The Healthcare Transformation Frontier

Insights from the **2016 Forum on Consumerism and Transparency**

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Preface

Held November 13–15, 2016 at The Ritz-Carlton in Amelia Island, FL, The Governance Institute's *Forum on Consumerism and Transparency* examined two of the most important forces shaping U.S. healthcare today and into the future. The power of consumers to transform industries is well established and has been seen time and time again. Beginning after World War II, the ability of mom-and-pop retail establishments to meet consumer needs began to wane, particularly with respect to price and price transparency. In recent years, the pace of consumer-led transformation has increased exponentially, largely due to the Internet and social media. Today, the transformative power of consumerism and transparency is hard to overstate. Fueled by technology, these two forces are literally destroying business models across industries, including in communications, transportation, hotels, and higher education. They are also creating new competitors. Uber, for example, is not only disrupting the taxi industry, but also competing with Ford, GM, and 30 other companies to produce the first driverless car.

Healthcare, of course, is not immune from these forces or outside disrupters. Uber, for example, has created an application that shows drivers where customers can get flu shots in a local area. Per the company's direction, Uber drivers routinely ask customers if they would like to be driven to one of these sites to get a flu shot, with no additional transportation charge to the customer for doing so. As consumers take more control over their healthcare, their expectations around the degree of transparency in the provision of care continue to increase. As this occurs, the U.S. healthcare system will be fundamentally transformed. Healthcare providers who understand these forces and how best to respond to them will play a part in shaping that transformation; others will be left behind.

This meeting brought chief executives, board chairs and members, and clinical leaders from healthcare organizations across the country together with a unique faculty made up of leaders from innovative and disruptive organizations currently working at the frontiers of consumerism and transparency. Faculty included experts from a variety of industries—not only healthcare, but also e-commerce, retailing, and insurance. As diverse as these businesses may sound, the convergence of consumer incentives, the Internet, and widely available smart phone-based technologies has brought these companies into the healthcare arena. In fact, many of them compete directly with healthcare providers in ways literally unimaginable just a few years ago. This forum focused both on how healthcare has arrived at this critical juncture and where it is likely to go in the future.

This proceedings report summarizes the presentations and discussions from the meeting. **Please direct any questions or comments about this document to:**

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Faculty

The Governance Institute thanks the following faculty members of the 2016 *Forum on Consumerism and Transparency* (listed in alphabetical order) for being so generous with their time and expertise:

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Executive Summary

Held November 13–15, 2016, at The Ritz-Carlton in Amelia Island, FL, the Governance Institute *Forum on Consumerism and Transparency* brought chief executives, board chairs and members, and clinical leaders from healthcare organizations across the country together with a unique faculty made up of leaders from innovative and disruptive organizations currently working at the frontiers of consumerism and transparency. This proceedings report summarizes the presentations and discussions from the meeting.

The Power of Habit

People and organizations have "habits"—that is, cultures and routines—that may or may not need to be changed. To change habits, one must first understand the "neurology" behind them and then create cultures and systems that help rein in impulses that guide habitual behaviors. While brain activity generally "powers down" during these behaviors, there are two exceptions to the process: the upfront "cue" that the activity is about to take place, and the "reward" when the activity ends. Studies show that this sequence, known as the "habit loop," can be effective in getting people to turn desired behaviors into habits and to end undesirable behaviors. The trick is to find the right rewards. Key lessons include the following:

- Make sure the reward is actually "rewarding" to the person receiving it.
- Use rewards that are based on emotions (not transactions).
- Remember that even bad habits stem from rewards.
- Make willpower a habit.

No other group of people can help to spread the understanding of habit formation more effectively than healthcare providers. Patients who come to see providers are often dealing with inflection points in their lives where habits can change. Patients look to providers for help in changing bad habits, and providers need to respond by assessing and revamping the rewards being offered, with the goal of finding emotional rewards that will elicit behavior change. At the same time, hospital and health system leaders need to assess the organizational rewards that underlie decision-making, including those that lead to bad decisions.

The Implications of Consumerism on Payers

Humana has deployed a new way of thinking about consumer relationships, pivoting the focus from transactions to people and health. As an enterprise, Humana adopted the "bold goal" of improving the health of the communities it serves by 20 percent by 2020, primarily by making it easier to achieve good health. Humana's success in executing this strategy revolves around four consumer design principles that came out of the company's market research:

- **Know me**: Consumers want to be respected and treated as a person, not a condition or disease.
- **Make it easy**: Consumers want to experience healthcare horizontally across the care journey, not vertically in silos.
- **Show me you care**: Relationships matter. Consumers trust their doctor and family significantly more than their health plan.
- **Help me**: Consumers view health as a means to an end, not an end in itself.

Humana is focused on three crucial dimensions to delivering this strategy successfully.

- **Business model**: Humana is investing in market segments where a consumer-centric strategy is most advantaged.
- **Culture**: Humana is embedding a greater understanding of customers across the organization, in part by investing in customer relationship management systems and other technologies.
- **Capabilities**: Humana is developing infrastructure and processes to personalize consumer experiences.

Humana's consumer-focused strategy is clearly paying dividends, as detailed below:

- Personalized messaging strategies such as segmentation and tailored conversations have improved consumer engagement rates.
- Digital self-service capabilities that allow consumers to engage, in the ways they want to engage, are improving outcomes.
- Empowering associates with new practices, behaviors, and tools has improved the customer experience.
- Home-based clinical programs and remote monitoring initiatives have increased satisfaction and improved outcomes.

Disrupting Healthcare from a Consumer Retail Space

CVS Health is positioning itself to meet consumer needs and boost adherence to healthy behaviors. The company has a number of assets that should help it to succeed, including a trusted brand name, over 9,500 convenient locations, clinics located within many stores, a variety of innovative plan design options, and various programs to boost adherence to medications. However, the company has had to overcome several major challenges in executing this strategy, as detailed below.

Challenge #1: Avoiding Inconsistency of Message

The biggest challenge came early in CVS' transformation, when leaders recognized a glaring inconsistency in the company's approach—that is, CVS stores sold cigarettes and other tobacco products known to be quite harmful to those who use them. The company decided to remove all tobacco products from its stores.

Challenge #2: Managing Complex Medication Regimens

To help its many customers on complex medication regimens, CVS Health developed ScriptSync®, a program that coordinates refill and renewal schedules, allowing patients to pick up all maintenance medications in a single visit. It has been shown to improve adherence rates by six to 10 percentage points. Specialty Connect, another CVS program, also boosts adherence. Under this initiative, every CVS store accepts specialty prescriptions and gives consumers the option of picking them up or having them delivered to the home. Due to the complex nature of these medications, most consumers choose to pick them up in the store, where they can get their questions answered and receive other clinical support from the pharmacist. This approach results in not only higher satisfaction, but also better outcomes.

Challenge #3: Providing Convenient Access

A decade ago, CVS launched MinuteClinic, in-store clinics that provide convenient access to high-quality, low-cost care. CVS currently has over 1,100 such locations. In fact, roughly half of the U.S. population lives within 10 miles of a MinuteClinic. To date, approximately half of the more than 32 million visits to MinuteClinics have occurred during evening and weekend hours, when traditional practices tend to be closed.

Challenge #4: Using Connectivity to Overcome Healthcare Silos

CVS uses connectivity to overcome the siloed nature of healthcare. Within the pharmacy, connections to major electronic medical record (EMR) systems allow for opportunities to promote adherence, including by sending patient-specific alerts to care managers (e.g., when a patient fails to pick up a prescription). The MinuteClinic EMR allows affiliated providers to access patient information.

Transforming Your Capabilities—The Amazon Way

Amazon has made its success by creating a business model entirely focused on the consumer. Key leadership principles that allow Amazon to succeed include the following:

- Obsess about the customer
- Invent and simplify
- Measure and monitor
- Avoid bureaucracy
- Strive for self-service platforms
- Think big
- Create algorithms to automate
- Deliver results

Key lessons for healthcare that can be gleaned from the Amazon experience include the following:

- **Focus on low-hanging fruit**: Too many easy things in healthcare are difficult, such as scheduling an appointment, getting test results, or paying a bill.
- **Create innovation improvement teams**: Healthcare organizations have generally not focused on innovation. Getting a critical mass of people to do so should be a high priority.
- **Allocate resources**: Boards and CEOs must recognize the importance of allocating resources to innovation, reinvention, and simplification. Investing in these areas is as—if not more—important than investing in new technologies and clinical programs.
- **Address fragmentation**: Healthcare organizations need to take a longitudinal view of the customer experience that goes beyond a single transaction. The goal should be to integrate all customer touchpoints.

Finding the Future First: New Frontiers in Consumer Healthcare

Innovation is always difficult to execute. But it gets easier when myths are replaced with methods that can build competence in the field. Based on over $6.8 million of research, Larry Keeley's book, *Ten Types of Innovation: The Discipline of Building Breakthroughs,* serves as a guidebook to the discipline of innovation. It identifies 10 different types of innovation; successful innovators integrate five or more different types, including at least one from each of five categories. (See the full report for a description of these categories.)

Innovation does not occur by sticking people in a room and telling them to innovate, or by giving a rousing speech about the importance of innovation. Success does not come from generating a long list of ideas and then voting on them. Rather, teams need to go through a series of defined steps that generate one or a few ideas that team members are willing to stake their careers on.

Specific tactics should be used to develop and implement innovations. The process need not be that expensive, as technology has dramatically reduced the cost of market research and product development. The focus should be on faster, more iterative development through use of radical, open methods. An organization's success with innovation will be directly proportional to its willingness to invest in it and follow these steps. In healthcare, the typical success rate for an innovation (as defined by a positive return on invested capital) is 6.5 to 7 percent. Organizations willing to invest heavily in innovation, with metrics installed throughout the organization, incentives for leaders to sponsor growth initiatives, and high-potential staff being liberated to author such initiatives, can achieve 70 percent success rates. For board members, the key is to develop an "innovation intent" that clarifies the organization's commitment to innovation.

How Consumerism Affects Successful Brand Building in Healthcare

At its most basic level, a brand is defined as the experience that an organization provides. For hospitals and health systems, that experience includes both patients who are currently using or have used its facilities and consumers who have not yet done so but may in the future. Great brands have an "owner," and behind every owner is the enforcer. The CEO should own the brand, and his or her failure to do so is often a key barrier to successful branding. The chief marketer should be the enforcer, keeping the CEO apprised of brand strategy.

Developing a true brand strategy has become increasingly important for hospitals and health systems. Consumers are becoming much more discerning when making healthcare decisions. Heightened competition has arisen for the limited "mindshare" of the consumer, due in large part to an invasion by non-healthcare brands. To develop an effective brand strategy, boards and senior leaders should be aware of several common misconceptions related to branding. First and foremost, despite the conventional wisdom that says otherwise, name changes do not inevitably lead to a loss of patients. Similarly, having more brands is not generally better than having fewer brands. Rather, the keys to branding success lie in doing the following:

- **Find your brand's blueprint**: While there is no single answer, people must not be confused about the brand.
- **Simplify your brand**: Healthcare is inherently confusing. Consumers want a one-on-one relationship with the brand and hence value unified brands.
- **Position your brand**: Positioning is the intersection between value and need; it is where concept meets reality and where many brands begin to unravel.
- **Promote your brand**: Branding is different than advertising, and boards and CEOs must recognize the difference between the two.
- **Measure brand efforts**: Measurement allows for an understanding of consumer perceptions and behaviors regarding the brand. It makes the intangible tangible, helps to remove internal biases and assumptions, and can reveal market trends.

Using Transparency to Drive Improvement and Grow Market Share

Both the University of Arkansas for Medical Sciences (UAMS) and Intermountain Healthcare routinely share data from patient experience surveys on their Web sites, including overall ratings on different dimensions of care along with verbatim comments from patients.

UAMS

UAMS showcases its star ratings on its home page, including ratings for individual physicians. This information not only provides the most accurate reading on patient satisfaction and experience for would-be patients, but also helps in marketing affiliated physicians and in driving their engagement and continuous improvement efforts. Physicians have generally supported the sharing of this information, although some of the older physicians resisted at first. To get these doctors on board, UAMS leaders showed them that information on their performance was already available online, often through outside organizations with very different motivations. Once physicians understood the UAMS approach, they fully supported the publishing of the information. The overwhelming majority use the results to improve their performance, particularly with respect to bedside manner.

Intermountain

Several years ago, Intermountain decided to focus on transparency around patient experience. At this time, the University of Utah (a major competitor) started to publish star ratings for its physicians. This initiative got a lot of attention in the local press and convinced Intermountain leaders to move ahead with a similar program. As with UAMS, some physicians initially resisted, but their objections faded over time as they began to understand that similar—often incomplete and inaccurate—information was already available from other organizations. Most physicians appear to be satisfied with the Intermountain program and use the information to improve their performance.

Building Successful Brands in an Increasingly Consumer-Driven Healthcare Environment

If a hospital or health system is going to become a trusted partner for consumers, its leaders must first understand some of the most common unfounded myths about consumerism:

- **Myth #1: Only young consumers are connected.** In fact, consumers of all ages—including older ones—routinely go online and use social media to access health-related information.
- **Myth #2: Physicians still control consumers**. Rather, physicians guide them to make their best choice, with consumers being a critical part of that decision-making process.
- **Myth #3: Empowered consumers will "fix" healthcare**. While the empowered, activated consumer is playing a growing, more strategic role in the evolving healthcare ecosystem, they alone will not fix it.

The most important measure is loyalty, particularly in an era when hospitals and health systems must focus on improving population health. Unlike with episodic care, the goal is to provide quality care over time with the same people. Loyalty is the measure of what keeps consumers coming back. Various factors drive consumer loyalty, and most can be influenced. Boards and senior leaders should examine these factors and pick one or two at which the organization excels to begin talking about with consumers.

Today's world is cold, complex, and confusing to consumers, who remain fed up with traditional healthcare and the frustration and anger it often brings. Consumers want a partner to help them make the best possible decisions. Hospitals and health systems that can develop personal, trusting relationships with consumers can be that partner and reap the benefits of their loyalty over time.

Conclusion

Consumerism and transparency are transforming the healthcare industry, and the pace of change created by these two forces will only accelerate going forward. Hospital and health system leaders who try to stop this movement will be disappointed, as consumers see too much value from the information they are receiving. Instead, leaders need to be proactive in driving this transformation before outside, disruptive forces that do not have their best interests in mind do it for them.

The Power of Habit

Charles Duhigg, Reporter, The New York Times *and author of* The Power of Habit: Why We Do What We Do in Life and Business

People and organizations have "habits"—that is, cultures and routines—that may or may not be healthy and hence need to be changed. To change habits, one must first understand the "neurology" behind them and then create cultures and systems that help rein in undesirable impulses that guide habitual behaviors. For example, as a reporter in Iraq during the war, Mr. Duhigg studied behaviors that led to rioting at a local city plaza. He learned that the riots followed a predictable pattern—first, a group of troublemakers showed up. Then a group of spectators came to watch them. At some point, additional spectators came to see what everyone else was looking at, a process that continued until a tipping point was reached—often someone throwing a bottle or otherwise initiating some sort of violent behavior. At this point, the bystanders were drawn into the bad behavior and rioting ensued. It often took as long as eight hours for this process to play out and a riot to begin.

Interestingly, relatively simple steps can often be employed to change people's behaviors. At this plaza, for example, many of the bystanders who later ended up joining the rioting initially came to the area to buy food from local food trucks. After the mayor banned food trucks from the plaza, there were no longer any bystanders to join the crowd. Eventually only the troublemakers were left, and over time they stopped coming as well, as they no longer had an audience.

Neurological Underpinnings of Habits: The Habit Loop

A great deal of knowledge about habits comes from studies conducted by Ann Graybiel, Ph.D., who modeled rats' neurological activities. Using sensors hooked up to the brain, Dr. Graybiel disproved the conventional wisdom that rats were lazy and unable or uninterested in learning. Monitoring them as they tried to find a piece of chocolate in a simple maze, she discovered that rats' brains experienced huge spikes in neurological activity the first time the gate to the maze was opened. Their brains became overwhelmed when confronting something novel and trying to absorb all this new information. These spikes in neurological activity undermined their ability to think, causing them to explore every part of the maze and take as long as 35 minutes to navigate to the piece of chocolate. Over time, however, they learned and hence found the chocolate much more quickly. Eventually, it became a "habit" that required relatively little thinking or brain activity.

