



Thinking like P&G: Rethinking your approach to a new healthcare consumer

AHA 2015 Leadership Summit

July 23, 2015

THE BOSTON CONSULTING GROUP

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Session focus

Hospitals and health systems are on the precipice of a new era of consumerism

Consumers will be more informed, discriminating, and capable of making decisions that affect health insurance and service purchase and utilization

The question for health systems is how to use an evolving consumer to their advantage. This session focuses on three topics critical in this new paradigm:

- 1** The evolving role of the consumer as an active player in product / location choice
- 2** The most effective tools for building a robust/competitive consumer knowledge
- 3** The strategic decisions a consumer centric view enables health systems to make

We will frame our discussion around learnings from our experience in consumer centric product development and tactical guidance

We will discuss approaches from CPG, retail, and auto industries – including max-diff/conjoint analysis – that are relevant for health systems

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Today's objectives

- 1 Understand the mechanisms through which consumers have increasing influence in insurance product and care location decisions**
- 2 Assess the risks and pitfalls from delaying a consumer centric strategy**
- 3 Articulate the specific questions critical when developing a consumer centric strategy**
- 4 Understand the tools available to build market specific consumer knowledge**
- 5 Understand the strategic decisions enabled by a consumer centric approach to product development**

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Agenda

Evolving role of consumers in healthcare decision making

Effective tools for understanding consumer preferences

Strategic implications for hospitals and health systems

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Novel research approach to understand your market



Objective

Understand how consumers purchase health insurance and "shop" for care

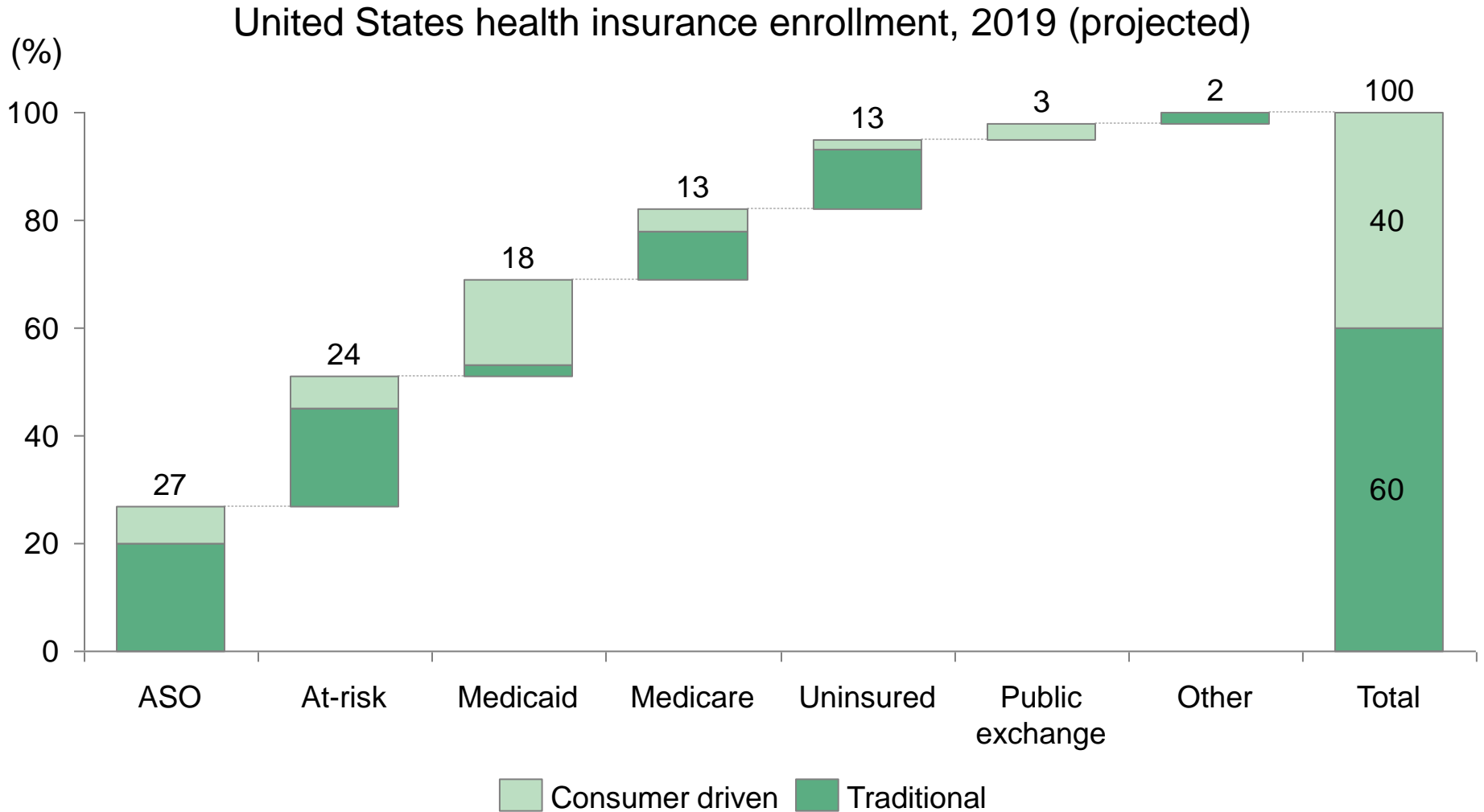
Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Key trends converging to drive "consumerization"

- 1 Care providers determined at time of insurance purchase**
 - Emergence of large market of individuals shopping for health insurance
 - Prevalence of provider owned/narrow network health plans results in patients "locked in" to single or sub-set of systems
- 2 Greater shopping for healthcare, "activated" by rising cost shares**
 - Trend towards low price products both on public exchanges creates large market of consumers with high cost shares and deductibles
 - Employers shifting employees to high-deductible plans
- 3 Heightened expectations for the care experience**
 - Digital age creating expectations for tailored services immediate responses
 - Trend towards custom high-quality experiences in other industries raising expectations in health care
- 4 Emergence of consumer oriented care settings**
 - Rise of retail and urgent care clinics providing alternative
 - Concierge clinics offer guaranteed access, elevated experience
 - Tele-medicine emerging providing near immediate clinician access

