Consumers as Stakeholders

What Makes Them Tick?

November 11, 2015
Session Roadmap

• Blue Sky Exercise
• Six Degrees of Separation
• Building Value
• Discussion
Blue Sky Exercise
Since 2012, a “blue sky exercise” has been conducted to qualitatively and quantitatively research the consumer view of healthcare.

- 200+ consumers in 48 states participated focus group sessions.
- 300,000+ consumers polled through national survey.
- Research is ongoing.

Coast-to-Coast Research
Healthcare consumers want hospitals to stop acting like hospitals.
What’s **Wrong** with Hospitals?

- Hospitals play a key role in the “healthcare maze”
- Hospitals often position themselves similarly – and focus on the treatment of the “sick” and “dying”
- Consumers believe they can stay healthy enough to avoid the system
- When consumers need treatment they do whatever possible to keep costs down
- What consumers really want from _________ is a 1:1 relationship with a trusted healthcare provider

*SOURCE: NRC’s Blue Sky Exercise, 2012-2015*
Six Degrees of Consumer-Provider Separation
Perception: An Industry Ignored

• Healthcare consumers don’t think about healthcare providers

• Healthcare isn’t an everyday product for most

• Healthcare providers are poor differentiators

• Hospitals in particular lack the focus to build a strong relationship with consumers

SOURCE: NRC’s Blue Sky Exercise, 2012-2015
Media: Healthcare is Broken

• The heat is on: healthcare costs are perceived as careening out of control

• Though hospitals are only part of the equation, blame is often squarely on the provider

• “Hospitals and doctors are the biggest contributors to high medical costs.”

  SOURCE: Consumer Reports, 2008; TIME, 2013
Economics: Spending is Unsustainable

- Healthcare spending is 23 percent of today’s federal budget, will be 30 percent in 10 years.
- In the past 50 years, healthcare consumption has more than tripled its share of the GDP.
- Medical payments now account for 14 percent of consumer spending.
- Out of pocket costs doubled in last 10 years.


#3: FOLLOW THE MONEY
Technology: A Social Revolution

Google
Instant access to information

Facebook
Instant ability to share information

Constant connectivity everywhere

#4: INFINITE INFORMATION
Technology: A Social Revolution

- 1 in 3 use social media as source of healthcare info
- Consumers use and trust social media to find health info (Avg age of user: 45 years old) (IN avg: 48 years old)
- Consumers trust social media info 5 times more than ads
- 52 percent of consumers will prefer a hospital in the future based on engagement via social media
- 1 in 4 use mobile app as source of healthcare info

SOURCE: NRC’s national consumer survey, 2015, National n size = 22,717, IN n size = 514
Non-Healthcare: Outside Experiences

• Outside industries have faced consumer revolutions and been forced to adapt.

• Consumers experience other industries more frequently and consistently than healthcare.

• Consumers expect the same high level experience.

• The pressure on healthcare providers to appease the consumer will not go away.

#5: THE GREENER GRASS
Lesson: Inversion of Product Delivery

Industry: Entertainment

- Be open to new delivery methods
- Know the power of convenience
- Expand the physical experience into the online world
- Find new revenue opportunities
- Cautionary: Know when there’s no substitute for in-person

#5: THE GREENER GRASS
Non-Healthcare: Outside Experiences

• Healthcare has lost ground compared to other industries:

Please rank each industry on how well they serve you as a customer

<table>
<thead>
<tr>
<th>Rank</th>
<th>Industry</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Retail</td>
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<td>2</td>
<td>Banking</td>
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<td>3</td>
<td>Utilities</td>
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<tr>
<td>4</td>
<td>Hospitality/hotel</td>
<td></td>
<td></td>
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<tr>
<td>5</td>
<td>Automotive</td>
<td></td>
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<tr>
<td>6</td>
<td>Hospitals/healthcare</td>
<td></td>
<td></td>
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<tr>
<td>7</td>
<td>Entertainment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Airline</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: HRI Consumer Survey, PwC, 2013
Rise of Choice: Consumer-Driven Care