Habits make up an estimated 40 to 45 percent of what humans do every day. As with rats, many human behaviors start out as unfamiliar and potentially overwhelming. For example, new drivers may initially take seven or eight minutes to back safely out of a driveway. Over time, they learn to do it in a minute or less, typically without much if any thought. The activity becomes a habit executed without a great deal of participation by the brain.

While brain activity generally "powers down" during habitual behaviors, there are two exceptions to the process: the upfront "cue" that the activity is about to take place, and the "reward" when the activity ends. For the rat, the cue is the opening of the gate to the maze and the reward is the chocolate. In other words, every habit has three distinct components: the cue that the automatic behavior should begin, the routine itself, and the reward. Without the reward, the brain will not initiate the set of behaviors that turns something into a routine.

Studies show that this sequence, known as the "habit loop," can be effective in getting people to turn desired behaviors into habits. For example, a controlled study found that 31 percent of people who put a cue to exercise in place and consistently gave themselves a reward for doing so exercised regularly, compared to just 23 percent of those who did not employ such techniques.

Finding the Right Rewards

The key to changing behaviors—ending bad habits and developing good ones—lies in finding the right rewards.

Lesson #1: Make Sure the Reward Is Actually "Rewarding"

Rewards need to be rewarding to the person trying to change behaviors. A case example illustrating this obvious truth can be found in the story of Febreze, a product developed by Proctor & Gamble (P&G) that eliminates odors. Advertisers for this potentially blockbuster product initially devised a campaign based on the habit loop, with the goal of getting consumers to make use of Febreze a habit. The cornerstone of this $7 million campaign emphasized its odor-eliminating properties. Ad after ad made a bad smell in the house the cue to use the product, with the elimination of that smell being the reward. Sales were deeply disappointing, causing P&G executives to consider terminating the product. Interviews with would-be customers quickly identified the problem—most people who have bad smells in their house do not even realize it, as they get used to them. Whether it is cigarette smoke or pet odor, people are often unaware of bad smells in their homes. Consequently, using a product to eliminate those smells provides little if any reward.

As part of the same research, however, P&G marketers realized that most people do not like to clean their houses and need some sort of reward for doing so. They decided to reposition Febreze as that reward. As originally formulated, Febreze had no smell at all. It eliminated odors, but the product itself did not give off a scent. P&G spent $1 million to reformulate Febreze with a good smell. It still eliminated bad odors, but also left a good smell ("a breath of fresh air") in the air after use. Commercials focused on making that good smell the reward for those who cleaned their house. Unlike past commercials, these advertisements spent little or no time explaining the odor-eliminating properties of Febreze. Rather, the goal was to piggyback on the desired habit of house cleaning by offering a tangible reward. Sales subsequently skyrocketed. Febreze generated $200 million in revenues within a year and quickly became a $1 billion product, making it the fastest-growing product in P&G history. A decade later, the company finally began to mention the product's odor-eliminating properties in its advertising.

The lesson from the Febreze example is clear—the reward being offered has to be rewarding to the person involved. Febreze provides the reward of a clean-smelling house to the person cleaning the house; it validates the fact that he or she did a good job. In the healthcare arena, however, rewards are not always meaningful. For example, a $5 discount on the monthly healthcare premium is likely not an effective way to get people to exercise regularly.

> "It's easy to come up with transactional rewards like gift cards or raises. But the most powerful rewards contain emotions. If you want to change behaviors, you have to identify and consciously deliver an emotional reward."
>
> —*Charles Duhigg*

Lesson #2: Use Rewards That Are Based on Emotions (Not Transactions)

Most people instinctually focus on transactional rewards, such as bonuses, pay raises, gift cards, or coupons. However, studies consistently show that transactional rewards tend to be discounted almost immediately. For example, a raise is initially viewed as a positive thing. But over time it just becomes part of the regular paycheck. By contrast, the most powerful rewards tread on emotions, such as positive public recognition or a reminder that the desired behaviors and actions tie to something positive that the person cares about (e.g., saving a life, providing compassionate patient care). Simple rewards, such as a boss showing appreciation, can make a huge difference in changing behaviors, even for mundane tasks like submitting paperwork on time. Emotional rewards also tend to be more long-lasting than transactional ones; for example, being praised and recognized for saving or making a difference in someone's life often has a lasting impact. Because people vary in the kinds of emotional rewards they value, leaders need to spend the time necessary to understand what type of reward will resonate with those they are trying to influence.

Lesson #3: Remember That Even Bad Habits Stem from Rewards

Every complex organization, including hospitals and health systems, has unwritten rules and organizational habits that allow things to function and work to get done. Sometimes, however, these unwritten rules and habits can go awry, leading to disastrous consequences.

An infamous example of this came at the King's Cross subway station in the United Kingdom in 1980. Like a hospital or health system, this station—one of the oldest and biggest in the world—operated as a complex system made up of individual departments run as silos (e.g., ticketing, maintenance). On a routine day in 1980, a passenger approached a ticket taker to tell him about a burning piece of tissue he saw on the platform below. The ticket taker descended a long escalator to retrieve the tissue, but he alerted no one else about it. Sometime later, a passenger told a police officer that he smelled smoke. This police officer alerted his boss. But no one bothered to contact the dispatch unit, an action that would have caused unit leaders to stop sending trains to the station. Each subsequent train that entered the station not only brought more passengers, but also carried additional oxygen that served as fuel for the small fire burning beneath the escalator. Just under 50 minutes after the passenger first noticed the burning tissue, the fire reached a "flashover" point. It became so hot so quickly that nearby things began to combust. The fire exploded from below onto the top of the escalator. During a 17-second period, 31 people died and many more were injured.

Why did this horrible event occur, when it seemingly could have easily been averted? If someone had initially alerted dispatch and other authorities, no other trains would have entered the station, and the station itself would have been evacuated with few if any injuries. But that did not happen. Instead, a disaster occurred as a result of a series of bad decisions. Each of these decisions had a good justification, and each was associated with a "reward" for the person making the bad decision. Ticket takers are generally told not to investigate problems. The police and fire department are instructed not to call dispatch unless absolutely necessary. Train conductors are told not to open the doors once they have closed. (At one point passengers on the platform were banging on train doors in an attempt to get out of the station before disaster struck. But conductors would not open the doors to let them on the trains.)

The lesson from the King Cross example is clear—bad habits exist for good reasons. In a hospital, for example, physicians might not turn patient charts in on time because doing so saves them valuable time and may also give them perceived power over administrators. The key to ending bad habits, therefore, is to figure out the reward driving them and replace that reward with a new one that will motivate desired behaviors.

Lesson #4: Make Willpower a Habit

In the late 1960s and early 1970s, Walter Mischel, Ph.D., a psychologist and Stanford University professor, led a series of experiments in which he put a marshmallow in front of four-year old children. He left the room for 10 minutes, telling the children that if they did not eat the marshmallow, he would give them another one when he returned. He conducted the same experiment many times, in some cases changing the reward to a cookie or some other small treat. He then followed these children over long periods of time, discovering that those who exhibited willpower by not eating the treat tended to have better life outcomes, including test scores, educational achievement, and social success (e.g., better marriages, more and better friendships). In short, Dr. Mischel found that willpower was the single biggest factor correlating to future success, more than IQ, household income, and other factors commonly thought to drive a person's future prospects.

Some organizations are taking this lesson to heart. Starbucks, for example, does not really sell coffee, but rather sells the experience of drinking coffee in its stores. Consequently, customer service matters a great deal, as consumers are essentially agreeing to pay high prices in exchange for an excellent experience. Yet the average age of a Starbucks employee is just under 20, and most 20-year olds have no willpower. Starbucks learned this lesson the hard way, particularly as social media gained prominence. In one particularly well-known case, a young barista who had gotten little sleep the night before got into an argument with a customer. Rather than write the customer's name on the coffee cup, the barista wrote the word "bitch" instead. Not surprisingly, the patron became quite upset and posted a video showing the cup on social media, a clip that immediately went viral and was ultimately seen by millions.

After this well-publicized and embarrassing incident, Starbuck's leaders decided to overhaul the company's training activities to focus on teaching willpower. Trainers developed the LATTE habit loop, a process for dealing with angry and dissatisfied customers. LATTE stands for **listen** to the customer, **acknowledge** the customer, **thank** the customer, **take care** of the customer (with free coffee), and then **explain** to the customer why what just happened will not happen again. In essence, LATTE serves as the habitual response an employee is supposed to use after the cue of an angry customer. Customers love LATTE, with satisfaction rates having gone up significantly since its introduction. Employees love it as well, with their satisfaction rates having gone up even more. They like it because it tells them how to handle a difficult situation. No one likes being yelled at by an angry customer, particularly a 20-year old. LATTE gives them a way to respond, which is emotionally satisfying to young employees who may be scared of the situation.

Implications for Healthcare

No other group of people can help to spread the understanding of habit formation more effectively than healthcare providers. Patients are often dealing with inflection points in their lives where habits can change. They look to their providers for help in changing bad habits, and providers need to respond by assessing and revamping the rewards being offered to these patients, with the goal of finding emotional rewards that will elicit behavior change. At the same time, hospital and health system leaders need to assess the organizational rewards that underlie decision making, including those that lead to bad decisions.

Looking Ahead: The Implications of Consumerism on Payers

Christopher H. Hunter, Senior Vice President and Chief Strategy Officer, Humana

Background on Humana

Humana began as a nursing home company in the 1960s and by the end of the decade had become the largest such operator in the country. During the 1970s and 1980s, Humana focused on hospitals and became the nation's largest operator of hospitals by the end of the 1980s. In the early 1990s, the hospital business was spun off into a separate company, and Humana started to focus on the health benefits segment. Following a similar pattern, Humana has subsequently become one of the nation's largest health and well-being companies. Today it is in the midst of a potential $37-billion merger with Aetna, although it is not yet clear if that deal will be approved by regulators.

In fiscal year 2015, Humana generated $54.3 billion in revenues and employed approximately 50,000 individuals. The vast majority of revenues ($45.9 billion) came from its retail division, which has 9.4 million medical plan members and 1.1 million specialty plan members. Most retail medical members are enrolled in Humana's Medicare plans, as Humana is the second largest Medicare Advantage provider in the nation. The company has some Medicaid enrollees and members who purchase Humana coverage on the exchanges. Humana also has a relatively small group insurance segment that accounts for $7.4 billion in revenues; it serves 4.8 million medical members and 5.8 million specialty members. Humana tends to target smaller groups, primarily companies with 100 or fewer employees. Humana also serves many military families through the TriCare program. Finally, Humana's healthcare services division generated $23.6 billion in revenues in fiscal year 2015. Humana is the fourth largest pharmacy benefits manager in the nation, handling 316 million prescriptions each year. The healthcare services division also provides behavioral health and home care services.

Changing Market Dynamics

Humana's success is the result of its consumer-focused strategy, which consistently adapts and evolves in response to changing environments and market needs. Consumer perspectives matter a great deal in the Medicare market, with brand, provider network, and costs being key considerations when beneficiaries select a plan. Many consumers, however, know little or nothing about Medicare when they first become eligible for it. For example, many believe that Medicare is free, with no out-of-pocket costs, and that Medicare covers all services. Seniors often do not realize that they must buy prescription drug coverage, and few have heard of Medicare Advantage plans. They typically learn about Medicare from a variety of sources, including past experiences with insurance companies, friends and family, advertising, insurer Web sites, brokers, and sales agents. As shown in **Exhibit 1**, the industry is becoming much more consumer-centric in an effort to meet their information needs.

As the market changes, payers must understand what matters to consumers. To that end, in 2013, Humana's newly hired CEO allocated resources to extensive market research. A combination of focus groups, demographic analysis, and in-depth interviews, this research focused on four key questions that matter to consumers:

- What does "health" mean to me (the consumer)?
- Who plays what role in my health?
- How can I get what I need more easily?
- How does health define my future?

Exhibit 1. Healthcare Is Rapidly becoming More Consumer-Centric

Drivers	Manifestations
The population is aging, and **the majority of seniors want to "age in place"**	Rise of technologies such as remote monitoring and telemedicine are enabling the **emergence of alternate sites of care**
Consumers are **increasingly tech-savvy and "always on"**	Healthcare companies are increasingly leveraging an **omni-channel strategy** to meet consumer needs on demand
Consumers are **increasingly crowd-powered,** plugging into networks that make them more well-informed	**Real and virtual communities** centered around healthcare (e.g., PatientsLikeMe) are proliferating
Consumers desire smart, relevant experiences **tailored to their unique requirements**	Data analytics and user segmentation are driving **more personalized experiences**, resulting in better health outcomes

From the consumer's perspective, "healthcare" is complex, bureaucratic, and scary. People want to be treated with respect as unique individuals, not defined by their conditions or diseases. They want personal support and advice, and view health not just as physical health, but also emotional, social, financial, and mental health. Consumers value trust in their relationships, but feel confused about the various roles of those involved in their health, including health plans, hospitals, physicians, home health agencies, and the like. They want to know who they can view as a trusted partner. To address these issues, Humana is seeking to transform itself from a transaction- to a relationship-based company. The company's staff, including home health and other nurses, always get to know the patient as a person first, and then start to address health issues only after trust has been established.

> "You build trust with consumers slowly, by the inch, but can lose it quickly, by the yard."
>
> —*Christopher H. Hunter*

Consumers are also looking for a simplified healthcare experience, one that gives them what they need more easily. Today, they are too often frustrated by discontinuity, fragmentation, and a lack of logic or transparency with respect to how care is administered. Too much gets lost in translation, as no one speaks a language that consumers can understand. Consumers want "just-right" communication, but often get overloaded with information at the wrong time in language they cannot comprehend.

At the same time, consumers see health as a long-term investment and as a means to an end (not an end in itself). In other words, health is less important than what health allows one to do, be it spend time with family or pursue work and hobbies. These things are the real motivators that keep people engaged in their health; they are the emotional rewards that convince people to develop and follow healthy habits.

Humana's Consumer-Focused Strategy

Humana has deployed a new way of thinking about consumer relationships, pivoting the focus from transactions to people and health. This transition has been a major "game-changer" for the company, and the push has come directly from the top of the organization. As an enterprise, Humana adopted the "bold goal" of improving the health of the communities it serves by 20 percent by 2020, primarily by making it easier to achieve good health. This new way of looking at the company's mission has led to a significant increase in the engagement of Humana "associates" (employees); engagement rates are hovering at 92 percent even as the company is in the midst of a large merger (often a time of turmoil and low morale). The focus on people and health improvement has proven to be a tie that binds associates together.

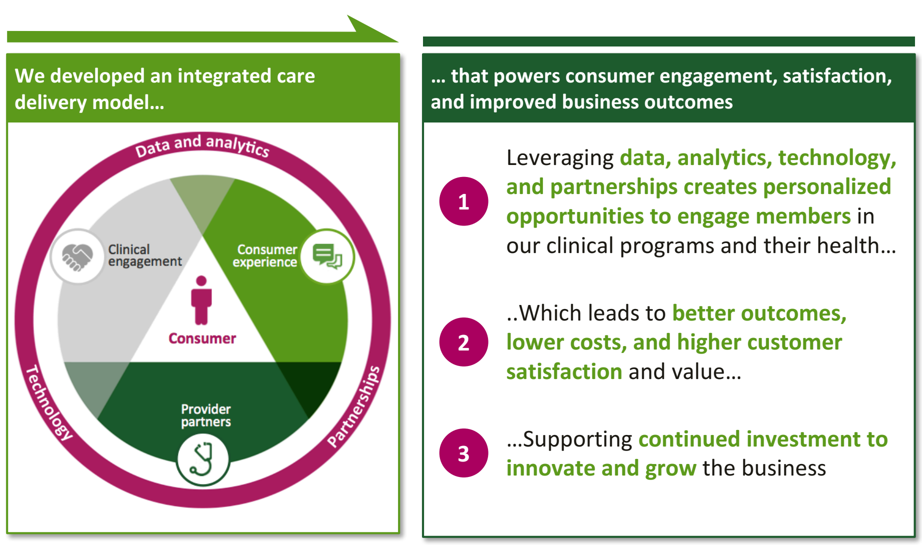
Humana's success in executing this strategy revolves around four consumer design principles that came out of the 2013 market research:

- **Know me**: Consumers want to be respected and treated as a person, not a condition.
- **Make it easy**: Consumers want to experience healthcare horizontally across their journey, not vertically in silos.
- **Show me you care**: Relationships matter. Consumers trust their doctor and family significantly more than their health plan.
- **Help me**: As noted, consumers view health as a means to an end, not an end in itself.