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

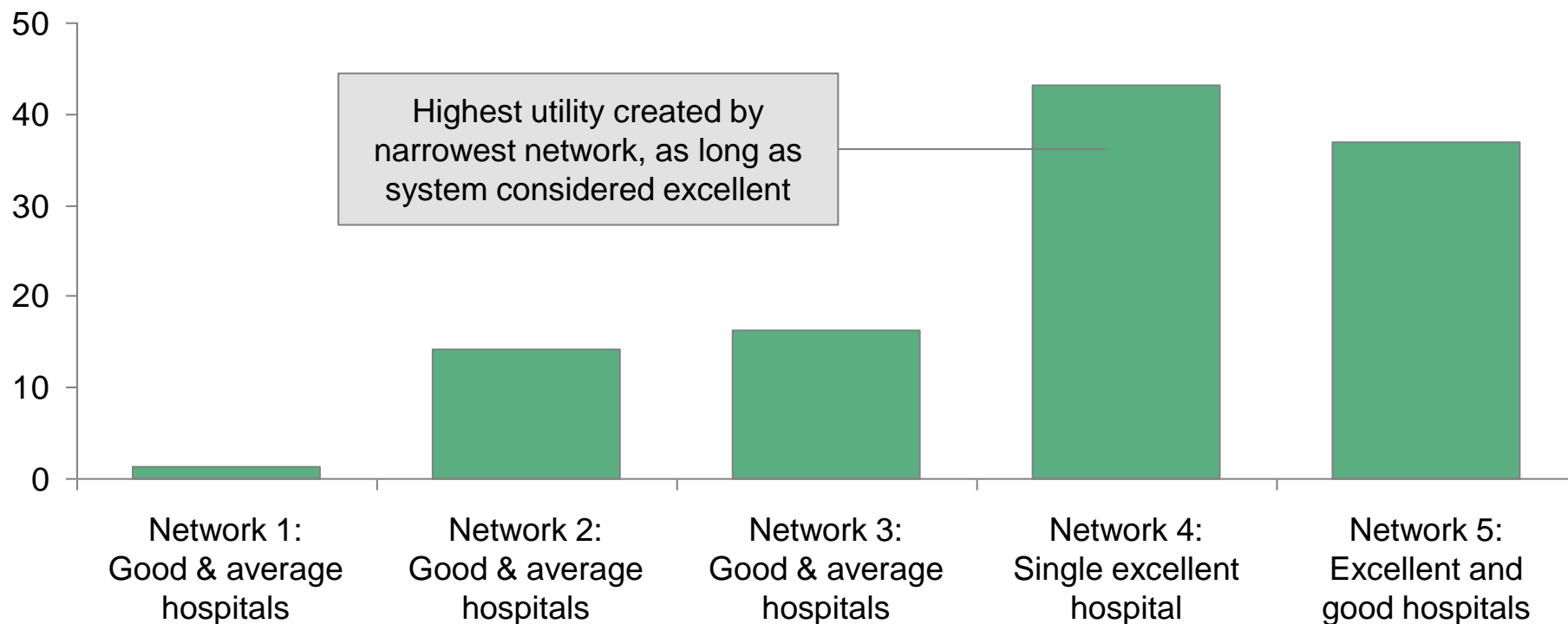
Healthcare is becoming more consumer-driven....



Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

... and consumers responding favorably to high quality narrow networks – signing up in significant numbers

Relative utility of different network bundles to consumers



Nearly 50% of exchange buyers selected a narrow network plan in 2014¹

1. Fierce Health Player, April 2015

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Americans choosing high co-pay bronze and silver plans on the Public Exchanges ...

Tier	Essential benefits covered	Medical cost covered ²	Target group description
Bronze	<ul style="list-style-type: none"> Ambulatory patient services Emergency services Hospitalization Maternity/newborn care Mental health & substance abuse disorder services, including behavioral health treatment 	60% <ul style="list-style-type: none"> Lower premiums High OOP cost 	1.6M (20%) as of April 2014 <ul style="list-style-type: none"> Healthy individuals Very cost-conscious Moderate risk-takers
Silver	<ul style="list-style-type: none"> Prescription drugs Rehabilitative services Laboratory services Preventive & wellness services & chronic disease management¹ Pediatric services, including oral & vision care 	70% <ul style="list-style-type: none"> Low-med premiums Med-high OOP cost 	5.2M (65%) as of April 2014 <ul style="list-style-type: none"> Relatively healthy individuals Potentially low income/cost-conscious individuals Moderately risk-averse
Gold		80% <ul style="list-style-type: none"> Med-high premiums Med-low OOP cost 	0.7M (9%) as of April 2014 <ul style="list-style-type: none"> Older/less healthy individuals Wealthier, risk averse population
Platinum		90% <ul style="list-style-type: none"> High premiums Low OOP cost 	0.4M (5%) as of April 2014 <ul style="list-style-type: none"> Sickest pop. high OOP costs Wealthy, very risk averse

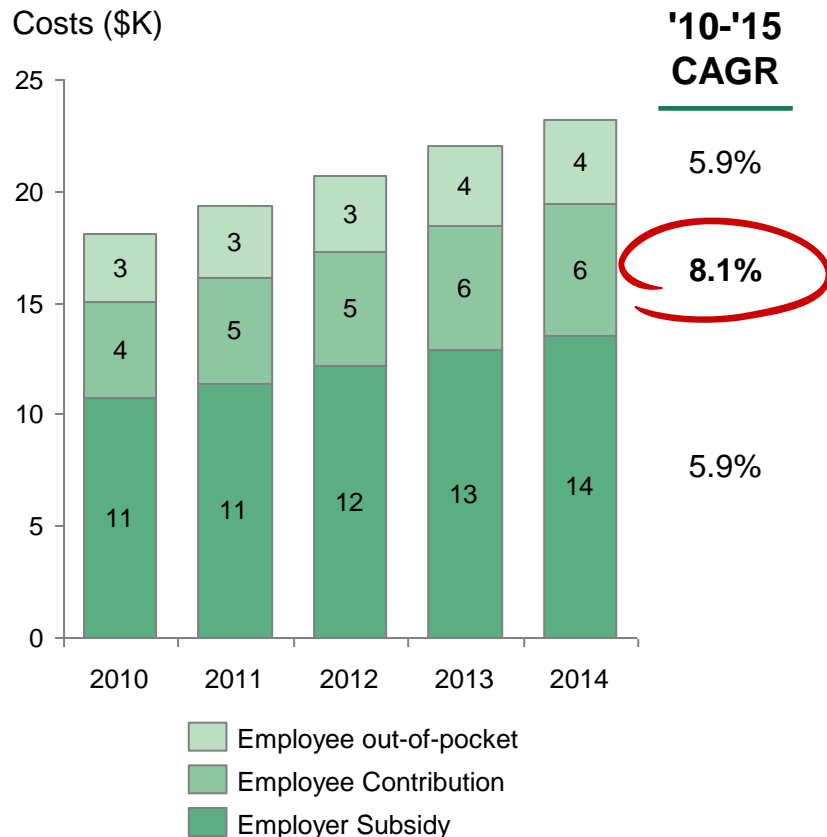
1. PPACA approved preventive services fully covered under each plan. 2. Excludes premiums

