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# Activity in Search of Strategy: How U.S. Hospitals and Health Systems Are Responding to Consumerism

Dan Clarin, Senior Vice President  
Kaufman, Hall & Associates, LLC

# Today's Agenda

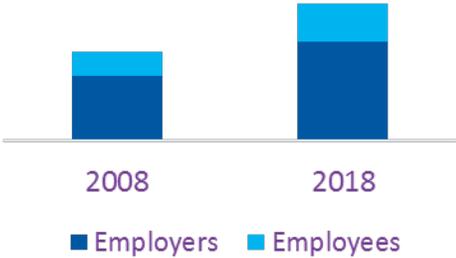
- 1 Consumers: Shaping Healthcare's Future
- 2 Findings from Kaufman Hall's State of Consumerism in Healthcare Survey
- 3 The Required Mindset and Strategies

# Consumers: Shaping Healthcare's Future

# The Traditional Healthcare Business Model Is Under Attack

## Rising Costs Remain a Problem

Employees bear an increasing share of premium costs



## Investment in Non-Hospital Healthcare

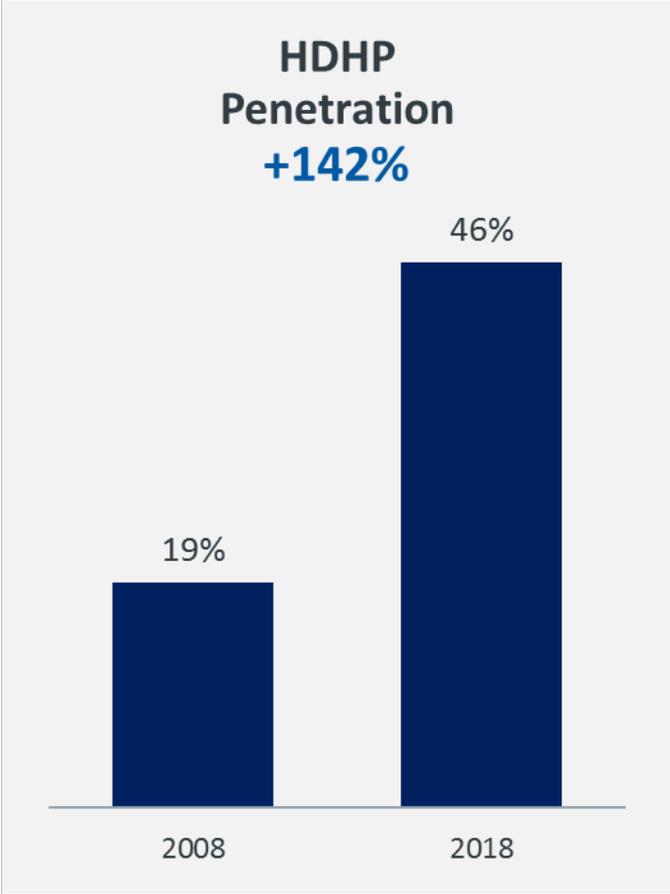
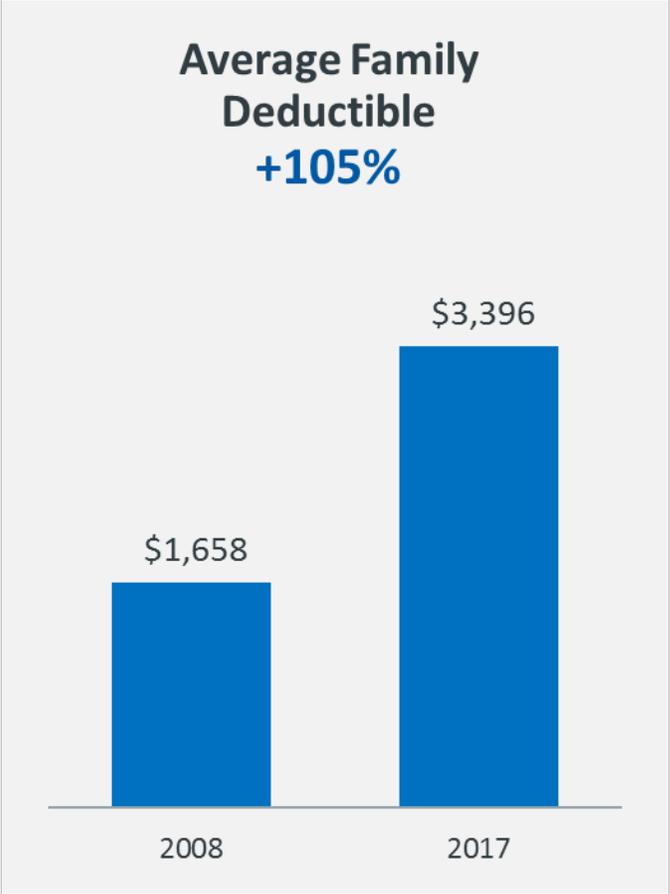
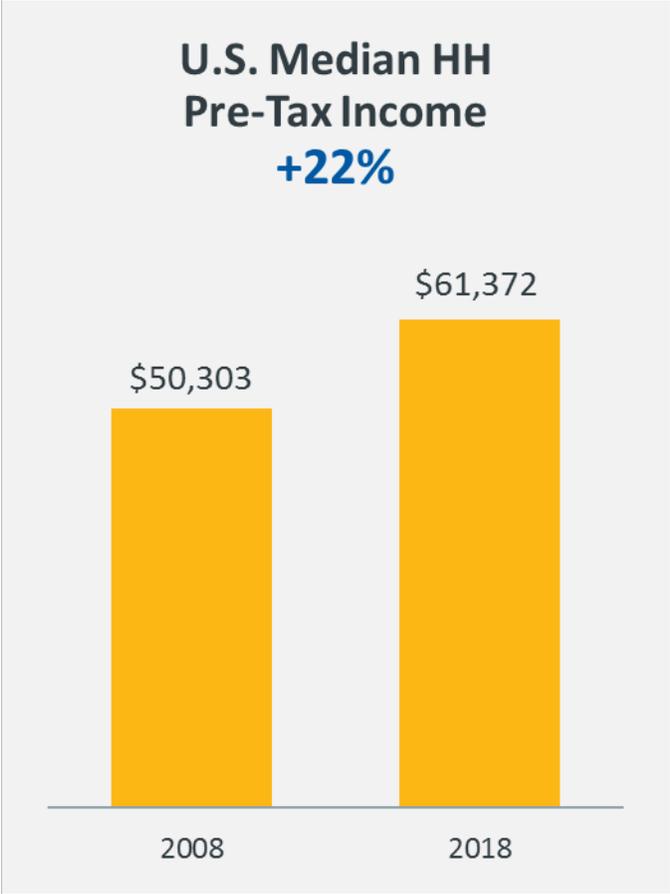


*Millennial cohort now larger than Boomers... different experiences and behaviors*