Humana is focused on three crucial dimensions to delivering this strategy successfully.

- **Business model**: Humana is investing in market segments where a consumer-centric strategy is most advantaged.

Exhibit 2. Developing Our Business Model around the Consumer



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- **Culture**: Humana is embedding a greater understanding of customers across the organization, in part by investing in customer relationship management systems and other technologies.
- **Capabilities**: Humana is developing infrastructure and processes to personalize consumer experiences.

As shown in **Exhibit 2** on the previous page, this strategy is designed to fuel a virtuous cycle of better outcomes and growth.

Humana is making substantial investments in its capabilities to execute its four consumer-focused design principles, including integrated data and advanced analytics capabilities to get to know members; relationship-based service interactions that show members that the company cares; simplified transactions that make things easy; and clinical programs to help members achieve personalized goals. Humana is also investing heavily in digital channels to meet consumer expectations, including self-service platforms for pharmacy and member registration that simultaneously improve the customer experience and reduce costs. Humana's service strategy emphasizes holistic interactions delivered by empowered, accountable associates who work on an integrated platform that requires little or no toggling between screens (associates used to have to navigate as many as 11 screens at a time). Associates are also now empowered to resolve issues and take full responsibility for the call experience, thus minimizing the need for transfers. Humana regularly measures the frequency of call transfers, which have declined significantly.

Humana has also developed predictive models based on big data to enable personalized clinical solutions. With over 90 associates dedicated to this task, Humana collects roughly two billion pieces of data each day. Using technology, these associates turn that data into actionable, personalized insights. As a result, Humana can offer a range of tailored clinical services, optimized by enterprise-wide coordination and integration (as shown in **Exhibit 3**).

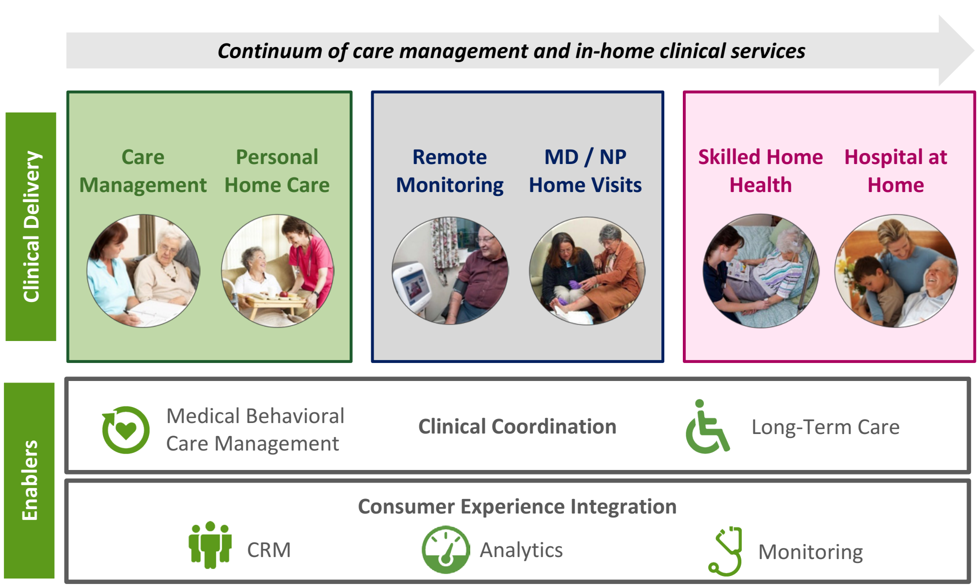
> "We still have a lot of work to do; we're in the second inning of a nine-inning game. But focusing on the consumer has been a great way to succeed as a company and engage our associates."
>
> —*Christopher H. Hunter*

Results to Date

Humana's consumer-focused strategy is clearly paying dividends, as detailed below:

- Personalized messaging strategies such as segmentation and tailored conversations have improved engagement rates.
- Digital self-service capabilities that allow consumers to engage how they want have improved outcomes.
- Empowering associates with new practices, behaviors, and tools has improved the customer experience, leading to a 36 percent reduction in call transfers, a 37 percent decline in repeat calls, and 61 percent net promoter scores.
- Humana at Home clinical programs have increased satisfaction and improved outcomes. For example, in 2014, Humana's Chronic Care Program achieved excellent consumer experience scores (92 percent satisfaction, 78 percent engagement, 72 percent net promoter score); improved clinical outcomes (1 million more days at home); and lower costs (44 percent fewer hospital admissions).
- Remote monitoring programs have also led to better outcomes, including a 51 percent decline in hospitalizations, a

Exhibit 3. Enterprise-Wide Coordination and Integration



21 percent drop in claims costs over a six-month period for members enrolled in a home heart health monitoring program, a 47 percent decline in hospitalizations, and a 35 percent reduction in claim costs for those enrolled in a personal emergency device program.

Moving Forward

As shown in **Exhibit 4**, the basis for competition is changing rapidly, with provider integration becoming critical to success. Going forward, Humana will build on its heritage of innovation with its integrated care delivery model. Much of the focus will be on removing consumer "friction points," as shown in **Exhibit 5**.

Exhibit 4. Rapidly Changing Competition

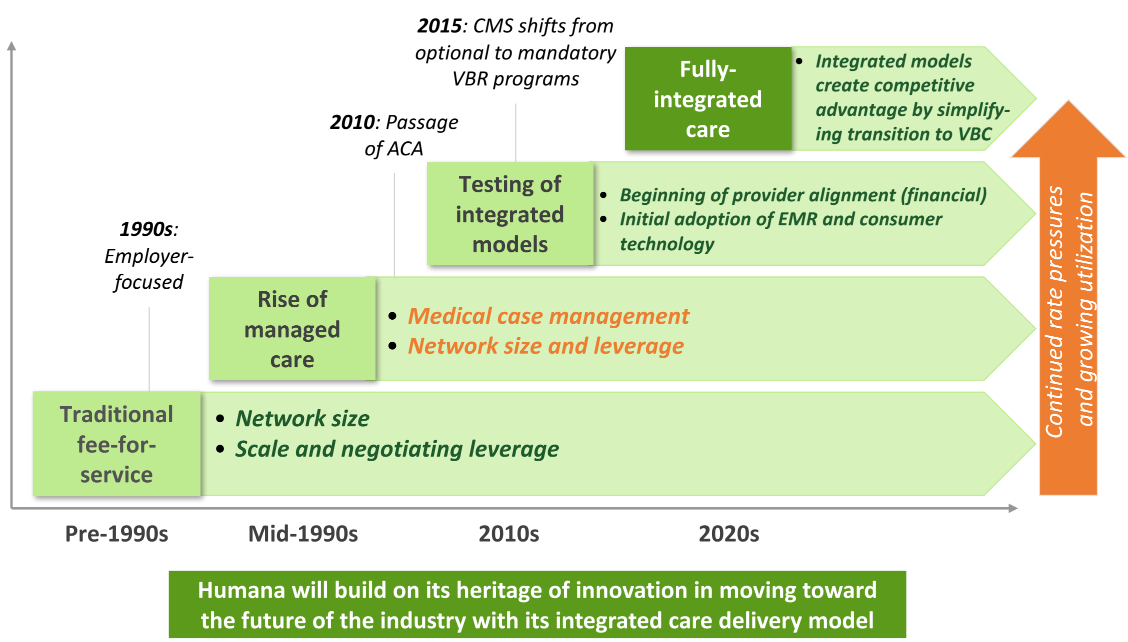


Exhibit 5. Removing Consumer Friction Points

Within the consumer healthcare experience, there is a need for improved integration to remove consumer "friction points."

Consumer journey

Friction point	Description
Uninformed provider selection process	• Member learns provider actually **not covered after-the-fact** • Lack of easy, trusted info on provider **quality/cost**
Conflicting treatment plans	• Recommended **treatment by provider not covered** • **Providers' lack of visibility** into downstream care • Provider **administrative burden from** Humana process (e.g., authorization)
Prescriptions outside of formulary	• **Prescription medications not covered** by formulary
Specialist referrals	• **Provider referrals not in-network** • **Scheduling challenges to see specialist** in time to address medical need
Incomplete hand-offs/ care transitions	• **Repeating health history** to each care provider • **No consistent health records** following consumers • Providers' lack **visibility into long-term/gaps in care**
Billing/admin/claims issues	• **Unforeseen costs of care** due to fragmented billing • **Providers lack visibility on financial impact of care** on consumer

Disrupting Healthcare from a Consumer Retail Space: CVS' Experience to Date

Willis Chandler, M.B.A., Vice President of Health System Alliances, CVS Health

Background

The "retailization" of healthcare continues, with rapid growth occurring in the number of consumers enrolled in consumer-directed health plans (CDHPs). In 2014, 37.5 million people were enrolled in CDHPs, up from only 6.1 million in 2006. Research suggests that consumers in CDHPs want four key things from their healthcare experiences: a transparent search for information, convenient access, durable relationships, and positive encounters (see **Exhibit 6**).

As consumers migrate to CDHPs, it becomes critical to promote healthy behaviors. But as patient cost-sharing rises, sustaining these behaviors becomes more challenging, as patients may be tempted to cut corners on health and wellness to avoid costs. To address this issue, CVS Health has set an ambitious goal of ensuring that consumers maintain at least 80 percent compliance with their medication regimens. This figure was chosen based on research showing that the effectiveness of medications drops off markedly when adherence falls even marginally below this level.

Challenges Facing CVS Health and Its Consumer-Driven Strategy

CVS Health is positioning itself to meet consumer needs and boost adherence to healthy behaviors. It has several strengths that should help in reaching this goal, including a trusted brand name, over 9,500 convenient locations, clinics located within many stores, a variety of innovative plan design options, and various programs to boost adherence to medications. However, the company has had to overcome several major challenges in executing this strategy, as detailed below.

Challenge #1: Avoiding Inconsistency of Message

The biggest challenge came early in CVS' transformation process, when leaders recognized a glaring inconsistency in the company's approach—that is, CVS stores sold cigarettes and other tobacco products known to be quite harmful to those who use them. On average, 5 percent of patients who came in to pick up prescriptions also bought tobacco products during the same visit. Tobacco-related sales generated $2 billion in revenues, representing over 1 percent of total sales and a much higher percentage of sales from the "front" of stores (i.e., non-pharmacy sales). Yet the company could not credibly claim to be pursuing a strategy that emphasizes consumerism, helping patients improve their health and adhere to their medication regimens while simultaneously selling tobacco products. The company decided to remove all tobacco products from its stores. And while CVS did not eliminate other unhealthful products such as sodas, snack foods, and candy, the company is reconfiguring its stores to emphasize healthier foods in high-traffic areas.

Challenge #2: Managing Complex Medication Regimens

Many individuals have complex medication regimens, and these individuals frequently come to the local pharmacy. As shown in **Exhibit 7** on the following page, those on the most complex regimens tend to have the lowest levels of adherence.

Exhibit 6. Consumers Expect…

Transparent Search

Consumers expect to:

- Know the price in advance
- Find a provider who is a good personal match
- Learn about other patients' experiences
- View available times and schedule an appointment online

Convenient Access

Consumers expect to:

- Make an appointment outside of traditional business hours
- Have a location open for immediate care
- Schedule same-day appointments
- Have the option to see another provider if theirs is unavailable
- Talk to a provider without having to travel

Durable Relationships

Consumers expect to:

- Have access to all of their clinical information
- Trust that the health system knows them and their unique needs
- Have the health system anticipate and support their clinical and non-clinical needs

Positive Encounter

Consumers expect to:

- Find the right location without getting lost
- Have their appointment start on time
- See a clinician who treats them with respect
- Understand their bills and be able to pay easily
- Voice concerns and have someone respond quickly

Source: The Advisory Group Infographic

To combat this issue, CVS Health developed ScriptSync®, a program specifically focused on reducing medication complexity for patients taking multiple medications. This program coordinates refill and renewal schedules, allowing patients to pick up all maintenance medications in a single visit to a CVS store. It has been shown to improve adherence rates by six to 10 percentage points. While it hurts CVS from a business perspective by reducing foot traffic, it aligns with the company's strategy of promoting health in an era of consumerism. CVS also has other tools to help those on complex medication regimens, including labeled dosing packages and pre-packaged medications that sort drugs by time of day and day of week. The goal is to help patients synchronize their medications by having all the medicines they need to take at a given time clearly labeled and available in the right doses. These tools have also been shown to improve adherence significantly.

Specialty Connect is another CVS program that boosts adherence. Under this program, every CVS store accepts specialty prescriptions and gives consumers the option of picking them up or having them delivered to the home. Due to the complex nature of these medications, most consumers choose to come to the store, where they can get their questions answered and receive other clinical support from the pharmacist. This approach results in not only higher satisfaction, but also better outcomes, as the percentage of patients with optimal adherence has increased by 11.4 percent among program participants.

Going forward, CVS will increasingly use digital tools to help patients improve their medication adherence. These tools make management of complex prescription regimens much easier (see **Exhibit 8** on the next page).

Challenge #3: Providing Convenient Access

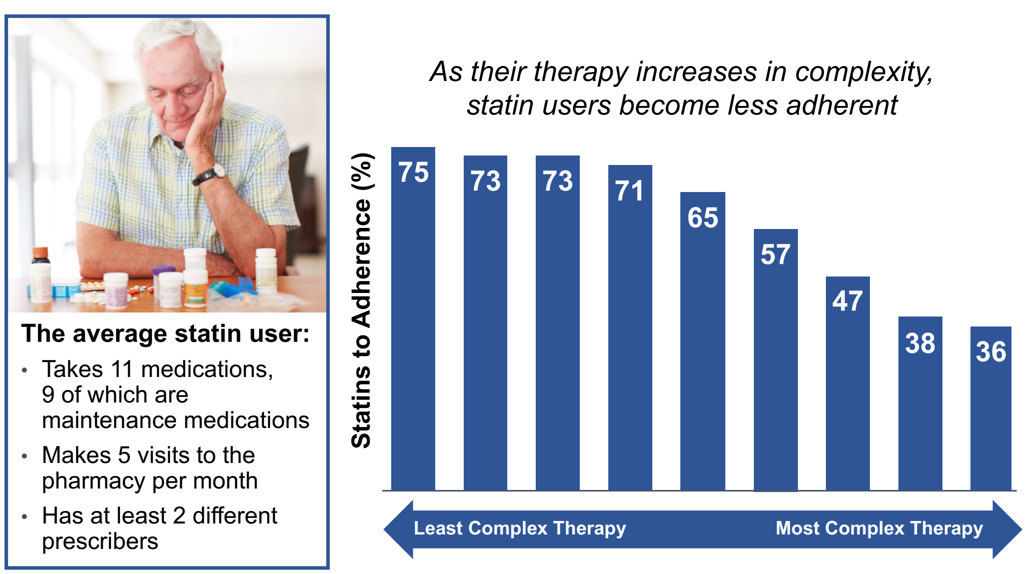
After thinking about operations through the eyes of a consumer, CVS leaders felt that much could be done to enhance access to care. A decade ago, CVS launched MinuteClinic, in-store clinics that provide convenient access to high-quality, low-cost care. CVS currently has over 1,100 such locations. In fact, roughly half of the U.S. population lives within 10 miles of a MinuteClinic. Collectively, these clinics are the largest employer of nurse practitioners in the nation.

To date, approximately half of the more than 32 million visits to MinuteClinics have occurred during evening and weekend hours, when traditional practices tend to be closed. In addition, about half of patients who visit a clinic location do not have a regular doctor. The goal is not to become the primary care provider for these patients, but rather to connect them to a regular source of care.

So far, the effort has been quite successful, with average satisfaction rates of 94 percent and cost savings to consumers of up to 80 percent. MinuteClinic now has formal affiliations with over 100 health systems. Under these arrangements, services provided and test results from MinuteClinic locations are available to other providers on the Epic system; similar interfaces either exist or with other electronic medical record (EMR) systems. By sharing information freely with other providers, MinuteClinic has been able to forge durable, trusting relationships with both patients and their regular providers.