Source: HHS website, CBO analysis, BCG analysis

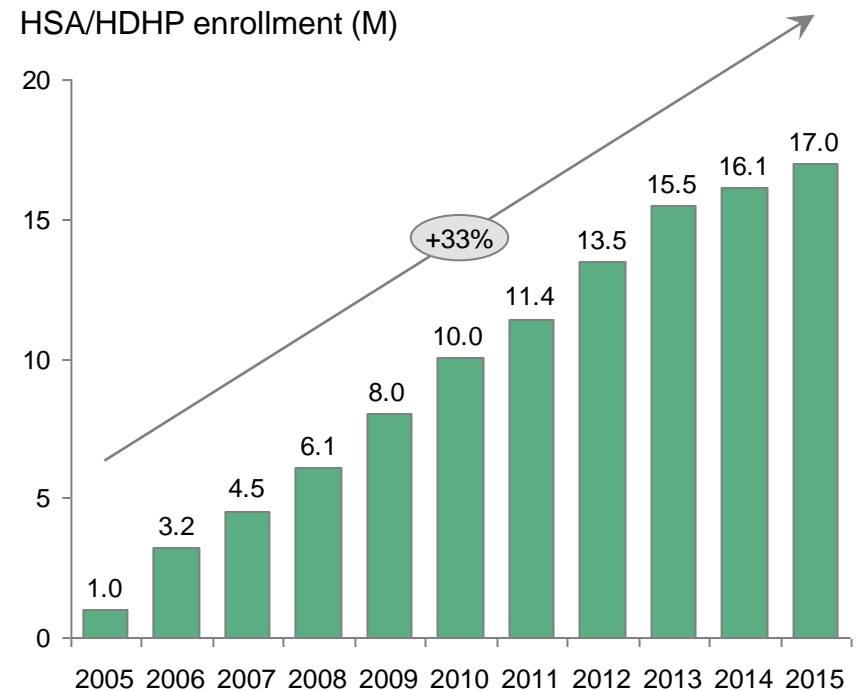
Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

... with greater cost shifting to consumers, most frequently in the form of HDHPs

Employee contribution share of healthcare costs rising fastest¹



HDHP enrollment expected to reach ~17M by 2015, growing at 33% CAGR

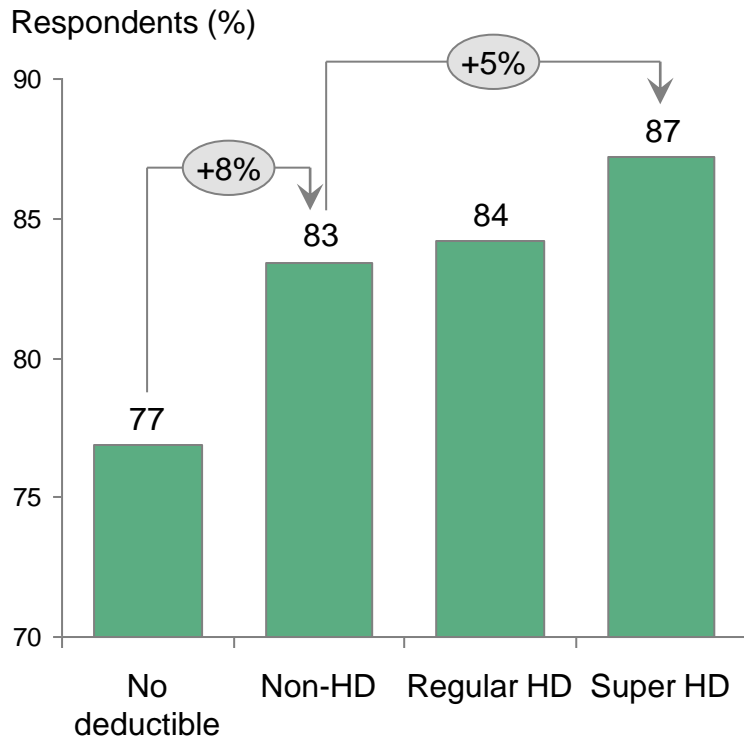


1. Milliman Medical Cost Survey, 2010– 2014 2. Kaiser Family Foundation 3. The Commonwealth Fund

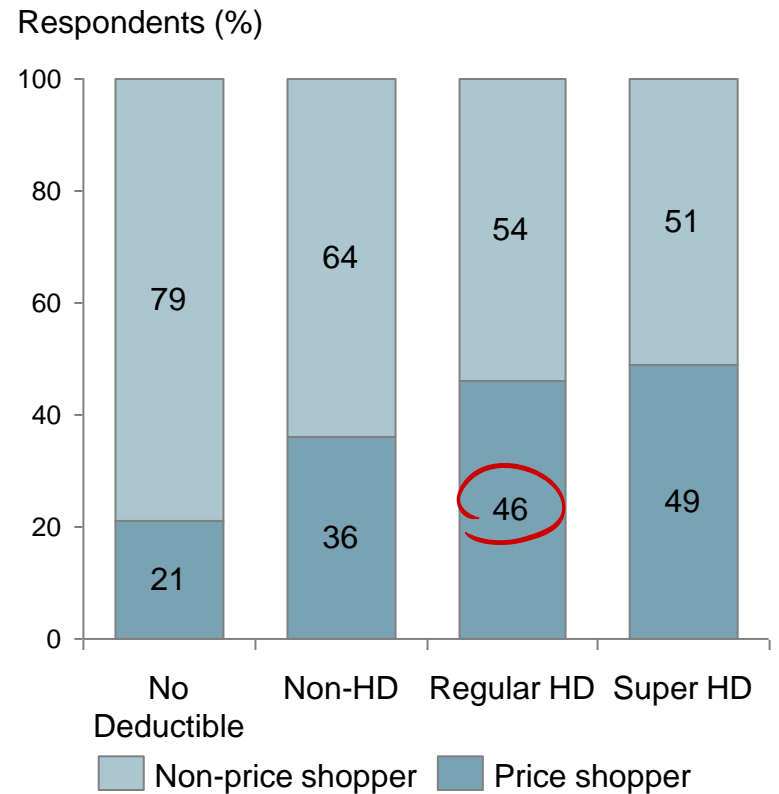
Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

As they assume a greater responsibility for costs, consumers are becoming "activated" to shop for services

HDHP consumers are more likely to look for cost information ...



