

Healthcare Systems and Services Practice

# Enabling healthcare consumerism

Jenny Cordina, Rohit Kumar, and Erin Olson



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*Companies that can learn to understand, guide, and engage healthcare consumers, while inspiring their loyalty, have a significant opportunity to change the healthcare landscape.*

In the United States, the ongoing growth of cost-sharing levels has given consumers greater influence over healthcare delivery. Between 2006 and 2015, for example, the average deductible for employees with employer-sponsored insurance grew by more than 120%.<sup>1</sup> Consumers now directly control \$330 billion annually in out-of-pocket healthcare expenses,<sup>2</sup> and the choices they make have the potential to affect 61% of all healthcare spending.<sup>3</sup>

Although true healthcare consumerism is still growing slowly, there are pockets in which it has taken hold. For example, consumers are beginning to actively engage in making decisions about their health and healthcare. Also, consumer preferences are becoming more sophisticated. Since the launch of the public insurance exchanges, for example, a growing number of consumers have been selecting their health insurance plans for reasons other than price alone.<sup>4</sup> Similarly, we have seen Medicare Advantage (MA) purchase patterns shift as consumers make more sophisticated trade-offs among up-front premiums, total costs, and network configurations.<sup>5</sup>

Both payors and providers could benefit by more deeply engaging healthcare consumers. Greater consumer engagement could help them improve customer acquisition and retention, strengthen brand premium, lower administrative costs, and develop competitive advantages. Perhaps most important, enhanced consumer engagement has the potential to improve health outcomes.

To enable healthcare consumers to fully emerge, payors and providers must deliver in four areas:

- **Know** consumers and what drives their behaviors
- **Guide** consumers toward the information they need to make better decisions
- **Engage** consumers to help prepare them for and enable behavior change
- **Inspire** consumers to build loyalty

Admittedly, the journey from education to engagement to behavior change is not always a straight line. But mastering these four actions will go a long way to increase the likelihood that consumers will change their behavior.

## Know consumers

*Develop a more nuanced understanding of consumers' needs, preferences, and values*

We often hear several common refrains about healthcare consumers—who they are, what they're looking for, and how they act. Indeed, a number of myths about healthcare consumers are widely cited (see “Debunking common myths about healthcare consumerism”).<sup>6</sup>

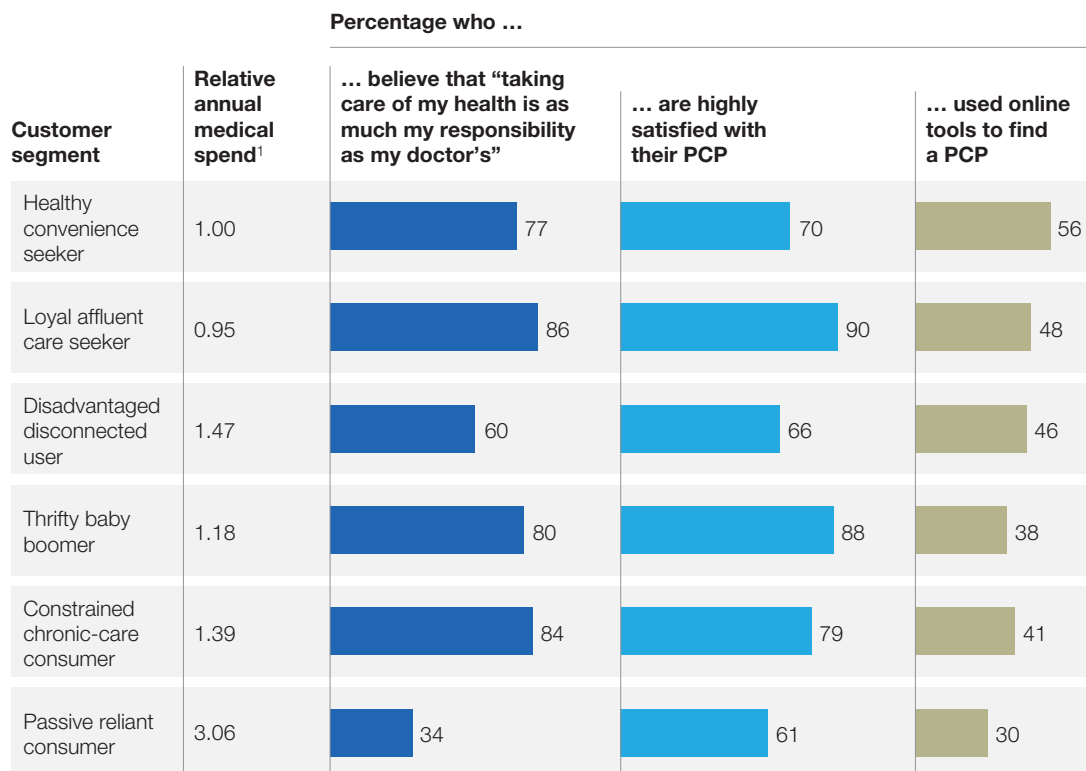
The reality is different; there is no “average” healthcare consumer. Rather, consumers come from a wide range of backgrounds, have differing clinical and lifestyle needs, and hold a variety of attitudes and expectations about healthcare. Thus, understanding the *average healthcare consumer* provides limited

