finance Department in

the Seidman School, represented the school at the award banquet.



Left to right: Mr. Lawrence Seidman, Chairman of the Board of Trustees of the Award; Dr. Robert Solow, recipient of this year's award; Dr. John Bornhofen, of the Seidman School of Business; and Professor Mel Grinspan, Director of the award program.

Consumer Medical Service Purchases: Physician Services and Mystique

By Bennett L. Rudolph
And Max L. Densmore

During the past few years there has been an increasing awareness on the part of physicians and hospitals of the need to market their services to prospective patients. After decades of not being very concerned with marketing, professional organizations within the medical community are suddenly sponsoring seminars and conferences on the subject.¹ Many hospitals are now undertaking market research projects for the first time.²

The reasons for the increased emphasis on marketing are all too obvious. For decades medical costs have represented an increasingly larger percentage of the Gross National Product. Currently, all medical services and related costs represent more than ten percent of our GNP. Increasing numbers of people have been

covered by medical insurance or governmental programs, neither of which have historically been effective at cost containment or concerned with value appraisals. Moreover, since medical services involve literally life-and-death issues, the subject is a very emotional issue which does not readily lend itself to rational analysis. For this reason economists often use the example of medical services for pedagogical purposes when explaining inelastic demand to their students.

Unfortunately for the medical industry, many trends, favorable to them, seem to have peaked and are now in the process of reversing themselves. The government (and soon, private insurance carriers) is no longer offering carte blanche arrangements, but is instead initiating programs with strict payment

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schedules based on specified diagnostic-related group fees. Medical facility construction programs have declined drastically. The number of covered workers is no longer rising, but is, in fact, declining as employers have cut payrolls during the recession. Many other employers have cut benefits to pare costs, further restricting dollars available to the health industry.³ At the same time, social and cultural values are changing, and health care customers are quite willing to question, complain, and litigate if they are dissatisfied with the service products for which they are paying.

Because of the serious economic and social problems facing the health care industry, alternative delivery systems have become available. Those with the fastest growth rates at this time seem to be HMO's, outpatient surgical centers, and more convenient neighborhood emergency treatment centers. All of these relatively new concepts represent serious threats to, and/or opportunities for, more traditional health care vendors.

Given all the changes taking place in the medical services market, and the importance of the industry in our economy, it is surprising that so little research has been conducted that attempts to gauge what consumers feel about the medical services products they purchase. One study, conducted by the Texas Medical Association, did attempt to investigate some of these issues.⁴ That study, however, did not delve deeply into cost and value considerations, nor did it investigate what consumers perceived to be the cause of increased medical costs. To the extent that the Texas study and this study overlap, the results are very similar and appear to confirm one another.

Some individual institutions have done consumer attitude surveys dealing with their particular image and market position, but few comprehensive and general studies have been conducted. It was for this reason that we conducted our research. Part of the study's results are reported here. In future issues of the *Memo* we hope to relate additional findings.

Methodology

Telephone interviews were conducted with 310 adults living in west Michigan. A systematic cluster sampling technique was employed using Bressler's

geographic telephone listings for the multi-county area. Interviewers were instructed to talk to any adult head of households and were required to make at least five callbacks at different times of the day and on different days of the week in the event the initial call was unsuccessful. The questionnaire was extensively pretested and interviewers were carefully trained before they began. After the data collection, each interviewer's work was checked and confirmed for accuracy. A sample of each interviewer's respondents was called back for reconfirmation. All data was also "double-entered" and computer-verified before final analysis.

Findings and Analysis

While faith in professionals and social institutions may not be as high as it once was, physicians still generally retain the confidence of their patients/customers. The following table shows how respondents evaluated their doctors:

Table I. Rating of Physicians
(N = 310)

	Percentage	Frequency
Very Favorable	34%	106
Favorable	20	62
Somewhat favorable	18	55
Neutral	8	25
Somewhat unfavorable	10	32
Unfavorable	5	14
Very unfavorable	1	3
No opinion	4	12

As can be seen in Table I, 72% of the respondents had generally favorable opinions of doctors. Those giving physicians a very favorable evaluation included women, respondents over 40 years of age, and individuals with annual household incomes of \$10,000 to \$30,000.

Respondents over the age of 60 and retirees have a particularly favorable view of their doctors. Those with the least favorable opinions include blue collar and unemployed workers, single persons, and respondents in younger age groups. Generally speaking, younger males had a less favorable opinion of physicians than older females.

The qualities people mentioned as liking most about their doctors were emotional "bedside manner" personality characteristics rather than such things as technical competence.