... as well as price shop



Note: "Price shopping" for a service entails actively considering the cost of the service in your decision on where to receive your care." QH3: Who do you ask or where do you look for information about healthcare costs? Super HDHP N = 273, Regular HDHP N = 288, non-HDHP N = 1,356, no deductible: 1,334. Category definitions: No deductible: Deductible of \$0, Non-HD: Deductible of less than \$1,250 individual and \$2,500 family, Regular HD: Deductible between \$1,250 - \$2,500 individual and \$2,500 - \$3,999 family, Super HD: Deductible greater than \$2,500 individual and \$4,000 family

Source: BCG Health Insurance and Utilization Survey, October 2014, BCG analysis

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Inspired by improvements in other industries, today's healthcare consumer has heightened expectations

Curated Consumption



"Make it easy for me to discover what I need"

Attainable Luxury



"Give me luxury at the right price"

Play-sumers



"Let me have an experience"

Lifestyle Reflection



"Get to know me"

Co-creation/ Customization



"I know what's best for me"

Social Retailing



"I will pay more for things I believe in"

Smart Digital Shopper



"I use technology to be a smart shopper"

Balanced Life



"Give me products that cater to my well being"

Important to understand how these profiles influence desires and behavior

Source: BCG Retail 2020, BCG Women Want More, BCG Megatrends, BCG Emerging Trends in Retail, BCG Megatrends, 2011 TrendWatching Trend Report
Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Concurrently, retail and telemedicine have emerged as convenient, lower cost alternatives to traditional settings

Retail clinics

Provide high quality, lower cost care

Deliver value to consumer

- Convenient hours, locations and shorter wait times

Moving towards greater integration with health care networks

- Share patient care management
- Share patient information (electronic health records)



Telemedicine

Physicians and nurses linking electronically to patients and hospitals

Facilitates faster and better access to care:

- In community ERs without onsite specialists
- For patients in rural areas
- For homebound patients

Can defer unnecessary ED visits

Enabled by emerging connectivity and diagnostic technologies



Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Agenda

Evolving role of consumers in healthcare decision making

Effective tools for understanding consumer preferences

Strategic implications for hospitals and health systems

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Overview of consumer survey structure

Consumer survey sections

Demographics	Health system preferences
Health utilization	Health insurance choices and plan attributes MaxDiff
Abbreviated health risk assessment ¹	Shoppable services and utilization Conjoint
Health insurance	Patient experience
Health plan preferences and perceptions	
Network preferences Conjoint	

Will discuss MaxDiff, Conjoint in detail

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Retail and CPG-inspired tools to test consumer behavior

MaxDiff

Ranking exercise used to derive the **relative attractiveness** of attributes

- Used to assess relative importance of product attributes for health plans,
- Helps to design health insurance products to meet the needs of different segments

How does a MaxDiff exercise work?

Out of a set of options choose what's most / least important

We obtain several "paired comparisons" from each task

E.g., Female lead is less important than a major star more important than action sequences

Draft—for discussion only

Conjoint

Forced choice exercise used to derive **key decision drivers and price sensitivity** in healthcare decisions

- Insurance conjoint assesses decision drivers and premium sensitivity to insurance network composition
- Utilization conjoint assesses decision drivers, price sensitivity for select "shoppable" services

How a Conjoint Analysis works

Utilities are measured from a set of attributes and levels

Utilities are the relative importance of each level within an attribute

Utilities enable to forecast respondent choices

Car 1 preference share = Respondent choosing car 1 / Total Respondents

Draft—for discussion only

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

How does a MaxDiff exercise work?

Out of a set of options choose what's most/least important

Then obtain several "paired comparisons" from each task

Please consider how important different features are when selecting a movie to rent.

Considering only these 5 features, which is the Most Important and which is the Least Important when selecting a movie to rent?

Most Important		Least Important
<input checked="" type="radio"/>	The film has a major star	<input type="radio"/>
<input type="radio"/>	The film won an Academy Award	<input type="radio"/>
<input type="radio"/>	The film features lots of action sequences	<input checked="" type="radio"/>
<input type="radio"/>	The film is based on a best selling book	<input type="radio"/>
<input type="radio"/>	The movie has a strong female lead	<input type="radio"/>

Click the 'Next' button to continue...

Please consider how important different features are when selecting a movie to rent.

Considering only these 5 features, which is the Most Important and which is the Least Important when selecting a movie to rent?

Most Important		Least Important
<input checked="" type="radio"/>	The film has a major star	<input type="radio"/>
<input type="radio"/>	The film won an Academy Award	<input type="radio"/>
<input type="radio"/>	The film features lots of action sequences	<input checked="" type="radio"/>
<input type="radio"/>	The film is based on a best selling book	<input type="radio"/>
<input type="radio"/>	The movie has a strong female lead	<input type="radio"/>

Click the 'Next' button to continue...

A series of similar tasks are completed

e.g., Female lead is less important than a major star /more important than action sequences

