Healthcare Consumerism: How Patient Behavior is Changing the Landscape
Agenda

• Current State of Healthcare and Consumerism

• ACA Legislation - A Catalyst for Healthcare Consumerism

• Healthcare Consumerism Impacts
  o Access
  o Cost
  o Quality

• Effects on Providers

• Things to Consider
Current State of Healthcare and Consumerism
What if we bought cars like this?

- What if we had to shop for an engine, a drive train, a body and tires, all separately, from separate vendors, with separate billing systems?

What if we bought cars like this?

• Then, when you have purchased all the parts...
  o It’s up to you to assemble those parts and make your own car,
  o You have to pay each of the vendors separately,
  o You end up with something that might or might not work,
  o And, you will pay full price whether it works or not!

The average consumer simply wouldn’t do this!!

BUT, THIS IS HOW WE PURCHASE HEALTHCARE!

Healthcare Industry is Fragmented

- In healthcare, the “product” we are trying to buy is our physical well-being
- We are responsible for purchasing all the parts...
  - We have to “assemble” our own health,
  - Deal with multiple, independent specialist providers,
  - Deal with different payment systems,
  - Decide among different delivery systems,
  - And, we pay full price whether it works or not!
- Plus, the rules are constantly changing!

Change is Happening

- US system of employer-sponsored healthcare was built around a business-to-business model, where patients have been incidental to the delivery of healthcare

- A hospital's primary customer has been an insurance company, and the insurance company's primary customer has been the employer

- Or the customer has been a government program like Medicare or Medicaid, with the bill going to taxpayers

- Costs have been increasing because patients feel entitled to whatever care their provider recommends, at whatever cost

- ACA was signed into law March 2010

- This and other factors are affecting change

- Change is resulting in consumerism in healthcare
Which Came First?

Consumer Behavior

Industry Behavior
Healthcare Consumerism is a movement giving the participant purchasing power that promotes decision-making in their own healthcare. It empowers the consumer to become more educated and involved in decisions like what physician they want to see, what procedures they want to have done, what facility they want to go to, and how much they are willing to pay for services.
Consumer Segmentation – We’re Not All the Same

Six health care consumer segments

- **Out & About**
  - independent; prefers alternatives; wants to customize services
  - 4%

- **Shop & Save**
  - active; seeks options and switches for value; saves for future health costs
  - 9%

- **Casual & Cautious**
  - not engaged; no current need; cost-conscious
  - 34%

- **Sick & Savvy**
  - consumes considerable health care services & products; partners with physician to make treatment decisions
  - 14%

- **Online & Onboard**
  - online learner; happy with care but interested in alternatives & technologies
  - 17%

- **Content & Compliant**
  - happy with physician, hospital and health plan; trusting and follows care plans
  - 22%

ACA Legislation - One Catalyst for Healthcare Consumerism
ACA Impact and Consumer Behavior

- Increase in coverage due to the availability of insurance and the individual mandate
- New health insurance marketplaces were created that offer a choice of plans that meet standards for coverage and that provide information to consumers and small employers to help them make educated choices about the policies they are purchasing
- Group health plans and issuers are providing rewards to employees as part of “health-contingent” wellness programs
- Consumers becoming more sensitive to price and quality, especially those with high deductible health plans
- Consumers willing to pay if they are provided with information and options

Source: U.S. Department of Health and Human Services, PNC Healthcare Advisory Services
ACA Affected Entities

- ACA is one of the factors influencing healthcare entities and their interaction with consumers
- Disruption is uncomfortable but also presents opportunities
- Intended to facilitate change in the areas of ACCESS, COST, and QUALITY
Healthcare Consumerism Impacts

- Access
  - Access to information and to healthcare services
  - Integration of new technologies
  - Changes in delivery options and healthcare coverage

- Cost
  - Cost of services
  - Transparency of pricing and payment models
  - Changes in purchasing behavior

- Quality
  - Customer perceptions
  - Customer accountability
  - Customer experience
Access
Delivery Trends

• Inpatient hospital utilization will decline by 25%, then 40%, as higher-cost treatments move to lower-cost ambulatory settings and smart care teams mostly eliminate avoidable acute events, mastering prediction, prevention, and early intervention