### Generational Shift

### Digitalization

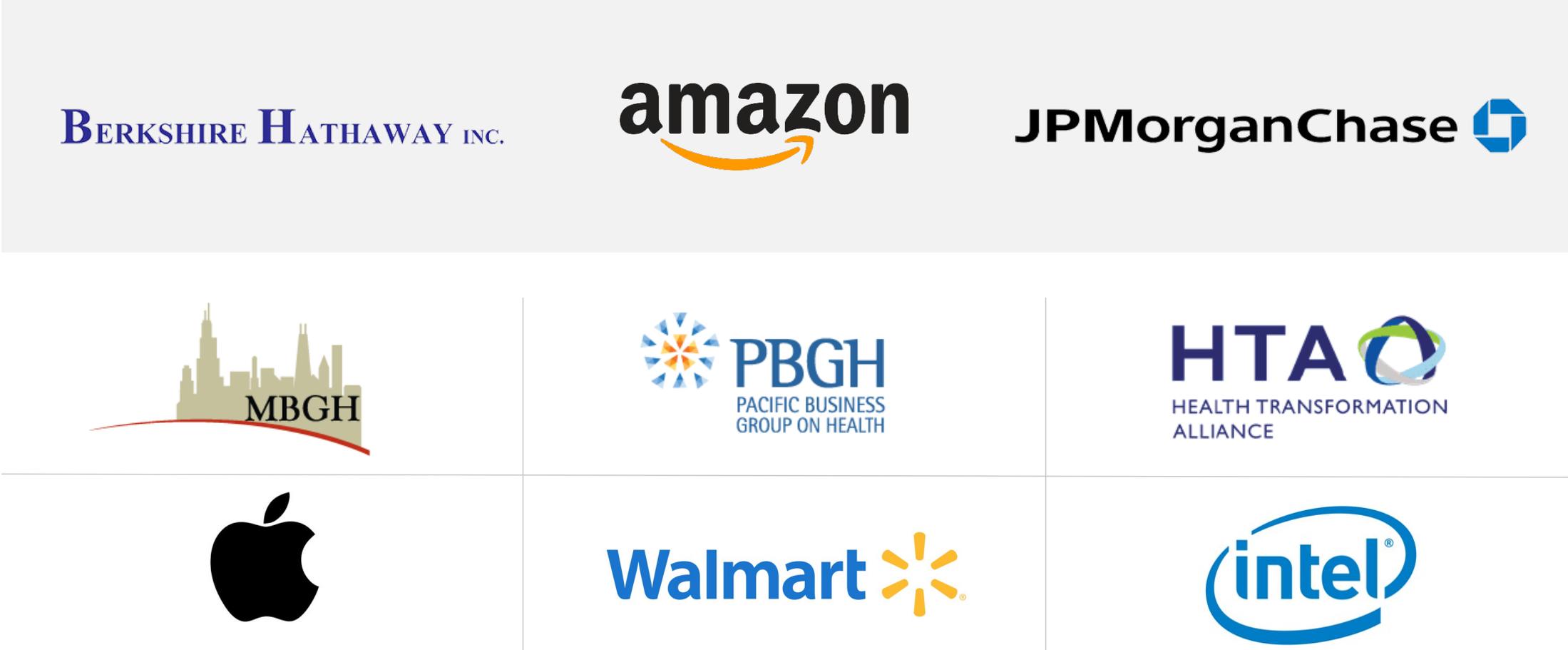
# Costs Increasingly Are Shifting to Consumers



Sources: U.S. Census Bureau Data. Agency for Healthcare Research and Quality: "Medical Expenditure Panel Survey." 2017; Martinez, M.E., Zammitti, E.P., Cohen, R.A.: *Early Release of Estimates from the National Health Interview Survey, January-June 2018*. National Center for Health Statistics, November 2018.



# Major Employers Are Looking to Innovate to Reduce Costs and Improve Outcomes

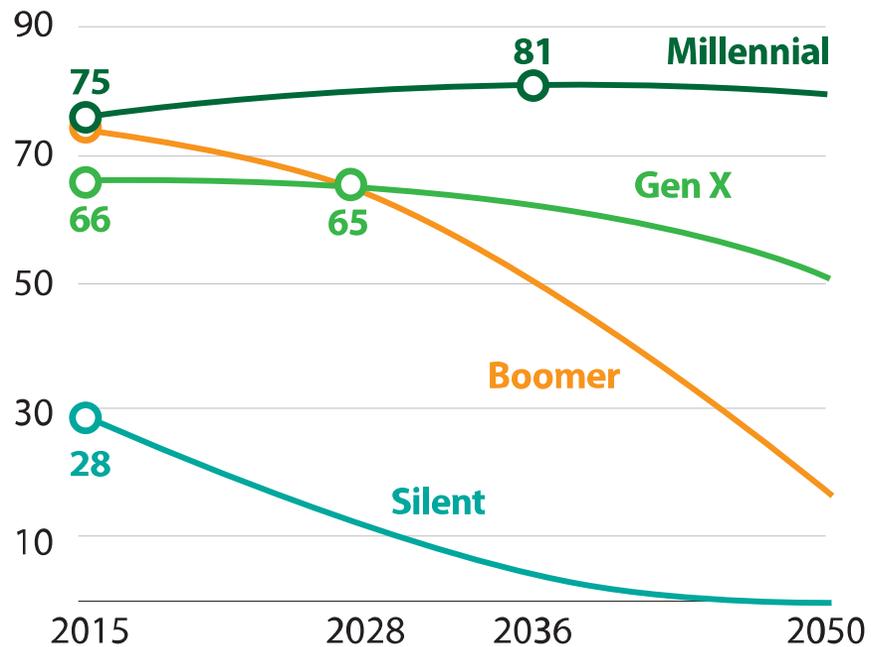


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# Millennials Have Different Healthcare Expectations

## Baby Boomers are no longer the largest population segment

In millions



## Characteristics of young healthcare consumers, per Kaufman Hall research:

- More cost sensitive relative to other segments
- More likely to actively search online before selecting services/providers
- More frequently visit urgent care as a first step
- Expect easier access to video visits and weekend/evening appointments
- More accepting of retail clinics and video visits for a wide range of needs

Sources: Pew Research Center; Kaufman Hall proprietary research.



# In Response, Non-Hospital Healthcare Is Seeing Huge Investments

## Mega Mergers



## Optum



## Private Equity



## Routine Care



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# Digitalization Has Eaten Entire Industries