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information. Segmentation can provide greater insights, but segmentation without a discrete goal can waste time and energy. For game-changing insights, payors and providers must determine their objectives and then segment consumers accordingly so they can develop practical actions to address the needs of those segments. For example, we built a segmentation model to understand how consumers' beliefs, attitudes, and values influence how they interact with the healthcare system at large. The results enabled us to divide the US population into six archetypes of healthcare engagement (Exhibit 1).

This segmented view of healthcare consumers can allow industry participants to design an “ecosystem” around what consumers need and want—whether it be certain types of insurance products or alternative settings for care delivery. Segmentation can also make it easier to engage with consumers and guide them toward appropriate treatment choices or levels of insurance coverage. It is important, however, that the segments be seen as starting points, not endpoints, because consumers in all segments have the potential to take a more active role in healthcare decision making. (Some segments, such as healthy convenience

EXHIBIT 1 Consumers vary in their attitudes and healthcare spending



PCP, primary care provider.

<sup>1</sup> Index is relative; annual medical spending by healthy convenience seekers is indexed at 1.00.

Source: 2016 McKinsey Consumer Health Insights Survey

seekers, may be more open to change than others are, though.) Thus, any strategy to engage consumers and serve them well must be predicated on a nuanced understanding of them, since it is the nuances that often influence the likelihood of success. Payors and providers need to know which segments to engage (and when), how those consumers can and want to be reached, and what engagement approaches they will respond to best.

## Guide consumers

*Connect them with the information they need to make better healthcare decisions*

Knowing consumers is not enough. They often need—and in many situations want—guidance to make better decisions. The first step in guidance is to ensure that consumers have the right type of information (e.g., information that is personalized, easy to understand, and from a source they trust), something they often lack today. For example, consumers consistently report that both cost and quality of care are important to them, yet our surveys show that only about 15% of respondents research costs and 18% investigate care quality before making healthcare decisions.<sup>7</sup> Why is this? Consumers often struggle to get the information they need to navigate their healthcare options. Of the consumers in our 2016 Consumer Health Insights (CHI) survey who said they researched the price of care ahead of time, more than half reported that they needed to check more than one source (e.g., by visiting a payor’s website or calling a payor or provider). In a different study, three out of five respondents said they are confused by the benefit design of their health plan (especially the treatment options available to them).<sup>8</sup> (These findings highlight the need to improve not only consumers’ awareness

*Any strategy to engage consumers and serve them well must be predicated on a nuanced understanding of them, since it is the nuances that often influence the likelihood of success.*

of available resources and information, but also the quality of that information.)

To effectively guide consumers, payors and providers should be prepared to heighten consumer awareness by giving them the right information at the right time at each stop along the consumer-decision journey. However, guiding consumers is more than simply making high-quality information available; thus, the second step in guidance is to ensure that consumers can easily connect with the information they need. Despite some improvements in consumers’ awareness, most consumers are often still in the dark about ways to improve their care. For example, many consumers are unaware of the free or low-cost preventive health options available to them.<sup>9</sup> And although 98% of health plans offer tools to help consumers navigate their healthcare decisions, only 31% of consumers seem to know about them.<sup>10</sup>

Thus, payors and providers must make sure that consumers are aware of the information available to them, and building awareness may take time. Our survey of Medicare beneficiaries has shown, for example, that fewer than 20% of MA members are aware of the Star ratings given annually to MA plans; however, awareness is slowly building, and almost all the respondents who said they

knew about Star ratings reported having purchased a plan with three or more stars.<sup>11</sup>

How information is delivered affects consumer understanding, and consumers have clear expectations in this area. In our CHI survey, 64% of the consumers said they expected their provider to have an online presence. Respondents also made it clear that they want online information from their payors, especially about whether a treatment is covered, whether a care facility or provider is in network, and what the cost of treatment is likely to be. Most payors today offer this information—including estimated out-of-pocket treatment costs—to their members.<sup>12</sup> However, if the estimates are inaccurate or inconsistent with other sources, the information becomes meaningless to consumers. Providing consumers with accurate, meaningful, and accessible information is the first step in empowering their decision making and enlisting them as partners in managing their health and the cost of their healthcare.

