

HEALTH CARE

JUNE 2008

# What consumers want in health care

*Consumers are confused, concerned, and uncertain about their health insurance and financing needs. Companies should listen to them.*

**Jenny Cordina and Shubham Singhal**

**Article  
at a  
glance**

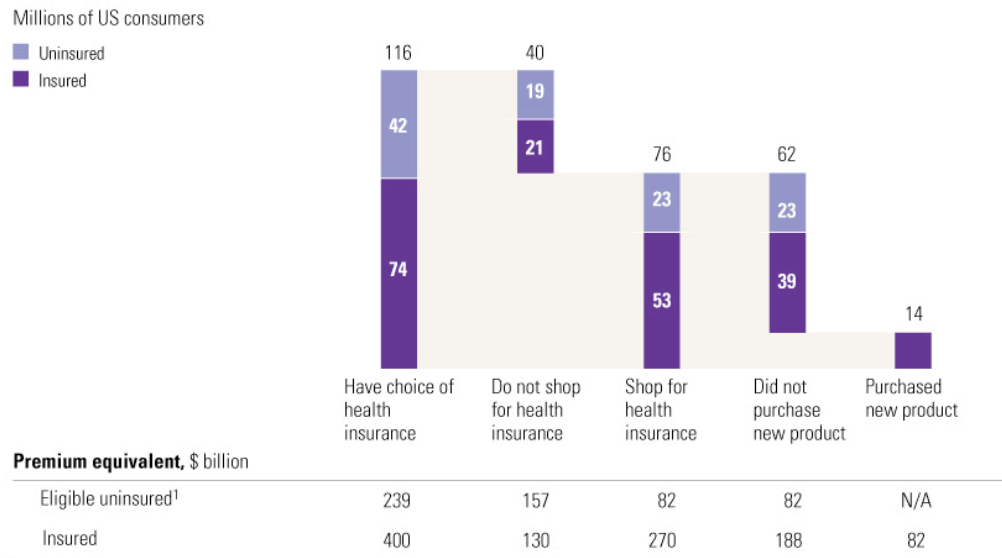
Faced with health care decisions, consumers are concerned, confused, and unprepared. They rely heavily on personal recommendations and brand recognition, according to a recent McKinsey study.

As the industry shifts from a wholesale to a retail model, a new market of consumers is demanding clearer information and personalized support. A company that pays careful attention to their needs, desires, and habits stands to gain a significant advantage over its competitors in this quickly burgeoning market.

In the quickly changing health care financing sector, decision-making power and financial responsibility increasingly fall to individuals instead of companies.<sup>1</sup> But many consumers aren't accustomed to shopping for health insurance, so they are not prepared for this additional responsibility. Feeling confused, concerned, and unprepared, they want personalized support to help them make and manage complex decisions—in particular, more relevant, understandable, and accessible options. This portrait emerges from a 2007 McKinsey survey, in which we questioned some 3,000 people—who have the option of choosing a health insurer—about their health care concerns, perceptions, and purchasing behavior.

Our results reveal substantial opportunities in the health care financing sector for many current and potential players, including incumbent payers, financial-services providers, technology “infomediaries,”<sup>2</sup> and health care providers. Retail health consumers constitute a market worth hundreds of billions of dollars annually, where revenue growth and profit margins are 2.5 and 1.5 times higher, respectively, than those of the more traditional group-sponsored health insurance markets. Currently, 116 million consumers have a choice of health insurance (Exhibit 1), and that number is expected to reach 151 million by 2011. To win the business of these consumers, players in the health care financing sector will have to listen carefully to them and provide better support.

EXHIBIT 1  
Retail Health



<sup>1</sup> Assumes household income >\$25,000; if under 65 years old, assumes no serious preexisting medical conditions; if 65 years or older, assumes enrollment in Medicare fee for service.

Source: US Census; 2007 McKinsey survey of ~3,000 retail health consumers in the United States; McKinsey analysis

And the demand is very much real. Among consumer concerns, the cost of health care is paramount. Indeed, our respondents are more concerned about the financial repercussions of injury or illness than about injury or illness itself. But this state of mind has done little to help them prepare financially for health problems (Exhibit 2). Of those who are concerned, 48 percent report being prepared for common medical problems but only 15 percent for more disruptive medical scenarios, such as becoming impaired and requiring long-term care. Notable differences in concerns appear across age groups. Young people (ages 18 to 34) are more concerned about their dental needs (44 percent) and protecting themselves from the consequences of major accidents (38 percent). Seniors tend to be much more concerned about managing major medical events (49 percent) or the requirements of long-term care (47 percent).

EXHIBIT 2  
**Choices**



<sup>1</sup>Figures may not sum to 100%, because of rounding.

Source: 2007 McKinsey survey of ~3,000 retail health consumers in the United States

Important differences in preparedness also appear between age groups: seniors believe they are the most prepared, middle-aged people the least. But with only 32 and 23 percent of the respondents, respectively, in those groups saying they are prepared financially for health problems, a significant percentage remain at risk. Contributing to the respondents' feeling of ill-preparedness is widespread confusion about what medical care will or can cost—a confusion that can lead to poor financial planning.