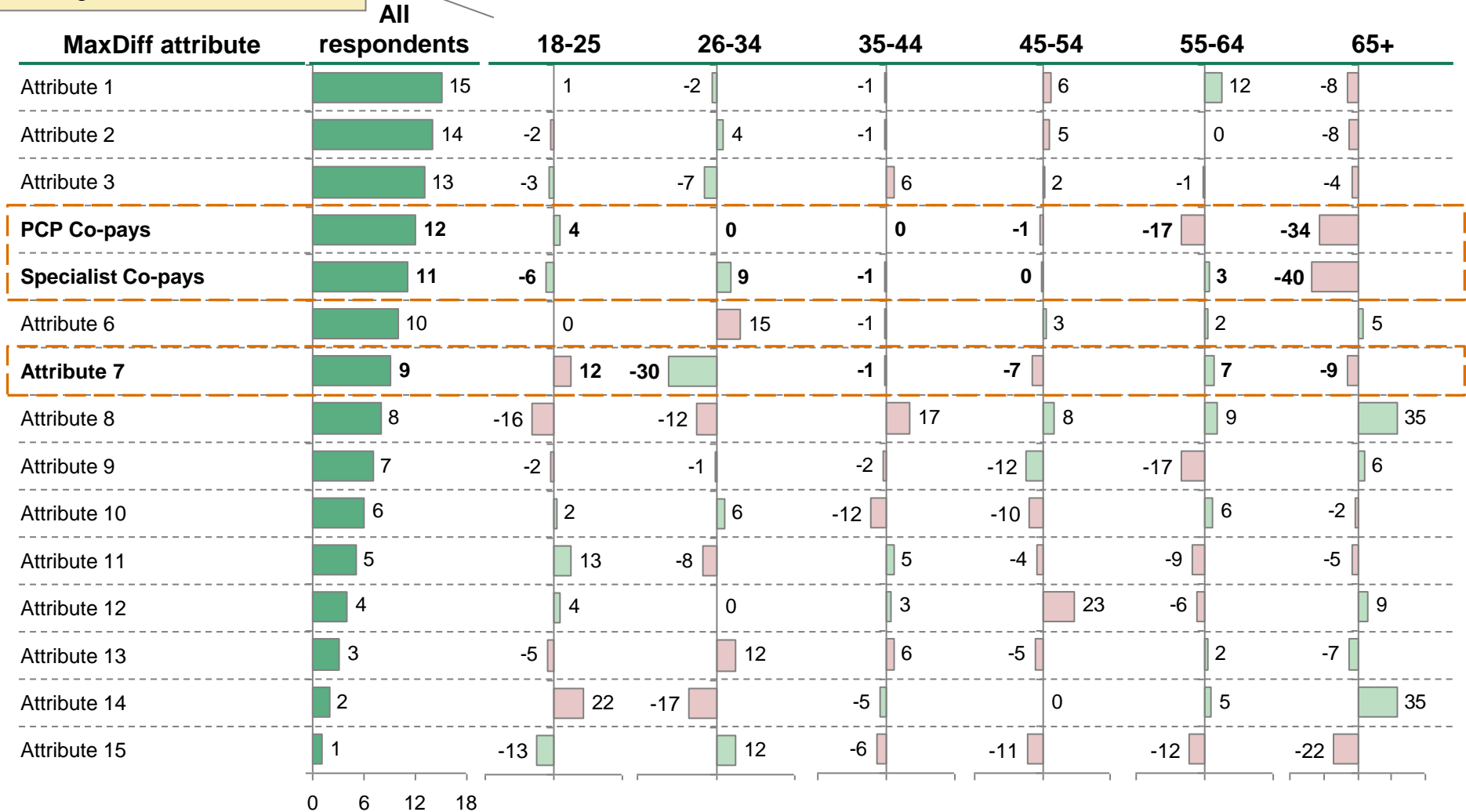
Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Sample output: Importance of attributes can be analyzed by segment

Masked client example

HDHP/non-HDHP could be used as segmentation dimension

Relative preferences across groups (relative % change)



Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

How does a conjoint analysis work?

Asking consumers directly what they prefer does not work

Importance level →

Brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Travel time	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Seat comfort	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Consumers tend to rate many attributes as "very important"

Ranking attributes gives very inaccurate results as it is far from actual choice environment

Does not allow to test "levels" for each attribute

Conjoint forces consumers to trade-off between options

Brand	Amtrak	Greyhounc	Southwst
Travel time	4 hours	10 hours	10 hours
Seat comfort	Large, spacious	Small, confined	Small, confined
Price	\$200	\$75	\$400
I would buy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Consumers are offered a series of choices (10+ cards)

Conjoint tends to better reflect the actual consumer choice environment

Conjoint enables sophisticated preferences simulation

Amtrak	Southwest	Amtrak
10 hours	4 hours	4 hours
Large, spacious	Large, spacious	Small, confined
\$130	\$250	\$180
3.5	2.1	1.4

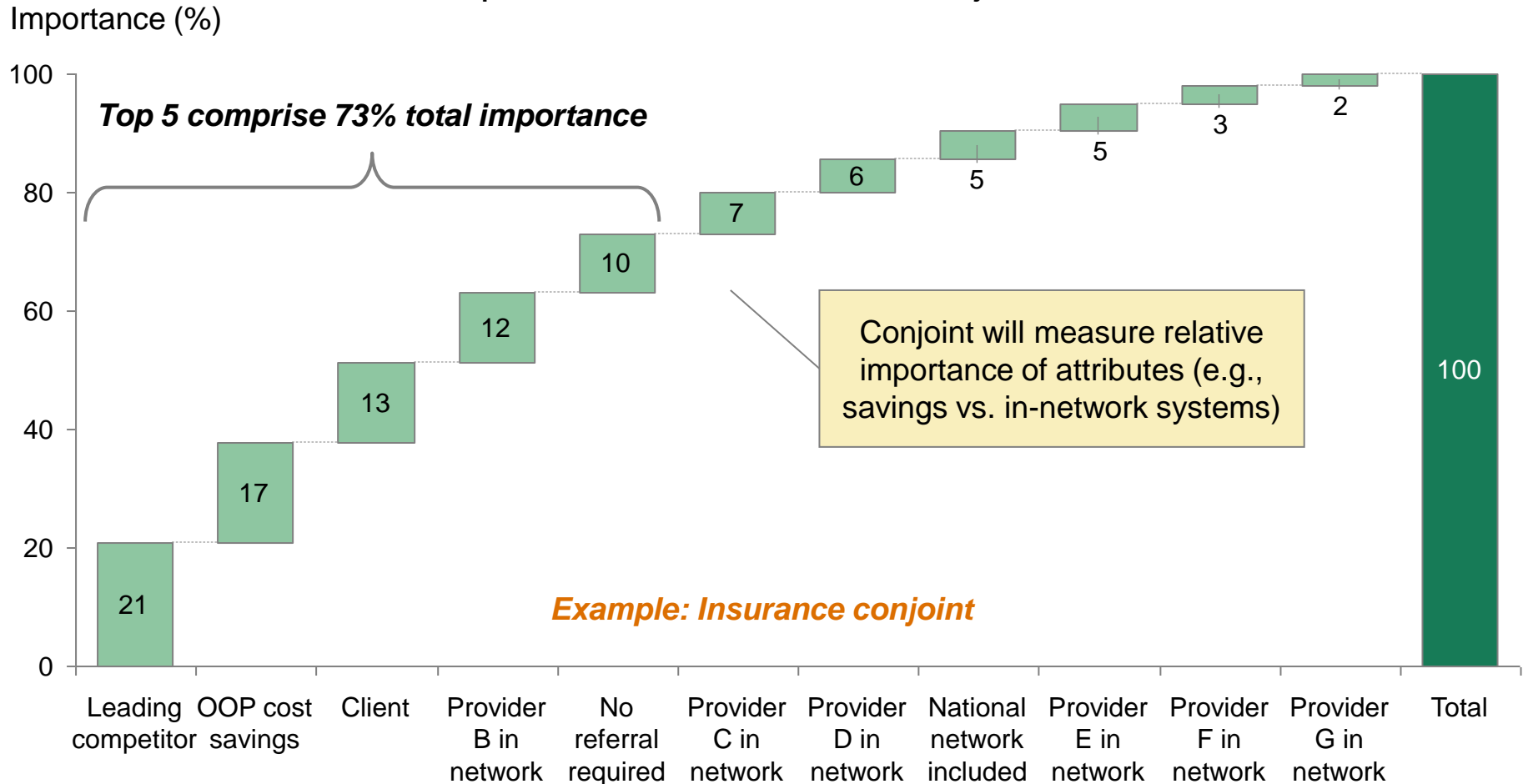
Conjoint enables to forecast choices for each respondent on any combination of attributes

