

# Activation Insights

## What Makes the Mayo Clinic... "The Mayo Clinic?"

*How customer service has helped to create one of  
healthcare's best brands.*

*By Joe McCafferty*



Lobby of the Mayo Clinic's Gonda Building in Rochester, MN

When Charles Mayo said, "The best interest of the patient is the only interest to be considered," market dynamics were probably not his primary consideration. However, by aligning the entire organization behind this ideal, the Mayo Clinic has created a culture that is well positioned to navigate the challenges of a number of today's market dynamics, a century after the organization's founding.

### Background

Few would argue that the Mayo Clinic is one of the most successful healthcare provider organizations in the country. Since its founding a century ago, the Mayo Clinic has built a reputation for delivering outstanding care. A brief review of

some key dates in the Clinic's history reveals an impressive legacy<sup>1</sup>:

- 1907 -- Patient registration number "1" given out. Five thousand patients register at "the Mayo's clinic," as it has come to be known.
- 1919 -- The Mayos turn over the assets of the Mayo Clinic to the nonprofit Mayo Properties Association, the forerunner of Mayo Foundation.
- 1926 -- Mayo Clinic Proceedings begins publication. Today it has one of the largest circulations of any general medical journal.
- 1944 -- First therapeutic application of streptomycin to treat tuberculosis. The patient is a 21-year-old woman in the last stages of pulmonary tuberculosis and she is cured. Until then, the scientific community was convinced that nothing would ever kill tubercle bacilli in humans.
- 1950 -- Drs. Edward C. Kendall and Philip S. Hench are awarded the Nobel Prize for isolation and first clinical use of cortisone.
- 1955 -- Mayo is among the first to perform successful open heart surgery to repair congenital heart abnormalities after refining the Gibbon heart-lung bypass machine (thereafter known as the Mayo-Gibbon heart-lung bypass machine).
- 1973 -- Mayo introduces the first CT scanner in North America.
- 1986 -- Mayo expands outside Minnesota for the first time with the opening of Mayo Clinic in Jacksonville, Fla.
- 1987 -- Mayo Clinic opens in Scottsdale, Ariz. and St. Luke's Hospital, Jacksonville, Fla., becomes part of Mayo. Registration number 4,000,000 given out. Mayo Clinic Rochester goes smoke-free, one of the first medical centers in the country to do so.
- 1992 -- Mayo begins to form a regional network of clinics and hospitals. Decorah (Iowa) Medical Associates is the first existing practice acquired by Mayo.
- 1998 -- Mayo Clinic Hospital opens in Phoenix, Ariz.
- 2000 -- Mayo Clinic Transplant Center opens in Rochester, providing a single setting where patients receive all of their transplant services -- from evaluation to follow-up.

The more recent achievements are particularly notable, as they indicate a twenty year trend toward expansion. During a time when many hospitals are struggling to stay solvent, the Mayo Clinic has been able to manage this expansion while maintaining strong financial performance. A recent article in Modern Healthcare indicated that the demand for funding is currently outpacing providers' ability to pay and that "hospitals, in general,

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don't have the funds to cover all of their capital needs.<sup>2\*</sup> In contrast, the Mayo Clinic's recent financial performance reveals a number of positive trends as shown in Chart 1 below:

**Chart 1: 2002-2004 Mayo Clinic Performance Indicator Comparison<sup>3, 4</sup>**

(all dollar figures '000's)

Financial Indicator	FY'02	FY'04	Change	
			Actual	%
Revenue	\$4,425.1	\$5,353.8	\$928.7	21%
Operating Margin (% Revenue)	1.4%	5.7%	4.3%	--
Net Assets	\$2,315.2	\$3,087.8	\$772.6	33%
Long Term Debt	\$1,446.7	\$1,430.9	\$15.8	1%

The positive trend in in all 4 of these measures is clearly indicative of a thriving organization. In addition, the clinic increased its staff by 5% during the same 2 year period, to a total of 43,400 employees. These employees work in 3 primary facilities in Minnesota, Florida, and Arizona and treat over 500,000 patients each year. As a positive indicator of staff satisfaction, the Mayo Clinic has been named one of Fortune magazines "100 Best Companies to Work For" for several years running.

