



WHITE PAPER

# The consumer is the new payer in healthcare

A walkthrough of NRC Health's landmark study on how consumer perceptions drive market realities in healthcare

# Enter the age of the consumer

At a time when engaging the healthcare consumer has never been more encouraged and incentivized, healthcare organizations are increasingly failing to meet the rising expectations placed upon them by those they serve. Why do healthcare brands struggle to connect with healthcare consumers? The answers are elusive, but the need to more deeply study consumer perception is evident.

To that end, NRC Health embarked on a cross-country study to determine what drives consumer behavior—specifically awareness, selection, and loyalty—and how healthcare brands can better engage and influence consumers. Since consumers are the fastest-growing payer of healthcare services in the US, the study will be referred to as “*The New Payer*” from here on out.

## Three Cs of consumerism

**THE NEW PAYER UNEARTHED A THREE-STAGED PATTERN AS CONSUMERS MADE HEALTHCARE DECISIONS: CONFUSION, CONVENIENCE, AND COST.**

The number-one emotion consumers felt at the outset of a healthcare journey was confusion. A maze of information, options, and fear created a moving target, even for informed consumers. As a result, consumers lean toward the most convenient, simplistic options when possible. As they undergo treatment, they are preoccupied with the pending cost and the resulting impact on their lives. Confusion, convenience, and cost formed a representative summation of the consumer plight in healthcare.

**“Confusion, convenience, and cost formed a representative summation of the consumer plight in healthcare.”**

### About the research

In 2015, NRC Health polled more than 3,000 consumers via online methodology. Dependent on the question, the study’s results maintain a margin of error between one and two percent. This survey approach is consistent with the NRC Health Market Insights study—the largest continuously fielded study of healthcare consumers in the US.

## Key findings revealed by *The New Payer* include:

- Consumers desire a greater degree of control over their healthcare choices, and seven in 10 feel they are personally responsible for managing their own health.
- Consumers are more than willing to reward innovation—38 percent had a non-traditional care visit (e.g., urgent care, virtual visit) in the past year, and many more are looking to do so.
- “Quality” tops consumers’ list of selection factors across the care continuum, but how healthcare organizations define their quality and prove value needs work if they wish to engage consumers.
- Consumers can and will switch providers if they feel devalued—lack of information, excruciating wait times, and steep pricing repel them—and one in three would switch to an alternative provider right now if that provider were more affordable.
- Consumers are looking for more than the traditional acute-care provider in the future—six in 10 trust hospitals to keep them healthy and treat them when they’re sick—forcing healthcare organizations to consider their ability to provide both healthcare and health services.

# The rise of the healthcare consumer

Consumerism has entered the healthcare fray with force.

**Consumers have become the fastest-growing payer of healthcare services.** As with any purchase, the more you pay, the more you expect in return. As out-of-pocket healthcare costs balloon, consumers demand more from healthcare organizations. After decades of consumer-averse thinking and less-than-exceptional experiences, consumers have grown sick and tired of an industry meant to keep them well. Once an afterthought in a system built around physicians and payers, consumers are now better informed, less patient, and laser-focused on quality and cost. Having cut their teeth on experiences with a broad range of industries, consumers now come to healthcare with great expectations. Perhaps an unlikely band of change agents, consumers are taking a stand and hoping to turn healthcare on its ear.

**“As out-of-pocket healthcare costs balloon, consumers demand more from healthcare organizations.”**

## To consume is human

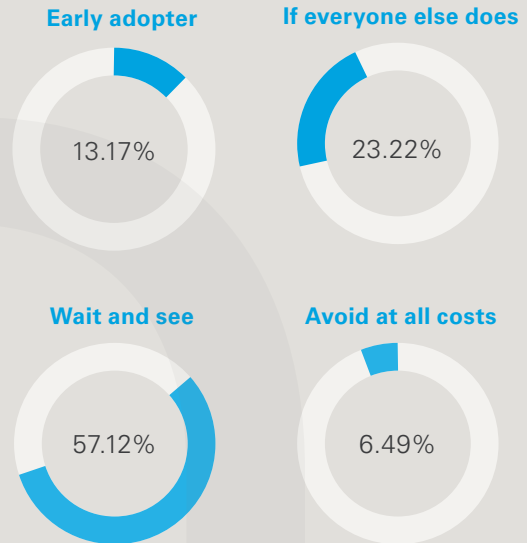
Everyone buys stuff. When they do, nearly everyone is searching for value: the perfect harmony between quality and cost. Whether consumers are buying a smartphone or choosing a financial advisor, value underpins their decision-making. Unfortunately, depending on the industry, what consumers value can and will change. For example, in the food industry, the convenience of “fast casual” is currently king, as upstarts like Chipotle are leaving traditional sit-down restaurants with empty tables. In electronics, personal style matters most and allows the iPhone to stand out amid a crowd of equally capable devices. To better understand how these purchasing patterns impact healthcare, *The New Payer* first asked consumers to define their own consumerism. SEE

FIGURE 1

Most consumers land right behind “early adopters,” meaning they will wait a bit—but not too long—to jump on a trend. How long they wait has shortened considerably. Consider how long it took consumers to adopt smartphones (a few years) compared to how long it took them to jump onboard the VCR train (decades). And today’s early adopters are also able to spread their advocacy and demonstrate their cool

FIGURE 1

**WHEN THINKING OF GOODS/SERVICES YOU BUY, WHICH OF THE FOLLOWING MOST ACCURATELY DESCRIBES YOU?**



Source: NRC Health's *The New Payer* study, 2015, n size = 3,083

through the lightning-quick medium of social media. With little distance between early adopters and a critical mass of buyers, the pattern of consumer purchasing has quickened. These trends present an opportunity for fast-acting brands, and a challenge to organizations that struggle to innovate. In healthcare—seemingly the last industry to undergo a consumer revolution—the intersection of consumer agility and shifting payment models may yield an environment unlike anything else.