• Specialized smart care teams will displace traditional single-specialty practices
  
  o 25% of traditional primary care services will be provided through the care team rather than by the physician, then 60%, as care teams evolve into ecosystems and include social, mobile, and retail options

• Most procedural services (surgeries and diagnostic procedures) will migrate to convenient lower-cost outpatient settings
  
  o 85% of diagnostics to move to retail settings, prices to fall by 50%, and accuracy to improve

• Traditional diagnostic services will be massively disrupted by the next generation of low-cost broad-spectrum and highly accurate diagnostics


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Websites, Wearables, and Apps... Oh My!

- Websites: WebMD attracts 180 million unique visitors each month to its network of websites
- Wearables: Jawbone’s Up band, one of the leaders in fitness tracking, recently registered its trillionth step
- Apps: 50,000 – 100,000 health and fitness apps
- Top 10 health and fitness apps generate up to 4 million free and 300,000 paid downloads each day
- Millions of registered users to health/fitness communities

Changing Delivery Options

- PWC Study: % of those surveyed, age 55+ said they were “very likely” or “somewhat likely” to choose new healthcare-style options

Consumer Engagement

- Healthcare needs to revolve around patients rather than other organizations
- Consumers want to make decisions and have options
- Patients and caretakers want to be empowered
- Convenience and flexibility are key!
- Goal: engage patients, families and caretakers who play a crucial part in making decisions involving care
- Example: Patient-centric portals

Ways Millennials are Altering Healthcare Landscape

• Growing trends among the millennials (ages 21-32) that are driving change in healthcare include:

  **Word-of-Mouth Marketing:** Nearly 50 percent of millennials and Gen-Xers use online reviews (e.g. Yelp, Healthgrades) when shopping the last time for a health care provider, compared to 40 percent of baby boomers and 28 percent for seniors.

  **Kick the tires online before buying:** Fifty percent of millennials and 52 percent of Generation X-ers checked online information about their insurance options during their last enrollment period compared to 25 percent of seniors.

  **Good faith, upfront estimates:** One out of five people surveyed by PNC listed unexpected/surprise bills as the No. 1 billing-related issue. With out-of-pocket costs on the rise, millennials are more inclined (41 percent) to request and receive estimates before undergoing treatment.

  **Kicking care down the road:** All age groups agreed that medical care is too expensive (79 percent) and health care costs are unpredictable (77 percent). But more than half of the millennials (54 percent) and Gen-Xers (53 percent) reported delaying or avoiding treatment due to costs.

  **Speedy Delivery:** When it comes to the drive-thru generation, millennials prefer retail (34 percent) and acute care clinics (25 percent) double that of boomers (17 and 14 percent respectively) and seniors (15 and 11 percent respectively).

Cost
Employers / Payers Shifting Responsibility to Consumers

- Ever increasing strategy is for employers to shift costs to the consumer by offering high deductible health plans (HDHPs) and health savings accounts (HSAs)

- In 2013, about 58% of employers offered a HDHP

- Hospital uncompensated care rose to a record $45.9 billion in 2013

- Out-of-pocket payments by insured patients are expected to grow by 68% from 2009 to 2015

- Increasing HDHPs = Increasing patient financial responsibility = Consumer behavior

HSA Deposits & Covered Lives

Total HSA Deposits & Covered Lives


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Growth in Deductibles

- Average In-network and out-of-network deductibles for visits are increasing

“Cashification” of Healthcare

- With HDHPs and HSAs, consumers’ financial responsibility for their medical treatment is increasing
- Trends are moving toward employers only offering HDHP options
- Consumers usually don’t plan on ever hitting their deductibles
- Behavior is modified to save $$ $$
Cost Transparency

• Transparent consumer markets are shifting the basis of competition from reputation and referrals to price, value and outcomes

• Regence Blue Cross Blue Shield in Utah surveyed 13,000 users and found that 28% changed providers based on cost information made available online

• Healthcare Bluebook
  o Kelley Blue Book for medical services to provide a pricing guide
  o Allows users to search through thousands of common procedures
  o Customized depending on your geographic area
  o Show a scale indicating where price compares

