



FOUR VITAL SIGNS TO CHECK FOR CONSUMERISM READINESS

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It certainly appears that "consumerism" is a hot topic on the blog/seminar circuit.

While "consumerism" can be dazzling, and a bit confusing, as the market bombards us with the latest alternatives, including mobile technology and disruptive operating models, what does it really mean? What are the questions health system executives need to ask, and which paths should they consider?

Designed to shift insurance responsibility from employers to employees, the passage of the Affordable Care Act (ACA) in 2010, created a new channel for Americans to purchase and consume healthcare. The ACA made health insurance mandatory, creating a captive market, and with the introduction of health insurance exchanges, purchasing coverage is now easier than ever. Meanwhile, benefit plan designs continue to increase patient responsibility with higher deductibles and larger co-payments.

As consumers begin to shoulder greater share of costs, the sophisticated wisdom they apply to other purchases is beginning to manifest in healthcare. As with buyers in other industries, purchasers of healthcare want fast, affordable, convenient service with a good experience.

But who is this player we call the consumer? And what is this concept of healthcare consumerism?

In healthcare, it's probably easier to define consumerism by stating what it is not. Consumerism in our industry is not just about adding a patient hospitality layer to an ineffective and costly process, nor is it achieved simply by implementing additional loss leader distribution systems to feed inpatient care. It *is* all about making care more accessible and affordable in a sustainable business model with an ongoing connection with patients, customers, and consumers.

People are increasingly motivated to educate themselves about their health, their insurance, their care, and to seek the most value for their time and money. New market entrants are energizing to meet that demand.

"Traditional" providers and payers need a plan to respond to the changing market dynamics. This entails a whole host of tactical considerations, from aligning financial incentives to improving customer service to making better use of technology.

Use the following four vital signs to gauge your organization's readiness for consumer evolution.

PULSE

- **You have a market-leading primary care model.**
 - How many people in your community have a Primary Care Physician (PCP)?
 - Are your PCPs regularly connecting with their patients?
 - Do you have an integrated retail (mHealth/virtual care) plan?

Primary care can be the pulse of great innovation. If it's not part of your health system, it should be.

The transition to consumer-driven healthcare places a premium on effective, efficient, comprehensive primary care services. It's critical for systems to focus on accessibility and availability of primary care. Markets where the supply of PCP generally see lower rates of avoidable hospital admissions and emergency department visits, as well as less use of costly technology.

Your physicians are key influencers for your organization. Patient experiences with their doctors provide the impetus for patient satisfaction; better engagement correlates with the ability to provide better healthcare. However, it is likely that most consumers in your area do not have a PCP "relationship." To enhance the PCP-patient connection, and to touch more lives, consider expanding primary care access points to nontraditional settings like retail clinics, mobile health, and virtual care.

- **You have an active medical home for the appropriate patients.**

The patient-centered medical home (PCMH), a model of primary care where a team provides personalized, coordinated, and comprehensive care, is a fast-growing delivery system innovation.

Today, the question is not whether to transform primary care, but when and how. Evidence continues to build that a high-performing, patient-centered medical home can provide a strong foundation for a better performing healthcare system

TEMPERATURE

- **You have a sustainable business model with an ongoing consumer connection.**

The path to success starts with creating and sustaining a powerful, enduring relationship with your patients. Technology allows you to interact with customers by delivering useful information, offering your patients access to their medical records and test results, as well as providing a tool for them to communicate with their physicians.

- **You have defined consumer segments.**
 - Are these segments being managed and reported against?
 - With what consumer segmentations – beyond payer mix – does your health system have experience (e.g. chronically ill, active & healthy, focused factory)?

The demographic makeup of the healthcare user matters now more than ever as understanding your patient population drives your strategy in identifying appropriate products and services that will succeed in your market. Tailored, web-based alternatives are proliferating.

And, defining sub-populations according to specific conditions, diseases, or health risks is critical to implementing targeted, evidence-based programs.

RATE

- **Your price points – unit costs and imputed per member per month rates – effectively compete for consumers making individual decisions.**

Consumer-centric healthcare is all about making care more accessible and affordable.

This means systems need to understand the organization's utilization patterns and how much the system charges for every unit of service. Benchmarking these measurements relative to competitors can provide a competitive advantage.

Optimizing operational effectiveness and efficiency, and better integrating hospital and other services are prerequisites to delivering value-based care in an aggressive market.

- **You have a bundled care plan.**
 - How many bundled types do you have in place?
 - What is your packaged price experience?
 - Do you have a service line strategy and operating plan to support the bundles?

With the growing demand for financial transparency, bundled pricing is a good strategy for serving patients and marketing services. Bundling is a valuable tool for improving the affordability of care and making care "shoppable" for consumers.

Bundles represent a major opportunity to make improvements in cost performance, customer service, and outcomes. Well-designed plans benefit providers by developing efficiencies that allow for shared savings.

PRESSURE

- **You have a position on financial risk.**

- Is your organization ready to partner with a health plan?
- Maybe it's time to become a payer?

The pressure is on. Healthcare leaders should assess the organization's care delivery model and network, and identify the appropriate contracting scope based on how much risk it's willing to carry. To combine the delivery and financing of care, a health system has two options. It can partner with existing insurers, or it can create its own insurance plan. With the ability to manage the total cost of care in the long term by changing the way care is delivered and financed, integrated networks are increasingly taking on new risks and launching their own health plans.

- **Your exchange strategy is well defined.**

Although exchanges are relatively new (they're only in their third year), almost 13 million first-time and returning consumers signed up for coverage through the exchanges during the Affordable Care Act's (ACA) latest open enrollment period. It appears that the ACA's exchanges have survived the initial stumbles to become a \$40 billion industry.

Employers are continuing to evaluate various strategies to help stabilize their healthcare costs and to engage employees in a competitive job market. Private exchanges have been one way for employers to cut health costs through a defined contribution model while allowing employees to shop for the lowest price and greatest value.

Most adopters are small and medium-size employers that, through exchanges, can offer benefit choices and an online shopping experience they previously might not have been able to provide.

While only three percent of employers provided employees with health insurance through a private exchange in 2016, it is estimated that 24 percent of large employer groups are considering moving active employees to a private exchange in 2017.



A healthcare system with a well-defined plan, a comprehensive care network, and a successful population health management program is ready to become a player in the exchange market with an explicit strategy, well executed.

Recognize that competition is at a new level. Ensure you have a successful consumerism strategy.