**“These trends present an opportunity for fast-acting brands, and a challenge to organizations that struggle to innovate.”**

# Consumers and healthcare

In healthcare, before consumers can establish purchasing patterns they must first come to know and understand their options. A cloud of confusion prevents many consumers from fostering familiarity with healthcare brands. The foremost factor in confusion is the natural dissonance consumers feel when it comes to healthcare—no one wants to be sick, and therefore no one believes they need a hospital.

**"A cloud of confusion prevents many consumers from fostering familiarity with healthcare brands."**

According to *The New Payer*, only one in four consumers feels that he or she has health issues that limit their daily routine. Only one in five feels that his or her limitations are severe. Most consumers feel they lead fairly healthy lives, and therefore have incentive to ignore their own healthcare options.

If healthcare organizations aren't the star in the minds of consumers, who is? The answer lies in the mirror: seven in 10 consumers feel they are personally responsible for managing their own health. Consumer disposition toward the mentality of "do-it-yourself health" is influenced by the rejection of healthcare's status quo. If healthcare is a confusing maze of risk and cost, why not do everything in your power to never enter that maze?

# DIY health vs. industry responsibility

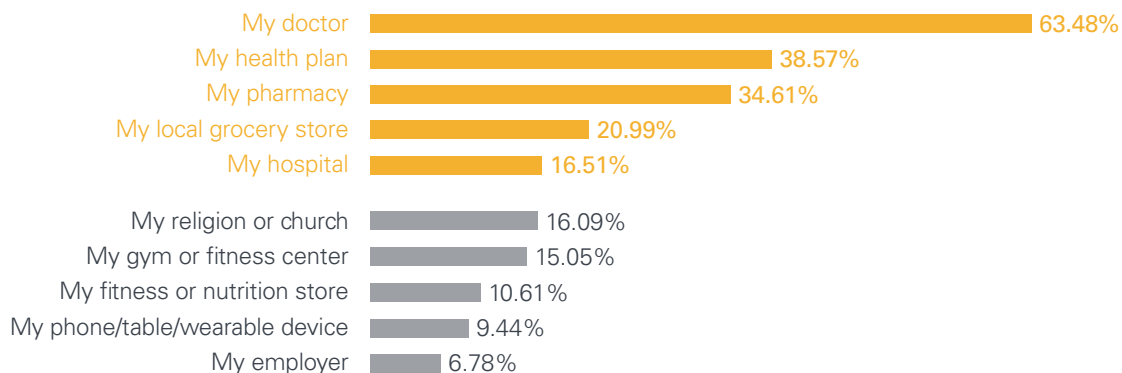
For all its inspiring qualities, the do-it-yourself mentality isn't creating healthier consumers—68 percent of U.S. adults are overweight or obese. Record numbers are battling diabetes, high blood pressure, heart disease, cancer, and so on. Consumers may be well intentioned in taking healthcare into their own hands, but they desperately need support—perhaps even a healthcare hero—to ensure they get healthy and stay healthy. But who is here to help them? *The New Payer* asked consumers to extricate themselves from the responsibility equation and attribute responsibility to a larger healthcare stakeholder. SEE FIGURE 2

While healthcare's traditional cast of characters is well represented in terms of consumer-assigned responsibility, less healthcare-centric stakeholders are on the consumer radar. Grocery stores, gyms, and even churches register as players in health and well-being. Grocery stores even edge hospitals in the eyes of consumers. While physicians and hospitals still play a prominent role, it's clear that consumers see their health as a team effort, and the players they've eyed don't all fit the term "healthcare" in the traditional sense.

**"Record numbers are battling diabetes, high blood pressure, heart disease, cancer, and so on."**

FIGURE 2

## Which of the following play an important role in your health and well-being?



Source: NRC Health's *The New Payer* study, 2015, n size = 3,083

# The welcomed invasion of non-traditional healthcare

Consumers no longer need to don a gown to receive care. Consumerism is pushing the care experience outside traditional healthcare confines and into the places where consumers live and work. The idea of virtual care is made possible by the digital transformation of consumer behavior. The web is the first stop for a consumer detecting a health issue: *The New Payer* indicates more consumers rely on health-related websites (45 percent) than on family members (36 percent) for the necessary resources and support to keep themselves healthy. And the web isn't the only surging source of information. Consumers flock to social-media sites—especially Facebook, YouTube, and Twitter (in that order)—to find information, seek counsel from other consumers, and share their experiences. Consumer connectivity has changed how we make decisions, even in healthcare. To consumers, the world of traditional, physician experiences and the world of non-traditional, virtual experiences form a single whole.

## Telehealth: return of the house call

Consumers ask, "If I go online to find information, why can't I take the next step and talk to someone?" Online? Skype, FaceTime, and video conferencing have shown we can connect with just about anyone—except a medical professional. Only one in 10 consumers report having a virtual or telehealth experience in the past year. When it's time to receive care, there's no guarantee consumers will seek a traditional healthcare experience. Two in five consumers report having had a non-traditional healthcare experience (e.g., virtual visit, urgent care, retail or pharmacy visit for care, etc.). Urgent care has a special

### Consumers gush over telehealth:



# 58%

of consumers found it important that their current physician add telehealth as a resource in the near future

# 37%

would take a telehealth visit if their provider offered it

# 12%

declared they'd switch hospitals if their preferred brand did not offer telehealth

shine to convenience-minded consumers—a whopping 38 percent of consumers have used urgent care in the past year. Nearly half of consumers (48 percent) report using multiple companies or brands for their non-traditional experiences, (Eight percent reported using five or more brands).