One final indicator of the Mayo Clinic's success is its recognition as a leading medical research center. As shown in the key dates listed above, the Clinic has a long standing tradition of developing new innovations in healthcare. As indicated by the following recent research awards, it is clear that this tradition continues today<sup>5</sup>:

- o Mayo Clinic was awarded \$9.3 million as one of six cancer research centers in the United States chosen by the National Cancer Institute to participate in a new initiative to test the effectiveness of experimental medications and nutritional compounds for prevention of cancer. Each of the chosen cancer centers will design and lead clinical trials, coordinating its own network of health care institutions to conduct the trials.
- o The first grants from the Minnesota Partnership for Biotechnology and Medical Genomics were awarded to four collaborative research projects that will share \$3 million. The research will focus on cardiovascular disease, prostate cancer, Alzheimer's disease and obesity. The Minnesota Partnership for Biotechnology and Medical Genomics is a unique collaborative venture among Mayo

Clinic, the University of Minnesota and the state of Minnesota.

- o Mayo Clinic was chosen as a Collaborative MS Research Center by the National Multiple Sclerosis Society because of its creative approach to nerve tissue repair, coupled with an unusual combination of expertise. Mayo Clinic was one of only four such centers to earn the distinction in 2004.

These factors all clearly point to an organization that has not only stood the test of time, but is well positioned in the current challenging healthcare marketplace. By clearly focusing on the simply stated ideals of its founders, the Mayo Clinic has established itself as a pre-eminent facility. Three primary factors that have helped the Clinic create an enduring brand, include:

- o Advocating a team-based approach to medical treatment
- o Developing an infrastructure that supports a culture of patient focused care
- o Leveraging technology effectively to streamline processes

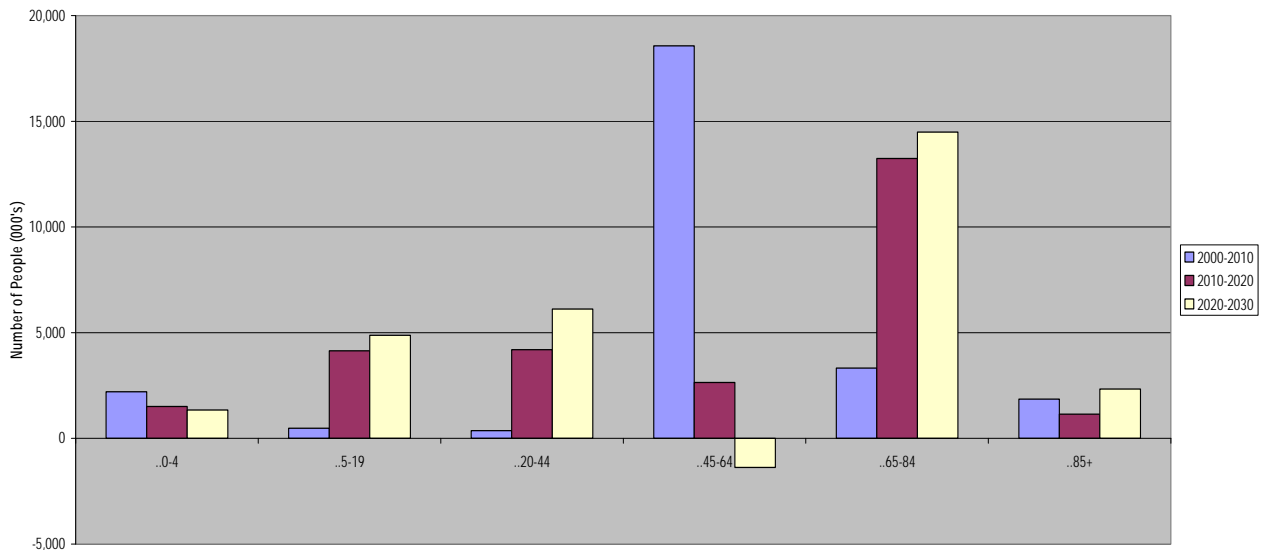
## Team-based approach

"It (has become) necessary to develop medicine as a cooperative science; the clinician, the specialist, and the laboratory workers uniting for the good of the patient," explained Dr. Will. "Individualism in medicine can no longer exist."<sup>6</sup> This quote from Will Mayo sums up the team based approach to medicine that is still followed at the Mayo Clinic today. A century later, this approach provides a unique advantage by positioning the Clinic to most effectively address two current market forces in the healthcare environment: the aging population and the increase in chronic illness.