Cost Impact of Consumerism

• Changing participant health and healthcare purchasing behaviors
• Reducing costs for “discretionary care” through informed purchasing & incentives
• Reducing long term costs with added incentives for “good health”
• Reducing costs of chronic conditions through improved compliance with treatments and disease management programs
• Reducing acute care costs with incentive hospital tiering based upon cost and quality
• Narrowing market cost and quality variations
  o Giving plan participants more control over and “shared responsibility” for managing own healthcare and related costs
  o Supplying participants with the tools to act as better informed healthcare consumers

Source: The Institute for Healthcare Consumerism
Quality
Consumer Attitude Toward Quality

Value = Quality / Cost

• Consumers are skeptical of the idea of quality and value in healthcare and perceive healthcare as expensive and wasteful
  o 62% of consumers believe that > 50% of the dollars spent on health care is wasted
  o 72% give the U.S. health care system “C”, “D”, or “F” (scale of A through F) on healthcare value

• Consumers often assume that high quality care = expensive care

• Or, that low cost = care that is being withheld or is being performed by less qualified professionals

• Consumers desire and expect a satisfying customer experience beyond the clinical care they receive
Consumer Health Accountability

- Influx of new customers into the market and ACA mandates put increasing pressure on insurers to be more efficient, particularly in engaging individual consumers rather than employers.

- Consumers are getting more involved
  - Asking questions, talking to clinicians, understanding their condition

- Searching for evidence-based information for improving their health and their disease

- Changing behaviors and planning for their healthcare needs financially and with lifestyle changes

http://www.ahrq.gov/patients-consumers/index.html
Effects on Providers
The Consumer Focus Shift

• “What can I as a physician do to you?”

• Consumers were less aware of their treatment and provider options.

• Providers have focused on addressing gaps that exist within their own care coordination efforts.

• Consumers were less aware of their total healthcare costs.

• “What do you as a patient want to realize as your health outcome?”

• Providers need to become more market and consumer-focused in their efforts to grow and retain revenue.

• Providers need to drive exceptional patient experience and help consumers manage their journey through the healthcare system more freely.

• Providers need to not only manage bad debt, but also enhance the patient’s overall satisfaction with the patient experience.
Effects on Hospital Providers

• Increasing patient financial responsibility = potentially increasing AR and bad debt
  
  o Out-of-pocket payments by insured patients are expected to grow by 68% from 2009 to 2015
  
  o Hospital uncompensated care rose to a record $45.9 billion in 2013

• Increased pressure to update/acquire technologies and processes to help consumers understand their out-of-pocket costs prior to service and provide options to pay in an easy and timely manner

• Increased consumer pressure for pricing transparency

• Increased competition from less costly, more agile and easily accessible delivery channels, potentially putting market share at risk

Other Sources of Competition And... Opportunity

• Estimated $1 trillion business opportunity

• Healthcare transformation is occurring - in order to survive, providers need to transform

• Examples of organizational evolution:
  
  o IBM made it from tabulating machines to mainframes to minicomputers to PCs to outsourcing to big data
  
  o Apple went from computers to smart phones to personalized streaming to active lifestyle management (dashboards, shopping, etc.) to dynamic social communities
  
  o Amazon made it from online book distribution to the world’s “everything store” to personalized digital media to cloud computing for small businesses

Things to Consider
Competitive Considerations for Providers

• An organization’s relevance will depend on how well they can grow and adapt in a consumer-centric environment

• Consumers will naturally be more discriminating in deciding where to go and how much to pay for their healthcare

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Questions to Consider for Your Organization

- What is your organization’s brand image and strategy?
- What channels do you offer to consumers to engage with your organization?
- Is your delivery network competitive from the standpoint of a consumer-driven mindset?
- What is your strategy for pricing of services in this more informed, more involved, and cost-conscious consumer market?
- What factors will influence your consumer base to seek out your services and return for services in the future?
- Do you have the necessary processes and tools in place to educate consumers on costs thus increasing likelihood for payment and decreasing uncompensated care?
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