**"Only one in 10 consumers report having a virtual or telehealth experience in the past year."**

While not ideal, consumers appear to be bouncing around to different brands in an effort to find the right care at the right time. Only one in 10 consumers report having a virtual or telehealth experience in the past year.

## Healthcare's invasive species

What brands will consumers turn to next? Consumers' affinity for non-traditional providers has opened the door for the likes of Walgreens, CVS Health, Target, and WalMart to offer a host of healthcare services, all tucked within their cozy retail environments.

### Consumers openly embrace these offerings:

- For basic preventative measures (flu shots, blood-pressure checks, etc.), nearly half of consumers (48 percent) would go to Walgreens or a similar pharmacy. However, even more consumers (51 percent) would go to WalMart.
- For moderately advanced procedures (MRIs, sinus-infection treatments, etc.), four in 10 consumers would go to Walgreens if these services were offered, and a similarly significant number of consumers (38 percent) would go to WalMart.

Considering these consumer appetites for convenient, non-traditional care settings, and the size and scale of the retailers in question, it appears the definition of healthcare is already being rewritten.

# Drivers of healthcare selection

Whether the experience is traditional or non-traditional, in-person or online, *The New Payer* study sought to understand how consumers make the decisions they do. What drivers influence consumer selection the most? What makes people choose one provider over another? Healthcare selection is multi-faceted, and drivers vary based on care setting, but close examination reveals common threads.

## Jack-of-all-trades, or master of one?

Out of the gate, consumers strongly desire a single brand to guide them through the complex selection process that healthcare places upon them. When asked to choose between one and many, only a sliver of consumers (nine percent) disagreed with the following statement:

**“It is important for me to receive all my care and treatments from one overall care provider or healthcare organization instead of many different care providers or healthcare organizations.”**

FIGURE 3

Hospital Care	Physician Care	Urgent Care	Home Care	Long-Term Care	Palliative Care
<b>Quality of Care</b>	<b>Quality of Care</b>	<b>Quality of Care</b>	<b>Quality of Care</b>	<b>Quality of Care</b>	<b>Quality of Care</b>
Accepts Insurance	Accepts Insurance	Accepts Insurance	Compassion/Personalized	Physician Recommended	Physician Recommend
Staff Skills/Expertise	Affordable Care	Affordable Care	Staff Skills/Expertise	Advanced Security	Compassion/Personalized
Affordable Care	Compassion/Personalized	Staff Skills/Expertise	Physician Recommended	Staff Skills/Expertise	Provides Up-front Pricing
Compassion/Personalized	Staff Skills/Expertise	Compassion/Personalized	Affordable Care	Affordable Care	Advanced Technology
Advanced Technology	Advanced Technology	Provides Up-front Pricing	Hospital Affiliation	Hospital Affiliation	Hospital Affiliation

A single, comprehensive brand of healthcare services appears to be most inviting to consumers. It appears consumers leave some of their shop-around mentality they use with other industries at the door when selecting healthcare.

## Consumer selection patterns across the continuum

We measured factors that matter most to consumers as they select healthcare across six settings: physician care, urgent care, home care, long-term care, hospital care, and palliative care. SEE FIGURE 3

Nothing dominated the selection landscape like quality. To consumers, it was the most important selection factor across all six care settings. Over the years, much hand-wringing can be attributed to quality. Most hospitals and health systems include quality in their mission and vision. Many physicians pride themselves on being different from the competition because they are higher-quality. It’s impossible to see, read, or hear a healthcare advertisement without quality being included—the premise being: to ensure consumers select us, we must simply say the word “quality” and the work is done, right? Wrong.

## The quality quandary

First, what is quality? The dictionary pegs “quality” as “an essential or distinctive characteristic, property, or attribute.” By definition, quality is not any particular thing. To say you are high-quality is to say you offer a great benefit. What kind of benefit(s)? To whom are you beneficial? Simply saying “quality” does little to activate its power with consumers. To be sure, quality is a characterization of many positive benefits which, hewn together, may resonate with consumers. Quality alone is not enough. Beyond quality, there are many familiar selection factors near the top of the consumer checklist.

### “Quality alone is not enough.”

Physician recommendation remains important, especially in long-term and palliative care. Providing compassionate and personalized care is valued across the continuum. Advanced technology, as well as medical staff with skill and expertise, continue to move the needle in certain settings. Insurance acceptance was a quiet but pervasive factor. Though some consumers feel their astronomical deductible renders insurance less important, it’s still a significant factor. Perhaps insurance matters to many because it’s entangled with cost. Consumers are thoroughly preoccupied with cost of care. As a selection factor, affordable care cracked the top half in some settings, and providing up-front pricing was also on the radar for consumers. Though up-front pricing and understanding of cost are quite elusive in healthcare, consumers appear very open to selecting healthcare providers based on perception of cost.

### “Consumers are thoroughly preoccupied with cost of care.”

## Finding value in selection

It’s no wonder quality and cost both shone when consumer selection drivers were examined. Together, they form two central components of value. Consumers desire not only quality information, but also cost information—preferably in the same place. Imagine if car manufacturers refused to include all pertinent information on a vehicle, and instead pushed consumers to different websites for manufacturer-suggested retail prices, miles per gallon, crash-test ratings, and so on. This is exactly what the healthcare consumer goes through. Only one in five consumers find it easy to compare cost and quality together during the decision-making process. How can we confidently enter the value era when our own consumers can’t reasonably calculate our value?

## Selection-based information sources

To understand how consumers select healthcare, it’s helpful to examine what sources of information undergird their search process. *The New Payer* studied information sources, and when examining through the dichotomy of hospital and physician selection, found striking similarities between them.

SEE FIGURE 4

The top sources of information are shared between hospital and physician selection. Recommendations from others rule the roost for most consumers. The web was a close second, and reviews rounded out a list heavily influenced by digital. It’s clear consumers are relying more and more on digital sources of information to drive major portions of their healthcare selection patterns.