Winners

NETFLIX

Uber

amazon



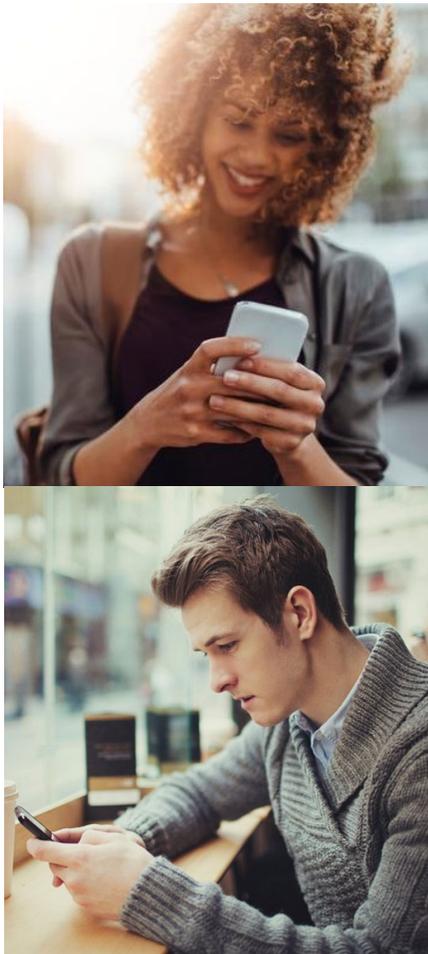
Losers



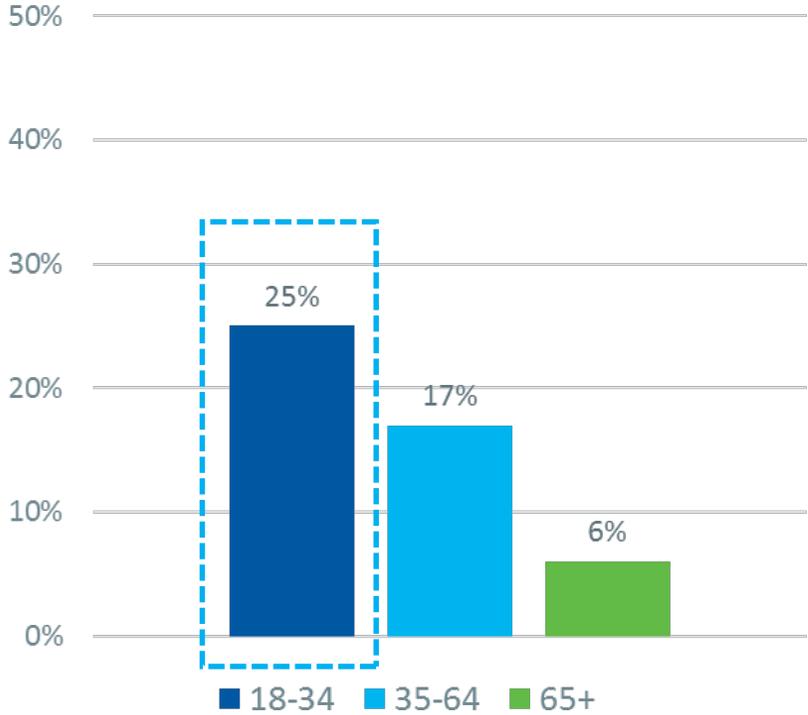
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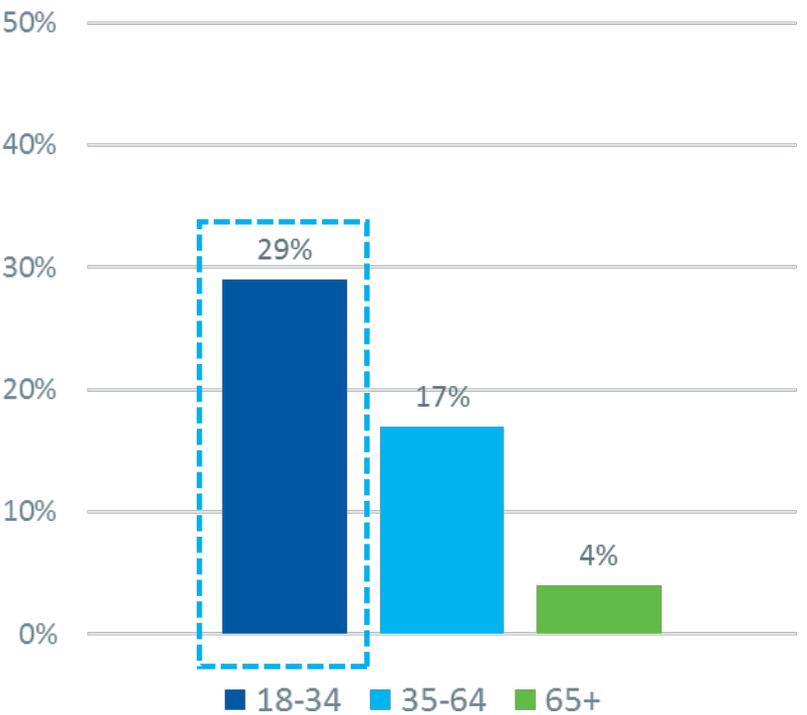
# The Future: Web, Not PCP, Is the Hub of Patient Journey



Percent of respondents who turn to web as first step when they have a healthcare need



Percent of commercially-insured respondents who DO NOT have a PCP they visit routinely



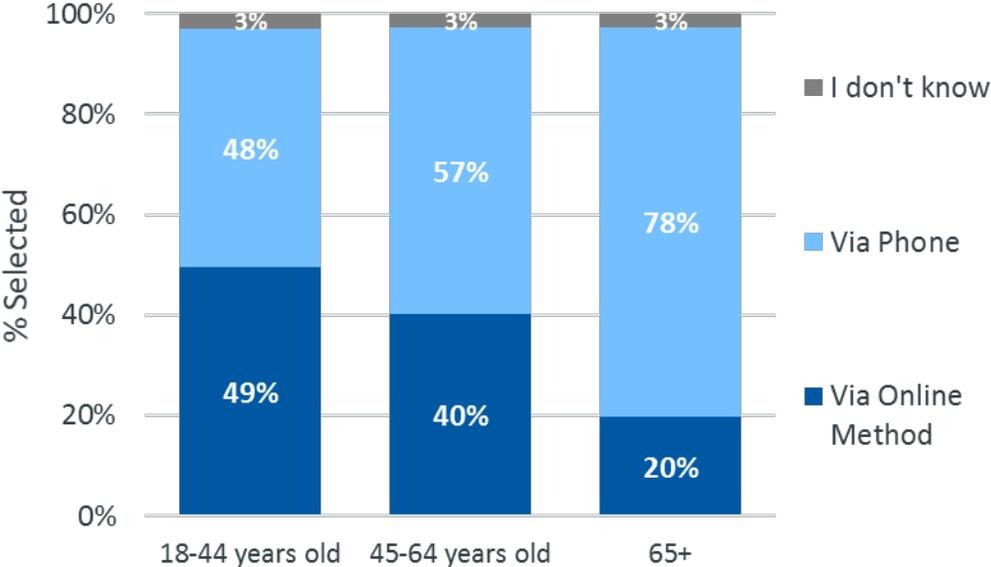
Source: Crnkovich, P., Clarin, D.: *The Consumer Message to Healthcare Providers: Results of a National Survey*. Kaufman Hall, August 2018; Proprietary Kaufman Hall consumer survey.

# The Healthcare Journey Increasingly Begins Online

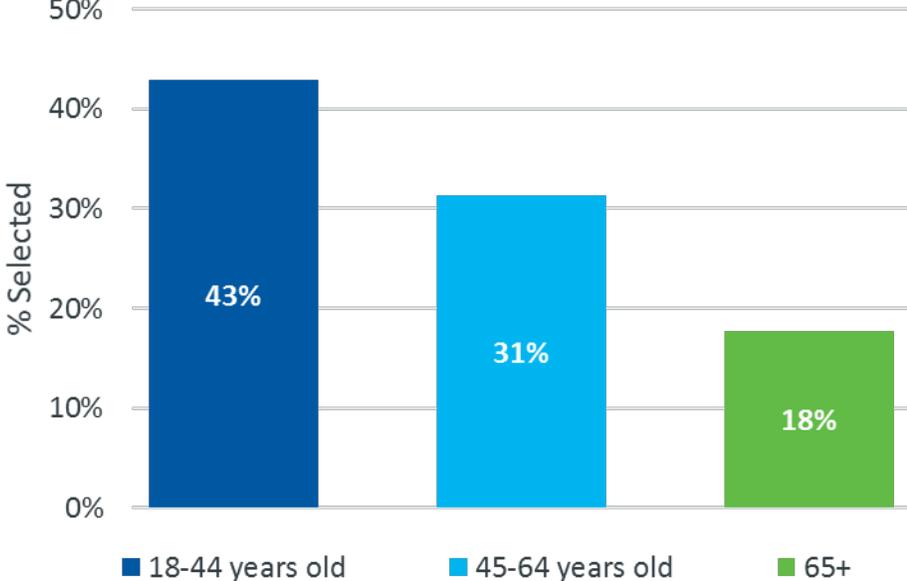
Millennials are more likely to schedule appointments and locate where to receive care online than other age groups.