## Engage consumers

*Prepare them for behavior change*

Once knowledge-driven guidance is delivered to consumers, it becomes possible to engage them and, often, change their behavior. Payors and providers can use several approaches to engage consumers—for example, focusing on what drives consumer behavior, improving their experience, and/or holistically supporting their health goals.

**Focusing on drivers of behavior.** As part of our 2016 CHI survey, we developed a detailed model of patient utilization. We paired self-reported utilization data with consumers' attitudinal responses to tease out the factors influencing high utilization and costs, while controlling for key variables such as chronic disease status. We found that a leading indicator of whether consumers were high utilizers was surprisingly simple: whether they strongly agreed that they "need help to be healthy."

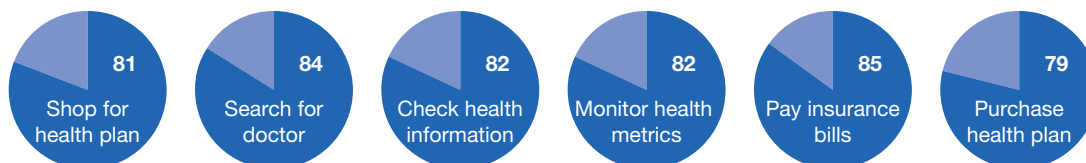
### EXHIBIT 2 Many consumers view digital solutions as the most effective way to meet healthcare needs

**% of respondents who view digital solutions as the most effective way to perform healthcare activities**

#### Consumer journeys



#### Example of a step within each journey



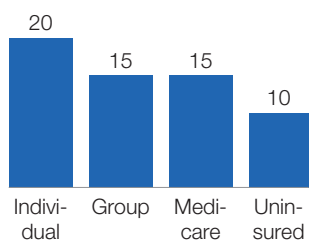
Source: 2016 McKinsey Consumer Health Insights Survey

### EXHIBIT 3 Consumers are showing increasing interest in nontraditional healthcare partners

**% of respondents who preferred a nontraditional partner as their top choice to help keep them healthy**

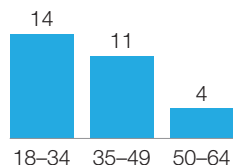
#### Health insurance company

**15%** of respondents overall chose a health insurer; however, this preference varied by type of insurance



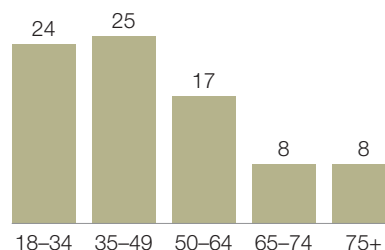
#### Employer

**8%** of respondents overall chose their employer; however, this preference varied by age



#### Family

**19%** of respondents overall chose a family member; however, this preference varied by age



Source: 2016 McKinsey Consumer Health Insights Survey

When we dug further into why consumers with chronic conditions believe they need help, “lack of motivation” appeared as a leading factor. “Motivation” describes both reasons for action (i.e., what’s your motive?) and enthusiasm for change. More broadly, motivation includes all thoughts and feelings that converge to influence behavior. As a result, a patient’s report of “lack of motivation” can sometimes point to something deeper, such as a lack of confidence or fear of failure.<sup>13</sup> Insights such as these create opportunities for payors and providers—by understanding what actually drives motivation (or the lack thereof) in patients with chronic conditions, healthcare stakeholders can develop effective strategies to improve outcomes and lower the cost of care.

**Improving customer experience.** Another way to engage consumers is to improve their healthcare experiences. Consumers value

ease—in our CHI survey, for example, the top two reasons why respondents said they are interested in online appointment scheduling were “convenience” and “saves time.”