Respondents can be segmented in groups with similar preferences

Sample output: Conjoint identifies most important attributes when choosing between service offerings or health plans

Masked client example

Relative importance of attributes in conjoint simulation

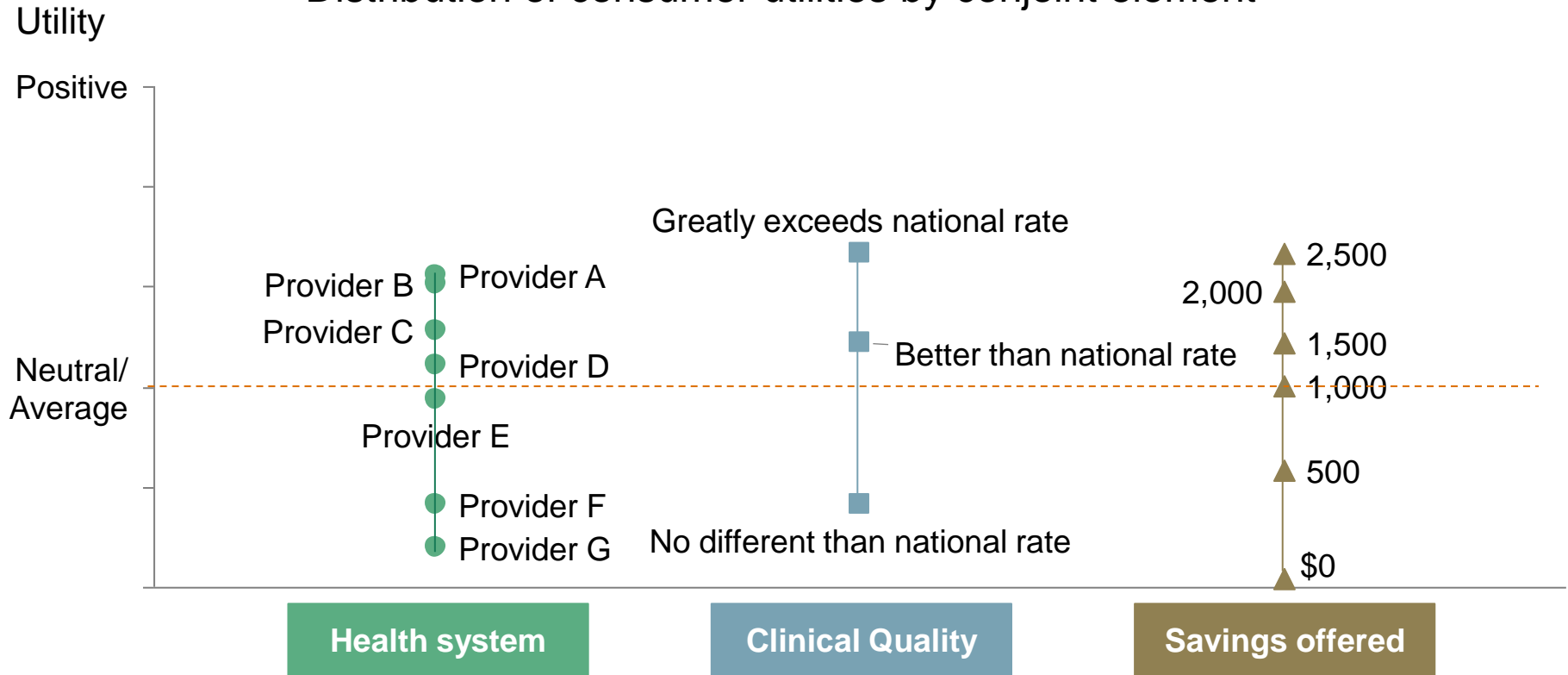


Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Sample output: Understanding consumer tradeoffs around single-purchase (e.g., surgical procedures) decisions

Masked client example

Distribution of consumer utilities by conjoint element



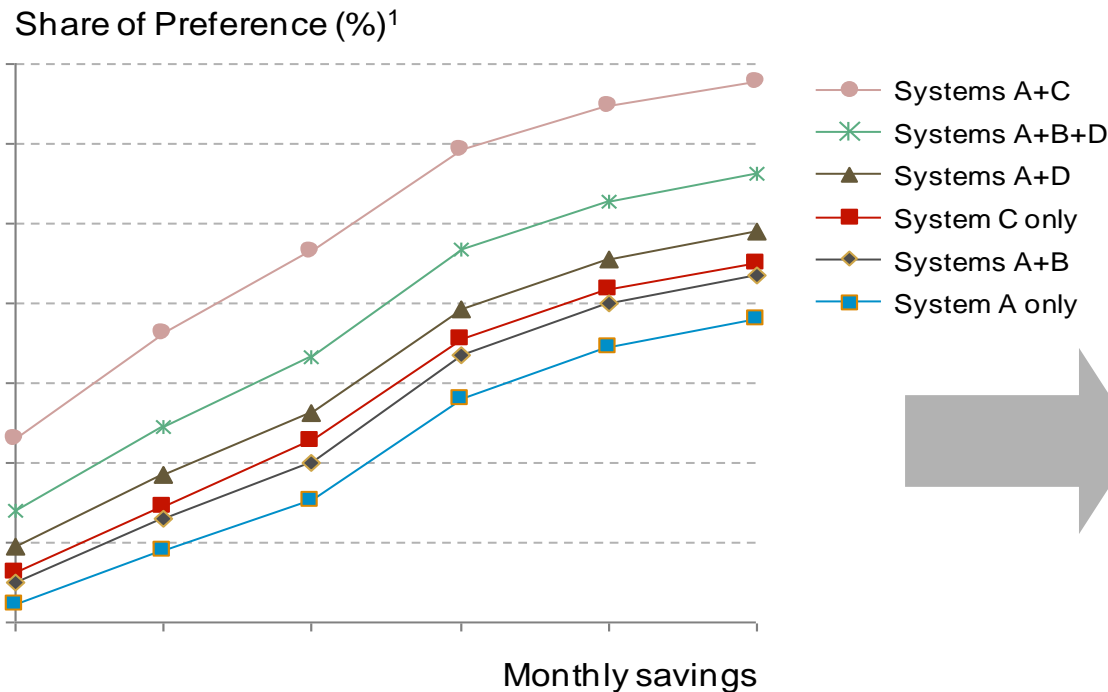
Conjoint can measure tradeoffs within each attribute tested (e.g., value of brands)