Preferred Appointment Scheduling Method by Age Group



% of Consumers Who Found Where to Receive Care Online by Age Group



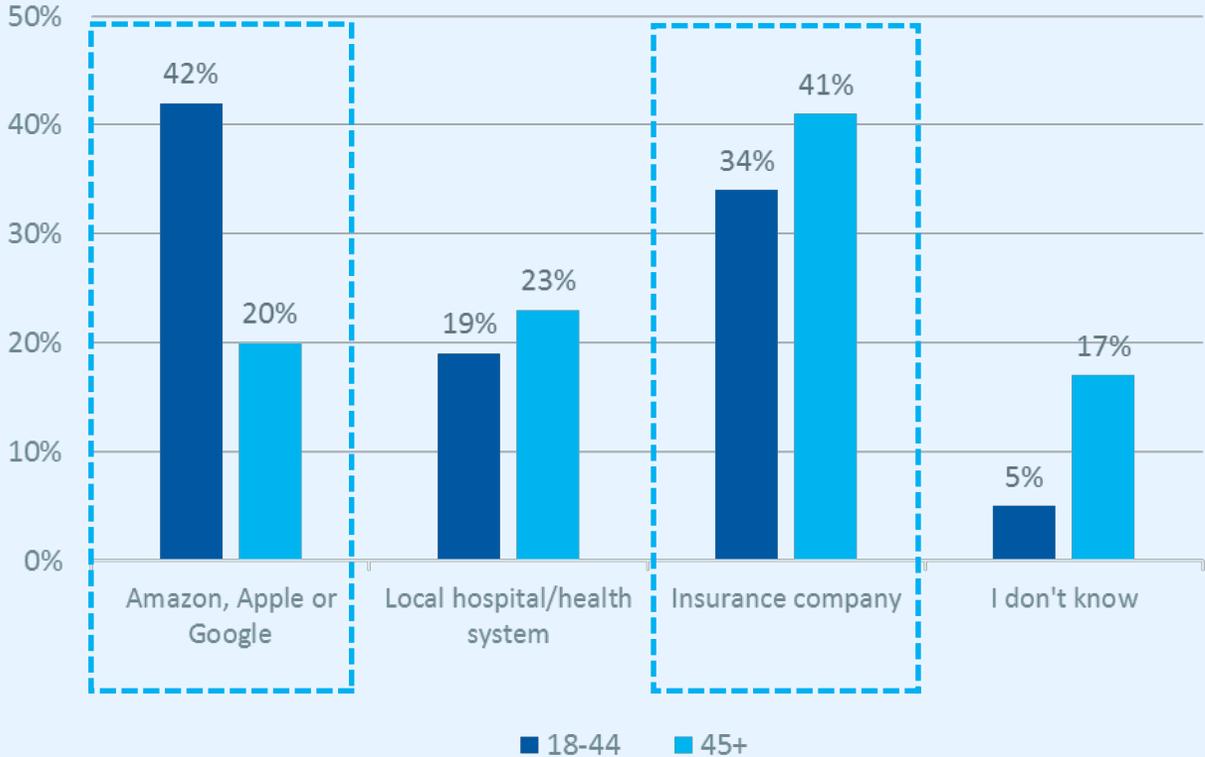
Source: Proprietary Kaufman Hall consumer surveys.



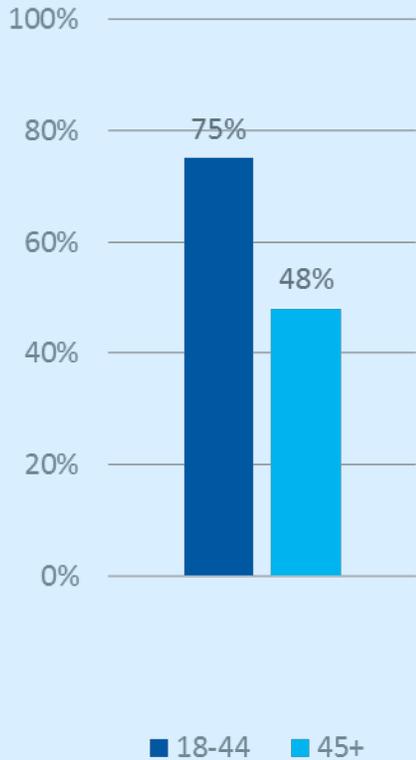
# Millennials Are More Likely to Trust the Big Tech Companies for Healthcare



Who consumers would trust to develop the best online tool to help them find and select the right healthcare services



Would use a mobile app developed by Amazon, Apple, or Google to help find and select healthcare services



Note: Copyrights of images belong to their respective owners.  
 Source: Proprietary Kaufman Hall consumer surveys.

# A Future Not Too Difficult to Imagine

**amazon.com**  
*PrimeHealth*

- Easy-access, low-cost health insurance
- Free, unlimited virtual healthcare services
- Online pharmacy discounts
- Discounted rates at local preferred providers



## PERSONAL HEALTH RECORD

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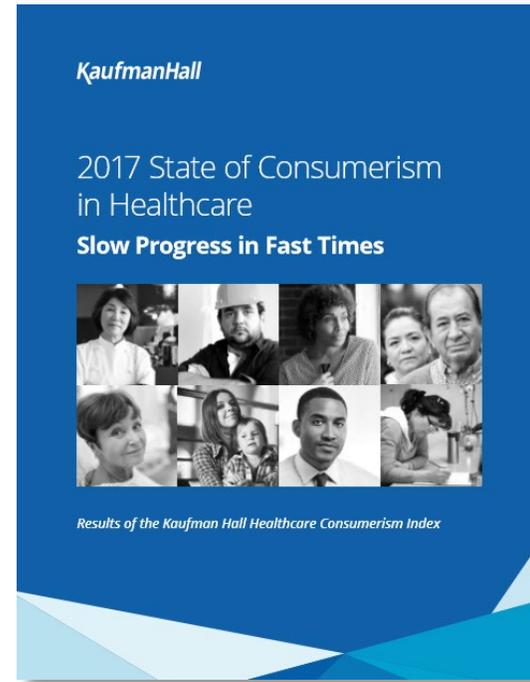


# Findings from Kaufman Hall's State of Consumerism in Healthcare Survey

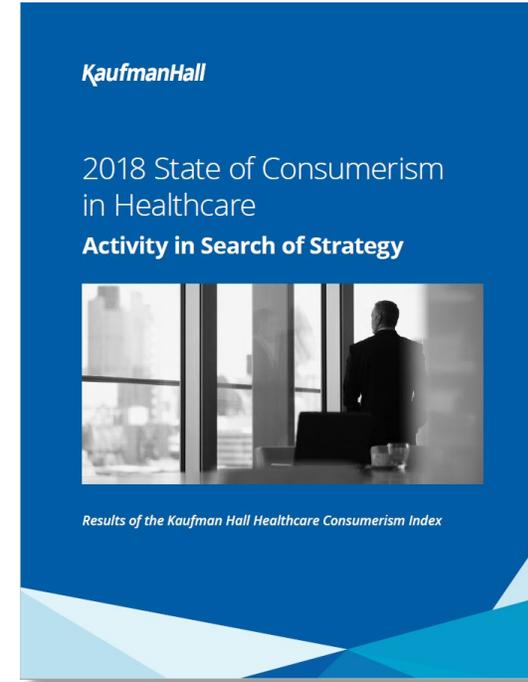
# 2019 Marks the Fourth Annual State of Consumerism in Healthcare Survey



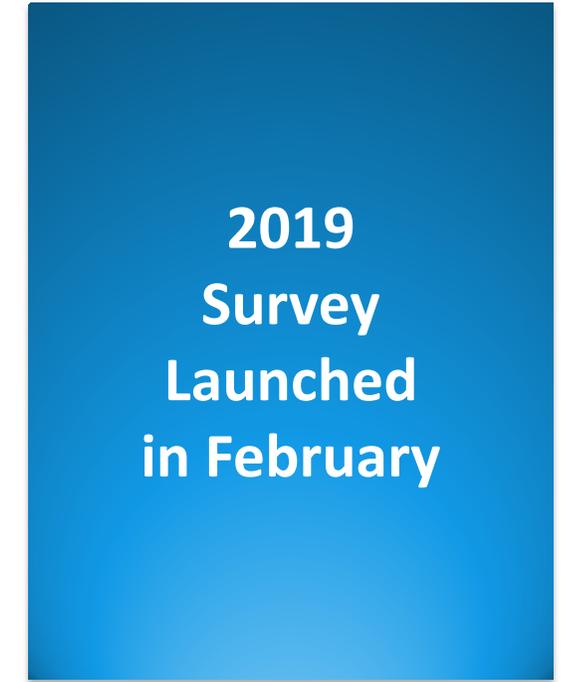
“The Words Don’t Match the Pictures”



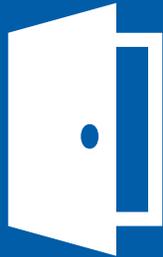
“Slow Progress in Fast Times”



“Activity in Search of Strategy”