FIGURE 4

Most influential sources in selecting a physician:	Most influential sources in selecting a hospital:
Recommendations from people I know	Recommendations from people I know
Physician websites/online information	Hospital websites/online information
Reviews from other consumers	Reviews from other consumers

# Busting the six biggest myths of healthcare consumerism

## 01

### **Myth: Healthcare consumers don't care**

The idea that consumers are disconnected from their healthcare because they aren't used to making their own decisions—or have little interest in doing so—is common but misinformed. Consumers very much desire control over their healthcare decisions. Three in four consumers prefer to make their own healthcare decisions, and most find these decisions to be the most important (and expensive) they'll ever make. Increased access to information and soaring responsibility for expenses are heavily powering consumer resolve. Where do physicians fit in the decision dynamic? A third of consumers would still prefer some guidance from their physician while deciding, but they want to remain in the driver's seat throughout their care journey.

**FACT: MORE INFORMATION AND EXPANDED RESPONSIBILITY HAVE CREATED A NEW, MORE DISCERNING HEALTHCARE CONSUMER.**

## 02

### **Myth: Physicians still control consumers**

At one time, physicians reigned over consumer decision-making. Times are changing. Only 17 percent of consumers are comfortable trusting their care decisions to their physicians, and those consumers tend to be older and to have more healthcare experience in general. The vast majority of consumers have grown restless with the traditional physician-consumer relationship—if they have one at all. One in four consumers doesn't even have a regular physician. For consumers who do have a regular physician, there is considerable churn—43 percent visited a new physician in the past year. When consumers do convert to patients, they've often researched

# 43%

percent of consumers visited a new physician in the past year

# 17%

percent of consumers are comfortable trusting their care decisions to their physicians

treatment and formed care preferences before their doctor has uttered a word. Generational shifts and economic pressures are further empowering consumer autonomy—only half of consumers report they that “always” listen to their physicians and only one in five “never” challenge their physicians' recommendations. While physician influence is shrinking, nearly half of consumers (45 percent) gave physicians top marks when asked to name their most important resource for maintaining health. Even the most self-determined consumers still value the expertise, experience, and hub-like responsibilities physicians possess, but they would far rather access those qualities on their own terms.

**FACT: PHYSICIANS ARE STILL HEAVY INFLUENCERS OF CONSUMER DECISION-MAKING, BUT NO LONGER PULL THE STRINGS.**

## 03

### **Myth: Advertising is the key to reaching consumers**

When done right, advertising can serve as an effective way to build brands and catch the consumer's eye. Unfortunately, healthcare advertising often isn't done right. A typical campaign attempts to push far too many attributes on unsuspecting and often-confused consumers. Advanced technology, compassionate care, board-certified physicians, convenience, awards, and numerous other qualities combine to overwhelm the average consumer and leave them recalling nothing about a brand.

**“Advanced technology, compassionate care, board-certified physicians, convenience, awards, and numerous other qualities combine to overwhelm the average consumer and leave them recalling nothing about the brand.”**

Worse yet, most healthcare advertising is so similar among brands that many consumers have trouble recalling who advertised what. Your most effective ad campaign may have been a boon to your top competitors. Instead, healthcare brands would do well to shift the conversation from channel changers to a true differentiator—something you do better than the rest—with a focus on simplicity and consistency throughout the campaign. Leave the shifting, nuanced messaging for social media: a fast-twitch platform better suited to sharing it all.

**FACT: ADVERTISING HAS ITS PLACE, BUT GROWING A ONE-TO-ONE RELATIONSHIP WITH CONSUMERS WILL REQUIRE MUCH MORE THAN A 30-SECOND SPOT.**



## 04

### **Myth: Only young consumers are connecting online**

While it's true that younger consumers shifted to digital tools first, the tech game is graying. More than half of consumers 65+ use online ratings and reviews to purchase products and services.

Even in healthcare, the average age of consumers who use social media to make healthcare decisions is 48 years old—the same age as the household decision-maker for all healthcare services. Hardly a coincidence, given social media's immense popularity in all other corners of consumer life. Moving forward, the digital learning curve will continue to flatten—think of how easy it is to use an iPad® compared to a PC running Windows 95—and older consumers will increasingly continue to go digital. As consumers of all ages stake their lot online, will there be any healthcare brands in sight?

**FACT: THE ADOPTION OF DIGITAL MEANS TO INFORM AND COMMUNICATE IS OUTPACING THE AGING PROCESS ITSELF.**

## 05

### **Myth: Price transparency is healthcare's race to the bottom**

The call for up-front pricing—a mainstay of virtually all other industries—is making waves in healthcare. This demand is increasingly made by consumers who are not only footing bigger bills, but more importantly, footing more of the bill. Rising deductibles have forced consumers to rethink their ability to afford medical care. Hospitals, physicians, and nearly all healthcare stakeholders have stood idly by as consumers become patients, then independent medical-expense detectives trying to make sense of their bills.

**“This demand is increasingly made by consumers who are not only footing bigger bills, but more importantly, footing more of the bill.”**

# 87%

found it important to offer urgent-care services close to where they live or work

# 48%

would utilize a stand-alone ER if provided by a local hospital or health system

A common misconception is up-front pricing will cause consumers to flock to only the lowest-cost providers. This is only true if quality remains flat across all options in the eyes of consumers. When quality is defined and a valuable relationship begins, higher costs can be justified. Why do we pay more for Coca-Cola when the off-brand soda is cheaper and nearly identical in recipe? Because Coca-Cola is better. As long as healthcare organizations can convince consumers they are better, they will be able to charge more.