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Sample output: Simulations will test which other providers would add most value to client's narrow network offering

Masked client example

Conjoint: share of preference for combinations of narrow network vs. broad network



Network	Delta
System A+B	x-y%
Systems A+D	x-y%
Systems A+B+D	x-y%
Systems A+C	x-y%

Analysis will yield price elasticity for different network combinations

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Agenda

Evolving role of consumers in healthcare decision making

Effective tools for understanding consumer preferences

Strategic implications for hospitals and health systems

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Tools in prior section can help health systems answer three critical consumerism questions

- 1 Who are my key customers? What populations do I need to attract and where do I need to win?**
- 2 How to position ourselves at the insurance purchase? Do we need to participate broadly with all payers? Forge narrow partnerships with payers and/or other providers? Launch our own plan?**
- 3 What health care products do we need to offer? How do we position ourselves to be shopped and selected by our target patients?**

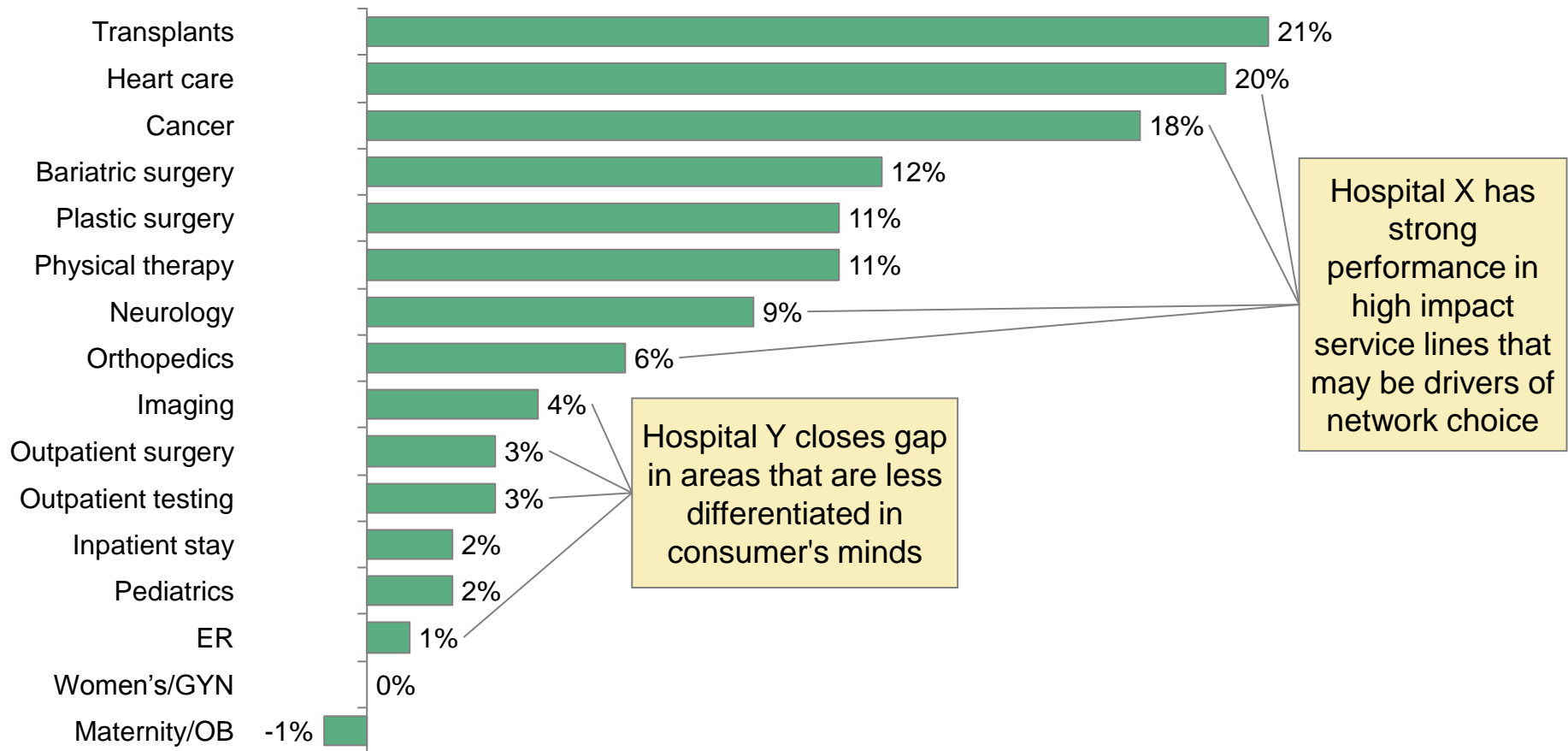
Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

1 Who are my customers?

Understanding competitive positioning with consumers by service line

Masked client example

Consumer preference for hospital X vs. hospital Y (relative %)



Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

2 How do we position at time of insurance purchase?

Understanding willingness of buyers to accept narrow plans

Masked client example

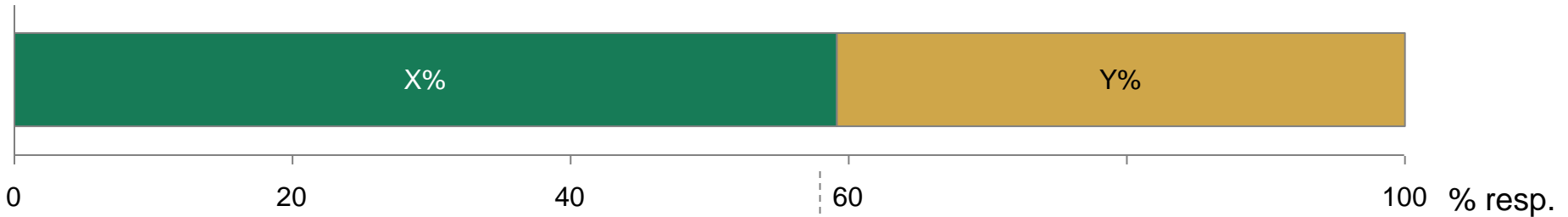
Narrow network preferences



A plan that costs less but has a more limited range of doctors and hospitals you are allowed to see



A plan that costs more money but allows you to see a broader range of doctors and hospitals



What if that meant that you would not be able to visit the doctors and hospitals you usually use? Would you still prefer a plan that costs less?