Table II. What Respondents Liked About Their Physicians
(N = 307)

	Percentage	Frequency
Personality characteristics	56%	174
Professional competence	21	66
Dependability	4	14
Other attributes	7	21
No attribute cited	10	32

Attributes such as understanding, caring, and being friendly were more likely to be cited by women respondents. Men from a low socioeconomic status also cited these attributes, while upscale men stated that thoroughness and competency were the most desirable attributes in a doctor. Only 21% of the respondents mentioned anything about technical knowledge, competency, or expertise. Upscale men were far more likely to mention these considerations than women from lower socioeconomic backgrounds.

Spending time with the patient and conveying concern and interest about the patient's welfare were emphasized throughout the interviews as important attributes of a physician. Patient responses included: "He takes a lot of time with you and is very sympathetic..."; "I can talk to him." Another respondent stated, "He's very truthful and straightforward...he treats his patients as individuals."

Relatively few respondents had unfavorable comments to offer when asked what they disliked most about their physicians. In fact, nearly half stated that there was nothing they disliked about their doctor.

Table III. What Respondents Disliked About Their Physicians
(N = 309)

	Percentage	Frequency
Cost	10.0%	31
Does not spend enough time	8.4	26
Too impersonal	6.1	19
Inadequate explanations	5.8	18
Long office waits	5.2	16
Difficult to schedule appointments	4.5	14
Uses outdated methods	1.9	6
Other dislikes	8.1	25
No dislikes cited	49.8	154

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Of those who had complaints, factors relating to cost, personality, and inconvenience were the most important areas of dissatisfaction.

Respondents were asked a series of questions about their last visit to their doctor. They were asked whether they had a very favorable, somewhat favorable, or not at all favorable opinion concerning each of eight aspects of the visit. The items discussed were: setting up an appointment; waiting time in the doctor's office; the receptionists and nurses; the amount of time the doctor spent with the respondent; the way the doctor explained things; how willing the doctor was to answer questions; and the processing of paperwork and insurance forms.

Those activities which were rated very favorably by over 70% of the respondents included the doctor's willingness to answer questions, the ease of setting up an appointment, the doctor's office staff, the medical advice and treatment administered, and the explanations given to the respondent. Office waiting time received the highest percentage of complaints, but even this was considered very favorable by over 40% of the respondents. The only other aspect that did not receive a very favorable rating, by 70% of the sample, was the amount of time spent by the doctor in treating the respondents and the processing of paper work.

In a separate question, respondents were asked if they felt charges for their last visit to the doctor were too high, too low, or just about right. Table IV shows the sample's perceptions of doctors' costs.

Table IV. Charges for Last Office Visit (N = 308)

	Percentage	Frequency
Just about right	61.7%	190
Too high	34.1	105
Unsure	3.6	11
Too low	.6	2

While the majority of respondents felt the fee for their last visit was just about right, a substantial minority believed they were charged too much. This finding is consistent with results cited earlier, in which high costs and waiting times were found to be the factors disliked most about physicians. Cross-tabulating these findings with several demographic variables did not reveal any statistically significant relationships. Approximately an equal proportion of high-income and low-income respondents feel doctors' fees are too high. Moreover, whether or

not the respondent had health insurance had little to do with whether doctors' fees were considered reasonable or not.

As another aspect of the evaluation of the image projected by physicians, respondents were asked to react to three statements about doctors in general. They were to state whether they strongly agreed, agreed, disagreed, or strongly disagreed with each of the following statements: (1) "Most doctors are more concerned with making money rather than with the well-being of their patients." (2) "Most doctors are very well trained and know what they are doing." (3) "Most doctors have a tendency to over-prescribe drugs even when they are often not really necessary."

Combining those who agreed with those who agreed strongly, 32% agreed with the first statement, 83% agreed with the second statement, and 45% agreed with the last statement. This seems to indicate that while most respondents felt that doctors are well-trained and know what they are doing, some felt they over-prescribed drugs and that money was a strong motivation for becoming a doctor.

Table V. Perceptions of Physicians Attitude/Behavior (N = 309)

Physician Attitude/Behavior	Strongly Agree	Agree	Disagree	Strongly Disagree	Unsure
More interested in making money than in patient welfare	9%	23%	58%	9%	3%
Well-trained	11	73	10	1	4
Tendency to over-prescribe drugs	11	34	44	4	7

Another consideration in evaluating the image of doctors is the response to the question, "Why do you think your doctor originally became a doctor?" Although a majority of respondents believed that their physician was originally motivated by a desire to help people, one-fourth of the respondents mentioned a desire to make a lot of money and social prestige as decisive factors. Nonetheless, with 64% of the respondents mentioning a desire to help people, the physician's place in society would seem to be assured. However, with more than one-third not citing this, physicians might have pause for concern.