# The Roadmap to Attracting and Retaining Customers



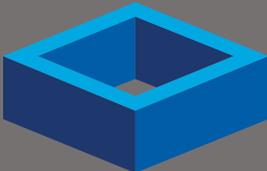
**ACCESS:**  
Reimagine Routine Care



**PRICING:**  
Align with Value Proposition



**EXPERIENCE:**  
Retain Customers and Build Loyalty



**THE FOUNDATION:**  
Leadership, Branding, Insights, Analytics, and Digital Tools

# 2018 Survey: Consumers Want Access, We Provide Quality

## Industry Average Ranking of Key Provider Attributes

RANK	What We Think Our Consumers Want	Our Competitive Differentiators
1	<b>Accessibility of Care</b>	<b>Quality of Clinical Outcomes</b>
2	Consumer Experience	Consumer Experience
3	<b>Quality of Clinical Outcomes</b>	Geographic Coverage
4	Price	<b>Accessibility of Care</b>
5	Availability of Complex Care and Treatments	Availability of Complex Care and Treatments

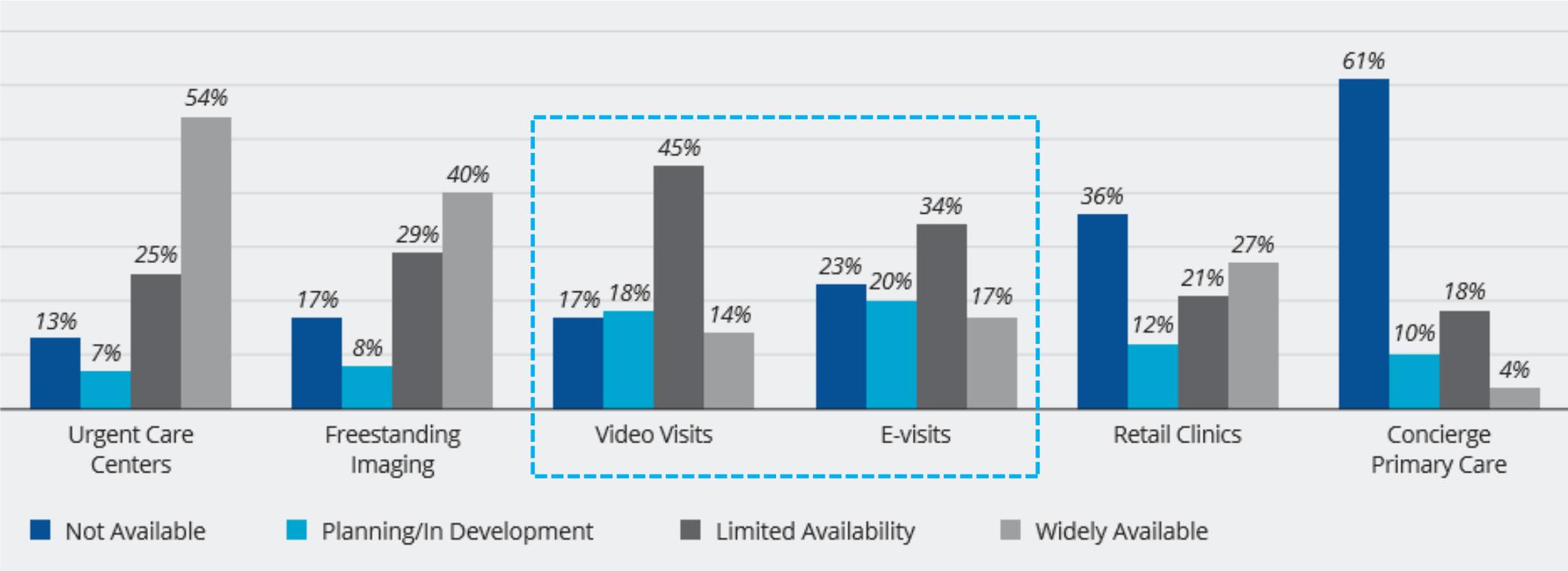
Source: Crnkovich, P., Clarin, D.: 2018 State of Consumerism in Healthcare. Kaufman Hall, June 2018.



# A Look at Consumer-Friendly Access Points

## Access

Describe the consumer-friendly access points offered by your organization.

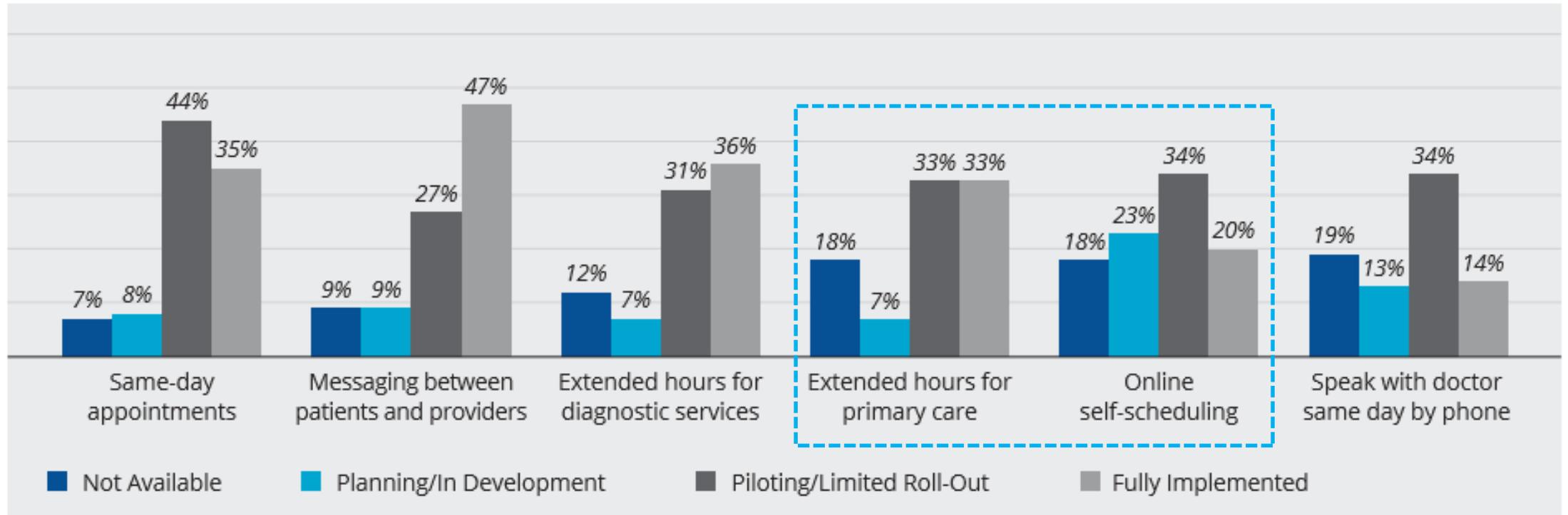


Source: Crnkovich, P., Clarin, D.: 2018 State of Consumerism in Healthcare. Kaufman Hall, June 2018.

# Booking Appointments Online Should Not Be Considered Aspirational

## Access

Describe your organization's progress in providing the following features to improve access.