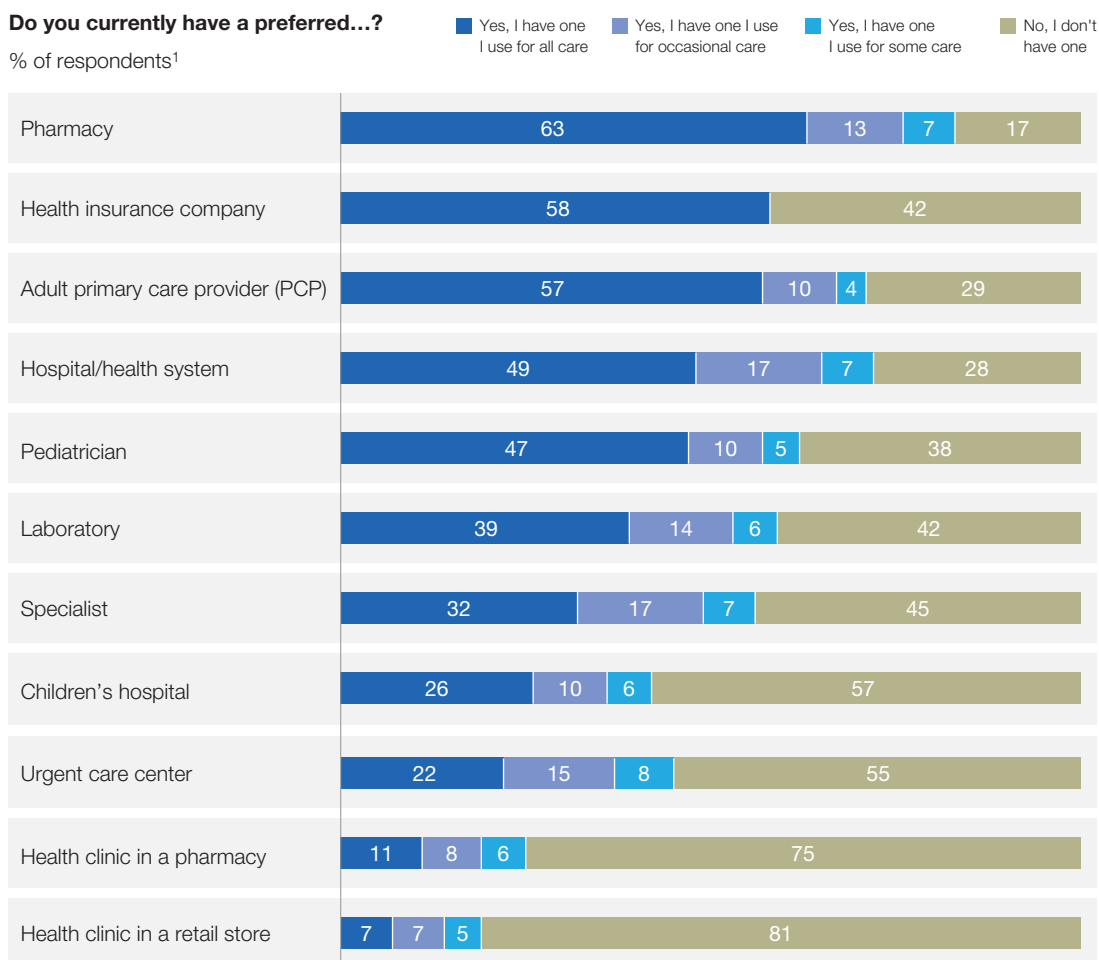
One way to increase consumers’ convenience is to provide effective digital healthcare tools. In our CHI survey, an overwhelming majority of respondents made it clear that they want digital solutions at each step in their healthcare journey (Exhibit 2)—they perceived digital tools as often more effective than phone or in-person communication. For example, 90% of those who had ordered prescriptions online thought that doing so was useful, and 91% of those who had online access to their electronic health information found that having such access was useful.

However, providing digital healthcare tools does not guarantee that consumers will use them. Last year, more than 165,000 mHealth

apps were available in the iTunes app store; thus, building awareness of a specific app is a crucial first step in getting consumers to use it. (The difficulty in building awareness helps explain why only 12% of the apps accounted for 90% of the downloads.<sup>14</sup>) However, awareness, although necessary, is not sufficient for adoption. Consumers are looking for value and ease—if digital tools do not deliver value and are not easy to use, consumers won't continue

to use them.<sup>15</sup> At present, many consumers are disappointed by the digital healthcare tools available to them. For example, less than one-third of our CHI survey respondents said they were highly satisfied with the digital tools offered by their primary care providers—the lowest satisfaction rating reported for any aspect of care (other aspects included quality of care, length of wait time, coordination with other physicians, and time with physician).