Going forward, CVS plans to expand access to MinuteClinic locations through greater reliance on telemedicine, particularly for those living in rural areas. A 15,000-visit pilot test of this type of technology has generated positive feedback thus far, with 95 percent of patients rating their experience as being as good or better than a traditional in-person visit. Since 2015, patients at some MinuteClinic locations have been able to sign in via an in-store kiosk that sends a text alert when it is nearly

Exhibit 7. The Relationship between Therapeutic Complexity and Medication Adherence Is Strong



Source: N.K. Choudhry, W. Shrank, *Archives of Internal Medicine,* 2011 time for the visit to occur (thus eliminating the need to remain in the waiting area). Beginning in 2016, customers have been able to register for a visit online. This feature allows them to get "in line" before coming to the store and receive text updates on where they are in the line. In the future, patients will be able to schedule appointments online, thus eliminating the need for any waiting in the store at all.

> "Do today's work today…let people come in the same day they call."
>
> —*Willis Chandler*

Challenge #4: Using Connectivity to Overcome Healthcare Silos

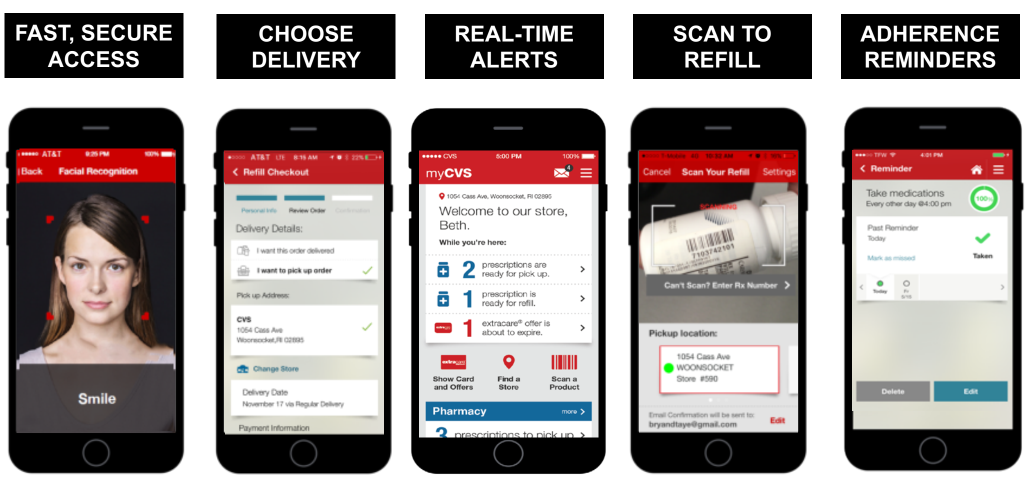
As discussed earlier, CVS uses connectivity to overcome the siloed nature of healthcare. Within the pharmacy, connections to major EMR systems provide opportunities to promote adherence, including by sending patient-specific alerts to care managers (e.g., when a patient fails to pick up a prescription). The MinuteClinic EMR also allows affiliated providers to access patient information, such as current medications and allergies. In addition, MinuteClinic automatically sends a visit summary to the affiliated provider's EMR system, promoting transparency and continuity of care.

Key Themes and Takeaways

Consumerism is here to stay and cannot be avoided. Patients know and expect more, and the culture of consumerism will continue to spread as employers and payers expand their cost-sharing strategies. To succeed, organizations must align their businesses with consumerism, including by offering evening and weekend hours that allow consumers to access care when it is convenient to them. They must also invest in strategic partnerships that eliminate healthcare silos. No single organization can be an "expert" at everything, making partnerships inevitable. Partnering must become a core competency; to that end, CVS created a separate division dedicated to creating such alliances with providers. Finally, healthcare leaders must be willing to ask themselves the "hard questions," much as CVS leaders did when the decision to pursue consumerism made it impossible to continue selling tobacco without losing credibility. For example, hospitals make significant money providing infusion therapy at their facilities. In fact, infused drugs account for an estimated $35 billion in revenues. This figure will undoubtedly increase, since one-third of all specialty drugs in the pipeline are infused medications. However, patients would rather receive these drugs at home, and the evidence would suggest that they can do so safely and at lower cost than in the hospital. Yet many hospitals continue to make these drugs available only within their facilities.

> "Are you willing to forego revenues in order to stay true to a consumerism strategy? Even if you make money doing something now, you may need to give it up."
>
> —*Willis Chandler*

Exhibit 8. Empowering Patients with our Digital Tools



Innovation helps make prescription management easier for patients

Note: Patient story is represented for illustrative purposes only. Any resemblance to an actual individual is coincidental. All data sharing complies with applicable firewall and privacy laws.

Key Implications for Hospitals and Health Systems

Conference attendees highlighted the following key implications from the experiences of Humana and CVS:

- Make consumerism a strategic priority.
- Recognize that one cannot always predict the future.
- Constantly look for ways to think and do things differently.
- Bring in administrators and board members with experience in consumerism, ideally from outside the healthcare industry (e.g., hotels, restaurants, banking).
- Connect with consumers and patients where they are, both inside and outside of one's own facilities. For example, most consumers, even the elderly, are adept at using smart phone-based technologies and want to interact in this manner.
- Do not forget the importance of "high touch" in building and maintaining relationships, particularly with seniors. For example, Humana routinely gives scales to congestive heart failure patients so they can weigh themselves each day and send the results to providers. Even though the scale is easy to use, having a nurse hand it to the patient and explain how to use it proved much more effective than simply sending the scale to the home.
- Work through providers whenever possible. Consumers want to have trusting, lasting relationships with providers.

Transforming Your Capabilities—The Amazon Way

John Rossman, Managing Director, Alvarez & Marsal; Author, The Amazon Way: 14 Leadership Principles of the World's Most Disruptive Company *and* The Amazon Way on IoT: 10 Principles for Every Leader from the World's Leading Internet of Things Strategies

Amazon has made its success by creating a business model entirely focused on the consumer. Mr. Rossman, who previously ran Amazon's third-party selling and enterprise services businesses, shared some of the key leadership principles that allow Amazon to succeed.

Obsess About the Customer

Amazon leaders pay attention to competitors, but literally obsess about customers. The general approach is to start with the customer and work backwards, focusing exclusively on what the customer wants and values. This approach has led to a variety of programs that make the shopping experience easier at Amazon:

- **The Internet of Things (IoT):** IoT makes shopping as simple as possible, including the ability to take a photo or push a button to order a commonly used item. At present, hundreds of items already have such buttons available. The next step will allow for automatic order replacement through embedded technologies, such as a water filter reordering itself when it reaches the end of its useful life.
- **Coordinated delivery:** This service allows an item to be delivered into the trunk of a customer's car while he or she is at a particular location, such as work. Technology allows the delivery person to open the trunk one time only, solely for the purpose of placing the item in it.
- **Contact avoidance:** Amazon executives wrote a book called *The Best Service Is No Service*. Most customers want to do things on their own, with no need for complicated explanations. Amazon constantly assesses the root cause(s) of all customer contacts and works to eliminate the need for them. This strategy simultaneously reduces costs and improves the customer experience. The healthcare industry is ripe with opportunities to eliminate unwanted customer contact.

Invent and Simplify

Amazon's leaders see themselves as explorers and inventors. More than just inventing, however, these leaders always strive to make things simpler. Simplified approaches and rules scale better, produce lower costs, and can be more easily managed and monitored. As an exercise, organizational leaders should think about the worst possible customer experience and then seek to simplify and improve it.

Measure and Monitor

Everything can and should be measured. Amazon will not launch a product without a full instrumentation plan (i.e., measurement system) in place. Amazon leaders strive for data that is as granular as possible, since data can generally be rolled up to greater levels of aggregation, but often cannot be rolled down to finer levels of detail. The goal is to have as close as possible to real-time information on the customer experience and all related processes, system components, and financial drivers.

An example of Amazon's commitment to measurement can be seen with the perfect order percentage (POP) metric. POP assesses the proportion of orders that are perfectly accepted, processed, and fulfilled. As shown in **Exhibit 9**, it encompasses a variety of other measures.

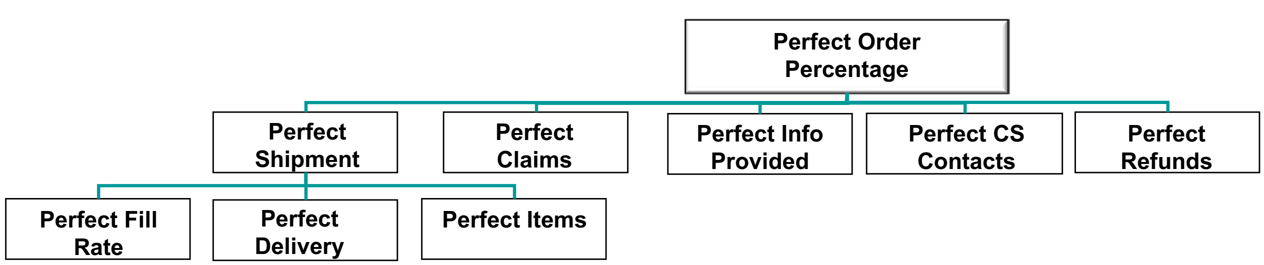
One person at Amazon has overall responsibility for each metric; this individual is charged with understanding and driving continuous improvement, and, importantly, has the authority to go across department lines in order to do so. By assigning accountability, Amazon makes sure that the organization itself does not get in the way of improving performance.

Avoid Bureaucracy

The aforementioned strategy of making individuals accountable for performance on specific metrics gets at Amazon CEO

Exhibit 9. Example: Perfect Order Percentage (POP)

Measures percentage of orders that are perfectly accepted, processed, and fulfilled.



Jeff Bezos' biggest concern: bureaucracy. Rather than being obsessed about what competitors could do to Amazon's business, Mr. Bezos is more concerned about what internal bureaucracy might do to it. Consequently, Amazon has put in place many initiatives to prevent bureaucracy from getting in the way. First and foremost is the concept of using small teams to innovate. These teams take ownership over core processes from start to finish. They oversee anything of importance, including payments, promotions, forecasting accuracy, and inventory. The team becomes accountable for everything about that process, including related technologies and operations. Processes often hide embedded bureaucracies. The goal should be to avoid such bureaucracies by ensuring that all processes have written definitions, a customer focus, a roadmap for internal and external adoption, a written instrumentation panel that lays out both short- and long-term measures of success, and a roadmap for improvement over time. Every function and process at Amazon has such a roadmap for improvement; the teams attempt to "sell" the case for improvement to senior leaders, who then decide whether to allocate resources to the effort.

Strive for Self-Service Platforms

Because internal stakeholders are never as demanding as external customers, Amazon continually seeks critical feedback from customers. The goal is to make as much as possible self-service in nature. As Jeff Bezos wrote to Amazon shareholders in 2011: "When a platform is self-service, even improbable ideas get tried, because there's no expert gatekeeper ready to say 'that will never work.' Guess what? Many of those improbable ideas do work."

> "Some things will work and others will not, but the customer experience is never done. You need to focus on the customer experience constantly, always working to refine and improve it.
>
> —*John Rossman*

Think Big

Thinking small is a self-fulfilling prophecy. Instead, leaders need to develop and communicate a bold vision that inspires results. They need to think differently and look for new ways to serve customers. Thinking big, however, is not the same as betting big on a particular idea. Failure is to be expected, and companies need risk-mitigation processes that anticipate such failures. To that end, the bold vision should be broken down into small steps implemented in an agile manner, with learning along the way.

> "To innovate and to fail are two sides of the same coin."
>
> —*John Rossman*

Create Algorithms to Automate

Amazon continually reinvents the way work gets done, looking for ways to automate based on real-time data and rules. The goal is to depress cycle times, drive down costs, and improve quality and the customer experience. Forcing functions are an approach for systematically enforcing a strategy and hence automating it. Amazon puts them in place upfront to ensure the right results without the need for anyone to pay a lot of attention. In other words, forcing functions become another way to avoid bureaucracy. Focusing on the right metrics is one type of forcing function. Other forcing functions help to create a culture of innovation and make sure that orders get out the door quickly. For example, Amazon has outlawed the use of slide presentations internally, as slides are by definition a poor medium to explain complex plans, requirements, and projects. Instead, all plans start with a written narrative. People take a lot of time to develop these narratives, which provide clarity as to what exactly is going to be done. At the beginning of every meeting, attendees spend 15 minutes reading the narratives, which are supposed to stand on their own without the need for dialogue. This forcing function makes people avoid the temptation to "dumb it down," which in turn leads to better ideas.

Another Amazon-developed forcing function is the future press release, a document written early on that explains why a new idea is good for the customer. The press release also lays out the business case for the idea, the metrics to be used to assess success, and the hard work required and risks that must be overcome to achieve the predicted results. In other words, the press release serves as a forcing function to ensure that sensitive topics get written down and discussed. For example, one press release laid out the ambitious goal of allowing third-party enterprise partners to register, list, sell, and ship an item without any input whatsoever from Amazon. The goal was to allow partners to initiate these actions in the middle of the night, using a self-service platform. Not surprisingly, realizing this goal imposed huge technological and logistical requirements on many parts of the business. Laying that out in the future press release helped make sure it happened, as it gave the assigned internal team the license to pursue the work that needed to be done to realize the articulated vision.

Similar to the future press release, other forcing functions used at Amazon are the development of written FAQs (frequently answered questions) and owner's manuals. These documents lay out the various requirements that different stakeholders have and hence bring to light issues that might not have otherwise surfaced.

"Amazon's principles work well for Amazon. They create consistency and scalability and help to avoid bureaucracy. Leaders need to think through the principles that will work for their organizations and then use them on a daily basis. The key is to embrace change—as Jeff Bezos has said, 'the death knell for any organization is to glorify the past, no matter how good it was.'"

—John Rossman

Deliver Results

The final leadership principle speaks to the expectation that results will be delivered, in spite of any setbacks and dependencies. To deliver results, good leaders emphasize that there is no "no" allowed. The job of a leader is to get to "yes"—to figure out feasible solutions that drive innovation. As Jeff Bezos says, "it's not okay to fail because of a breakdown of dependencies. That is a failure of leadership." To manage dependencies, Amazon puts in place service level agreements with all partners that cover issues such as costs and throughput. The goal is to manage critical dependencies and hence reduce operational risks that could jeopardize efficiency and the customer experience.

Key Takeaways for Healthcare

Attendees highlighted the following lessons from the Amazon experience that can be quickly applied to the healthcare industry.

- **Focus on low-hanging fruit:** Too many easy things in healthcare are difficult, such as scheduling an appointment, getting test results, or paying a bill.
- **Create innovation improvement teams:** Healthcare organizations have generally not focused on innovation. Getting a critical mass of people to do so should be a high priority.
- **Allocate resources:** Boards and CEOs must recognize the importance of allocating resources to innovation, reinvention, and simplification. Investing in these areas is as—if not more—important than investing in new technologies and clinical programs.
- **Address fragmentation:** Just as Uber has integrated the taxi experience, healthcare organizations need to take a longitudinal view of the customer experience that goes beyond a single transaction. The goal should be to integrate all customer touchpoints.

Finding the Future First: New Frontiers in Consumer Healthcare

Larry Keeley, Cofounder and President, Doblin

In his 35 years of studying innovation as a science, Mr. Keeley has worked in 55 different industries across five continents. In the healthcare arena, he has worked with Mayo Clinic, Humana, and many other high-profile organizations. This section highlights the critical lessons he has learned in his work.

A Period of Rapid Change

Innovation can be brutally hard, and the leaders of organizations affected by innovation need to remain clear-headed and focus on what it will take to succeed. Innovation, moreover, is occurring at a very rapid pace. According to sociologists, the current period represents one of the four most intense times of change in the history of mankind. (The other three periods are not in anyone's living memory; one such period was the invention of the number system.) The pace of change is only going to increase, at least for the next 20 years.

Humans, however, are not designed to deal effectively with continuous change. Rather, they tend to do well with episodic or "step-function" changes. For example, in the music industry, humans handled the transition from record albums to compact discs well. However, very quickly thereafter, music transitioned to MP3 players and then to streaming services that provide all music for a low monthly fee. These changes occurred very quickly, forcing people to repeatedly buy their preferred music in different formats.

Creating Breakthrough Innovations by Integrating (Not Inventing)

Streaming music services have all the elements of a breakthrough innovation—technology at the core, a product or service that is a genuine pleasure to use, and a good business model that allows for profits at an affordable price to the consumer.

