Meeting New Consumer Expectations:
Three Steps for Strategists and Marketers

Paul Crnkovich, Managing Director, Kaufman Hall & Associates, LLC
Today’s Agenda

• The State of Consumerism in Healthcare

• Three Steps for Meeting New Consumer Expectations:
  1. Build Your Consumer Insights
  2. Reevaluate Your Value Proposition
  3. Broaden Your View of Consumer Experience

• Conclusion
The State of Consumerism in Healthcare
The Traditional Provider Business Model Is Under Attack

Shifting Costs to Consumers

<table>
<thead>
<tr>
<th>Year</th>
<th>Commercially Insured in HDHPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>19%</td>
</tr>
<tr>
<td>2017</td>
<td>42%</td>
</tr>
</tbody>
</table>

2008 National Estimate

Changing Culture and Escalating Expectations

- Changing Demographics
  - Millennial cohort now larger than Boomers... they think and act differently

- Changing Consumer Technology
  - Provider surrounded by disruptive external pressures

INCREMENTAL CHANGE IS NOT ENOUGH

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It’s Time to Pivot

The New Reality: We need to convince the marketplace to *choose* us and *stay* with us.
The New Consumer Reality

Consumerism: “What I want (need), when and how I want it.”
We Need to Pick Up the Pace
Few Organizations Are Moving Quickly

<table>
<thead>
<tr>
<th>OVERALL RATING</th>
<th>Percent</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>8%</td>
<td>Meeting consumer expectations is a high priority; several important consumer-related capabilities are being applied with some demonstrated successes, and more are in the works</td>
</tr>
<tr>
<td>Tier 2</td>
<td>29%</td>
<td>Meeting consumer expectations is a high priority, and work is underway on several new consumer-related capabilities</td>
</tr>
<tr>
<td>Tier 3</td>
<td>37%</td>
<td>Meeting consumer expectations is a medium or low priority, and only moderate activity is underway on new capabilities</td>
</tr>
<tr>
<td>Tier 4</td>
<td>27%</td>
<td>Meeting consumer expectations is a medium or low priority, and minimal activity is underway on new capabilities</td>
</tr>
</tbody>
</table>

The 2017 Survey Revealed Significant Gaps Between Healthcare Provider Organizations’ Priorities and Capabilities

<table>
<thead>
<tr>
<th>Level of Priority</th>
<th>Level of Capability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving Patient Experience</td>
<td>30%</td>
</tr>
<tr>
<td>Developing Facility Access Points</td>
<td>25%</td>
</tr>
<tr>
<td>Offering Digital Engagement Tools</td>
<td>14%</td>
</tr>
<tr>
<td>Developing Telehealth</td>
<td>23%</td>
</tr>
</tbody>
</table>

60 points gap
48 points gap
33 points gap

The Industry’s Self-Perceived Differentiators Do Not Line Up with What the Industry Thinks Consumers Want

## Industry Average Ranking of Key Provider Attributes

<table>
<thead>
<tr>
<th>Rank</th>
<th>What We Think Our Consumers Want</th>
<th>Our Competitive Differentiators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Accessibility of Care</td>
<td>Quality of Clinical Outcomes</td>
</tr>
<tr>
<td>2</td>
<td>Consumer Experience</td>
<td>Availability of Complex Care and Treatments</td>
</tr>
<tr>
<td>3</td>
<td>Quality of Clinical Outcomes</td>
<td>Accessibility of Care</td>
</tr>
<tr>
<td>4</td>
<td>Value</td>
<td>Geographic Coverage</td>
</tr>
<tr>
<td>5</td>
<td>Availability of Complex Care and Treatments</td>
<td>Consumer Experience</td>
</tr>
</tbody>
</table>
Attracting and retaining healthcare consumers today requires a whole new approach to access, pricing, and customer experience.
Three Steps for Meeting New Consumer Expectations

1. Build Your Consumer Insights
2. Reevaluate Your Value Proposition
3. Broaden Your View of Consumer Experience
1. Build Your Consumer Insights
The Opportunity: Use Consumer Understanding to Drive Growth