This lack of preparedness also appears in the way consumers purchase health insurance—most of them don't shop for it. They find much of the available

information confusing and difficult to navigate and therefore stick with products that they know: 74% percent would consider purchasing an individual product from their current health insurer in the future. However, recommendations from others and brand recognition carry significant weight as well, even though consumers don't recognize their reliance on these factors. One-third of our respondents considered only familiar health insurers when they made a recent health insurance decision, and 38 percent compared only two plans.

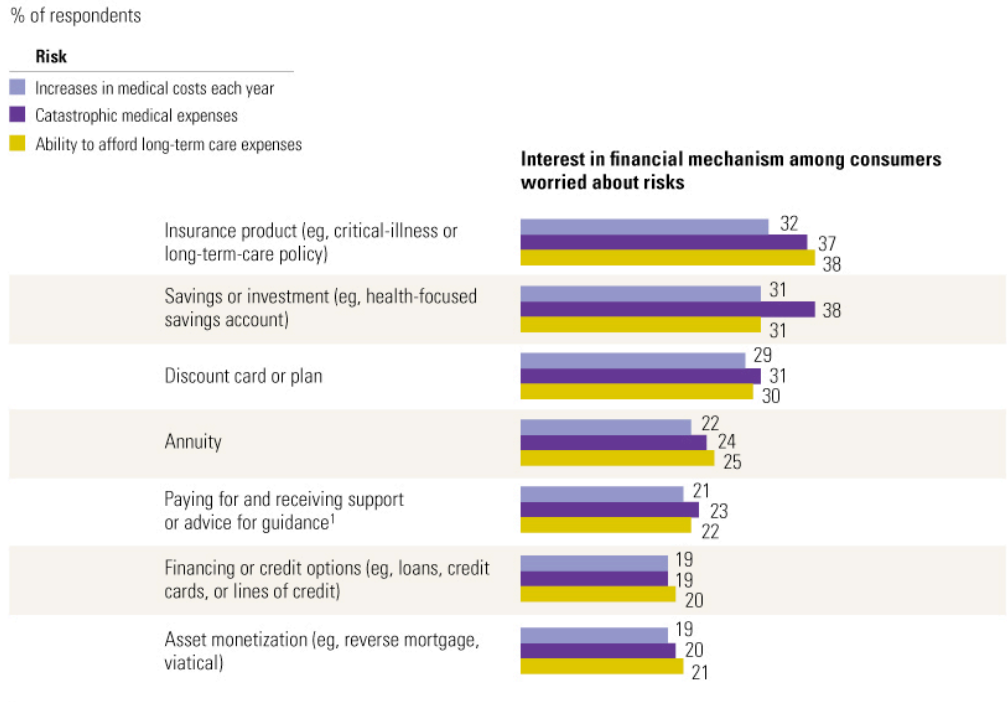
When consumers do shop, it's often during moments of considerable change—getting or losing a job, becoming eligible for Medicare, or changing their marital status, for example. A full 41 percent of the respondents say they changed or considered changing their coverage during these major events. With 75 percent of the people who shopped at such times switching to a new insurer, companies should consider designing sales approaches that target them.

Across all age groups, to better protect themselves against health risks, consumers are interested not only in stand-alone, traditional health insurance but also in a range of additional financial products, such as health-focused savings accounts or annuities (Exhibit 3). When choosing among these products, consumers want more advice and guidance to help them understand what would be right for them at a given stage of life. But though nearly 70 percent of the respondents say they want support when choosing new health care coverage, only 41 percent of those who had received such support in the past found it satisfactory.

Companies that pay careful attention to the needs, desires, and habits of these consumers stand to gain a significant advantage over the competition in this quickly burgeoning market. Clearing away the confusion among consumers will be a critically important step in transforming their anxiety and latent demand into sales. A focus on educating consumers will help them better understand the nature and magnitude of the risks they face. Building a trusted brand is also essential, since many consumers consider only two options when choosing insurers. A brand should be strong enough to be among the first names consumers consider when they shop.

EXHIBIT 3

**Unprepared**



Source: 2007 McKinsey survey of ~3,000 retail health consumers in the United States

Partnerships across sectors—between health care providers and financial-services players, for example—could establish networks to provide guidance on the complicated decisions facing consumers. Companies can serve them during major events at various stages of their lives by providing clear, highly relevant information; health care providers can supply counsel during medical events. Financial-services players might bundle new health care offerings with more traditional products, such as retirement savings. Companies that offer such networks of options and support in the nascent retail market are likely to attract an influx of consumers eager for options but unsure where to turn. **Q**

**About the Authors**

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**Notes**

<sup>1</sup>For a more detailed report on this trend, see Tom Latkovic and Shubham Singhal, “The retail revolution in health insurance,” mckinseyquarterly.com, March 2007.

<sup>2</sup>Third-party aggregate Web sites that offer consumers a collection of product and company information from different sources.

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