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

<table>
<thead>
<tr>
<th>Year</th>
<th>Employers</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
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</tbody>
</table>

Investment in Non-Hospital Healthcare

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

Generational Shift

Digitalization
Costs Increasingly Are Shifting to Consumers

U.S. Median HH Pre-Tax Income +22%
- 2008: $50,303
- 2018: $61,372

Average Family Deductible +105%
- 2008: $1,658
- 2017: $3,396

HDHP Penetration +142%
- 2008: 19%
- 2018: 46%

Major Employers Are Looking to Innovate to Reduce Costs and Improve Outcomes
Millennials Have Different Healthcare Expectations

Baby Boomers are no longer the largest population segment

In millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Baby Boomers</th>
<th>Gen X</th>
<th>Millennial</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>75</td>
<td>66</td>
<td>28</td>
</tr>
<tr>
<td>2028</td>
<td>65</td>
<td>65</td>
<td>81</td>
</tr>
<tr>
<td>2036</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2050</td>
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</tbody>
</table>

Sources: Pew Research Center; Kaufman Hall proprietary research.

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
In Response, Non-Hospital Healthcare Is Seeing Huge Investments

Mega Mergers
- CVS Health
- Aetna
- Walmart
- Humana
- Cigna
- Express Scripts

Optum
- DaVita
- Avella
- Reliant Medical Group
- The PolyClinic

Private Equity
- DuPage Medical Group
- One Medical
- MD Now Urgent Care
- ChenMed
- Solis Mammography

Routine Care
- Walgreens
- MinuteClinic
- Teladoc
- Dr. on Demand
- Humana

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Digitalization Has Eaten Entire Industries

Winners

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

<table>
<thead>
<tr>
<th>Age Group</th>
<th>18-34</th>
<th>35-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17%</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>6%</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Age Group</th>
<th>18-34</th>
<th>35-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>29%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Healthcare Journey Increasingly Begins Online

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

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

- **Amazon, Apple or Google**
  - 42% (18-44)
  - 20% (45+)
- **Local hospital/health system**
  - 19% (18-44)
  - 23% (45+)
- **Insurance company**
  - 34% (18-44)
  - 41% (45+)
- **I don’t know**
  - 5% (18-44)
  - 17% (45+)

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

- **18-44**
  - 75%
- **45+**
  - 48%

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Source: Proprietary Kaufman Hall consumer surveys.
A Future Not Too Difficult to Imagine

- 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 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

<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>Consumer Experience</td>
</tr>
<tr>
<td>3</td>
<td>Quality of Clinical Outcomes</td>
<td>Geographic Coverage</td>
</tr>
<tr>
<td>4</td>
<td>Price</td>
<td>Accessibility of Care</td>
</tr>
<tr>
<td>5</td>
<td>Availability of Complex Care and Treatments</td>
<td>Availability of Complex Care and Treatments</td>
</tr>
</tbody>
</table>

A Look at Consumer-Friendly Access Points

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

Booking Appointments Online Should Not Be Considered Aspirational

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

<table>
<thead>
<tr>
<th>Feature</th>
<th>Not Available</th>
<th>Planning/In Development</th>
<th>Piloting/Limited Roll-Out</th>
<th>Fully Implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Same-day appointments</td>
<td>7%</td>
<td>8%</td>
<td>44%</td>
<td>35%</td>
</tr>
<tr>
<td>Messaging between patients and providers</td>
<td>9%</td>
<td>9%</td>
<td>27%</td>
<td>47%</td>
</tr>
<tr>
<td>Extended hours for diagnostic services</td>
<td>12%</td>
<td>7%</td>
<td>31%</td>
<td>36%</td>
</tr>
<tr>
<td>Extended hours for primary care</td>
<td>18%</td>
<td>7%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Online self-scheduling</td>
<td>18%</td>
<td>23%</td>
<td>34%</td>
<td>20%</td>
</tr>
<tr>
<td>Speak with doctor same day by phone</td>
<td>19%</td>
<td>13%</td>
<td>34%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Patient Feedback and Billing Statements Remain Major Areas for Improvement

Consumer Experience

Describe your organization's progress in improving customer experience.

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.

The Required Mindset and Strategies
It’s Time to Pivot

Supply-Side Focus

Consumer-Centric Focus
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

**Primary Care Services**
- PCP Offices
- Urgent Care/Retail Clinics
- Virtual Visits

**Outpatient Services**
- Imaging Centers
- Lab Draw Sites
- Surgery/Procedure Centers

**Identify, quantify, and meet routine consumer needs**

**“I have a routine need”**

- Regular check-up
- Address minor illness/injury
- Diagnose the cause of my symptoms
- Basic fix to get me back to normal

“How many of these do we need?”
Consumer Priorities Vary Based on Type of Care Needed

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

- Convenient location
- Good clinical reputation
- Cost of the service
- Easy to schedule
- Recommended by MD
- Hours fit my schedule
- Experienced with the procedure
- Modern facilities/tech

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
<table>
<thead>
<tr>
<th>Leadership vision and mandate to be customer-focused</th>
<th>Clear positioning of value proposition to customers</th>
<th>Deep insights capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration of customer insights in decision making</td>
<td>Powerful data integration and analytics</td>
<td>Bias for action and testing new ideas</td>
</tr>
</tbody>
</table>
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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