**“Why do we pay more for Coca-Cola when the off-brand soda is cheaper and nearly identical in recipe?”**

For those brands that aren't better but certainly charge more, the race to the bottom may become a reality. Consumers will continue to push for better price transparency, and providers will be hard-pressed to remain price-less.

**FACT: PRICE TRANSPARENCY PROMISES TO TURN THE INDUSTRY UPSIDE DOWN, BUT SAVVY PROVIDERS WILL USE PRICE AS A POINT OF DIFFERENCE TO BOOST THEIR BRANDS.**

## 06

### **Myth: The “empowered consumer” will fix healthcare**

Consumers have made their case: they are eager to play a more active role in their healthcare. Desire, unfortunately, doesn't create expertise. Sure, consumers are now surrounded with vast amounts of online data and a network of like-minded consumers, and they also have more skin in the game due to rising out-of-pocket costs. Yet, none of these factors create empowerment. Consumers lack an adequate understanding of all of healthcare's nuances—and they know it. Nine in 10 consumers would appreciate a guiding force to educate them and simplify their choices—yet virtually all consumers feel they do not understand the healthcare world. Transparency remains scarce, while consumers' personal risk remains high. Until healthcare's traditional stakeholders are willing to fully acknowledge consumers' impact and desire to make healthcare better, consumers will languish in a system designed without them in mind. The irony of the empowered consumer is that healthcare organizations hold the key to their empowerment.

**FACT: CONSUMERS PLAY A GROWING ROLE IN TRANSFORMING HEALTHCARE, BUT THEY STILL NEED A HELPING HAND.**

# Raising the experience bar

*The New Payer* shed light on selection drivers, but as consumerism continues to change healthcare, what must be done to follow through with a consumer-centric experience

**The bar measuring a great healthcare experience continues to inch up—thanks in large part to advancements in customer experience in other industries.** There is a silver lining: some healthcare organizations do provide moments of excellent, consumer-delighting service, but it isn't the norm.

To better match consumer expectations, some healthcare organizations have partnered with innovative brands to expand their experience offerings. Urgent care is a shining example of a non-hospital idea—which consumers loved—becoming part of many hospitals' offerings. In another convincing nod to the power of convenience, consumers are in favor of this development: 87 percent found it important for their preferred hospitals and/or physicians to offer urgent-care services close to where they live or work.

Going a step further, the demand for full-scale, free-standing emergency care is on the consumer radar as well. Nearly half of consumers (48 percent) would utilize a stand-alone ER if it

were provided by a local hospital or health system. If a hospital or health system were to offer traditional healthcare services in a retail or mall environment, 34 percent of consumers would gladly switch. These "off-campus" offerings move away from the hospital tower and closer to consumers.

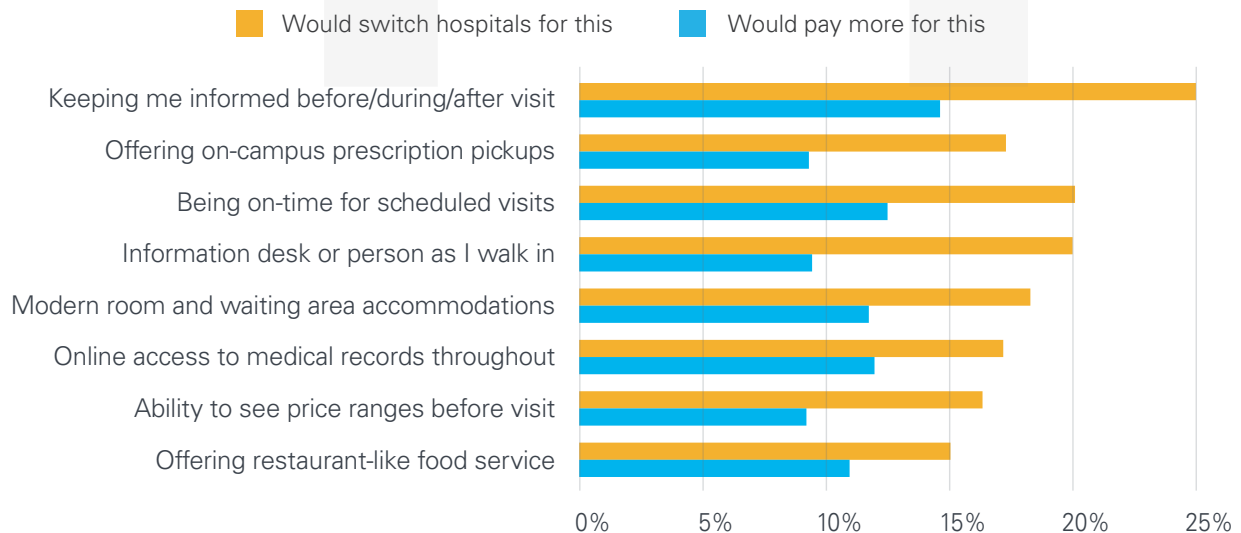
## What makes consumers switch?

The traditional, in-person patient experience is still the largest source of revenue for most healthcare organizations. Much study has been dedicated to what matters most to patients. To take the temperature of consumers on acute care, *The New Payer* explored 30+ features and benefits that may cause consumers to switch hospitals or health systems and/or to get them to pay more for each service. SEE FIGURE 5

"Keep me informed before, during, and after a visit" was the number-one reason consumers would switch brands—and the top factor when asked what they'd pay more for.