3 POSSIBLE LEVERS

- Attract More Patients (Penetration)
- Capture Greater “Share of Requirements” of Existing Patients (Loyalty)
- Increase Prices/“Shift the Mix”

what you need to know

FOUNDATIONAL LEARNING

• Who are your consumers?
• Which ones are most valuable, and how do you attract more of them?
• How do you build loyalty?
• How do you better manage care and lower your costs in doing so?
## Building Consumer Insights Capabilities

<table>
<thead>
<tr>
<th>Consumer Learning:</th>
<th>Example Insight Collection Modes:</th>
<th>Example Analysis:</th>
</tr>
</thead>
<tbody>
<tr>
<td>What Consumers Say</td>
<td>Interviews</td>
<td>Focus Groups</td>
</tr>
<tr>
<td></td>
<td>Segmentation</td>
<td></td>
</tr>
<tr>
<td>What Consumers Do</td>
<td>Ethnography/Netnography</td>
<td>In-Situ and Exit Interviews</td>
</tr>
<tr>
<td>What Consumers Experience</td>
<td>Mystery Shopping</td>
<td>Day in the Life Of (DILOs)</td>
</tr>
<tr>
<td></td>
<td>Unarticulated Needs</td>
<td></td>
</tr>
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</table>
Psychographic Segmentation: Getting “Under the Hood”

Psychographic Segmentation

Communication Preferences

Unmet Needs

Wants and Needs

Attitudes

Expectations

"The Whys"

MOTIVATIONS

HOW TO MOTIVATE

AT-RISK EVADERS
16%

EAGER & ENGAGED
29%

UNENGAGED UTILIZERS
20%

HEALTHY HESITANTS
22%

PRICE SHOPPERS
13%
Data Insights and Integration

Strategic Pricing Example

Data Input Examples
• Typical price differential by service
• Price elasticity of demand
• Revenue, cost, and patient characteristics
Identify the metrics that matter
You Will Need to Measure Your Performance Differently

<table>
<thead>
<tr>
<th>Traditional Hospital Tracking</th>
<th>New Healthcare Company “Metrics That Matter”</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Inpatient market share</td>
<td>• Measures of penetration and frequency</td>
</tr>
<tr>
<td>• HCAHPS</td>
<td>• Share of specific consumer segments</td>
</tr>
<tr>
<td>• Local brand awareness</td>
<td>• Number of new patients</td>
</tr>
<tr>
<td>• Total volumes</td>
<td>• Patient retention rates</td>
</tr>
<tr>
<td></td>
<td>• Average revenue per patient</td>
</tr>
<tr>
<td></td>
<td>• Volume trends of “shoppable” services</td>
</tr>
<tr>
<td></td>
<td>• Customer experience performance: search, scheduling, visit and post visit</td>
</tr>
<tr>
<td></td>
<td>• Net promoter score</td>
</tr>
</tbody>
</table>
2. Reevaluate Your Value Proposition
Value Proposition Defined

<table>
<thead>
<tr>
<th>A value proposition...</th>
</tr>
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<tbody>
<tr>
<td>identifies the <strong>specific ways</strong> that an organization is <strong>better than its competitors at meeting consumer needs.</strong></td>
</tr>
<tr>
<td>is <strong>focused, differentiating</strong>, and oriented toward <strong>customer benefit</strong>, <strong>not service features.</strong></td>
</tr>
</tbody>
</table>
What Consumers Expect

Results from a recent Kaufman Hall survey of 1,300 consumers show:

| Access and experience are consistently important across services, but more important for routine services. | Clinical quality is rated most important for serious medical needs and least important for routine services. | Affordability can be important for routine imaging and laboratory services, but typically is not cited as important for more serious healthcare needs. |
A Framework for Articulating Value Proposition

1. Accessibility
   - Limited
   - Moderate
   - Broad

2. Consumer Experience
   - Poor
   - Average
   - Exceptional

3. Clinical Quality
   - Low
   - Average
   - High

4. Affordability
   - Low
   - Average
   - High

5. Availability of Complex Services
   - Limited
   - Moderate
   - Broad
“Pick and Stick”: What Will Your Organization Be Famous For?

