

The Next Title in Your C-Suite? Understanding the Emergence of the Chief Consumer Officer

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“The system is broken, and better is possible” was Dr. Atul Gawande’s sentiment after accepting the CEO position for Amazon, Berkshire Hathaway, and JPMorgan Chase’s healthcare venture. This new venture will focus on cutting healthcare costs and reconstructing the delivery of care for employees and “potentially, all Americans.”¹ It is no secret that these companies operate in a way in which many hospitals and health systems view as futuristic— notions of acquisition through behavior-based segmentation, and a comprehensive, longitudinal view of their consumer’s decision-making pathways, satisfiers, and drivers of advocacy for their brands. This new healthcare entrant consistently looks to one group for innovation and strategic direction: their customers.

To keep that inherent focus, Amazon has staffed its executive team with leaders who are customer *obsessed*, ensuring that every decision has an outside-in focus. Companies like Amazon have long cared about customer loyalty and it stands to reason that this focus would extend to their new healthcare venture. Comparatively, a 2017 study

Key Board Takeaways

- Employ an executive who is “consumer obsessed” and will ensure the customer’s expectation is represented in every board discussion.
- Close the gap between teams responsible for acquisition, satisfaction, retention, and advocacy.
- Create a consumer committee of the board; emphasize to board members that they are consumers outside healthcare—what are *their* consumer expectations and how does the health system need to change to meet those?
- Shift at least 50 percent of the organization’s strategy to focus on consumerism within two years.
- Ask management/consumer committee to keep the board informed on the holistic story of your organization’s ability to meet customer expectations, deliver the emotional and functional expected outcomes, and earn consumers’ trust and loyalty.
- Ensure board member succession plans prioritize individuals who see the importance of informing strategy with customer expectations.
- Ask the right questions:
 - Can we be more intelligent in our consumer engagement operations (i.e., driving volume to care settings already likely to yield good experiences)?
 - Are we developing an organizational culture that prioritizes the voice of the customer proactively as opposed to retrospectively?
 - Do we have a strategy to influence decisions and intervene with the right people at the right time in the right place?

revealed that the vast majority of health systems committed at least a quarter of their strategic plan to a consumerism component and that 75 percent expect more than half of their strategic plan to focus on consumerism in the next three to five years.² It is evident that healthcare leaders believe a customer-centric

service and care delivery redesign is a key aspect to remaining competitive, but a very crucial question remains: Will our customers wait for three to five years before we begin basing the majority of our strategic decisions on customer expectations or will they take their loyalty elsewhere?

1 Jeff Pruitt, “Amazon Knows Something Many Organizations Don’t: Its Customers,” *Inc.*, September 28, 2017; “Amazon, Berkshire Hathaway, and JPMorgan Chase Appoint Dr. Atul Gawande as Chief Executive Officer of Their Newly-Formed Company to Address U.S. Employee Healthcare,” J.P. Morgan, June 20, 2018.

2 Maria Castellucci, “The Consumer is Wielding Greater Power, but Hospitals Aren’t Ready, CEOs Say,” *Modern Healthcare*, December 9, 2017.

Amazon's promises to leave substantial marks on our industry certainly up the ante for hospitals and health systems to not just be consumer centric but consumer obsessed. At the foundation, the way a customer currently experiences the healthcare industry is not often represented in how we digest insights, organize oversight responsibility, communicate, and share information at all levels. As healthcare organizations grow, the various teams responsible for engaging with, influencing, and designing for the customer must ensure cohesion in order to truly piece together what customers holistically expect from a relationship with the brand. Many hospitals and health systems would openly agree that internal silos exist, whether or not the detriments of these silos on their ability to see customer's expectation and outcomes holistically have been realized. This article will provide considerations to the following question: **Could your organization benefit from a Chief Consumer Officer?**

stressors to their organizations due to consumers' increased purchasing power as a result of shouldering more out-of-pocket costs each year. In a recent study, the Kaiser Foundation found that the average deductible for consumers with employer coverage rose to \$1,505 in 2017, up 396.7 percent since 2006, and that 24 percent of consumers enrolled in employer plans pay over \$1,000 in out-of-pocket costs each year.³ Most of this increase is due to employers offering high-deductible health plans, meant to shift more of the cost to consumers. This enacts discernment of care like seeking alternative care options, delaying care, or opting to go at it alone—which too has had impacts for which healthcare organizations must compensate.

