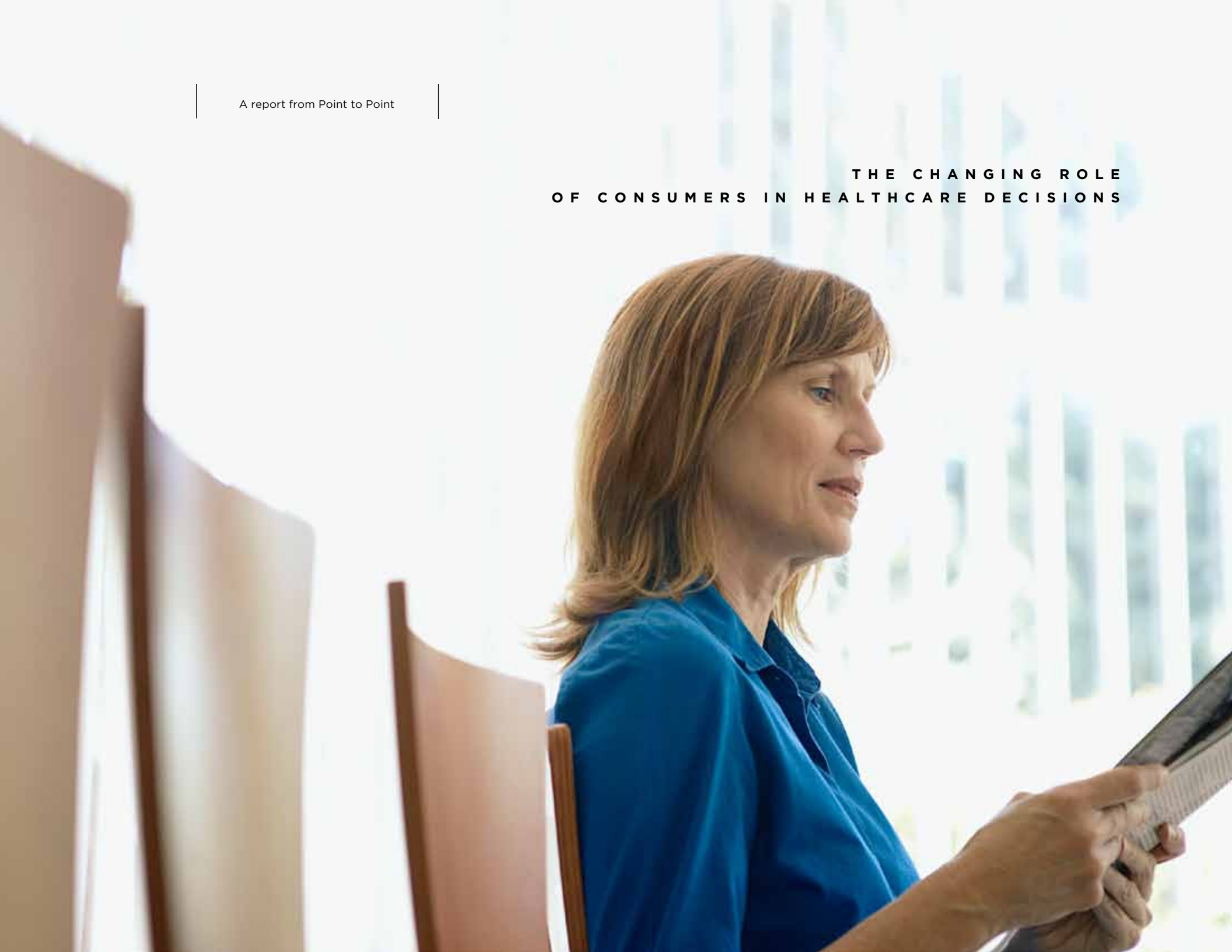


A report from Point to Point

THE CHANGING ROLE  
OF CONSUMERS IN HEALTHCARE DECISIONS



Consumer-driven healthcare—it's become a common industry buzzword. And while some aspects of this phenomenon are well-established—employers pushing more healthcare costs and choices on to consumers, an increasing number of information sources about healthcare options and costs, and the proliferation of high-deductible health insurance plans—there are still many questions about the concept that are unanswered and extremely significant, both for healthcare consumers and providers. Will consumer-driven healthcare include the majority rather than the minority of insured Americans? And if so, do we need to compete differently to earn consumers' healthcare business when they are firmly the drivers of choice? While this paper will not definitively answer these questions, it will provide a perspective to guide your thinking.