- Few healthcare brands are associated with solving specific needs for consumers
- When consumers think of your brand, what should be top of mind?

If everyone says “high-quality care,” no one will be differentiated.

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3. Broaden Your View of Consumer Experience
Changing Demographics, Changing Expectations

Baby Boomers are no longer the largest population segment

Kaufman Hall’s “Young and Restless” consumer segment:

- 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.
Technology Is Enabling New Levels of Convenience

Fixing the Front Door: How Consumers Engage with the Healthcare System
Fixing the Front Door: Start by Eliminating the Most Significant “Pain Points”

- I can’t find information online about a doctor or healthcare facility
- It’s difficult to get cost estimates for my healthcare needs
- Video/telephone visits are unavailable

#3: Cost Estimate

- Online scheduling is difficult or unavailable
- I have to call to make an appointment/ I can only call during business hours

#1: Ease of Scheduling

- There is no option to fill out paperwork online before my visit
- My appointment does not start on time
- The doctor doesn’t spend enough time with me
- The provider is unable to give me the cost of what they are recommending

#2: Visit Punctuality

- Billing statements are difficult to understand
- Test results are difficult to find online

#4: Options for Care
Conclusion
The industry MUST revise its approach to strategy:
Think “health system,” not hospital.
Think “relationship” and “engagement,” not volumes.
The Pivot Requires a Fundamental Shift in Mindset

Our View:
Consumerism isn’t a problem to be solved, but is the key to growth

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

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Remember, the Customer Is Always Right

The Theory of Jobs to be Done

“...businesses succeed when they help people do certain jobs... they fail when they lose sight of what that job is (which is determined by your customer). Some of the most successful companies in the world are synonymous with the job they help you do – Google, Xerox, Uber, TurboTax...”

“Once they reach a certain size, companies turn inward. They want to do more of what they are good at and not go through the hassle of changing the way they do their job.”

What jobs can your organization do better than anyone else?

End Goal: Attract and Retain Consumers

THE ROADMAP TO ATTRACT AND RETAIN CONSUMERS

ACCESS:
Fix the “Front Door”

PRICING:
Reposition “Shoppable” Services

EXPERIENCE:
Retain Customers and Build Loyalty

THE FOUNDATION:
Leadership, Branding, Insights, Analytics, and Digital Strategy
About the Speaker

Paul Crnkovich is a Managing Director for Kaufman Hall. He leads the firm’s Consumer practice, which advises health systems, academic medical centers, community hospitals, and other healthcare organizations on strategies related to consumer-centric delivery, pricing, enterprise planning, and market development and growth.

Mr. Crnkovich has more than 30 years of consulting and marketing experience in the consumer products and healthcare industries. Prior to joining Kaufman Hall, he was co-founder and Managing Partner with Cadent Consulting Group, LLC. He previously served as President of Kantar Retail Americas Consulting, where he was part of a three-person senior management team responsible for overseeing all aspects of company operations.

Earlier in his career, Mr. Crnkovich was on the senior management team and one of the majority owners of Cannondale Associates. He helped to lead the company’s growth and development over a 12-year period, culminating in the firm’s sale to WPP/Kantar, the world’s largest marketing, advertising, and research firm. He also held a series of marketing, sales strategy, and strategic planning positions at the Quaker Oats Company, working on flagship brands such as Quaker Oatmeal and Gatorade®.

Mr. Crnkovich is a frequent author and speaker on the topic of consumerism in healthcare. He is an outside industry expert on consumer and retail marketing issues as part of the Executive Education and full-time M.B.A. programs at the Kellogg School of Management at Northwestern University. Mr. Crnkovich also served on the faculty of Lake Forest Graduate School of Management, where he taught global marketing to M.B.A candidates.

Mr. Crnkovich received his M.B.A. from Harvard Business School and his B.A. in Government from Harvard University.
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