Shifting burden of cost onto consumers has exposed consumers to the price of healthcare, naturally leading to more discernment. In 2014, total annual health spending was \$659 less per person in high-deductible health plans than in



was if that reduction in use was for needless tests and procedures or deferment away from truly necessary care. A 2017 study conducted by a team of researchers at Indiana University–Purdue University Indianapolis found that high-deductible health plans were associated with a significant reduction in preventative care and a significant reduction in office visits. In summary, a reduction in both appropriate (needed) and inappropriate care.⁵

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Understanding and Responding to Today's Consumer

Most hospitals and health systems are well aware that consumerism continues to be one of the largest

those in conventional plans, and use of inpatient hospital care and outpatient care was lower than those with conventional insurance—13 percent and 10 percent respectively.⁴ As an industry we achieved more discernment, but at what cost? In 2014, what was largely unknown

NRC Health's 2018 primary research shows that deferment rates for necessary (appropriate) care sit at 22.3 percent of the total population with the leading reasons for deferment being "unable to pay" (27 percent), "willing to manage on my own for now" (27 percent), and "concerned about out-of-pocket expenses" (20 percent).⁶ The researchers at Purdue uncovered that a significant amount of consumers with high-deductible health plans lacked education that out-of-pocket costs would not be incurred when utilizing preventative care.⁷ Although

3 2017 Employer Health Benefits Survey, Kaiser Family Foundation, September 19, 2017.

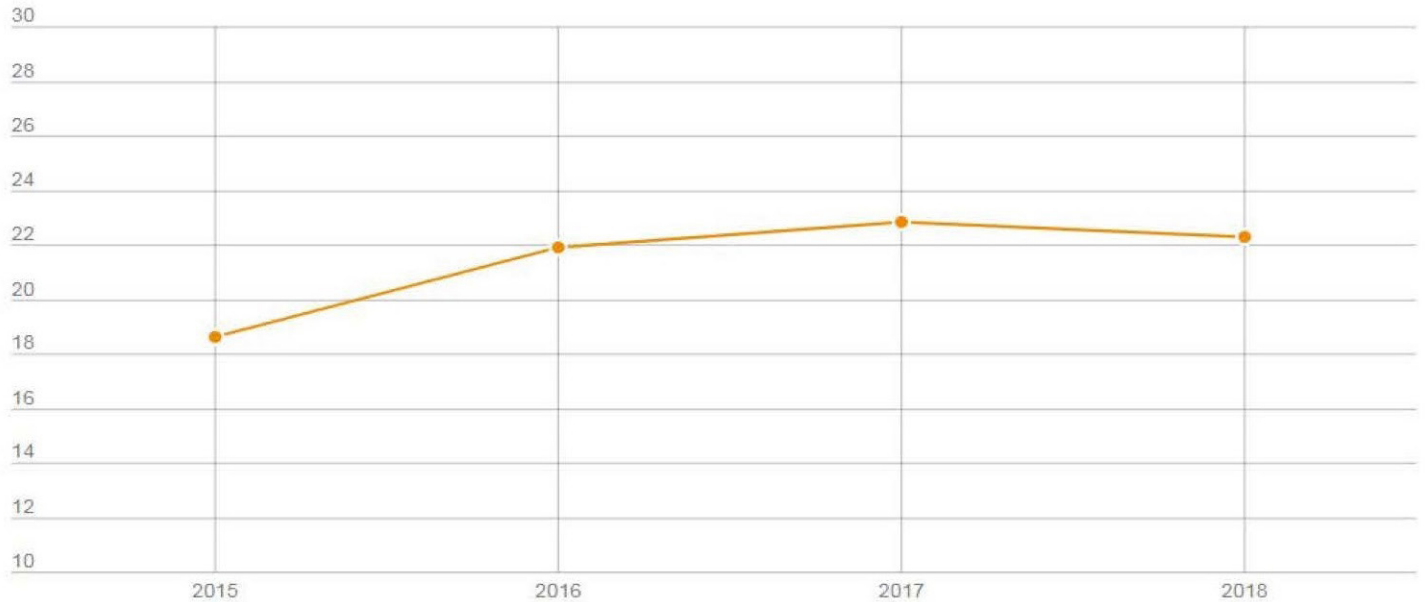
4 *Ibid.*

5 Jeff Lagasse, "High-Deductible Health Plans Curb Costs, Usage, Research Shows," *Healthcare Finance*, October 5, 2017.

6 NRC Health Market Insights Consumer Research Study, 2018.

7 Lagasse, 2017.

Exhibit 1: Consumer Reported Healthcare Deferment Rate



Q: Have you or anyone in your household delayed any healthcare treatment in the last six months?