FIGURE 5

### Comparison of experience amenities consumers would switch brands and/or pay more for:



# Follow the money: healthcare's hard costs for consumers

If the Internet is the vehicle for driving healthcare consumerism into the forefront, cost has a firm grip on the wheel. Healthcare expense makes for an angry driver, and the top source of frustration for consumers. While overall healthcare costs have gobbled increasing chunks of GDP, its out-of-pocket costs are keeping consumers up at night—even in the reform era, in which a record 86 percent of Americans lay claim to health insurance. But being covered and being able to afford healthcare are two different situations. According to *The New Payer*, less than half of insured consumers (36 percent) report a deductible of under \$1,000, meaning there are more consumers with high deductibles than ever before. One in 10 consumers reported a deductible hike over the last year, as well as a budget-busting individual or family deductible exceeding \$4,000.

**“In 2012, the NRC Health landmark study on customer-centric care revealed that the main driver of consumers putting off care is the perceived cost.<sup>1</sup>”**

How are consumers responding to the fiscal squeeze? Some are choosing to opt out of healthcare altogether—three in 10 consumers are deferring necessary medical treatment. In 2012, the NRC Health landmark study on customer-centric care revealed that the main driver of consumers putting off care is the perceived cost.<sup>1</sup> Perceived, not actual, because little pricing information is available before a healthcare

experience. Only one in 10 have visited price-comparison sites for healthcare. The desire is there: more than half of consumers (53 percent) would be likely to visit these sites in the future. Inside the hospital, there is little being done to shift from fee-for-service pricing models that were built to tie volume to revenue. Value-based purchasing is stretching administrators' ability not only to adjust their financial models but to understand their own costs. It's not a surprise that in an industry dominated by not-for-profits, seven in 10 consumers actually believe the majority of hospitals are for-profit. Simply put: if hospitals and health systems don't have a grip on their own cost drivers, how can they hope to break out of negative associations and embrace price transparency?

**“Market forces may make all the difference.”**

Market forces may make all the difference. Affordability is primed to become a new competitive differentiator in healthcare—it's already showing up in the selection process. With money on their minds, one in three consumers would consider visiting a new provider who is not associated with their preferred hospital or physician, if that provider offers more affordable services.

**“Even healthcare's newest, shiniest offerings won't matter much if even insured consumers simply cannot afford them.”**

Yet the industry remains opaque in both pricing and quality transparency. Only a sliver of consumers (eight percent) find it easy to compare cost and quality online, yet three in four desire to see this information before a visit. Without an understanding of cost, value cannot be fully calculated. If we follow the money, we see consumers primed to use cost as a decision-driver to better control their health—both physical and financial. While price transparency in healthcare remains a pipe dream, the healthcare organizations willing to pioneer the field stand to earn a windfall in consumer trust and loyalty.

# 41%

of households feel a “significant burden” when considering how they'll pay for healthcare expenses

# 57%

of consumers would choose a hospital that shares its prices up-front over a hospital that does not.

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<sup>1</sup> Considering the Customer: Understanding & Influencing Healthcare's Newest Change Agent, 2013

# Loyalty: a most meaningful metric in tracking consumers

While there are many metrics able to track consumers and assign value, none may be more important to healthcare's future than loyalty. In an industry traditionally focused on episodic care, creating loyalty is no small task. After all, volume-based care was not predicated on the repeat purchases of any one patient, but on the numerous purchases of many patients. Loyalty, however, bends us in the direction of value. It places importance on consistent and repeated brand experiences—with plenty of touch points in between those experiences—to create an ongoing one-to-one relationship between consumer and brand.

Insurance acceptance and a positive previous experience are the only loyalty drivers to influence more than half of consumers. The perception of better staff starts a run of other significant loyalty factors largely driven by consumer perception of providers. Even doctor recommendation finishes behind reputation and brand strength. If loyalty is in the eye of the beholder, what can be done to promote and sustain repeat purchasing in healthcare? As in other industries, loyalty must become a strategic resource to be leveraged at the highest levels of a healthcare organization. It's clearly on the minds of consumers.

## How much do you agree with the following statement:

"It is important for me to receive all my care and treatments from one overall care provider or healthcare organization instead of many different care providers or healthcare organizations."

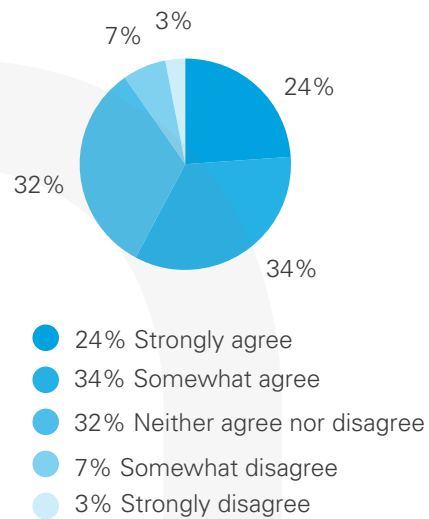
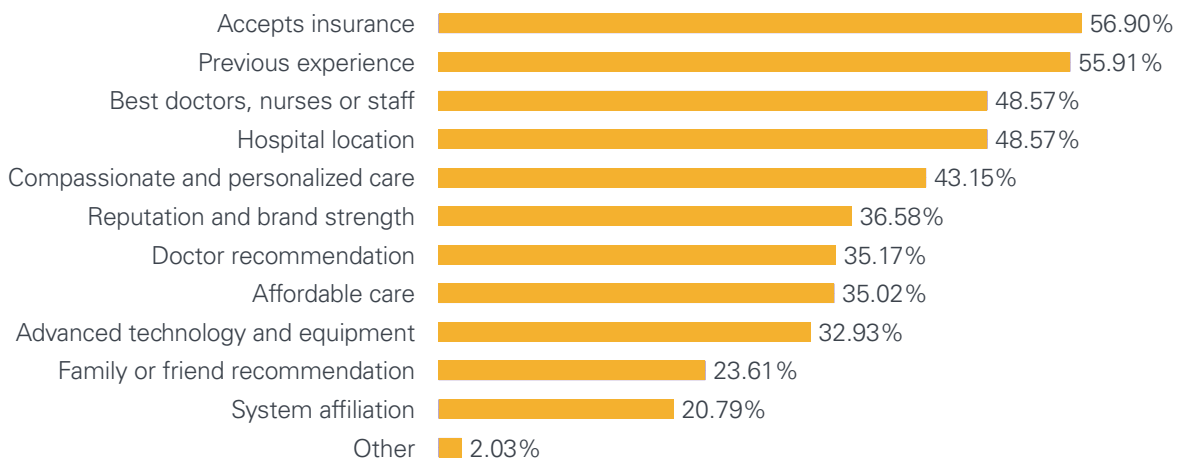