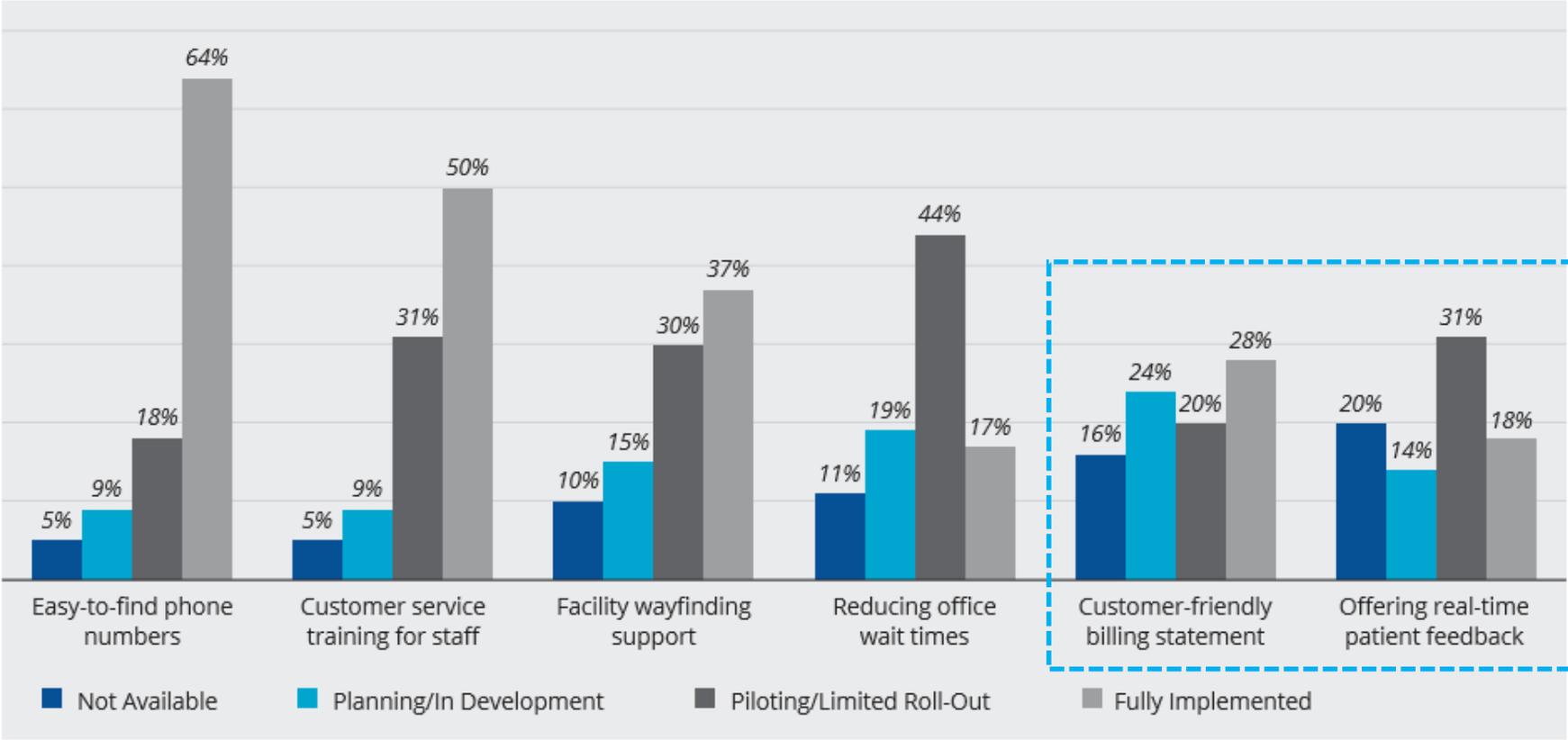


Source: Crnkovich, P., Clarin, D.: 2018 State of Consumerism in Healthcare. Kaufman Hall, June 2018.

# Patient Feedback and Billing Statements Remain Major Areas for Improvement

## Consumer Experience

Describe your organization's progress in improving customer experience.



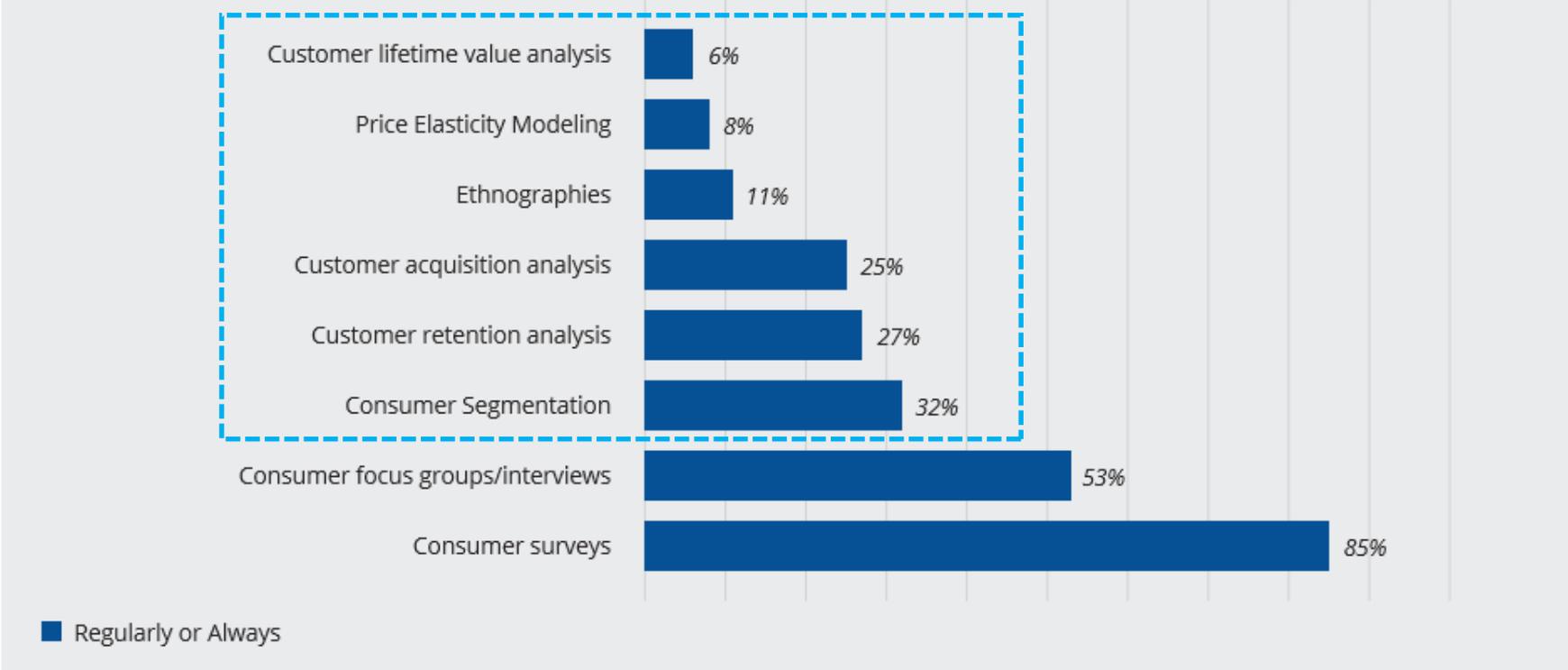
Source: Crnkovich, P., Clarin, D.: 2018 State of Consumerism in Healthcare. Kaufman Hall, June 2018.