- Consumers don’t pay attention to healthcare but when they do they see a broken industry

- Consumers are paying more than ever before on healthcare but not necessarily seeing higher value

- Consumers can access more info than ever before

- Consumers expect more choices and influence from healthcare due to outside industry experiences
Don’t Believe in Choice?
Building Value
Adopting a Consumer POV

• The consumer is making many decisions outside of any pre-defined experience or episode of care

• There was a time when physician referrals and insurance networks were the only playing fields

• Lifestyles have changed and what’s important to the consumer has shifted along the way

• Hospitals must adapt to an emerging and uncomfortable consumer climate
Health providers will do well to treat the patient AND the consumer as they make the “journey of care”

**Understanding the “Care Journey”**

- **Passively receiving health info**
- **Discussing healthcare with friends**
- **Engaging in Wellness Activities**
- **Searching online for info about problem**
- **Meeting with Doctor to discuss options**
- **Discussing healthcare options with family**
- **Seeking treatment at local hospital**
- **Discussing healthcare experience with others**
- **Post-discharge follow up and rehab**
- **Final assessment of entire care journey**

*SOURCE: NRC’s Blue Sky Exercise, 2012-2015*
Providing **Healthcare**

- Consumers are receptive to personalized messaging
- Wellness will be an early access point to the consumer
- Telemedicine may foster earlier relationships
- Hospitals must transcend “healthcare-only” status
If your local hospital decided to promote healthy living and wellness, which of the following activities or ideas would you find valuable?

- Education sessions (CPR, good nutrition, etc.)
- Newsletter or publication on healthy living
- Activity-based clubs (walking club, yoga, etc.)
- Community health/wellness fairs
- Website/app for health/wellness tips
- Other

**SOURCE:** NRC’s national consumer survey, 2015, National n size = 22,717, IN n size = 514
Adopting a Consumer POV

• Becoming a provider of health & healthcare means understanding the consumer & patient

• Providing health means engaging in activities which provide low or no revenue now but provide high potential revenue later

• Consumers want more than simply healthcare services and they are searching for a provider

• Hospitals refusing to change will suffer
Living in a World of Brand Parity
The Rise of Convenience

What was your primary reason for your last inpatient stay?

- Convenience
- Insurance
- Doctor Recommendation
- Quality

SOURCE: NRC’s national consumer survey, 2010-2014, average n size = 272,336
Loss of Hospital Relevance

How relevant is your local hospital to you personally?

Source: NRC’s national consumer survey, 2010-2014, average n size = 272,336
Lack of Organizational Consistency
Declining Differentiation Among Hospitals

[source: NRC's national consumer survey, 2010-2013, average n size = 272,336]
Effects of Infighting

• In an effort to differentiate – many hospitals will attack each other publicly

• Consumers already think negatively of hospitals and infighting spectacles only further this truth

• In a typical market – when two hospitals fight each other they both see losses in differentiation

• There are ways to differentiate without dragging the other guys (and yourself) through the mud
There are efforts underway to measure and rank the performance of local hospitals. Which of the following entities would you prefer to receive this information from?

- Local hospital: National 29.2%, Indiana 35.4%
- Research firm: National 26.7%, Indiana 27.1%
- Insurance company: National 15.1%, Indiana 11.6%
- Government agency: National 14.5%, Indiana 10.3%
- Media outlet: National 9.7%, Indiana 9.9%
- Other: National 4.8%, Indiana 5.8%

SOURCE: NRC’s national consumer survey, 2015, National n size = 22,717, IN n size = 514
If you had to select one of the following to be primarily responsible for the health of your community, who would you select?

- Hospitals & Health Systems: 43%
- Don't Know/Not Sure:
- Nutrition/Fitness/Health Companies:
- Health Insurance Companies:
- Local Government:
- Local Employers:

IN view on hospitals = 43%

SOURCE: NRC’s national consumer survey, 2015, National n size = 22,717, IN n size = 514
Living in a World of Brand Parity

• Consumers increasingly box hospitals together

• ‘Hospitals’ collectively must raise the bar on what’s important to consumers

• ‘Hospitals’ collectively will face increased risk from invasive, non-healthcare brands

• Moving to a more transparent model will require cooperation and consistency among hospitals

• Transparency is vital to gain consumer trust
Do you believe hospitals are transparent about the prices of the services they provide to patients?