## DEFINING THE TERMS

The term 'consumer-driven healthcare' can be interpreted broadly or narrowly. The narrow interpretation refers to the various consumer directed health plans (CDHPs) such as Health Savings Accounts (HSAs), Health Reimbursement Arrangements (HRAs) and High Deductible Health Plans (HDHPs) that put consumers in control of their routine healthcare purchases. These accounts not only put consumers in charge of their spending, they also strive to provide greater transparency about healthcare costs for consumers weighing decisions about the healthcare products or services they buy.

According to the National Association of Insurance & Financial Advisor (NAIFA), the number of US citizens enrolled in a CDHP grew to 12.5 million in 2007, up 25% from 10 million in 2006. Nearly all CDHPs (97%) are preferred provider organization (PPO) networks providing choice, access and flexibility to consumers.

The broader interpretation of the phrase covers a much larger portion of the insured US population. This interpretation refers to an empowered mindset; a marketplace where consumers are proactively seeking out healthcare information, evaluating options instead of relying solely on healthcare professionals' direction and taking more control of their healthcare decisions regardless of the type of insurance plan they use. There are several trends pushing this broader interpretation forward at a faster pace than the more narrow insurance-based definition alone. The following trends are accelerating the spread of empowerment and self-advocacy among consumers. These trends are converging to create 'the perfect storm' for mass empowerment of consumers in healthcare.

Trend 1	Employers Providing Healthcare Purchasing and Financing Education, Pushing Consumer Directed Health Plans
Trend 2	Increasing Focus on Cost and Value
Trend 3	Demanding Baby Boomers
Trend 4	Heightened Awareness of Need for Personal, Patient Advocacy
Trend 5	Proliferating Access to Health Information
Trend 6	Increasing Influence of Word of Mouth

**TREND 1 | EMPLOYERS PROVIDING HEALTHCARE PURCHASING AND FINANCING EDUCATION, PUSHING CONSUMER DIRECTED HEALTH PLANS**

Employers of all sizes are educating employees to help them make better use of their healthcare dollars. According to NAIFA, 77% of employers offer employees tools to access information on health conditions, 31% offer individual provider quality information, and 27% provide information on provider cost.

As companies push more costs to their employees, they are promoting HSAs, high deductible plans, and other insurance programs that encourage a change in behavior. Although a relatively small percentage of consumers today are using these insurance plans, educating employees does have an impact. And the push will continue.

For employees who do choose one of these plans, they become much more acutely aware of the actual costs of their healthcare transactions. In these transactions, consumers know the full cost of every product and service they buy. Their perception of value changes with this awareness.

**TREND 2 | INCREASING FOCUS ON COST AND VALUE**

Consumers are paying more for their health insurance premiums regardless of the type of health insurance plan they have. Employers of all sizes are pushing costs off their books and back to their employees simply to ensure their organizations' financial stability. As health insurance takes a

bigger bite of consumers' paychecks and discretionary income, consumers are increasingly questioning the value they are getting for their dollars.

This evolving mindset reflects consumers' tendency to require value in their purchases whether this is for food, clothing, automobiles or laundry detergent. Value is a function of cost and perceived quality. In the past, cost was invisible to insured consumers. Today and increasingly in the future, consumers will be far more aware of costs and they will look for value based on their definition of quality.

Perceived quality is highly subjective when it comes to purchasing healthcare services. For some, quality means excellent personal service. It is becoming more common for consumers to push back and question the healthcare status quo, questioning the quality and delivery of care— "I pay thousands of dollars a year for my family's insurance, and I still have to wait in the waiting room for over 90 minutes to see my specialist? Not anymore." Another example is the growth in retail clinics. Most patients using these clinics are insured but prefer the convenient hours, minimal wait times, and the flexibility of the retail venue versus waiting for an appointment with their regular doctor.

For others, quality means more compassion for patients and families when they are vulnerable. Still others look for the best outcomes or safety metrics. And for highly critical conditions, quality might mean the most advanced research and technology.