# Healthcare Providers Are Not Doing Enough to Understand and Measure Consumer Needs and Behaviors

## Consumer Insights and Analytics

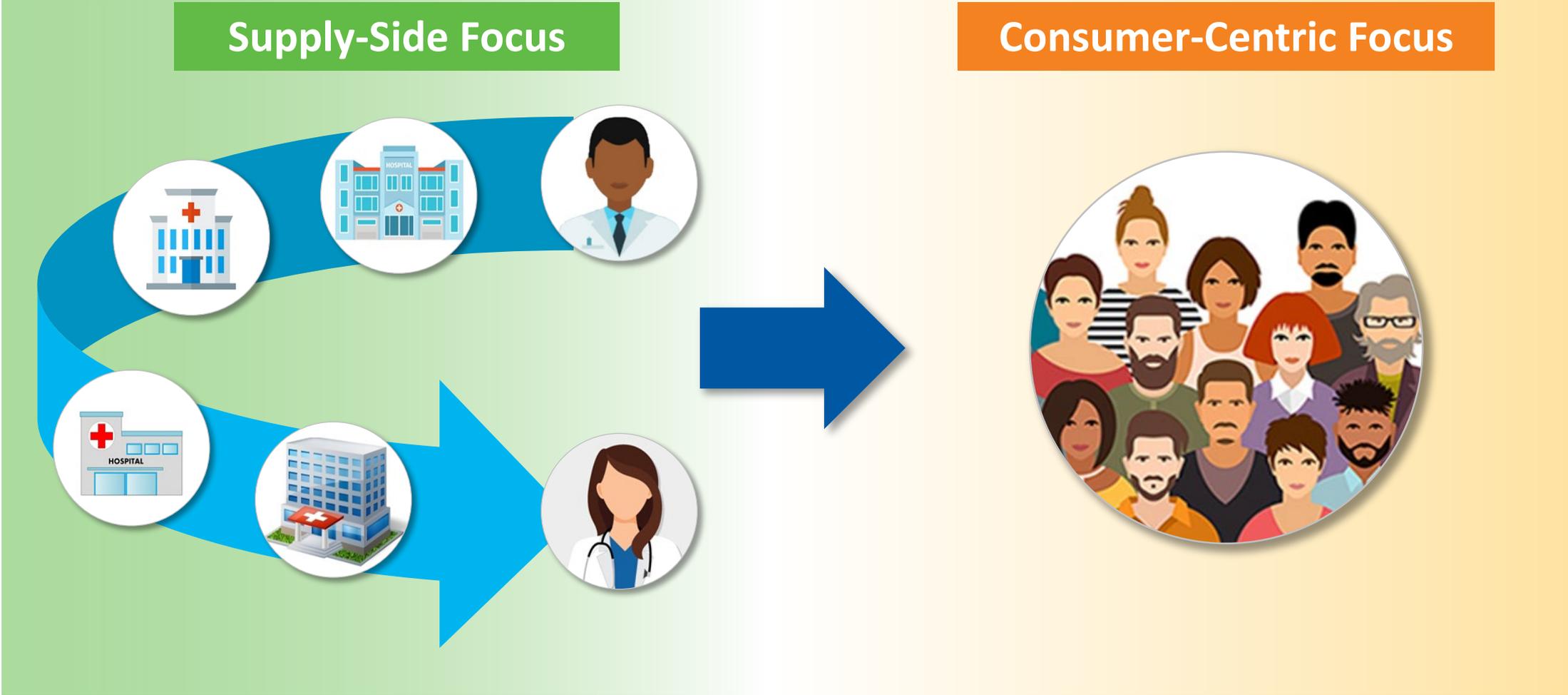
Describe the extent to which your organization uses the following consumer insights techniques and analytics to inform strategies.



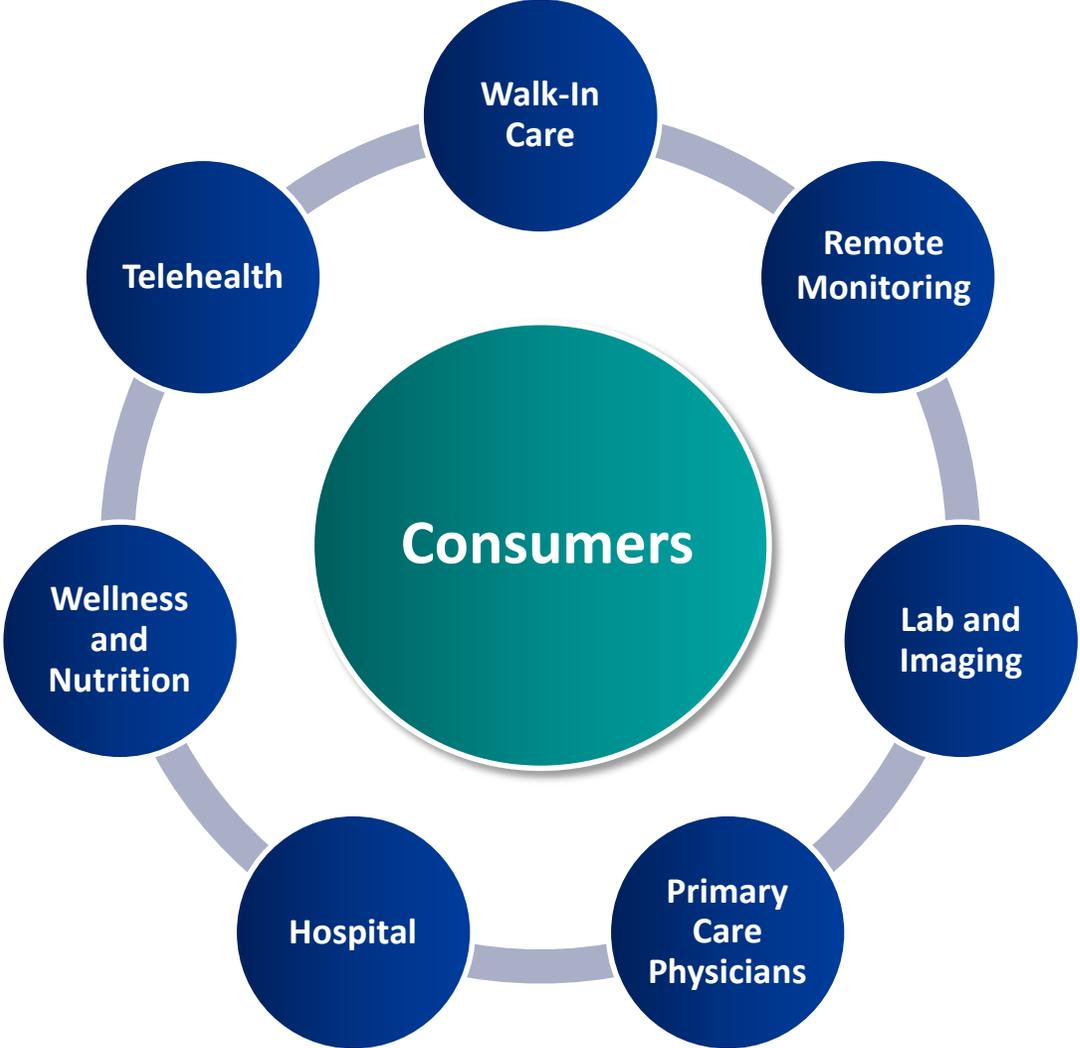
Source: Crnkovich, P., Clarin, D.: 2018 State of Consumerism in Healthcare. Kaufman Hall, June 2018.