Source: NRC Health's Market Insights study, 2015–2018, 2018 n size YTD 148,931 consumers

shifting the burden of cost to the consumer is in fact lowering costs in healthcare by way of less utilization upon initial consideration, unhealthier populations that end up in costly sites of care (i.e., emergency departments) is an issue of concern because of this deferment. Access to information outlining consumerism decisions, opportunities for education, and the long-term effects it has to the organization's economic goals can only be achieved through getting much closer to your customers, and must have considerable attention backed by appropriate strategy to remediate.

On the other hand, hospitals and health systems face a separate and equally critical opportunity to influence the bottom line with those who *do* choose to seek care, especially the commercially insured consumer segment. Healthcare organizations are putting extraordinary effort towards influencing the decision of customer groups, particularly privately paying customers, but other risks

surface—will the experience deliver on the brand promise, and is their expectation understood? Too many times, the silos that exist within an organization's departments and their responsibility for separate parts of the customer's engagement with the brand cause massive inefficiencies in data accessibility, ability to glean intelligent and comprehensive insight, and result in decisions made based on incomplete assessment.

Consider that today, those responsible for driving new volume into the organization are oftentimes doing so without knowledge of the type of experience they are driving new patient volume into, because of operational issues like easy access to information sources and department responsibility existing in isolation. The systems that are placing impressive effort towards driving acquisition of private paying consumers still experience a considerable gap between the acquisition and experience stages. What happens when those efforts of

driving volume fall to care settings that are not adequately prepared to meet the customer expectation? Silos and lack of a singular managing party lead to a lack of visibility of customers' comprehensive expectations and difficulty mapping patient journeys; this results in wildly missed expectations and patients seeking care elsewhere. A holistic patient journey identifies obvious ways to ensure loyalty with populations the health system desperately needs to earn as loyal customers. Similarly, those engaging with customers during a care experience do not have visibility to the impact their actions have on the overarching brand reputation that drives reutilization and referrals. Meaningful work comes as a result of seeing the larger impact your actions have. Without a cohesive story about a customer's journey, that impact is difficult to see.

Customers will often give healthcare providers one chance to meet expectations while functionally delivering a good outcome. The

Exhibit 2: Customer Confidence in Healthcare



Source: NRC Health's Market Insights study, December 2017.

patient population at large currently has little confidence in the industry's ability to do so (see **Exhibit 2**).

The Role (and Opportunity) of the Chief Consumer Officer

As organizations shift to meet consumer demand, many will find it easy to become singularly focused on one of two things: creating individualized experiences or optimizing the brand promise. It is rare that the two evolve in tandem. Healthcare organizations should consider a role that unifies their customer acquisition, experience, and retention efforts with singular oversight. We believe the industry will see an influx in the role of a Chief Consumer Officer or even a "consumerism" subcommittee formed by the board.

Several organizations have recognized this opportunity. Premier Health (OH), Centra Health (VA), and Piedmont Health (GA) have operationalized their consumer-centric strategy by creating a Chief Consumer Officer role and bringing marketing teams and patient experience teams under one department responsible for the holistic customer experience. What risk remains for organizations that do not organize a role in charge of marrying action, data, and go-forward strategy with regards to their consumer-centric organizational strategy?

Lack of focus could continue to erode customer trust, have a negative impact on revenue, further build up internal walls between departments against all efforts to break them down, and have an impact on staff engagement and satisfaction. Without

accountability of an executive leader driving systemic information, change, and improvement it is probable that the organization will be unable to achieve centrality of performance insight, centrality of customer feedback, and cohesive outbound engagement efforts to staff and the community.

Hospitals and health systems certainly have the competitive edge against new entrants due to long-standing reputations of service to the community, and the competitive edge can be accelerated through pointed focus of becoming customer obsessed. This dedicated attention to the impact of customer behavior will ensure that the holistic impact of consumerism is accurately represented in the boardroom and strategic plan creation.



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