> "Generating 'bad-ass' breakthroughs requires a focus on a small number of big things. But most efforts to innovate today are designed to generate a huge number of smaller ideas. There's no ROI in that."
>
> *—Larry Keeley*

To create a breakthrough innovation, leaders must focus on investigating a small number of big ideas, figuring out what is likely to come next in a particular field. Most breakthrough innovations focus not on new ideas but rather integrating what already exists in a simple and elegant manner. Uber, for example, integrates many things to create a simple and convenient service. The customer knows exactly when the driver is going to show up and how much the ride is going to cost, and does not have to deal with handling any money, since the transaction is automatically processed behind the scenes. Like many innovations, the presumption is that the user has his own "supercomputer"—a smart phone. Uber relies on modular, basic robust capabilities available to anyone. The company has only one patent, and it is for a feature that is relatively unimportant to customers (it alerts them when the assigned driver has completed his or her prior trip).

Another example of breakthrough innovation through integration of the known comes from Alibaba, which is the Chinese version of Amazon. Very little is new at Alibaba, with almost everything having been borrowed, adapted, and reinvented as an integrated service. Like at Amazon, Alibaba succeeds by trying things, seeing if they work, and then adapting accordingly. For example, the company's chairman noticed that sales tended to slump in mid-November every year. To address this issue, he decided to create a new holiday known as "singles day" that would fall on November 11 (11/11, with the "1s" being symbolic of being single). The idea was to mirror the American holiday of Valentine's Day, with a focus on those who are not married. The holiday "debuted" in 2014, generating $6 billion in sales. Shortly thereafter, Alibaba had the most successful initial public offering in history. In 2015, Alibaba introduced the idea of getting an 11:11 a.m. or 11:11 p.m. time stamp on every gift purchased, a simple innovation that helped to generate $14.3 billion in sales on singles day that year. In 2016, singles day generated $17.8 billion in sales, including $1.5 billion during the first seven minutes of the day.

> "For the first time in history, innovation is giving up its secrets. Most innovation is less about primary invention of the new, and more about primary integration of the known."
>
> —*Larry Keeley*

10 Types of Innovation: A Deep Look at the Discipline of Innovation

Innovation is always difficult to execute. But it gets easier when myths are replaced with methods that can build competence in the field. Based on over $6.8 million of research, *Ten Types of Innovation: The Discipline of Building Breakthroughs* serves as a guidebook to the discipline of innovation. Mr. Keeley shared the key messages and lessons from his book, including not only how to create successful innovations, but also how to develop competence by replacing myths and lore with logic and proven methods and tactics.

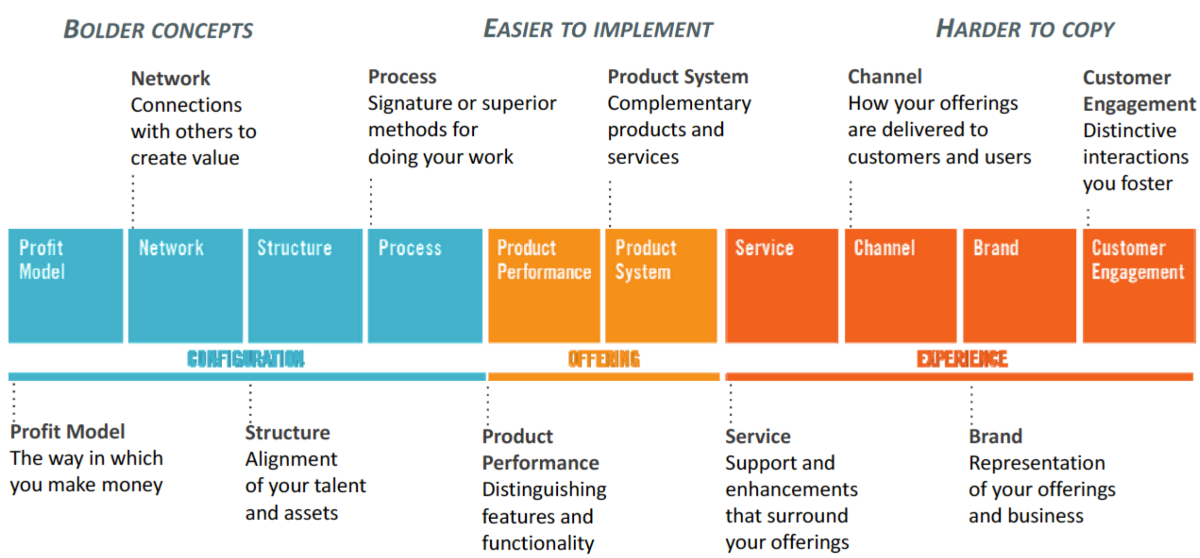
Mr. Keeley's research identified 10 different types of innovation (depicted in **Exhibit 10**); successful innovators integrate five or more different types, including at least one from each of three categories. The first category (depicted by the four boxes to the left) focuses on concepts taught in business school: profit models (how the innovation will make money), networking (how to connect with others to create value), structure (how to align talent and assets), and processes (how to use the organization's signature and/or superior methods). The second category (the two middle boxes) incorporates concepts taught in engineering schools, including product performance (how to deploy distinguishing features and functionality) and product systems (how to create complementary products and services). Finally, the third category (the four boxes to the right) has to do with concepts taught in design schools, such as service (how to support and enhance the value of one's offerings), channels (how to deliver one's offerings), brand (how to represent one's business and offerings), and customer engagement (how to foster distinctive interactions).

How to Innovate: Through a Disciplined, Defined Approach Supported by the Board

Innovation does not occur by sticking people in a room and telling them to innovate, or by giving a rousing speech about the importance of innovation. Success does not come from generating long lists of ideas and voting on them. Rather, teams need to go through a series of defined steps that generate one or a few ideas that team members are willing to stake their careers on. Specific tactics can be used to develop and implement innovations. The process need not be that expensive, as technology has dramatically reduced the cost of market research and product development. As shown in **Exhibit 11** on the next page, the focus should be on faster, more iterative development through use of radical, open methods.

An organization's success with innovation will be directly proportional to its willingness to invest in it and follow these

Exhibit 10. Ten Types of Innovation



steps. In healthcare, the typical success rate for an innovation (as defined by a positive return on invested capital) is 6.5 to 7 percent. Organizations willing to invest heavily in innovation, with metrics installed throughout the organization, incentives for leaders to sponsor growth initiatives, and high-potential staff being liberated to author such initiatives, can achieve 70 percent success rates (see **Exhibit 12**). This process will yield a small number of big ideas; those involved will love it and hence be willing to invest their time and energy.

For board members, the key is to develop an "innovation intent" that clarifies the organization's commitment to innovation. Organizations that have such statements are 20 times

Exhibit 11. Lightweight Innovation in a Nutshell: Clouds, Crowds, Partners, & Prizes

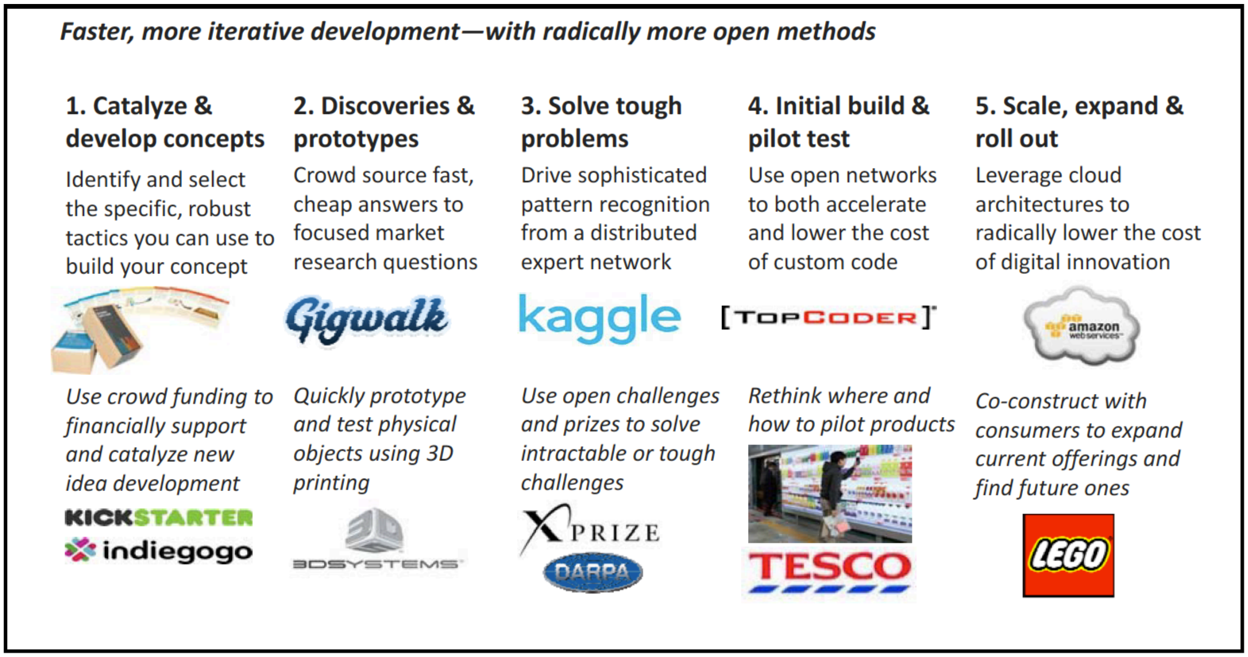
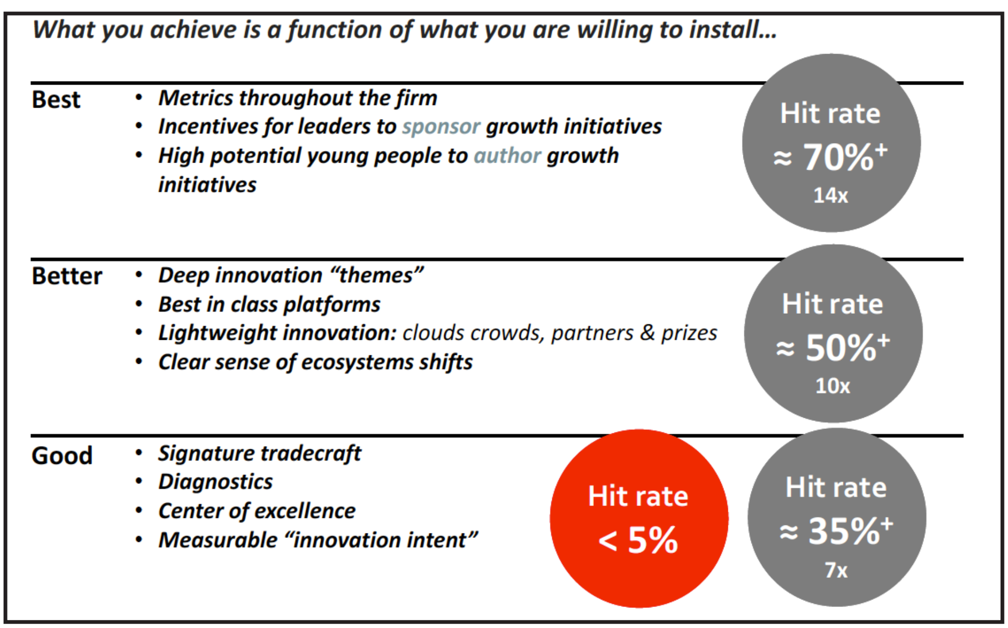


Exhibit 12. Differing Degrees of Intervention

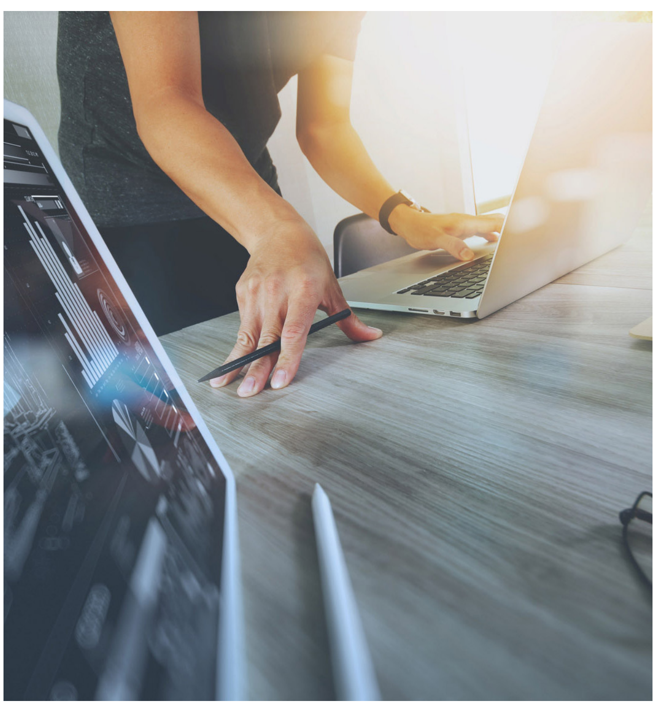


more likely to succeed. An innovation intent is not a slogan or advertising campaign. It does not presume to know what to do or how to do it. Instead, by looking outside the firm and beyond traditional competitors, it challenges the talent within.

A classic form of an innovation intent statement came from John F. Kennedy, when he called on the country to send an astronaut to the moon and return him or her safely. President Kennedy had not previously discussed this statement with anyone at NASA. Those involved initially expressed serious concerns, not at the idea of sending someone to the moon, but rather at the idea of getting him or her home safely, as no one had ever contemplated the technology required to do so. John Noseworthy, the CEO of Mayo Clinic, recently issued a similar innovation challenge to those in his organization. Noting that it took Mayo Clinic 136 years to reach the size and scale to treat 20 million patients a year, he set the goal of serving 200 million patients each year by 2020, while simultaneously cutting operating costs by $2 billion and not building any new hospitals. To succeed, Mayo has identified eight growth businesses as areas of focus, including in-home monitoring of the health of 40 million customers through sensors placed in the home. Mayo expects that patients will pay for the service through a low monthly fee, much like they pay their cable or phone bill today.

Where to Focus: Big, Bold Ideas That Leverage Platforms

Organizations rarely are bold enough when thinking about innovation. Yet the most successful innovations tend to be bold and always make use of five or more of the 10 types of innovation. For example, Henry Ford developed a car that replaced the horse as a mode of transportation. Using eight types of innovation, Ford developed a vehicle that sold for roughly the same price as owning and operating a horse (approximately



$5,000 in today's dollars). This innovation made Ford Motor Company the biggest, most prestigious company in the world.

Not long after Ford introduced the Model T, Buick used all 10 types of innovation to create a higher-end, "sexy" car that sold for the equivalent of $34,000 in today's dollars. People stood in line to see the car even if they could not afford it. More recently, Tesla came along and used seven types of innovation to introduce a brand new type of vehicle that challenges many industry orthodoxies. In essence, owning a Tesla has become a status symbol, with those who do becoming a part of the "cool kid's club."

The best way to create this type of innovation is through platforms that cut across companies and markets. The most valuable companies in the world have created such consumer and/or business-to-business platforms, which have generated amplified returns. These include Netflix, Google, Amazon, YouTube, and others. For example, Amazon recently created Amazon Prime, a breakthrough business model that uses six types of innovation and fosters loyalty by making people feel they are part of a cool kid's club. Amazon loses money on the service as a standalone business, but each new Prime customer generates $78 in profit elsewhere in the company. Those who join spend 2.4 times more on Amazon than they did before joining. When Amazon raised the price of Prime from $79 to $99 a year, virtually no one dropped out of the club. Rather, they bought more products to justify the increased cost.

Applications to Healthcare

A blizzard of revolutionary products and services are being introduced in the healthcare arena that make use of many, if not all, of the 10 types of innovation. Some of these have come from traditional healthcare organizations while others come from non-traditional competitors like IBM, Apple, and

Walgreens. For example, IBM's Watson makes use of seven types of innovation to bring cognitive computing to the field of medicine. Last year, Watson actually passed the medical board exams. GE and Epic are also using forms of cognitive computing to bring innovations to the healthcare field. Like CVS, Walgreens now serves and competes with healthcare systems. Humana, Apple, and Kaiser are well-known organizations that have used five or more types of innovation to bring bold, innovative products to the healthcare market. At the same time, lesser-known organizations are doing the same thing to revolutionize fields such as eye care, behavior change, and physician payment models. For example, using six types of innovation, Aravind has reinvented eye care in India, performing laser surgery profitably for $10.