The aging baby-boomer population will no doubt have a significant impact on the US healthcare market over the next several decades. As the chart below indicates, the US Census Bureau is projecting significant increases in the number of people over 65 over the next few decades.

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Population Change in the United States By Age: 2000 - 2030



Source: US Census Bureau

This growing elderly population will have an increased need for care. In general, since elderly patients tend to require multiple forms of support, one of the key challenges for our healthcare system will be the need to coordinate care across multiple specialists for these patients. This is also true for younger patients with chronic afflictions. According to a recent study, 33% of the working age population was afflicted with at least one chronic condition<sup>7</sup>. This population is also characterized by a need to see multiple specialists for diagnosis and treatment. In most hospital environments, this type of coordination can be challenging. Recent studies have indicated that both primary care physicians and their patients are becoming skeptical of the PCP's ability to recommend and get high quality referrals to appropriate specialists when needed.<sup>8</sup> Specifically, 20% of physicians surveyed were not confident they could always obtain referrals, and approximately 15% of patients were not confident that their physicians would refer them to a specialist when needed.

In contrast, the Mayo Clinic operates exclusively on a team based approach to care. "At Mayo, specialists don't just visit the patient; they swarm the patient as an integrated team, diagnosing a complex problem, proposing treatment -- and often slotting the patient for surgery within 24 hours of the diagnosis."<sup>9</sup> These virtual patient teams are coordinated by a single lead physician, who assembles the required specialists and leverages their expertise to develop a diagnosis and treatment protocol. By maintaining a strong team-based approach to care, the Mayo Clinic is well positioned to address the multiple needs of complex patients like the chronically ill and the aging baby-boomers. The Clinic's dedication to bringing teams of experts together to address the needs of its patients allows for the type of focused

care required to manage multiple conditions in a proactive manner.

The team based approach used at Mayo also involves patients in the decision-making process. "At a time when the conventional doctor-patient relationship has all too often devolved into a preprogrammed, one-way conversation in which physicians tell patients what their options are, Mayo grasps that today's patients not only want great care; they also want to know that they are being heard. At Mayo, patients are part of the team that treats them."<sup>10</sup> By following the team approach, the Mayo Clinic is positioned to address two current market threats in US healthcare: the gap between quality and cost, and the growing threat of malpractice claims.

The cost/quality gap is a well documented market threat: our healthcare costs are rising, despite efforts to control them, and there seems to be no correlation between cost and quality. In "Fixing Competition in U.S. Health Care," Michael Porter and Elizabeth Teisberg assert that the solution lies in changing the nature of competition by giving consumers better access to performance data, and involving patients in the care planning and decision-making process.<sup>11</sup> The Mayo Clinic's team based approach provides an opportunity to address this market threat through continued focus and expansion of the use of teams.

Malpractice claims have been growing at an alarming rate in this country and driving significant increases to malpractice insurance premiums.<sup>12</sup> This market threat is influencing some physicians to refuse treating certain patients or changing the way they practice by ordering more expensive procedures in an effort to "spread the liability."<sup>13</sup> This approach is adding to the overall

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cost of the system, and has been ineffective at addressing the growing malpractice threat. An alternative view is that involving patients in their care planning boosts their personal accountability for the outcomes and may help to reduce the number and frequency of malpractice claims. Mayo's team approach positions the Clinic well to advocate this more proactive approach to managing the malpractice threat.