# The Required Mindset and Strategies

# It's Time to Pivot

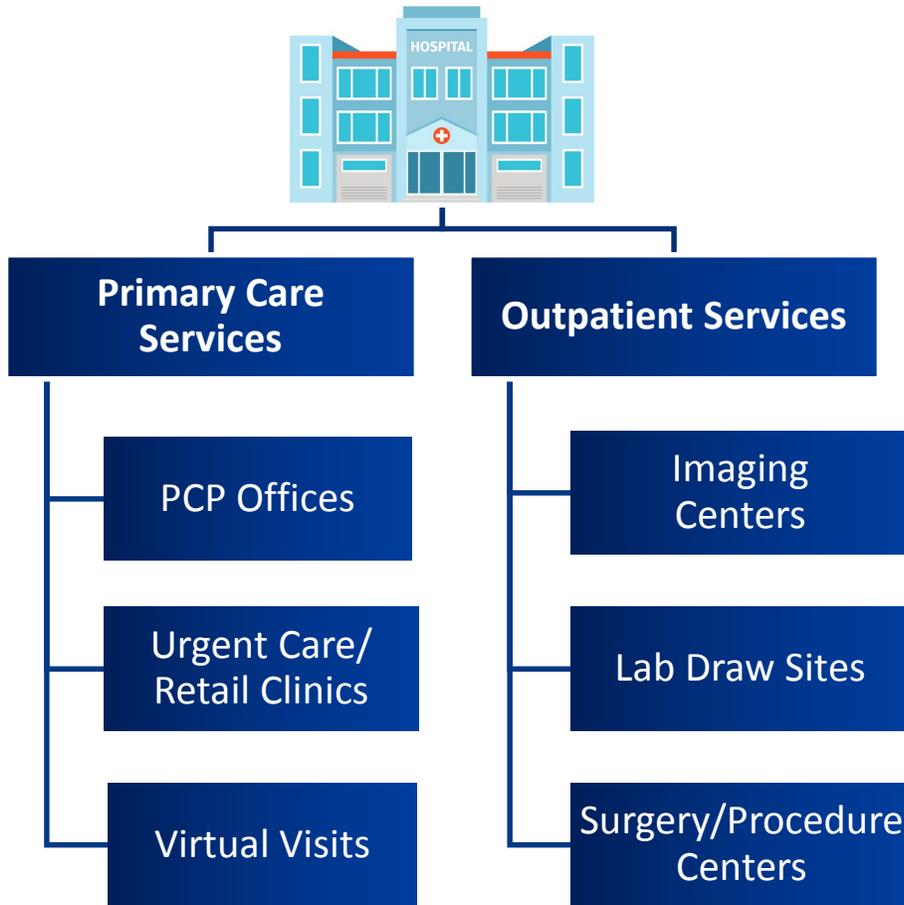


# The Great Disintermediation



**Consumers are at the core in driving today's siloed healthcare system toward a more connected and seamless model in which lines will blur, and new provider partnerships will reshape care delivery.**

# Re-Orient Around the Consumer's View of Routine Care Access



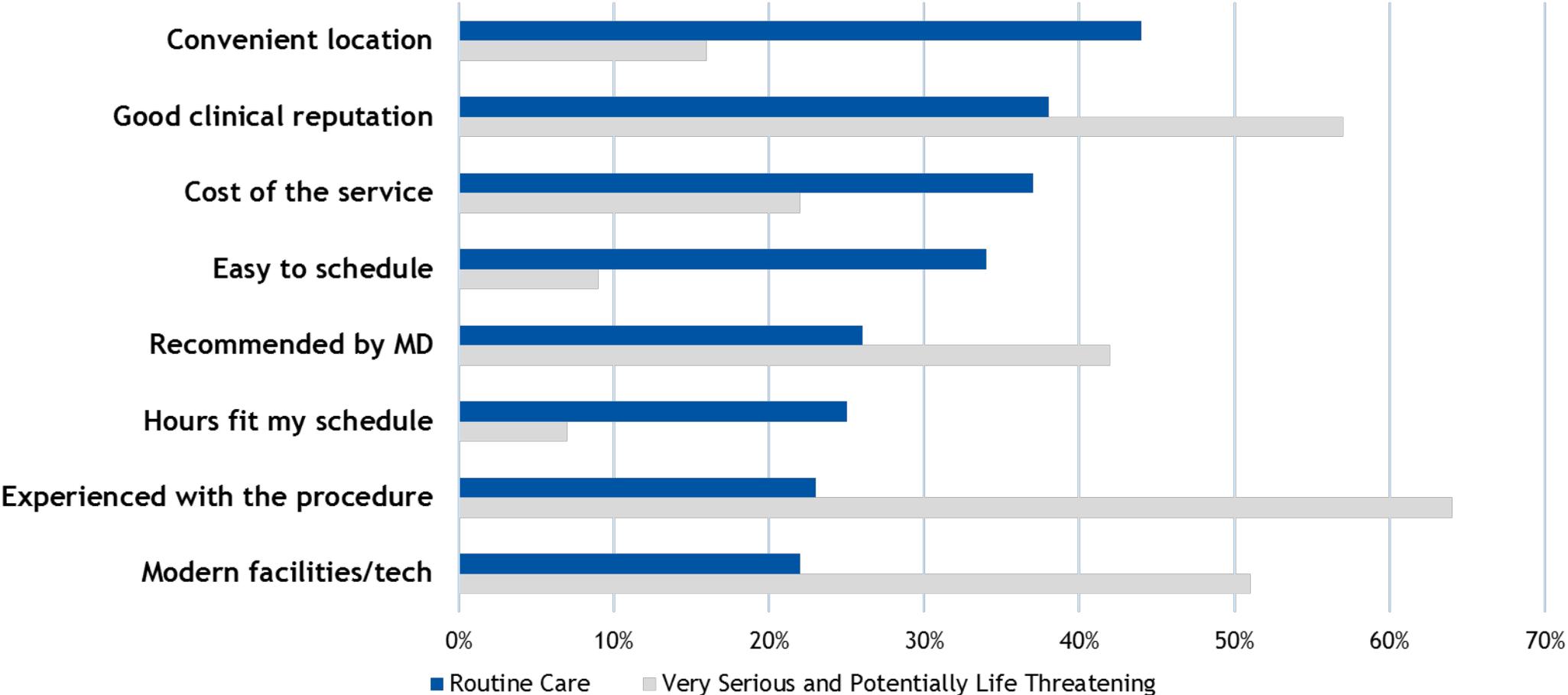
“How many of these do we need?”



Identify, quantify, and meet routine consumer needs

# Consumer Priorities Vary Based on Type of Care Needed

Select the three most important factors in choosing a hospital or health system network.



Source: Crnkovich, P., Clarin, D.: *The Consumer Message to Healthcare Providers: Results of a National Survey*. Kaufman Hall, August 2018.

# Delivery Network of the Future

“If your Ancillary is their Primary, you will lose every time.”

## 1. Reimagine Routine Care Access

- Project the right mix of Primary Care (defined broadly), Diagnostics, Basic Procedures, Home Care
- Build: Requires a brand premium, differentiated capabilities, excess capital or an existing market advantage
- Otherwise, buy, partner or focus

## 2. Match Price to the Value Proposition

- More affordable for less differentiated services
- Get paid appropriately for value-added expertise

# Redesign the End-to-End Experience



*“The Experience needs to start when you Google for care.”*

# The Advantage of Scale in Competing for Consumers

**Recruit and retain talent required to shift organization to a consumer-centric model**

**Invest in consumer data, analytics, and technology**

**Take advantage of consumer-oriented partnership opportunities**

# Traits of Successful Consumer-Centric Companies

**Leadership vision  
and mandate to  
be customer-  
focused**

**Clear positioning  
of value  
proposition to  
customers**

**Deep insights  
capabilities**

**Integration of  
customer insights  
in decision  
making**

**Powerful data  
integration and  
analytics**

**Bias for action  
and testing  
new ideas**

# Three Imperatives for Legacy Healthcare Providers

**Re-orient  
around  
consumers'  
view of access**

**Redesign the  
end-to-end  
experience**

**Align pricing with  
the overall value  
proposition**

# Winning With Consumers Is Simple, But Not Easy



**“We want others to see Amazon as the standard bearer for obsessive focus on the customer, as opposed to obsessive focus on the competitor.”**

**Understanding who your customers are and what they want, and acting accordingly, is always a winning approach.**

Questions?



## Dan Clarin, CFA

### *Senior Vice President, Kaufman Hall*

Dan Clarin is a Senior Vice President in Kaufman Hall's Strategic and Financial Planning practice, with a focus on consumer-centric strategies. He provides integrated strategic and financial planning advisory services for a wide range of clients, including regional health systems, academic medical centers, and community hospitals. Mr. Clarin leads client projects focused on retail and consumer-centric delivery strategies, pricing strategies, enterprise strategic planning, and market development and growth strategies.

Prior to joining Kaufman Hall, Mr. Clarin held Corporate Strategy and Finance roles at Walgreens, where he led development of a business case for a new customer loyalty program and forecasting efforts for new services at Walgreens' Take Care Clinics.

Mr. Clarin is a frequent author and speaker on the topics of strategic planning, consumerism, and pricing strategy for healthcare providers. He has been quoted by *Modern Healthcare* and *Hospitals & Health Networks* magazine on the topic of healthcare consumerism.

Mr. Clarin holds a B.A., *cum laude*, in Economics from Colgate University, and is a Chartered Financial Analyst (CFA) charter-holder, as designated by the CFA Institute. He serves on the Board of Directors for the Scleroderma Foundation of Greater Chicago.

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