Overall, the study found that while most people have a favorable image of physicians and are generally satisfied with the services they are delivering, medical service consumers have three serious complaints. They are the waiting time in the doctor's office, the monetary charges, and the lack of time actually spent with the doctor. The implication for marketing strategy is that non-traditional health

care providers will generally have a difficult time overcoming the outstanding image that physicians have developed. However, their greatest opportunity for success would occur if they were to overcome the three negatives mentioned. That is, they might be more successful with a segment of the market by stressing immediate service, low charges, and a willingness to spend a greater amount of time with each patient. Traditional health care providers, on the other hand, would be well-advised to improve their performance in these three areas.

Conclusions

It appears that traditional medical doctors are more strongly entrenched in consumers' minds as being the best source of medical services than either non-traditional health care providers or government planners may realize. Overall, this study reveals a high level of consumer satisfaction with traditional medical practitioners. Whether this high opinion is the result of actual experience with medical treatment or is more the result of the American Medical Association's publicity and complementary TV

shows is difficult to say. Moreover, the positive image might be due to the highly charged emotional nature of the medical service purchase. The high ego-involvement and the technical nature of medical service lend themselves to emotional decisions rather than a critical, rational analysis. In any case, the medical community can be justifiably proud of the manner in which consumers perceive them.

Given present consumer attitudes, it appears likely that government and insurance company efforts to limit profits made by doctors may be in for some heavy political sledding. Doctors clearly have a strong hand to play with the public and they may well choose to play it. Moreover, those who are planning to offer alternative health care delivery systems had better consider the public's apparent attachment to the traditional office visit and to M.D.'s. The voluntary market for health care alternatives may be relatively small. The major appeal

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The Grand Rapids Economics Index

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Construction activity is used to measure economic well-being because the data are readily available, construction affects most of us positively, and construction activity is a sign of a hopeful view of the future.

The composite index is made up of a weighted average of five economic indicators: bank debits, retail sales, residential and non-residential construction, industrial power consumption and em-

ployment, all of which are adjusted for seasonal variations and for the effects of inflation.

An index has been prepared for the United States which makes use of approximately the same components that make up the index for Kent and Ottawa Counties. The movements of this index are shown on an accompanying chart, which gives some evidence of how local economic activity compares with na-

tional economic activity. The composite U.S. index is correlated with real U.S. Gross National Product movements. These movements reflect changes in the general economic health of the U.S.

The index and its components are prepared by Dr. William Peterson, Professor of Economics at GVSC. Inquiries and detailed facts about the index can be obtained by writing to Dr. Marvin G. DeVries, Dean, F. E. Seidman College.

Consumer Confidence Continues to Increase

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the government is doing a good job, 55 percent a fair job, and only 14 percent a poor job. They are somewhat concerned about prices, since 63 percent believe prices will increase during the next year, down from 69 percent in October and up from 61 percent in July. When asked to think about prices over the next five years, 81 percent thought prices would increase, the same as in October and up from 77 percent in July. However, area people are slightly more concerned about unemployment than they were earlier in the year. When asked to consider the potential problems of unemployment and inflation, 59 percent thought unemployment would be the more serious economic hardship, up from 55 percent in October and about the same as the 60 percent in January.

However, of those who were concerned about inflation, 34 percent considered it to be a potentially serious problem, up from 33 percent in October and 28 percent in July.

The good increase in consumer attitudes is likely to result in increased consumer sales during 1984 as long as no significant changes occur in interest rates and prices.

The survey of consumer attitudes is conducted quarterly as part of the Seidman School's continuing study of local economic activity. Insight Marketing, Inc., a Grand Rapids based market research firm, coordinates the interviews.

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Medical Service Purchases

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should be on the basis of increased attention with decreased waiting time and lower costs. However, it appears that most Americans will continue to put up with considerable inconvenience and heavy cost burdens in order to obtain what they perceive as higher quality service from the traditional medical doctor.

1. An example of the recent emphasis on health care marketing is the initiation of annual symposia on the subject sponsored by the American Marketing Association and several other organizations.
2. In western Michigan alone, four major hospitals have undertaken such projects in the past year.
3. "The Upheaval in Health Care," *Business Week*. July 25, 1983, pp. 44-58.
4. "I Like You, Doc, and You Care About Me, but a Pox on All Your Waiting Games." *Texas Medicine*. Vol. 79, March, 1983, pp. 33-37.

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