FIGURE 6

### Which of the following drives your loyalty to a hospital or health system?



**WHAT DRIVES ONE-TO-ONE LOYALTY? THE NEW PAYER GAVE SPECIAL ATTENTION TO THESE DRIVERS.** SEE FIGURE 6

The best part about loyalty is that consumers actually desire to stay loyal to one brand. They already possess a value-friendly mindset. Even within the confusing world of healthcare, over half of consumers wish to receive all their care from one brand. Healthcare organizations that realize this type of consumer alignment will pull off the win-win of organizational advancement and consumer engagement.

## Programming loyalty

Unlike with virtually all other industries, loyalty programs are in short supply in healthcare. *The New Payer* study explored what benefits are necessary to snag consumers over the long haul.

SEE FIGURE 7

It's clear from consumers that benefits make the program. The most appealing benefits appear to center on easing perceived issues with the in-person experience—less wait time was number one—and offering financial relief outside the experience, including discounts, gift cards, and points to use for more frequent, non-healthcare purchases. By providing an array of useful benefits that pertain to daily life, a healthcare brand can extend its reach outside of traditional healthcare and into the mind of the everyday consumer.

Loyalty programs can also drive favorable behavior in consumers. Fifty-two percent would submit to a regularly

scheduled health screening and 43 percent would be willing to attend health and wellness events to maintain their program status. While loyalty programs could be a boon to healthy activity and assessment, the business side could benefit. Thirty-five percent of consumers would even consider switching allegiances to a hospital that rewards them for repeated use with program benefits.

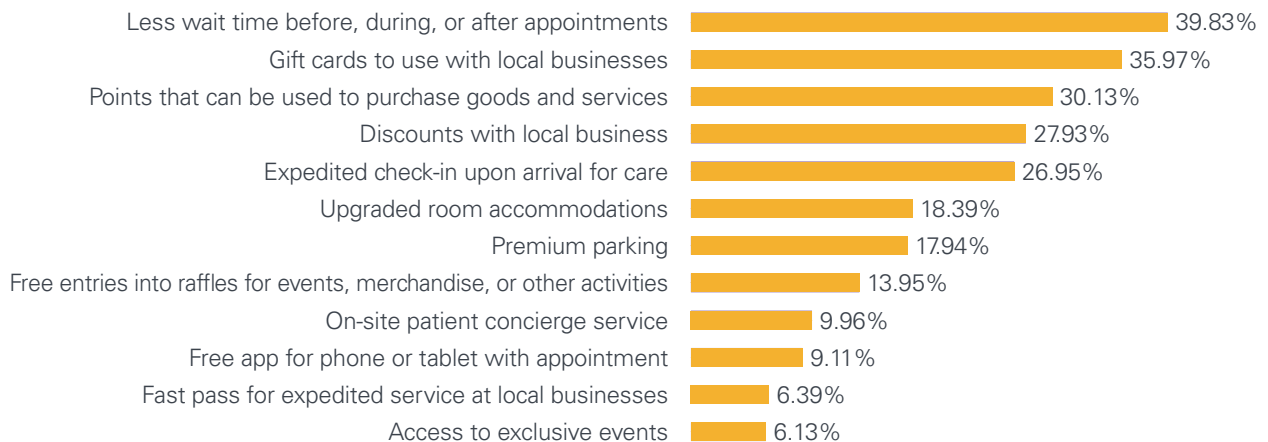
If building a loyalty program from the inside out is not feasible, another option is to partner with a valued brand from another industry. What non-healthcare businesses would make a great program partner?

**“According to consumers, grocery stores (42 percent), restaurants (21 percent), and pharmacies (15 percent)—all with a clear connection to health—are the top three preferred partners.”**

The power of a non-healthcare loyalty partnership is in tying value to other purchases that consumers make far more often than healthcare purchases. Most consumers would not compile enough healthcare experiences to make a loyalty program useful to them. Expanding the ability for consumers to connect with healthcare organizations is an important step not only in transcending healthcare's traditional confines but in creating a lasting relationship with consumers that's built on health and well-being.

FIGURE 7

**Which of the following loyalty program benefits are most important to you?**



# Restoring the health in healthcare

Awareness, selection, and loyalty aside—one of the most potent ways for healthcare organizations to build a one-to-one relationship with consumers is by preventing the need for more serious healthcare experiences in the first place. The health-and-wellness movement has captivated large segments of consumers. A record number are running marathons, taking yoga, or trying a new diet. Seventeen percent currently wear a health-related device. Diet, exercise, and health-related products are billion-dollar industries.

**“Consumers appear to be quite progressive in seeing the connection between health and healthcare; will healthcare brands follow suit and resource these experiences?”**

But traditional healthcare organizations—hospitals and health systems in particular—haven’t played a convincing role in spurring on wellness, and consumers are paying the price. Over half of consumers (58 percent) have never attended a wellness event. Is the consumer to blame? Or, have providers spent too little time promoting the wellness events they convene, if they promote them at all? The longtime excuse that consumers don’t see healthcare brands as viable providers of wellness activities—the “they know we make our money on sick care!” mentality—is unpopular outside healthcare-administration circles: only a sliver (14 percent) wouldn’t trust hospitals and doctors to keep them healthy and treat them when they’re sick. Consumers appear to be quite progressive in seeing the connection between health and healthcare; will healthcare brands follow suit and resource these experiences?