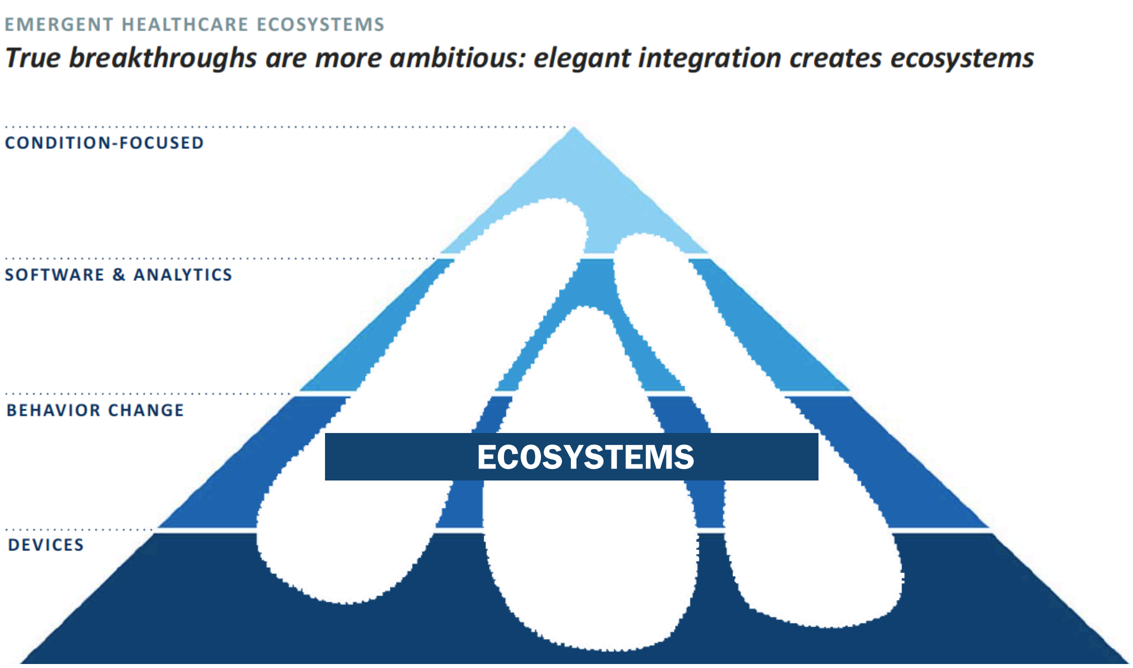
The Future: Integrated Ecosystems

The natural evolution of all businesses, including healthcare, is toward integrated ecosystems that can fundamentally change cost structures while dramatically improving outcomes. These ecosystems create new value equations. Several healthcare organizations are at the forefront of creating such ecosystems. Using six types of innovation, Joslin Diabetes Center is focusing on encouraging lasting behavioral change through cultural adaptations. For its part, MD Anderson is working as an ecosystem to solve cancer as a complex problem. While one- and two-dimensional innovations help to advance the practice of medicine, true breakthroughs are much more ambitious—they use elegant integration to create ecosystems that cut across areas. Most also integrate the emerging fields of software and analytics and many focus on specific conditions. As shown in **Exhibit 13**, the key is to harness something from every layer that builds on organizational strengths while simultaneously addressing something that matters in the local community.

Key Takeaways

Healthcare is in the midst of an explosion of start-ups that is rapidly leading to a period of "platform warfare" where shakeouts will be inevitable. The winners will be those that address the most costly and complex conditions, going beyond simple devices to create profitable business models and amazing customer experiences through ecosystems that elegantly integrate and orchestrate the actions of hundreds of others.

Exhibit 13. Emergent Healthcare Ecosystems



How Consumerism Affects Successful Brand Building in Healthcare

Ryan Donohue, Corporate Director of Program Development, NRC Health

Branding in the Healthcare World

To understand what branding is, it can be helpful to consider what it is not. Specifically, a brand is not simply a set of slogans, jingles, logos, and pretty pictures. Branding is not a waste of money during challenging times, or something that only the marketing department need be concerned with. Most importantly, branding is not a luxury that only the most affluent hospitals and health systems can afford. In fact, every organization already has a brand, whether it spends $0 or $10 million on branding.

> "People know and talk about your organization whether you know it or not. The question is, do you want to maintain, manage, and grow that brand in a particular way? Do you want to turn it into a business asset?"
>
> —*Ryan Donohue*

At its most basic level, a brand is defined as the experience an organization provides. For hospitals and health systems, that experience includes both patients who are currently using or have used its facilities, and consumers who have not yet done so but may in the future. A brand can be thought of as the following:

- **The gut feeling others (employees, patients, and consumers) have about the organization:** Most people already have an opinion, be it good or bad, and it can be difficult to change that view. Boards should consider discussing where they are on the spectrum of gut feeling.
- **What keeps customers coming back:** Patients' willingness to return depends in large part on their perceptions of the organization.
- **The reason employees enjoy their jobs**: Some employees simply trade their time for money, essentially showing up to earn a paycheck. Too often employees of hospitals and health systems fit this mold. In other cases, employees love their jobs and feel an emotional connection to the work and the brand. The goal should be to create and tap into this personal, emotional connection. The failure to do so is a wasted opportunity. In some cases, disgruntled employees can sabotage the brand.
- **An organization's most important asset:** Brand perception drives business. In a survey, reputation was the most frequently mentioned reason for choosing a hospital, cited by 90.6 percent of consumers.

A brand typically includes the following components:

- **Business and communication tools**: These tools include advertising, public relations, direct mail, publications (e.g., newsletters), forms, and patient bills. The bill is the last touchpoint that many patients have with the organization and hence an important but often overlooked component of the brand.
- **Digital channels**: These include e-marketing, the organization's Web site, social media, and mobile marketing. Organizations often have little control over these channels, as unhappy patients can share their experiences immediately, with no chance for the organization to intervene. Some hospitals and health systems have dedicated staff who monitor and respond to social media posts as appropriate.
- **Employee and physician interaction**: This often overlooked aspect of branding includes staff attitude, knowledge, and presentation. Employees, including physicians, are representatives of the brand and hence part of how the organization presents itself to the public. When someone representing the organization is rude, that action damages the brand. Consequently, leaders need to invest resources in training and coaching to teach desired behaviors.
- **Facility**: The last piece of an organization's brand is the presentation, appearance, way-finding, and cleanliness of its facilities and care environment. Hospitals and health systems often take great pride in their facilities, typically holding ribbon-cutting ceremonies and celebratory dinners when new ones are opened. Yet most consumers start their healthcare journeys on a Web site, not inside a facility. If they do not like that site, they may never walk in the door.

Developing a True Brand Strategy

For the past 50 years, healthcare organizations have used a "build-it-and-they-will-come" approach to branding. It has generally worked well, but primarily because consumers had little choice. Today, however, they have lots of choices. New buildings may appear, but patients may not necessarily come, as evidenced by nearly empty healthcare facilities around the country. In fact, many organizations are shying away from building large facilities; Novant, for example, has pledged never to build another hospital with more than 25 beds. Instead, companies are investing in new care sites, such as freestanding emergency departments and "micro" hospitals that are more convenient and accessible to consumers. Large, downtown facilities may work well for doctors and employees, but not for patients who are no longer willing to endure long drives, difficult parking, and hard-to-navigate facilities with poor signage.

Rather than building new, inconvenient facilities, the best brand strategy today is to focus on converting consumers to patients. And the best way to do that is to consistently give consumers a pleasant experience. In surveys, consumers express a strong desire to go to hospitals that treat them "as a person." Like going to Starbucks, they expect consistency in their experience, with everyone treating them with respect. Getting consumers to feel this way requires development of an ongoing personal relationship that extends outside the hospital and the doctor's office. Many consumers believe they have this kind of relationship with their doctors, but few feel that way about their hospital or health system.

Great brands have an "owner" of the brand, and behind every owner is the enforcer of the brand. The flow of information between these two people can become quite important, yet is often overlooked. The CEO should own the brand, and his or her failure to do so is often a key barrier to successful branding. The chief marketer should be the enforcer, keeping the CEO apprised of brand strategy. The CEO need not be heavily involved in branding day-to-day, but must provide guidance and adequate resources to the enforcer. The enforcer needs to protect and build the brand on a daily basis. At one New Mexico hospital, for example, the vice president of nursing played the role of the enforcer. Whenever she spotted someone doing something positive that reflected favorably on the brand, she gave that person a medal and a $10 gift card on the spot. She also called out people for bad behavior, such as employees who smoked off campus in areas where customers and patients might see them.

> "Don't fall into the trap of having 'everyone' own the brand, because that means that no one owns the brand. Everyone should play a role, but one person must own it."
>
> —*Ryan Donohue*

Developing a true brand strategy has never been more important for hospitals and health systems. Consumers are becoming much more discerning when making healthcare decisions. Heightened competition has arisen for the limited "mindshare" of the consumer, due in large part to an invasion by non-healthcare brands. The percentage of consumers without a preferred hospital has doubled in the past five years, to 20 percent. While still relatively small, the growing segment of consumers without a favorite brand and/or strong loyalties to a brand creates the potential for significant shifts in market share. In addition, rapid consolidation means that more hospitals are part of larger systems where the potential for "brand collision" emerges. Brand collision can take multiple forms, as outlined below:

- **Two equal brands become one.** This situation requires a decision about what to call the new organization. For example, when Massachusetts General and Brigham & Women's came together, each kept its own name, but a new name (Partners) was created for the umbrella organization.
- **Bigger brand acquires smaller brand.** In most cases, the smaller brand gets renamed.
- **An existing brand expands.** Typically, the same brand will be used, although sometimes a new name will be created, which may confuse consumers.
- **An affiliation or partnership is formed.** In these situations, it becomes important to defend the brand and make sure the organization gets appropriate credit for its role in the partnership.

Questions for Consideration

- Are we in a position to stand alone and survive the healthcare landscape post reform?
- Is our historical sentiment clouding our ability to consider brand-collision scenarios?
- Are there brands with which we can partner or affiliate to strengthen our brand and operations?
- How can we leverage and extend our brand?

Branding Myth Busters

Several common myths related to branding do not hold up under closer scrutiny of the evidence.

Myth #1: Name Change = Patient Loss

The leaders of most organizations feel that they have a good brand and hence any name change will result in a loss of patients. Boards often feel this way, as they fear that changing from a name that is known and valued could alienate loyal patients and other stakeholders. This feeling tends to be especially strong among faith-based institutions, long-standing organizations, those in smaller communities, and those with strong brand awareness and/or the perception of a strong brand. Concerns often manifest during a merger or acquisition, when the assumption is that at least one of the organizations will need to change its name.

However, a study of 10 name changes (some to similar-sounding names, others to brand-new ones), found little evidence that such changes hurt organizations. In fact, six of the 10 saw an increase in brand awareness following the name change, and none of the other organizations lost a meaningful amount of awareness. Seven out of the 10 organizations saw an increase in loyalty (which is even more important than awareness). As a caveat, however, a "pain-free" name change will not occur without an effective transition process.

Myth #2: The More Brands, the Better

CEOs and boards often believe that having multiple brands is a good idea, as evidenced by the many brand extensions that have occurred in recent years. Be it new facilities, new services, new charitable donations, or new types of organizations (e.g., accountable care organizations), hospital and health systems often create new, similar-sounding brand names and multi-layered brand architectures. Collectively, these brand extensions have created a tangled web that frequently leaves consumers confused; in fact, consumer confusion is at an all-time high in healthcare. In a study of six high-profile clients (three that expanded brands and three that consolidated them), NRC Health concluded that, while often exciting, brand expansion should be considered a cautionary tale. In fact, organizations that consolidated names generally had much higher levels of name awareness than those that expanded brand names.

In other words, organizations that want to be known as a system should strive for fewer brand names. The goal should be simplicity. A healthcare organization is far more likely to have success in getting consumers to see, recognize, recall, value, and form loyalty to a brand if that brand is supported by only one name. Supporting multiple brands can also create confusion and frustration among internal audiences, and hence further an "us-vs-them" mentality.

> "Consumers are already confused; there is no reason to add more confusion with multiple brand names."
>
> —*Ryan Donohue*

Single-Brand Name Case Study: SCL Health, Denver, CO

Two health systems (Exempla and Sisters of Charity of Leavenworth) came together, each with its own established brand and provider networks. The CEO wanted to create a single brand and charged his new chief marketing officer with creating it. The newly hired executive had a huge challenge in front of him, as the two organizations already had roughly 50 separate brands between them. To win the boardroom over, the marketing officer asked whether it was wise to spread limited marketing dollars across so many different brands, or whether it made more sense to invest in just one new brand. The board quickly agreed on the idea of creating one brand. To win staff over, the marketing officer decided on an explicit strategy of waiting six months before spending any money on external advertising or marketing. Instead, this six-month period was used to focus on building an internal brand (i.e., engaging employees in the new name). Through the distribution of talking points, production of promotional videos, and the development of other materials such as new lanyards and badges, the marketing officer was able to get employees on board, thus preventing the potential for them to sabotage the brand (as too often occurs). Most of these materials focused on the new name as a force for integrating and articulating the organization's mission, vision, and values. Once the employees had been engaged, attention turned to winning over consumers with a core message of differentiation. The focus was on a system of "people healing people" through one-on-one personal relationships. Calls to action focused on wellness, with the "news" not being the new brand, but rather the system as a destination for those interested in something different. The single-brand approach clearly worked, as evidenced by significant growth in Web site traffic and social media connections and engagement.

Keys to Branding Success

Mr. Donohue highlighted the following keys to branding success.

Find Your Brand's Blueprint

While there is no single answer, people must not be confused about the brand. The correct approach can fall anywhere on the brand relationship spectrum, as shown in **Exhibit 14** on the following page. Those following the looser models on the left side may face some difficulties in unifying the brand and hence may make consumers work harder. It can be difficult, however, to move an organization all the way to the right (with one single brand), particularly for those bringing organizations together through a merger or acquisition. Regardless of the model chosen, the key is to make sure that there is logic behind the brand architecture being used, that consumers can follow it, that it fits the organization, and that all services and resources are identified and clearly tied together.

Simplify Your Brand

Healthcare is inherently confusing. Consumers want a one-on-one relationship with the brand and they value unified brands. In surveys, 65 percent say they are more likely to choose a hospital that is part of a system. In short, "less is more" when it comes to branding. Boards and CEOs are wise to assess every brand, asking whether there is a good reason for the brand to be separated, whether consumers understand the connections between brands, and whether it would make more sense to unify under one brand.

Position Your Brand

Positioning is the intersection between value and need; it is where concept meets reality and where many brands begin to unravel. The positioning of a brand can change without a name change. In fact, any simple brand foundation must be followed by a smart positioning strategy. A five-step process can be used to determine proper positioning by understanding the following: the current state, the target audience, the target audience's frame of reference, the point of differentiation for the organization, and the reasons for consumers to believe in the organization and its value proposition.

Questions for the Board to Consider

- Have we thought about our brand strategy?
- How do our consumers feel about us?
- Do we measure our brand performance?
- What is the board's role in branding?
- Is our brand built for the reform era?

Many organizations strive for multiple points of differentiation and often these attempts overlap with each other, which creates confusion in the marketplace. For example, a recent survey found that over 1,700 hospitals were laying claim to "top 100" status. The key is to pick a single point of difference and try to break through all the noise. Success comes when more than half the market "knows" the organization for something. The key is to pick that thing and then promote it repeatedly to the target market. As shown in **Exhibit 15** on the next page, the point of differentiation can be a functional benefit (e.g., quality, safety) or a unique benefit or service (e.g., telemedicine, online pricing index).

> "Your brand is the experience you provide. It must be owned, supported, and measured. It must be rooted in strategy, positioned for your market, and ready for the change ahead. You must live and breathe your brand every day. Your brand is everything—keep it in focus!"
>
> —*Ryan Donohue*

Promote Your Brand

Branding is different than advertising, and boards and CEOs must recognize the difference between the two. Branding is where strategy begins and ends; it sets the tone for all

Exhibit 14. Find Your Brand's Blueprint

Exhibit 15. Positioning Your Brand

CURRENT STATE	• What is our current brand according to consumers? • What is the current position of our brand?
TARGET	• What are their needs? • Who are the priority customer segments?
FRAME OF REFERENCE	• What is the competitive set? • Who are customers considering?
POINT OF DIFFERENCE	• Why should customers choose you over competitors? ○ Benefits provided, beyond functional, to create uniqueness ○ Identity of the brand: what the brand stands for; reinforcing characteristics
REASONS TO BELIEVE	• How should the brand deliver on the value proposition positioning and deliver the promised benefits? ○ Supporting "facts," big or small, that provide a basis for the customer to believe that the brand is capable of delivering on the positioning

communications. Branding takes time and requires patience, and is intangible in every way. By contrast, advertising is the tactical extension of the branding strategy. It brings the brand positioning to life. It takes money (not time) and tends to be highly visible and tangible.