## Aligning the infrastructure to support the culture

One of the hallmarks of a great brand is a clearly defined culture that pervades all levels of the company. The most successful marketing organizations have cultures that incent appropriate and consistent behaviors at all levels, based on the positioning and identity of the brand.<sup>14</sup> From outset, the Mayo Clinic took a number of important steps that helped to align the organizational infrastructure behind the goal of patient-focused care. Henry Plummer, one of the original members of the Mayo's group practice, devised numerous internal processes and systems to allow for the filing and sharing of patient information. As early as 1907, the Mayo Clinic had introduced a centralized patient records system in which a single file held all information about a patient, including his clinic visits as well as any hospital stays. Later, when the first actual Mayo Clinic building was built, Dr. Plummer helped to ensure the facility was designed to further streamline the patient record-keeping process.<sup>15</sup> This attention to process ensures that physicians and other healthcare providers at the Clinic always have a complete picture of the patient. In addition, the approach has positioned the Clinic to take advantage of the growing market forces brought about by technological advances. By developing a streamlined patient management process from the outset, the Mayo Clinic has been able to take advantage of opportunities to automate processes and further improve the approach to patient care.

The integration of process and technology around the patient has continued at the Mayo Clinic. The organization currently operates out of 3 state of the art facilities, all of which have been designed to improve and simplify the patient experience. "From public spaces to exam rooms to laboratories, Mayo facilities have been designed explicitly to relieve stress, offer a place of refuge, create positive distractions, convey caring and respect, symbolize competence, minimize the impression of crowding, facilitate way-finding, and accommodate families. In the words of the architect who designed Mayo Rochester's new twenty-story Gonda Building: 'I would like the patients to feel a little better before they see their doctors.'<sup>16</sup> This focus on the design of the physical plants has helped to imbue the patient centered approach in the corporate culture of the clinic and this focus pervades all aspects of the organization, down to the tiniest detail, as described in the following story:

"Mayo Rochester employee Mary Ann Morris, the administrator of General Service and the Office of Patient Affairs, often tells a story about her early days with the organization. She was working in a laboratory—a job that required her to wear a white uniform and white shoes—and after a hectic morning getting her two small children to school, she arrived at work to find her supervisor staring at her shoes. The supervisor had noticed that the laces were dirty where they threaded through the eyelets of Morris's shoes and asked Morris to clean them. Offended, Morris said that she worked in a laboratory, not with patients, so why should it matter? Her boss replied that Morris had contact with patients in ways she didn't recognize—going out on the street wearing her Mayo name tag, for instance, or passing patients and their families as she walked through the halls—and that she couldn't represent Mayo Clinic with dirty shoelaces.<sup>17</sup>"

This attention to detail is consistent with the likes of Disney and other world class brands. By insisting on this type of relentless focus on the patient, the Mayo Clinic has been able to create a unique experience for its customers that clearly sets it apart.

One of the unique features of the Clinic that also allows it to support a clear sense of patient focus is the physician governance structure established by the Mayo brothers. "In 1919, the Mayo brothers invested most of their personal savings into creating the Mayo Foundation; they put themselves and their staff on salary, thereby divorcing medical practice from personal gain."<sup>18</sup> Reimbursement for medical treatment is a growing market threat in US Healthcare. Currently, most physicians are compensated based on the number of procedures they perform or patients they see, and they are routinely competing against one another to be compensated for referrals and consultations. This practice of linking physician compensation to output measures (rather than outcomes) has the potential to incent behaviors that don't necessarily lead to the best care: "Doctors in conventional practices often complain today that they are under increasing pressure either to cut costs by seeing more patients per day or to boost revenues by ordering unnecessary procedures. But such deleterious incentives don't affect Mayo Clinic physicians, who have the liberty -- and the responsibility -- to focus entirely on their patients. "I don't have to worry about issues like how many patients I see," says [a Mayo physician]. "At the end of the day, those issues simply don't affect my bottom line."<sup>19</sup> By creating salary structure for the physician staff, the Mayo brothers established a support structure that continues to be an important component of the organization's ability to reinforce its culture despite changes in the external market.