Consumers aren’t shy in their enthusiasm for the certain types of wellness events they’d love to see. SEE FIGURE 8

## The activity of assessment

Activity is only part of the wellness battle. Education remains paramount to ensure consumers make the healthy decisions when they aren’t working up a sweat. More than half of consumers (55 percent) would be likely to complete a personal health assessment, but only 28 percent have done so in the past year. This type of survey appeals to young and old alike—26 percent of both consumers 18–34 years old and consumers 65 and older were “very likely” to take the assessment. Assessments aren’t just beneficial to the survey taker; they offer a research opportunity for providers to better understand their own community, a necessary activity to succeed in a future rooted in population health.

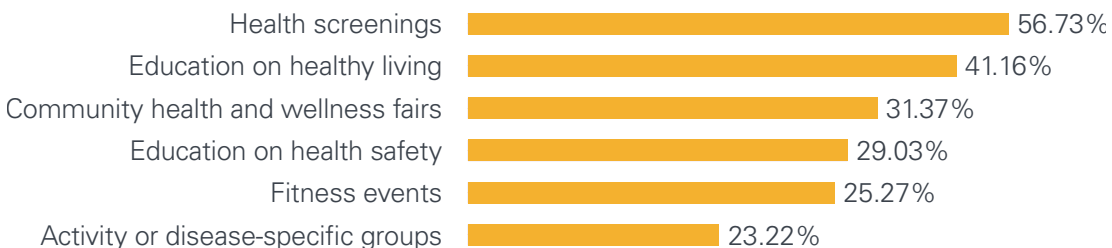
## Considering the consumer

**THE NEW PAYER STUDY MAKES ONE THING CRYSTAL-CLEAR: CONSUMERS EXPECT MORE FROM HEALTHCARE.**

The vast majority of experiences provided by healthcare organizations do not measure up. Consumers have reached a breaking point in their ability to tolerate the confusion and frustration of the status quo. **If nearly a third of consumers are avoiding necessary healthcare treatments, it should serve as a wake-up call for healthcare organizations**—the very brands now tasked with engaging consumers and keeping communities healthy. If traditional healthcare organizations don’t step up, other well-known outsider brands will.

FIGURE 8

### What types of health/wellness events would appeal to you?



Consumers aren't just open to new ideas. They are desperate to see healthcare embrace them. In a sea of confusion, consumers deeply value simplicity. They reward anyone who can cut through the red tape and hassle that dogs traditional experiences. They can sense when an organization does not have their best interests at heart, and they are willing to switch to someone who does. In its vast exploration of mindsets, *The New Payer captures a common thread among consumers: the days of doing things on someone else's terms are growing short.* It's easy to see the figurative hospital tower—a bastion of inconvenience and perpetual source of fear for anyone who sets foot inside—come tumbling down.

**“Consumers will gravitate toward any healthcare organization that demonstrates a willingness to put the consumer first—above politics and profits.”**

Yet there is hope for traditional healthcare organizations to make the great transformation into consumer-centric brands. The tools to get there—digital information channels, telemedicine, transparent ratings and reviews, consumer advisory councils, even up-front pricing indexes—already exist. The more stringent challenge is not embracing innovation but embracing the idea that consumers have choices and those choices matter. Consumer-centric organizations will abandon the “next, please” mentality of episodic care in favor of lasting one-to-one consumer relationships in these ways:

- Healthcare organizations will eschew one-way communications in favor of dialogue.
- Consumer feedback will no longer be a subject of curiosity, and will serve as fuel for strategy and innovation while doubling as the bellwether of internal performance.
- Value will be determined solely through the eye of the consumer—with simplicity, convenience, and transparency as leading qualities.

One thing about the future is clear: consumers stand ready and waiting for change. All eyes are on healthcare. The question is, are healthcare's traditional players—especially hospitals and health systems—ready to embrace the discerning consumer? Six in 10 consumers trust hospitals to keep them healthy and treat them when they're sick. In this emerging age of healthcare consumerism, the heat is on for healthcare organizations to stop leaving consumers in the cold. Those who embrace healthcare's fastest-growing new payer base, seeing their expectations as opportunities rather

than problems, will build lasting consumer relationships that transcend episode care to build trust and loyalty—and market share—all while making healthcare a better place.

As healthcare continues to evolve in unpredictable ways, NRC Health remains committed to keeping watch over consumers. Their once-ignored perceptions, behaviors, and trends are powering industry change. And as the new payer continues to exert its will, we urge our clients, and all parties interested in improving healthcare, to honestly consider this indispensable perspective—and in doing so, make healthcare better one consumer at a time.

#### ABOUT NRC HEALTH

For 35 years, NRC Health has been committed to achieving human understanding. We enable healthcare organizations to know the people they care for with greater clarity, immediacy, and depth. Our partners are able to illuminate and improve the key moments that define an experience and build trust. Guided by our uniquely empathic heritage, proprietary methods, skilled associates, and holistic approach, we help our partners design experiences that exceed expectations, inspire loyalty, and improve well-being among patients, residents, physicians, nurses, and staff.

#### ABOUT THE AUTHOR

Ryan Donohue is the Corporate Director of Program Development for NRC Health. Through research powered by NRC Health Market Insights, Ryan has worked extensively with hospitals and healthcare brands across the US to understand and leverage market intelligence to better connect with consumers. Ryan possesses a decade of experience in translating the consumer point of view into actionable strategies for healthcare organizations looking to make healthcare better.



NRC Health helps healthcare organizations better understand the people they care for, and design experiences that inspire loyalty.