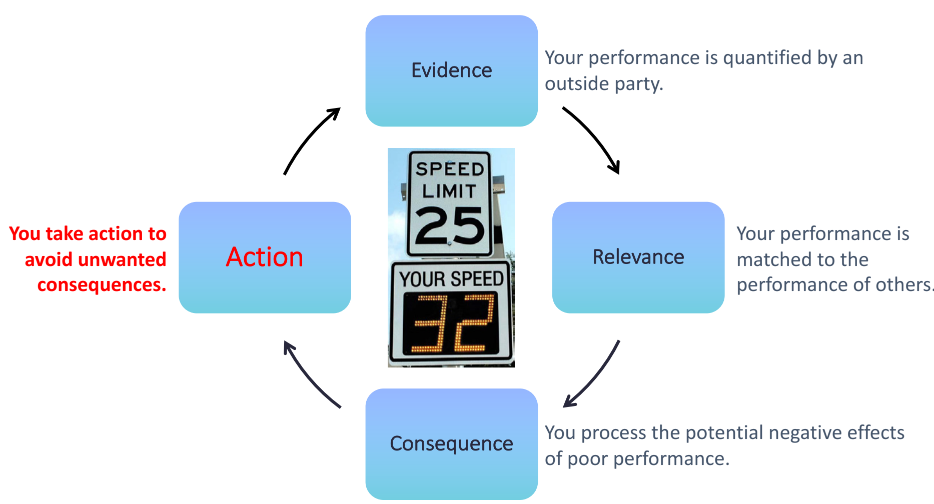
A single document known as a research or campaign brief lies behind every great branding campaign. No campaign should move forward without one. Employees should not learn about new branding campaigns on television or from a billboard. Rather, they should be involved in the development, screening, and roll-out of the campaign. Their involvement can often be critical to the campaign's success.

Measure Brand Efforts

Measurement allows for an understanding of the perceptions and behaviors regarding the brand. It makes the intangible tangible, helps to remove internal biases and assumptions, and can reveal market trends and behaviors. Without measurement, assumptions grow, decision making suffers, and inactivity thrives. All areas of consumer perception should be measured to understand the current state of the brand, including consumer awareness, consumer sentiment related to the brand's image and quality, and consumer loyalty toward using and recommending the brand. The same measurements should be taken with employees.

Measurement by an outside party causes something in the brain to change. As illustrated in **Exhibit 16**, posting a driver's actual speed under the speed-limit sign can have a dramatic effect on behavior. In this small California town, the proportion of drivers exceeding the speed limit fell from 82 percent to 8 percent after this "feedback loop" went into place.

Exhibit 16.The Feedback Loop



Using Transparency to Drive Improvement and Grow Market Share

Andrew Ibbotson, Vice President of Reputation Management, NRC Health

Brent E. Wallace, M.D., Chief Medical Officer, Intermountain Healthcare

Christopher T. Westfall, M.D., Professor and Chairman of the Department of Ophthalmology, University of Arkansas for Medical Sciences; Director, Harvey & Bernice Jones Eye Institute

Background

Over three-quarters (77 percent) of consumers begin their healthcare search online; nearly half (45 percent) look at online reviews before scheduling an appointment; and one-third look at such reviews as the first step when searching for a new doctor. Consumers view patient ratings and reviews of doctors as the most important type of information when searching online (see **Exhibit 17**).

Given consumers' interest in accessing online health information, hospitals and health systems have little choice but to make it available. If they do not, consumers will get information about their organizations from other online sources that may not offer accurate or complete data.

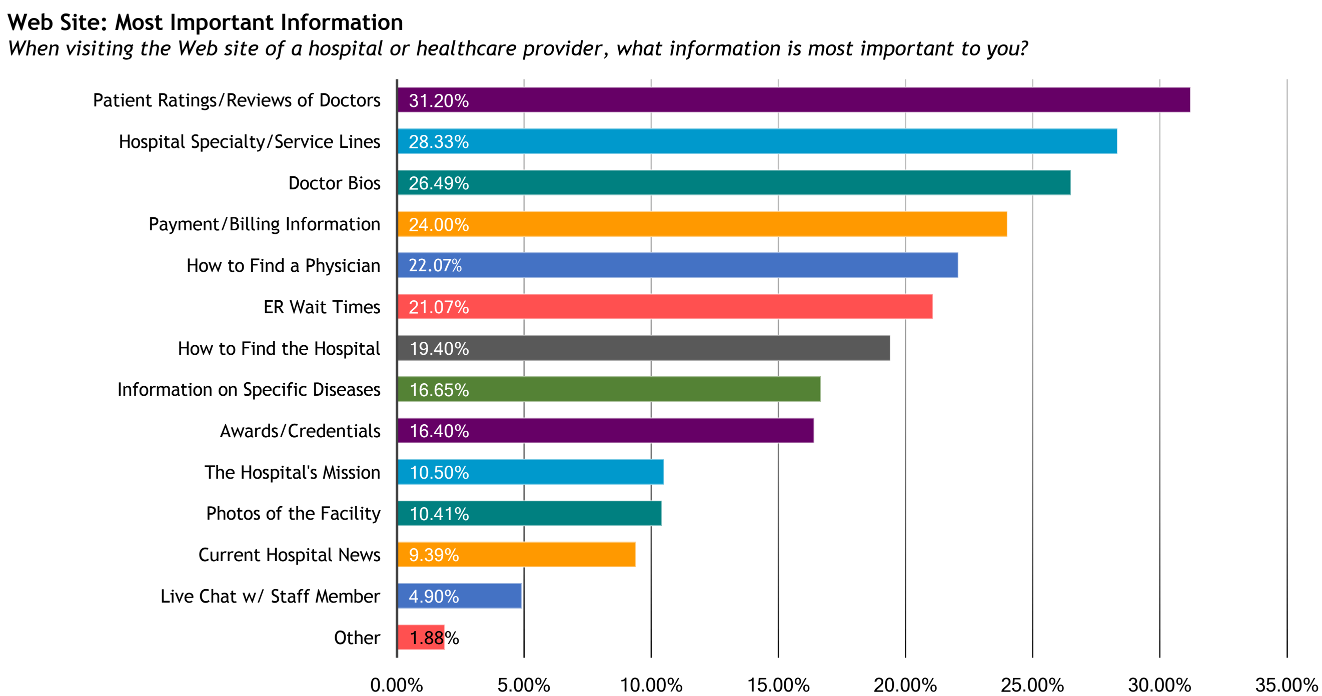
Hospitals and health systems need to be cognizant of their position in search results, as being near the top is critical to driving traffic to one's Web site. The goal is to "own" the search results for the hospital and its affiliated physicians by having internal ratings appear at the top of the list. These ratings tend to be more comprehensive and accurate than ratings that appear on other sites, which often have relatively few reviews that tend to be dominated by those unhappy and looking to vent about their experiences. "Star" ratings can be particularly important, as Google and other search engines know that consumers value these verified ratings and hence give them "prime real estate" in search results. In fact, use of star ratings has been shown to increase click-through rates by 150 percent.

Both the University of Arkansas for Medical Sciences (UAMS) and Intermountain Healthcare routinely share data from patient experience surveys on their Web sites, including overall ratings on different dimensions of care along with verbatim comments from patients. These two systems are among the pioneers in this area, having begun their efforts several years ago, at a time when only about a dozen hospitals and health systems published such ratings. In the past year that number has expanded dramatically, with roughly 90 health systems providing physician-specific star ratings on their Web sites today.

University of Arkansas for Medical Sciences

UAMS began its transparency efforts roughly 18 months ago. The first step focused on securing buy-in from physician leaders and enlisting the support of the marketing and

Exhibit 17. Importance of Patient Ratings/Reviews



Source: NRC Health Market Insights National Healthcare Consumer Study (n = 153,473), Jan–Jun, 2016.

communications and patient and family- centered care departments. UAMS went live with its online ratings roughly six months after the initiative began. The primary goal was to improve the quality of care by letting physicians know what patients thought of them so that they could be more attuned to their concerns. The secondary goal was to enhance awareness through marketing.

UAMS showcases its star ratings on its home page, including ratings for individual physicians. This information not only provides the most accurate reading on patient satisfaction and experience for would-be patients, but also helps in marketing affiliated physicians and in driving their engagement and continuous improvement efforts. Physicians have generally supported the sharing of this information, although some of the older physicians resisted at first. To get these doctors on board, UAMS leaders showed the doctors that information on their performance was already available online, often through outside organizations with very different motivations. These organizations publish every review, regardless of how many exist or whether they have been vetted. In most cases, these reviews are overwhelmingly dominated by unhappy patients who want to complain about their experiences. By contrast, UAMS surveys most patients in a random fashion and will not publish any physician-specific information until it has 30 evaluations for the doctor in question. In addition, the health system will not publish a review without first making sure that it is not slanderous or profane and does not violate HIPAA provisions. UAMS publishes all reviews that meet these screens, even negative ones. However, UAMS provides an opportunity for physicians to respond to individual reviews if they so choose. UAMS also allows physicians to request that a specific review not be posted, but they must give a reason. Of the 20,000 comments posted to date, only 76 such requests have been made. Most (56) have been turned down.

Once physicians understood the UAMS approach, they fully supported publishing of the information. Only six out of 600 doctors have requested an in-person meeting to express concerns. The overwhelming majority use the results to improve their performance, particularly with respect to bedside manner.

Intermountain

Intermountain is an integrated system with 22 hospitals across Utah and Idaho, a health plan, and a physician network made up of an employed medical group and affiliated doctors. Over the past several years, Intermountain has embarked on three separate transparency efforts, focused on costs, clinical quality, and patient satisfaction/experience, respectively. The cost-focused effort seeks to provide information to consumers in advance of their choosing a provider. While this approach does not work for emergency care, it can be useful with elective procedures (e.g., knee replacement). With respect to clinical quality, Intermountain is focused on making information meaningful to patients and acceptable to clinicians concerned about its accuracy. This ongoing effort often requires multiple reviews and iterations with physicians and community advisory panels before Intermountain is able to settle on an approach.

Several years ago, Intermountain decided to focus on transparency around patient experience as well. At this time, the University of Utah (a major competitor) started to publish star ratings for its physicians. This initiative got a lot of attention in the local press and convinced Intermountain leaders to move ahead with a similar program. As with UAMS, some physicians initially resisted, but their objections faded over time as they began to understand that similar—often incomplete and inaccurate—information was already available from other organizations. These physicians embraced the idea once they saw that the information would be verified before publishing and would get better visibility in search results. In fact, a variety of specialty physician groups not currently included in the transparency initiative have approached Intermountain about getting their information published as well. Intermountain is currently working with these groups to address the various issues and challenges related to this task.

The evidence to date suggests that most physicians are happy with the Intermountain program and are using the data to improve their performance. Negative comments seem to be particularly effective in driving improvement. (Intermountain alerts a doctor whenever a negative comment is posted.) For example, one doctor with several negative reviews asked for help in improving his performance. After looking at specific suggestions on how a poor rating could have been approved (something that Intermountain automatically asks whenever a patient gives a poor rating), this doctor significantly increased his overall rating, from 4.3 to 4.6.

Building Successful Brands in an Increasingly Consumer-Driven Healthcare Environment

Ryan Donohue, Corporate Director of Program Development, NRC Health

The Context for Consumerism

The use of the word "consumer" remains controversial in the healthcare industry. Some still prefer to talk about "patients." However, hospitals and health systems need to be concerned with those many individuals who are not in their facilities but who may be in the future. As a result, the focus should be on consumers, not patients.

Consumers are those who spend money to consume a good or service. For most products, the primary consumer is female, often the head of a household. In the retail arena, the consumer is often a mother who walks up and down the aisles looking at prices, brands, and labels before deciding what to buy. In healthcare, however, the image of a consumer is often a patient in a bed, being attended to by a nurse.

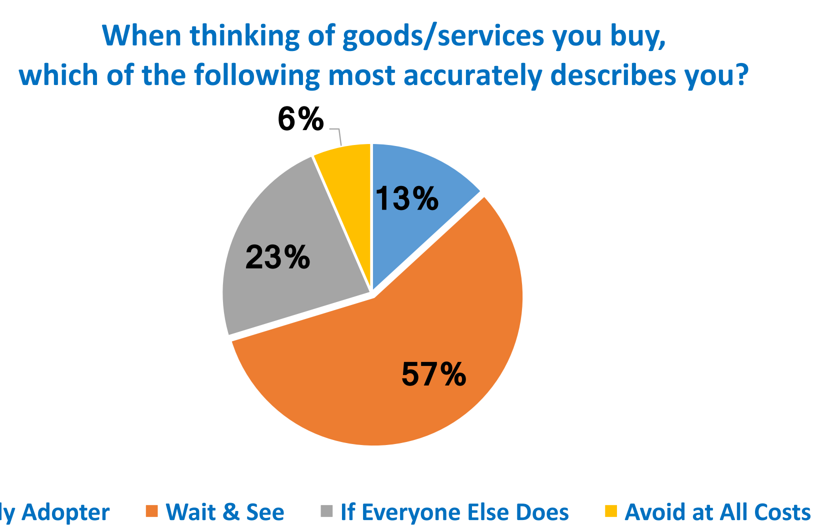
> "We often think that we'll be okay if we provide good patient care. But most consumers are not in our beds or facilities."
>
> —*Ryan Donohue*

In the healthcare arena, consumerism should not be thought of as a set of legal measures designed to protect buyers or as a malevolent force aimed at destroying the very fabric of today's system. Those leading the movement should not be viewed as "faceless" assailants demanding change. Rather, consumerism should be thought of as the activation of consumers as strategic decision makers. For the most part, people have been thrust into the role of consumers, primarily due to increased cost sharing. Some do not like it, but they have no choice.

> "Even hospital and health system board members get confused when they need to use healthcare services within their own organizations. Imagine how everyone else feels."
>
> —*Ryan Donohue*

For their part, hospitals and health systems also have no choice when it comes to engaging with consumers. The U.S. Census Bureau estimates that the lifetime value of a consumer is $1.4 million in today's dollars for an individual and $4.3 million for a household. It is critical, therefore, for hospitals and health systems to understand how consumers make decisions about buying healthcare services. As shown in **Exhibit 18**, roughly 13 percent of consumers are "early adopters." However, their experiences also affect the 57 percent of consumers who take a

Exhibit 18. Consumers: How They Buy



Source: NRC Health Market Insights study, 2010–2015, average annual n sizes vary from 208 (qual) to 278,824 (quant).

"wait-and-see" approach, making their decisions after observing the early adopters.

With employers and other payers increasing cost-sharing activities, consumers have become the fastest-growing payer of healthcare services. Not surprisingly, as they pay more, they also begin to question the value of what they get for their money.

As shown in **Exhibit 19**, consumers report having the most trust in their doctors and nurses, followed closely by hospitals and pharmacies. Most of this trust stems from the provision of emergency care, not from broader efforts to promote population health. Decades ago, the term "healthcare" was viewed as virtually synonymous with the local hospital. Today, however, consumers view healthcare more broadly. They see standalone clinics, gyms, and even the Internet as being sources of healthcare services. WebMD provides free, convenient, and private access to information, something that hospitals and health systems seldom offer. It is no surprise, therefore, that up to half of consumers make WebMD their first stop when looking for health-related information. Consumers also are increasingly seeing wearable devices as a part of their healthcare; in fact, 17 percent currently wear devices that can track blood pressure, heart rate, sleep patterns, and other health-related metrics. Consumers are also readily embracing telemedicine, home health, ambulatory surgery centers, retail clinics, and other offerings not always available through hospitals and health systems. As noted, even companies like Uber are getting into the healthcare arena by offering free transportation to sites offering flu shots. In short, consumers have more choices than ever, and they love the convenience of non-traditional services and settings. Hospitals and health systems that do not offer them may be left behind.

For most consumers, hospitals are thought of as the place to go when something bad happens. But consumers want more than that from healthcare organizations. They want an ongoing relationship with someone they can trust and stay loyal to over time. Many consumers are still searching for that relationship.