## Leveraging Technology

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"It's the BMW of medicine." That's how a good friend, a physician's wife, described the Mayo Clinic.<sup>20</sup> This description refers to the Clinic's focus on utilizing new technologies to develop innovative approaches to treat illnesses. The author goes on to describe his personal experience with the Clinic's technology savvy approach:

"When I took my father for brain surgery, the clinic had recently devised new optical instrumentation that permitted far greater sensitivity and accuracy in microsurgery. During a recent visit of my own, a specialist was almost dumbfounded when I said that two physicians in Washington, D.C., had recommended surgery. "In the first place, surgery is not indicated in your case," he said. "In the second place, we hardly ever do surgery in situations even remotely similar to yours -- and haven't for years. When we do have to intervene we use laser or microwave techniques." He conveyed the distinct impression, shaking his head and saying something about "antiquated" and "obsolete," that my other physicians were practicing medieval medicine."<sup>21</sup>

The Mayo Clinic's focus on leveraging technology is a natural extension of the cultural alignment. Beginning with the work of Dr. Plummer, the Clinic has always had a strong focus on utilizing technology to improve the efficiency of hospital operations. Beginning with the Mayo brothers, the medical staff has built a long standing reputation for using technology to best advantage in the interest of helping patients. As indicated by several of the advancements noted in the list of key dates on page 1, this relentless focus on improving the practice of medicine to benefit the patient has been a consistent characteristic of the Mayo Clinic since its inception and it has allowed, and continues to allow the Clinic to develop novel approaches to treating illness.

## Summary

"The best interest of the patient is the only interest to be considered."

The singular focus on this ideal has allowed the Mayo Clinic to build a strong brand that has been able to adapt and respond to a changing marketplace. As indicated below, the key components of Team Orientation, Cultural Alignment, and Technology Leverage continue to play a key role in solving numerous challenges in today's marketplace:

Component	Market Forces	Market Threats
Team Orientation	<ul style="list-style-type: none"> <li>○ Aging Population</li> <li>○ Increasing need</li> </ul>	<ul style="list-style-type: none"> <li>○ Growth of Malpractice Claims</li> </ul>

	for Chronic Care	○ Quality/Cost Conundrum
Cultural Alignment		○ Physician compensation & incentive structures
Technology Leverage	○ Technological Advances	

This enduring brand has stood the test of time and is a shining example of how a clear sense of mission, effectively implemented, can help an organization thrive in a challenging (and changing) market.

## About Tandem Solutions

Tandem Solutions is a Boston based management consulting and training firm that specializes in helping clients activate their strategies. The firm has a very active healthcare practice, which has serviced numerous stakeholders in the healthcare industry (providers, clinicians, payers, etc).

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## Endnotes

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- <sup>3</sup> 2002 Mayo Foundation Annual Report: *Financial Report*, <http://www.mayoclinic.org/annualreport/2003.html>
- <sup>4</sup> 2004 Mayo Foundation Annual Report: *Financial Report*, <http://www.mayoclinic.org/annualreport/financialreport-2004.html>
- <sup>5</sup> 2004 Mayo Foundation Annual Report: *2004 Highlights*.: <http://www.mayoclinic.org/annualreport/highlights-2004.html>
- <sup>6</sup> Mayo Clinic Website: <http://www.mayoclinic.org/about/history.html>
- <sup>7</sup> Tu, Ha T., *Rising Health Costs, Medical Debt, and Chronic Conditions*: The Center for Studying Health System Change, Issue Brief 88, September, 2004;  
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<http://www.hschange.org/CONTENT/152/page1.html?words=chronic+disease>
- <sup>9</sup> Roberts, Paul, *The Agenda: Total Teamwork*, Fast Company: Issue 23, April, 1999.
- <sup>10</sup> IBID
- <sup>11</sup> Porter, Michael E. and Teisberg, Elizabeth Olmsted, *Fixing Competition in US Health Care*, Harvard Business Review Research Report., June 2004, Pp. 60-61
- <sup>12</sup> Beider, Perry, "Limiting Tort Liability for Medical Malpractice," *Congressional Office Economic and Budget Issue Brief* (8 January 2004): 1-7. <http://www.cbo.gov/showdoc.cfm?index=4968&sequence=0>
- <sup>13</sup> Berenson, Robert A, Kuo, Sylvia, and May, Jessica, *Medical Malpractice Liability Crisis Meets Markets: Stress in Unexpected Places*, Center for Studying Health System Change, Issue Brief no. 68,  
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- <sup>15</sup> Mayo Clinic Website: History, <http://www.mayoclinic.org/about/history.html>
- <sup>16</sup> Berry, Leonard L. "Clueing in Customers," *Harvard Business Review*, Vol 81., No. 2, February 2003
- <sup>17</sup> IBID
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- <sup>21</sup> IBID