It is important for healthcare providers to recognize that the importance of perceived quality rises when costs are higher. And they will need to understand how quality is defined by consumers in their market and for their key service lines.

**TREND 3 | DEMANDING BABY BOOMERS**

The Baby Boomer generation is approaching retirement age, the age when their choices are nearly unlimited with Medicare and their healthcare needs are growing. Baby Boomers have been the most empowered generation in having their needs met and marketers have catered to them all their lives. As their healthcare consumption grows, they are likely to demand more than previous generations. They may demand more service, more respect, more time, more compassion. Their demands will depend on the market segments you target and the market you are in.

While Boomers' parents may follow their doctor's orders, Boomers are more likely to ask for more options or find a doctor who will give them more options. And Boomers have been online for a significant portion of their careers. They are quite used to having information at their fingertips. As they begin to experience chronic conditions, they are more likely to be proactive in finding information about their condition, treatment options, new clinical trials and therapies online. They are more likely to bring this information to their doctors and clinicians for input. And they will expect to be taken seriously and counseled on this information. If this doesn't happen, they will likely find a clinician who meets their expectations.

**TREND 4 | HEIGHTENED AWARENESS OF NEED FOR PERSONAL, PATIENT ADVOCACY**

Medical mistakes have become much more common in the news. From high profile malpractice lawsuits to gross negligence in a few isolated cases, consumers are learning regularly that healthcare providers are not infallible. Consumers are now aware when a surgeon operates on the wrong knee, hand, or worse, the wrong side of a patients' brain. As a result, they are asking themselves how many checkpoints were missed, and by how many people. Consumers' previous blind faith in our country's healthcare system is rapidly eroding.

But it is the tendency to personalize this reduced trust that instills fear and greater advocacy among consumers. If the US health system is capable of life threatening mistakes, is my doctor? Are the hospital systems in our community making those mistakes? If Dennis Quaid's twin children were given potentially deadly overdoses of heparin, what does that mean for the average consumer? Certainly Dennis Quaid would have access to the best healthcare. And he would likely get more attention from doctors and nurses than I would. So if it can happen to him, it certainly can happen to me.

This heightened awareness of safety concerns creates a greater need among consumers to ask more questions and learn more about their families' healthcare. Consumers are no longer simply patients, but often personal and patient advocates. And they want help in doing that job well.

**TREND 5 | PROLIFERATING ACCESS TO  
HEALTH INFORMATION**

The Internet is now one of the most commonly used sources of healthcare information among Americans, including those over 65 years of age. According to the Pew Internet and American Life Project, 80 percent of American Internet users, or some 113 million adults, go online to search for information on healthcare and 8 million American adults use the Internet to search for information on healthcare topics daily. And Internet usage for healthcare decision making is not limited to Gen Xers or their younger Millennial generation cohorts. As Baby Boomers are aging, the proportion of seniors using the Internet is growing dramatically. Nearly one third of all seniors (age 65+) use the Internet and 70 percent of 50–64 year olds go online.

In addition to the rise in online access to health information, industry players and influencers such as HospitalCompare.com, Healthgrades.com, Solucient.com, JACHO, and US News & World Report are promoting the use of websites that compare hospitals, physicians, outcomes, credentials and other information between providers and purchasers. Consumers are increasingly aware of these sources of quality information and are turning to them to aid in their decision-making process.

In their 2006 HealthView Plus survey, Thomson Healthcare found that nearly 20% of consumers were likely to research hospital ratings and were likely to change their hospital preference based on these ratings. The most significant difference between this 20% of quality-driven consumers and other segments of the population is the level of education attained. Quality-driven consumers are much more likely to have a college degree or higher.

In addition to higher education, the Kaiser Family Foundation found that consumers accessing healthcare information online tend to have higher incomes. For example, while only 6 percent of seniors with incomes under \$20,000 get healthcare information online, 43% of their senior peers earning \$50,000+ annually access healthcare information from the web.

Even while this trend is occurring naturally, the government is pushing for greater transparency and public reporting by providers. The federal government is spending advertising dollars to promote stronger consumerism in healthcare. In May, 2008, the Associated Press reported the government would spend \$1.9 million on newspaper advertising in 49 states to promote the HospitalCompare website and the newly available patient satisfaction scores. The ads are an indication of the pressure to increase transparency in the healthcare system and to encourage consumers to use this information in their decision making.