Busting Common Myths About Consumerism

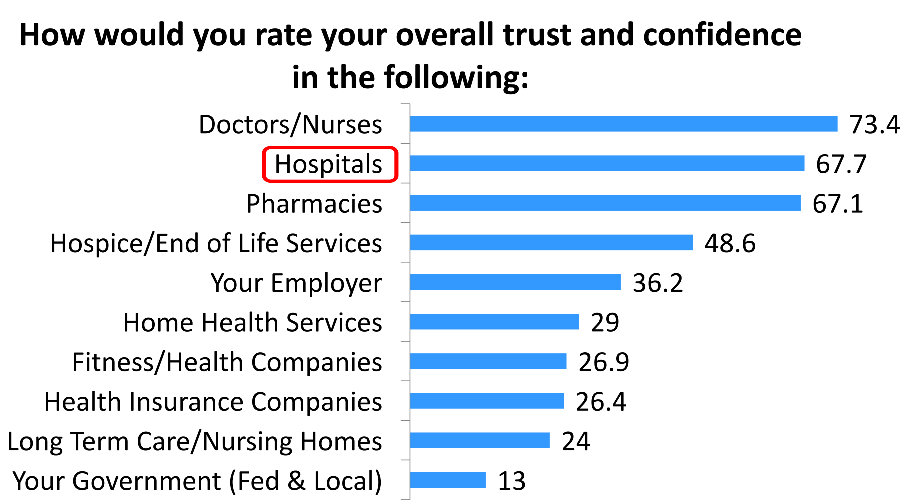
If a hospital or health system is going to become that trusted partner for consumers, its leaders must first understand some of the most common unfounded myths about consumerism.

Myth#1: Only Young Consumers Are Connected

Some hospital and health system leaders mistakenly believe that only young consumers connect to healthcare via the Internet and social media. Since younger individuals tend not to need much healthcare, they feel it is safe to ignore this trend. However, the average age of consumers using social media to find and share information on healthcare is 45 and rising. This figure is the same as the average age of the typical household decision maker for healthcare services. With respect to using mobile devices to access healthcare information, the average user is 44. Even older adults use online ratings and reviews, including 70 percent of those aged 45 to 64 and half of those aged 65 and older.

Virtual exchanges are experiences, and consumers who are happy with such experiences are more likely to choose the same organization for in-person encounters. Consumers of all ages seek information online. In fact, 71 percent of those aged 65 and over go online every day. Yet too many hospital and health system Web sites remain difficult to use and navigate. In fact, most hospitals and health systems allocate too little money to promoting their brand through the Internet, including social media and mobile devices. The typical marketing budget still allocates 85 percent of resources toward traditional marketing (e.g., billboards, radio, television) and only 15 percent to non-traditional areas. For most healthcare organizations, a 50–50 split makes more sense.

Exhibit 19. Consumer Trust Index



Source: NRC Health Market Insights study, 2010–2015, average annual n sizes vary from 208 (qual) to 278,824 (quant).

Myth #2: Physicians Still Control Consumers

Generational and economic forces have created an increasingly autonomous healthcare consumer. Overall, 25 percent of consumers do not have a regular physician, and 10 percent of those who do cannot remember his or her name. Only about half of consumers report that they "always" listen to their doctor, including only one in three of those aged 45 to 64 and one in five millennials. In short, the physician–patient relationship should not be considered "air tight." Most consumers want shared decision making with their doctors. Only one in five will never challenge their doctor's recommendations. Moreover, when choosing doctors, consumers rely most on recommendations from people they know, reviews from other patients (generally those they do not know), and physician/hospital Web sites. Interestingly, consumers generally prefer organization-specific sites to independent sites that compare hospitals and physicians across organizations, such as Medicare's Hospital Compare site. When choosing a physician, three out of four consumers feel it is important to see reviews left by actual patients. Overall, more consumers value seeing a positive review (47 percent) about a physician than seeing his or her biographical information (32 percent). Surprisingly, seven in 10 would pay more or wait longer to see a 4.5-star than a 3.5-star physician. Over one-quarter (26 percent) would go out of network to see a physician with superior ratings/reviews. Looking ahead, many consumers want to see how physicians rate on specific care factors. What all of this data makes clear is that—rather than controlling consumers—physicians guide them to make their best choice, with consumers being a critical part of that decision-making process.

Myth #3: Empowered Consumers Will "Fix" Healthcare

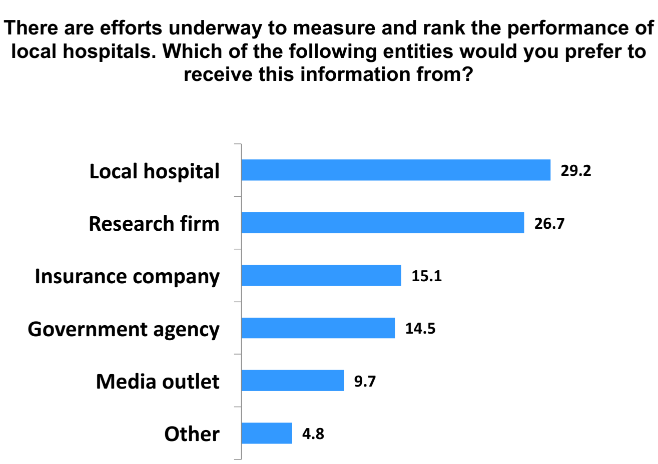
Virtually all consumers report being confused at some point in their care journey, and approximately nine in 10 would appreciate a guiding force to educate them and simplify the experience. Information alone does not empower consumers, and sometimes sites such as WebMD and other resources can do more harm than good. In many cases, a lack of understanding about options can cloud consumer choice. In fact, only 8 percent of consumers report finding it "very easy" to compare price and quality across providers. Narrow provider networks continue to reduce consumer choice and control, and many consumers will seek a trusted partner. The question is, who should be that partner? As shown in **Exhibit 20**, consumers would prefer that hospitals play that role, more so than the government, a research firm, the media, or an insurance company. In short, empowered, activated consumers are playing a growing, more strategic role in the evolving healthcare ecosystem. But they alone will not fix it.

> "Even in a consumer-driven world, consumers want your guidance in making the best decisions for themselves and their families."
>
> —*Ryan Donohue*

Creating Consumer Loyalty

The most important measure is loyalty, particularly in an era when hospitals and health systems must focus on improving population health. Unlike with episodic care, the goal is to be good over time with the same people. Loyalty is the measure of what keeps consumers coming back. As shown in **Exhibit 21** on the following page, people who have positive healthcare experiences are slightly more likely to tell a lot of people about it than those who have negative ones. In other words, contrary

Exhibit 20. Myth: Empowered Consumers Will Fix It



Source: NRC Health Market Insights study, 2010–2015, average annual n sizes vary from 208 (qual) to 278,824 (quant).

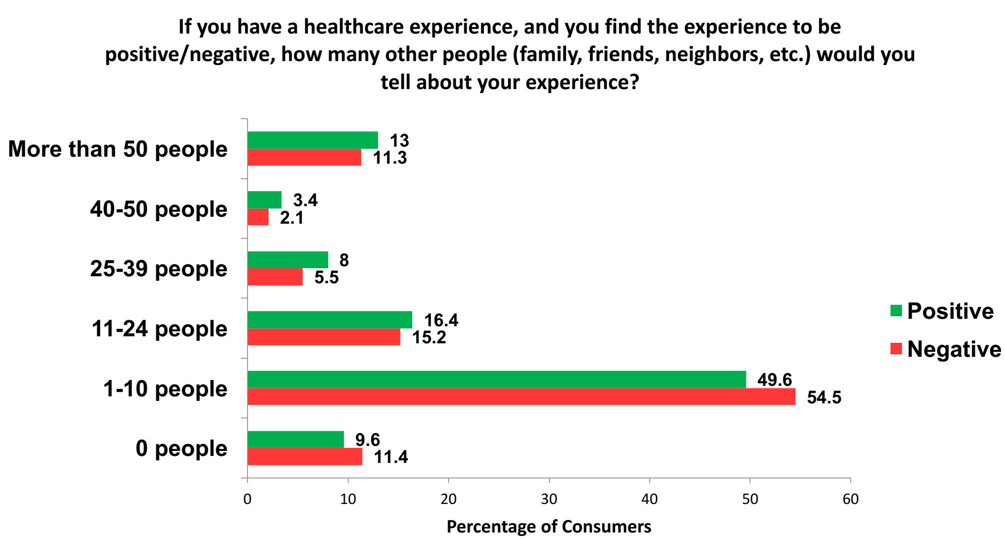
to conventional wisdom, widely shared healthcare experiences are more likely to be positive than negative.

Hospital and health system leaders should not be afraid of negativity. In fact, those who are going to speak negatively about the organization are going to do it somewhere, be it on the organization's Web site or elsewhere. However, hospitals and health systems need to do a better job of sharing positive experiences.

> "Don't keep positive stories a secret. Shout them from the rooftops."
>
> —*Ryan Donohue*

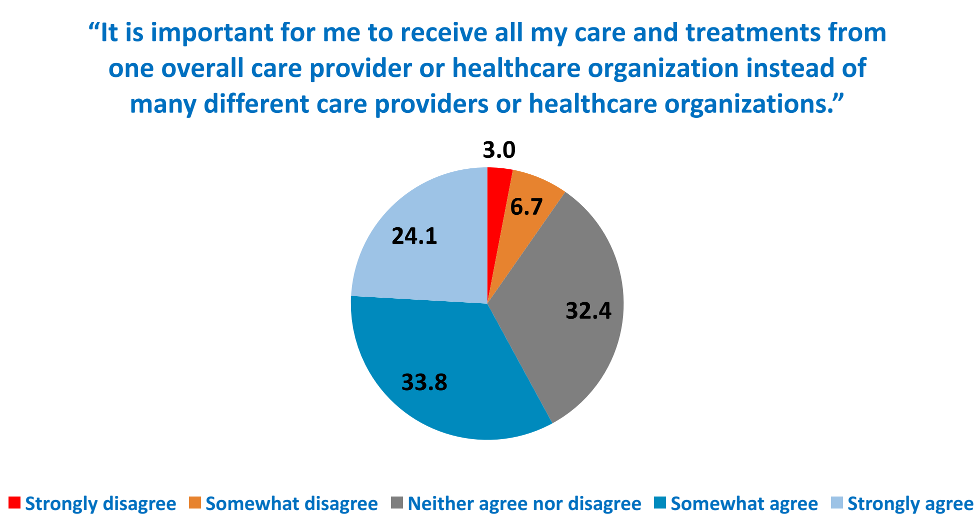
Cultivating loyalty yields brand sustainability. A big part of loyalty stems from getting consumers to value the organization's brand. In fact, over half of consumers want one healthcare organization they can trust and stay loyal to over time (see **Exhibit 22**).

Exhibit 21. Loyalty: The Consumer Currency



Source: NRC Health Market Insights study, 2010–2015, average annual n sizes vary from 208 (qual) to 278,824 (quant).

Exhibit 22. Consumers Value One Brand



Source: NRC Health Market Insights study, 2010–2015, average annual n sizes vary from 208 (qual) to 278,824 (quant).

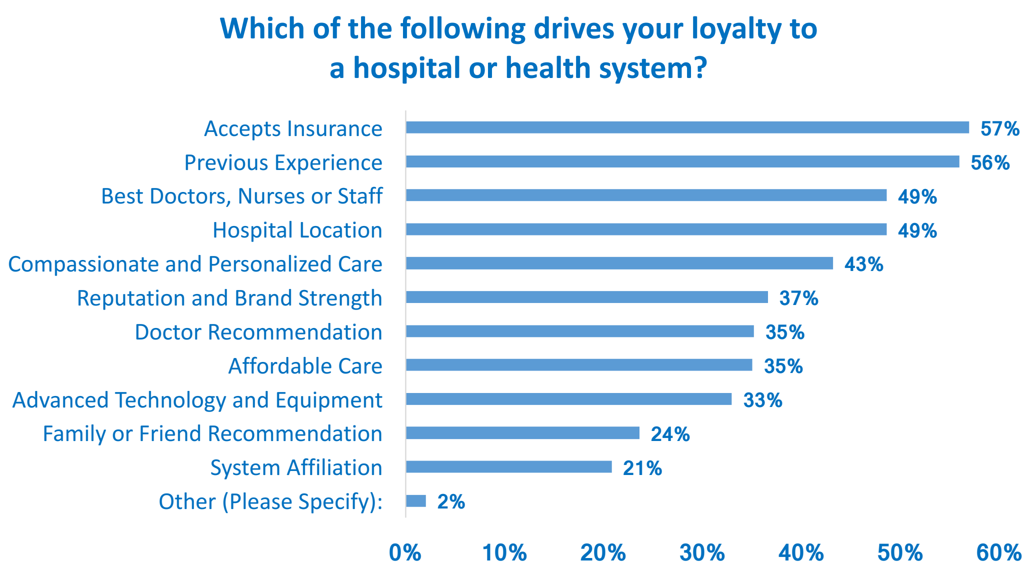
Listed in **Exhibit 23**, various factors drive consumer loyalty, and most can be influenced by hospitals and health systems. Boards and senior leaders should examine these factors and pick one or two at which the organization excels to begin talking about with consumers.

> **A Healthcare Loyalty Program?**
>
> One of the best ideas for creating loyalty comes from other industries (i.e., a loyalty program that gives benefits to repeat customers). **Exhibit 24** shows those attributes that consumers most value in such a program.

Key Takeaways

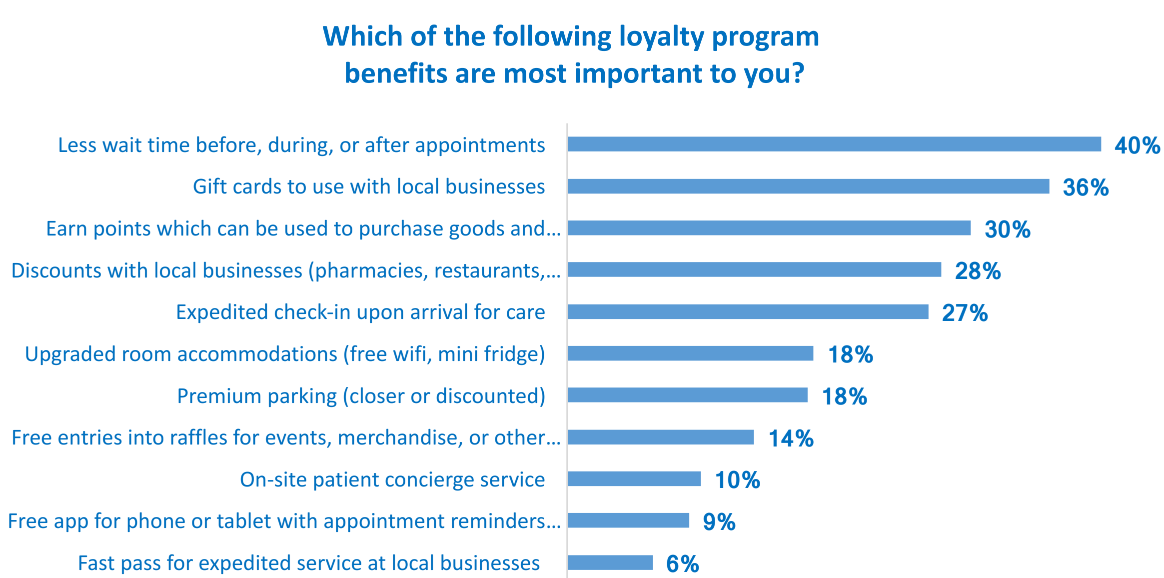
Today's world is cold, complex, and confusing to consumers, who remain fed up with traditional healthcare and the frustration and anger it often brings. Consumers want a trusted partner to help them make the best possible decisions. Hospitals and health systems that can develop personal, trusting relationships with consumers can be that partner and reap the benefits of their loyalty over time.

Exhibit 23. Consumer Loyalty Drivers



Source: NRC Health Market Insights study, 2010–2015, average annual n sizes vary from 208 (qual) to 278,824 (quant).

Exhibit 24. Most Desired Loyalty Program Benefits



Source: NRC Health Market Insights study, 2010–2015, average annual n sizes vary from 208 (qual) to 278,824 (quant).

Conclusion

Consumerism and transparency are transforming the healthcare industry, and the pace of change created by these two forces will only accelerate going forward. Hospital and health system leaders who try to stop this movement will be disappointed, as consumers see too much value from the information they are receiving. Instead, leaders need to be proactive in driving this transformation before outside, disruptive forces that do not have their best interests in mind do it for them.

It's much better to disrupt ourselves than to let others do it for us…but it's okay to think big and start small, as the whole world doesn't have to change all at once."

—Steve Kett