**EXHIBIT 4 Many consumers have few, if any, preferred healthcare partners**



<sup>1</sup> Numbers shown do not always sum to 100 because of rounding.  
Source: 2016 McKinsey Consumer Health Insights Survey

### Supporting consumers' healthcare goals.

Payors and providers can also engage consumers by helping them reach their health goals in a more holistic way. On average, Americans spend only a small proportion of each day explicitly focused on their health and healthcare.<sup>16</sup> Yet at multiple points in each day—whether shopping at the grocery store, going to school, or interacting with colleagues—they are making decisions that affect their health. And they are seeking support for their healthcare goals from increasingly diverse sources (Exhibit 3).

As consumer preferences shift toward integrated healthcare support from stakeholders outside the exam room, an opportunity is growing to use nontraditional partnerships to promote health in ways other than an explicitly medical context. Key relationships in a consumer's life can be leveraged to keep the consumer healthy, decrease system costs, and improve customer satisfaction and loyalty.

## Inspire consumers

### *Build trust and loyalty*

Our research suggests that there is under-realized opportunity to build loyalty by developing preferred relationships with consumers, because many of them do not have specific preferred healthcare partners (Exhibit 4). In our CHI survey, for example, 12% of the respondents said they would be willing to receive primary care services from their health insurer, and 11% said they would be willing to receive health insurance from their provider.

Consumer loyalty, retention rates, and profitability can be increased by engaging consumers in their healthcare decisions (both insurance plan selection and care consump-

tion), and then ensuring that customer satisfaction levels are high. Customer satisfaction is important because of its strong influence on shopping behavior. In our CHI survey, for example, we asked patients what they would do if their primary care provider were no longer included in network. Respondents who reported high satisfaction levels were 20% less likely to say they would switch providers than those with low satisfaction levels. Similarly, in our survey of Medicare beneficiaries, 67% of those who said they had renewed without shopping were highly satisfied with their plan, compared with 1% of those who were highly dissatisfied. Despite the complexity of the healthcare system, a consistent set of factors helps ensure high satisfaction levels: high quality, good customer service, and reasonable cost.<sup>17</sup>

By focusing on building consumer loyalty, payors and providers have an opportunity to cultivate an important source of competitive advantage.



Healthcare consumerism is emerging. All healthcare companies need to determine how they want to adapt to the evolving environment and how they can better understand, guide, and engage consumers while inspiring loyalty among them. For those companies that choose to take on the challenge and can successfully meet consumers' needs, a significant opportunity awaits. ○

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## FOOTNOTES

- <sup>1</sup> Flavelle C. Next health-care fight? Out-of-pocket costs. Bloomberg View. September 22, 2015.
- <sup>2</sup> World Health Organization. Global Health Expenditures Database.
- <sup>3</sup> McKinsey analyses have found that catastrophic care (something consumers have little or no influence over) accounts for 39% of healthcare costs. However, the other categories of care (e.g., preventive, routine, discretionary) are subject to consumer choices, at least to some degree. (See Singhal S, Coe E. The next imperatives for US healthcare. McKinsey white paper. December 2016.)
- <sup>4</sup> Anand P, Coe E, Cordina J, Rivera S. Understanding consumer preferences can help capture value in the individual market. McKinsey white paper. October 2016.
- <sup>5</sup> Cordina J, Jamieson D, Kumar R, Machado-Pereira M. Improving acquisition and retention in Medicare. McKinsey white paper. March 2016.
- <sup>6</sup> Cordina J, Kumar R, Moss C. Debunking common myths about healthcare consumerism. McKinsey white paper. December 2015.
- <sup>7</sup> McKinsey regularly conducts detailed surveys of health-care consumers, including surveys focused specifically on Medicare beneficiaries and people eligible to purchase health insurance on the individual exchanges. More details about the surveys can be found in the appendix.
- <sup>8</sup> Collective Health. People love their health benefits. But do they understand them? (2015 survey results).
- <sup>9</sup> Reed ME et al. In consumer-directed health plans, the majority of patients were unaware of free or low-cost preventive care. Health Affairs. 2012;31:2641-8.
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- <sup>12</sup> Sweeney E. Survey: Majority of healthcare plans offer price transparency tools. FierceHealthcare. February 19, 2016.
- <sup>13</sup> Dixon A. Motivation and confidence: What does it take to change behaviour? The King's Fund. 2008.
- <sup>14</sup> Terry K. Number of healthcare apps soars, but use does not always follow. Medscape. September 18, 2015.
- <sup>15</sup> 2016 Consumer Health Insights survey.
- <sup>16</sup> Bureau of Labor Statistics. American Time Use Survey.
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## Appendix