- **Yes**: 13.3%
- **No**: 62.7%
- **Don't Know**: 24%

*SOURCE: NRC’s national consumer survey, 2014, National n size = 22,717*
National View of Price Transparency

Do you believe hospitals are transparent about the prices of the services they provide to patients?

- Yes: National 13.3%, Indiana 8.9%
- No: National 62.7%, Indiana 68%
- Don't Know: National 24%, Indiana 23.1%

SOURCE: NRC’s national consumer survey, 2014, National n size = 22,717, IN n size = 514
National View of Price Transparency

• Indiana ranked 45th out of 48 states

• Northeast states (MD, ME, VT) ranked in top 10

• Southern states (TN, MS, AR) ranked in bottom 10

• More northern states were seen near the top – in those states price or cost of services was found to be a less potent driver of customer frustration
The Future of Price Transparency

- Certain healthcare stakeholders are aggressively adopting a price transparent strategy
- Resources which allow patients to pre-determine price ranges are cropping up
- Market forces are overlapping with legislative forces to create pressure on providers
- Price transparency won’t simply go away

Healthcare Blue Book

Surgery Center of Oklahoma
When considering changes in healthcare, will the following increase, decrease, or stay the same in the coming year?

### National View

<table>
<thead>
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<th></th>
<th>Increase greatly</th>
<th>Increase somewhat</th>
<th>Stay the same</th>
<th>Decrease somewhat</th>
<th>Decrease greatly</th>
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<td>14.9</td>
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<td>6</td>
<td>59.1</td>
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<tr>
<td>Quality</td>
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<td>13.3</td>
<td>5.9</td>
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<td>Cost</td>
<td>3.6</td>
<td>18.8</td>
<td>34.4</td>
<td>2.7</td>
<td>40.6</td>
</tr>
</tbody>
</table>

**SOURCE:** NRC’s national consumer survey, 2014, National n size = 22,717
When considering changes in healthcare, will the following increase, decrease, or stay the same in the coming year?

**Access**
- Increase greatly: 6.5%
- Increase somewhat: 11.9%
- Stay the same: 59.2%
- Decrease somewhat: 4.9%
- Decrease greatly: 17.5%

**Quality**
- Increase greatly: 6.2%
- Increase somewhat: 12.3%
- Stay the same: 59.1%
- Decrease somewhat: 5.1%
- Decrease greatly: 17.3%

**Cost**
- Increase greatly: 4.2%
- Increase somewhat: 39.7%
- Stay the same: 33.8%
- Decrease somewhat: 3.0%
- Decrease greatly: 19.3%

**Indiana View**

*Source: NRC’s national consumer survey, 2014, National n size = 22,717, IN n size = 514*
Considering the Consumer

• Consumers expect more from healthcare
• Consumers view local hospitals as a collective
• Consumers are looking for new ways and new partners to manage their health
• Consumers remain dissatisfied with hospitals yet provide feedback necessary to rebuild trust
• Hospitals must decide to embrace the consumer
Closing the Gaps

- **INDUSTRY IGNORED**: Ensure your customers are aware of your services
- **HARD ECONOMICS**: Be price transparent if possible; inform on cost
- **MEDIA COVERAGE**: Tell your story through targeted marketing and PR
- **INFINITE INFORMATION**: Develop digital strategy; use web/social/mobile to engage
- **OUTSIDE EXPERIENCE**: Tout customer experience and show parallels to others
- **RISE OF CHOICE**: Embrace choice and welcome the discerning customer
What Happens Next?

• Consumer expectations won’t change overnight
• Hospitals are in a long war to win over the masses
• The ‘collective hospital’ mindset lends itself to cooperation now in order to reap benefits later
• State hospital associations are in a position to boost cooperation and present believable value through consumer-centric ideas and actions
The Empty Chair