**TREND 6 | INCREASING INFLUENCE OF  
WORD OF MOUTH**

The single most common source of information that people use when making healthcare purchasing decisions is other consumers. According to the Keller Fay Group, there are more than 200 million healthcare-related conversations daily in the U.S. and half of all Americans talk about their health and healthcare each day.

It is very difficult for consumers to assess clinical quality on their own. And many of the online comparisons use clinical language and metrics that are not user-friendly. In addition, the subject of ‘quality’ can be awkward for patients to discuss directly and candidly with their physicians. Asking a friend, neighbor, family member or co-worker seems not only less threatening but also more credible. As consumers become less trusting of healthcare providers, they turn to the people they do trust to help them sort out their healthcare decisions.

And what do they ask about? They want to understand the experiences of someone who has been through a similar test or procedure, or who has been to a certain hospital or seen a certain doctor. They might ask who is a good doctor or hospital for a certain procedure. But they are usually asking people who also don’t have a clinical background.

Research has shown that consumers share their perspective of a quality experience on very different terms than the industry does. Consumers assess quality using criteria that is tangible. They assess whether doctors and nurses appeared to really listen and show respect. Did the clinical staff explain things in terms the patient and family could understand?

Were they attentive and focused when answering questions or did they appear distracted and in a hurry? Did the doctors and nurses make eye contact? Consumers describe how responsive doctors and nurses were to a patient’s or caregiver’s needs—even if those needs were for information, or comfort, or distraction from discomfort.

**MARKETING TO EMPOWERED CONSUMERS**

While current trends don’t definitively answer the question of when the majority of the U.S. insured population will feel empowered to drive their own healthcare decisions, they do point to the eventuality that the majority will become their own drivers. And it is likely that self-advocacy will be highly correlated with self-pay and cost awareness; the more a person pays for their individual usage of healthcare products and services, the more they will assess the value of their purchases. So the next important question is whether our current approach to marketing to consumers will be sufficient to maintain or increase market share in the future.

How this transition affects your market and your marketing efforts will depend on a few factors, the most important being competition. If you are in a market where consumers have fairly easy access to more than one major healthcare system, you will likely have a more empowered customer base. In these markets, it will be most important to differentiate your health system brand from your competition based on your customers’ definition of quality.

In a 2006 study conducted by Thomson Healthcare, hospital location was one of the most common drivers of choice when selecting a hospital for specialty care among consumers. This is an indication that most consumers don't understand how the hospital brands in their market are differentiated, or, they don't value the differentiation sufficiently to go out of their way for the specialty care provided.

Yet when most consumers are asked what is important to them when selecting a hospital, the most common response is quality. This disparity is another indication that healthcare providers often don't understand how their customers define quality. They are likely marketing quality, and positioning themselves, in terms that are not as relevant to their customer base.

If your market is highly educated, quality is more likely to mean clinical quality as defined by the various quality-comparing websites such as HospitalCompare.com, Healthgrades.com and others. In these markets, focusing on clinical quality using the metrics that consumers will find in their searches is as important as your outbound messages. In these markets, it will be essential to have top performance in these metrics.

If your market reflects average educational attainment, other definitions of quality become more important. In these markets, location is likely a key driver. Clearly, this is not a sustainable advantage even if you currently have the luxury of the best locations. The key to marketing in the future will be to understand how the audience segments in your market define quality and to select their definition of quality to differentiate your healthcare brand.

Given the importance of word-of-mouth among consumers, it will not be sufficient to simply market your differentiated brand promise in advertising and other communications. Consumers ask about and talk about their experiences. It will be critical to differentiate the experience you deliver to reflect the promise of your brand. If your advertised promise does not reflect the actual experience that patients and caregivers have, your advertising and more importantly, your brand will lose credibility and trust.

The ideal scenario for competing in the future will be to understand how your target audiences define quality, develop a brand strategy to deliver their definition of quality, and effectively deliver an experience that differentiates your hospital or health system. At that point, your advertising will reflect, support and eventually shape the word-of-mouth that will be moving through your market.

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