### **CONSUMER HEALTH INSIGHTS SURVEY**

McKinsey's annual Consumer Health Insights (CHI) Survey provides information on the opinions, preferences, and behaviors of more than 3,300 consumers, as well as the environmental factors that influence their healthcare choices. The survey also enables insights into the current market environment and can be used to make predictions about the choices and trade-offs consumers are likely to make.

Since the survey was implemented in 2007, McKinsey has collected descriptive information from over 22,000 individuals and their households. The survey assesses customer experience with healthcare and non-healthcare companies; attitudes regarding health, healthcare, and the purchase and use of healthcare services; experience and satisfaction with current and past healthcare insurance carriers; attitudes about a broad range of related supplemental insurance products; opinions, use, and loyalty levels regarding healthcare providers and pharmacies; and experience of individuals with chronic conditions.

We supplement the information from the CHI with data from other sources, such as information on a consumer's estimated lifetime value to a health insurer, consumer behavior, and marketplace conditions. This combination provides a holistic view of healthcare consumers that is not available through other means.

We have used CHI data in a range of customized analyses. We expect that health insurers and others will primarily use the information in applications that assist with product design, marketing strategies, consumer segmentation, consumer targeting, network configuration design, and assessment of new channel opportunities.

### **CROSS-INDUSTRY CUSTOMER EXPERIENCE SURVEY**

This unique survey, which McKinsey has conducted since 2007, explores how satisfied US consumers are with six industries: banking, health insurers, healthcare providers, hotels, pay television, and utilities. (Future iterations of this survey will include additional industries.) The survey also assesses the link between customer satisfaction and business outcomes, including renewals. About 22,000 consumers took part in the most recent survey, which uses the journeys framework in each sector to understand what matters most to consumers and why. The framework also enables comparisons across industries. For example, the sign-up journey is relevant to both banks and health insurers. To measure consumer satisfaction, the survey uses customer satisfaction (CSAT) scores. Although this metric differs somewhat from the net promoter score, which is also sometimes used to assess consumer satisfaction, the two approaches produce comparable results.

*(continued)*

## Appendix *(continued)*

### **INDIVIDUAL MARKET OPEN ENROLLMENT PERIOD CONSUMER SURVEY**

Through a collaboration between McKinsey's Center for US Health System Reform and its Marketing Practice, we survey a national sample of uninsured and individually insured consumers each year, shortly after the close of the individual-market open enrollment period (OEP). The 2016 survey, conducted February 2–18, 2016, had a sample size of 2,763. Of these respondents, 1,187 had ACA plans, 500 had non-ACA plans, and 1,076 were uninsured.

The survey aimed to understand respondents' demographics and descriptive characteristics, and to assess their shopping behaviors, attitudes regarding health and healthcare, purchase and use of healthcare services, awareness of health reform, opinions about—and experience shopping for—individual health insurance, and preferences for specific plan designs.

Sample sizes for the seven market segments we identified were: non-ACA insured, 500; carrier renewers, 568; carrier switchers, 130; new to individual coverage, 263; new to insurance, 56; payment stoppers, 169; and uninsured, 1,076.

At the time of publication, the 2017 OEP survey was underway.

### **MEDICAID CONSUMER SURVEY**

Quantitative consumer insights about the current Medicaid population and potential new entrants to the program have been difficult to come by. To help address this gap, McKinsey surveyed more than 1,419 consumers across the United States in 2015, focusing on current Medicaid members (both dual eligibles and non-dual enrollees) and people who are currently eligible for Medicaid but not enrolled. The results, weighted to reflect the age, gender, ethnicity, education, and income of each of the groups, revealed important insights about the current and future Medicaid population.

### **MEDICARE CONSUMER SURVEY**

This national survey included 2,208 seniors covered by Medicare Advantage, Medicare fee-for-service, or Medicare supplement plans. It sought to understand what matters to these consumers and their decision-making process for both coverage- and care-related decisions.