What if you could save 10% on your health care costs by using a more limited range of providers? Would you still prefer a plan that costs more but includes a broader range of doctors or hospitals? What about 25%?

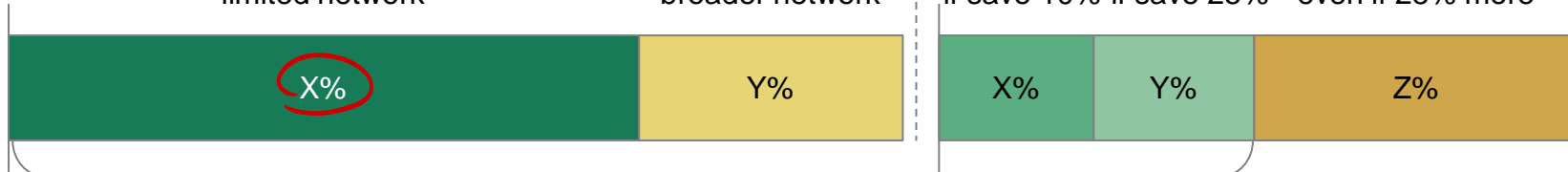
Still prefer lower cost limited network

Switch to higher cost, broader network

Switch to limited if save 10%

Switch to limited if save 25%

Still prefer broad even if 25% more



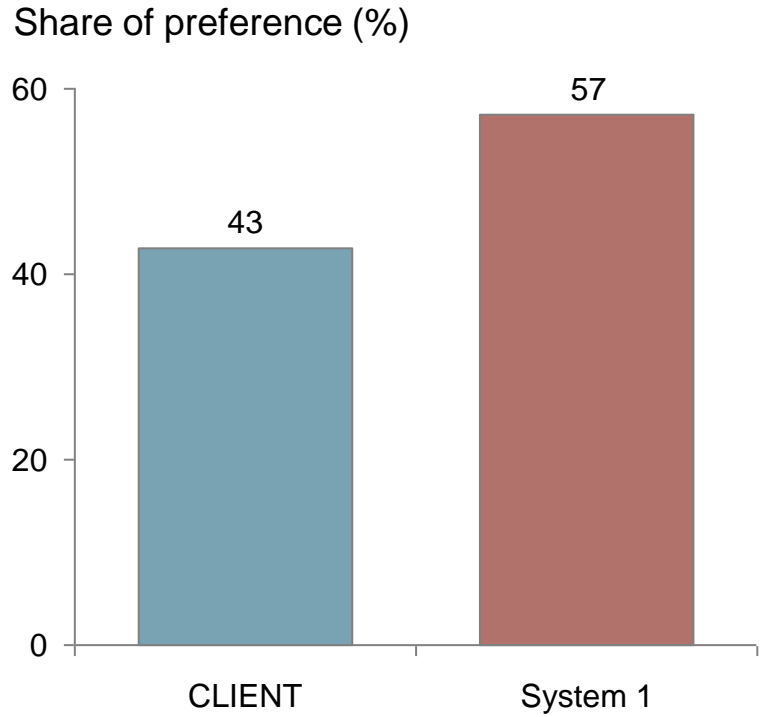
X% open to narrow networks

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

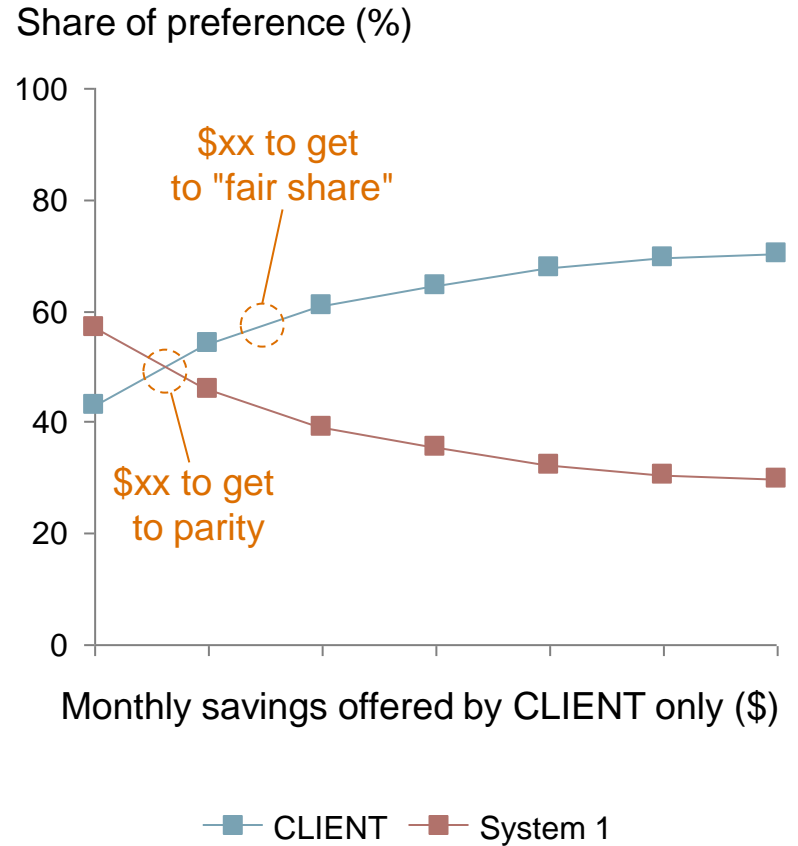
2 How do we position at time of insurance purchase?

Quantifying pricing advantage/disadvantage with target populations

System 1 has higher market share than CLIENT when comparing similar products



With diminishing returns, CLIENT needs to determine ideal discount



Masked client example

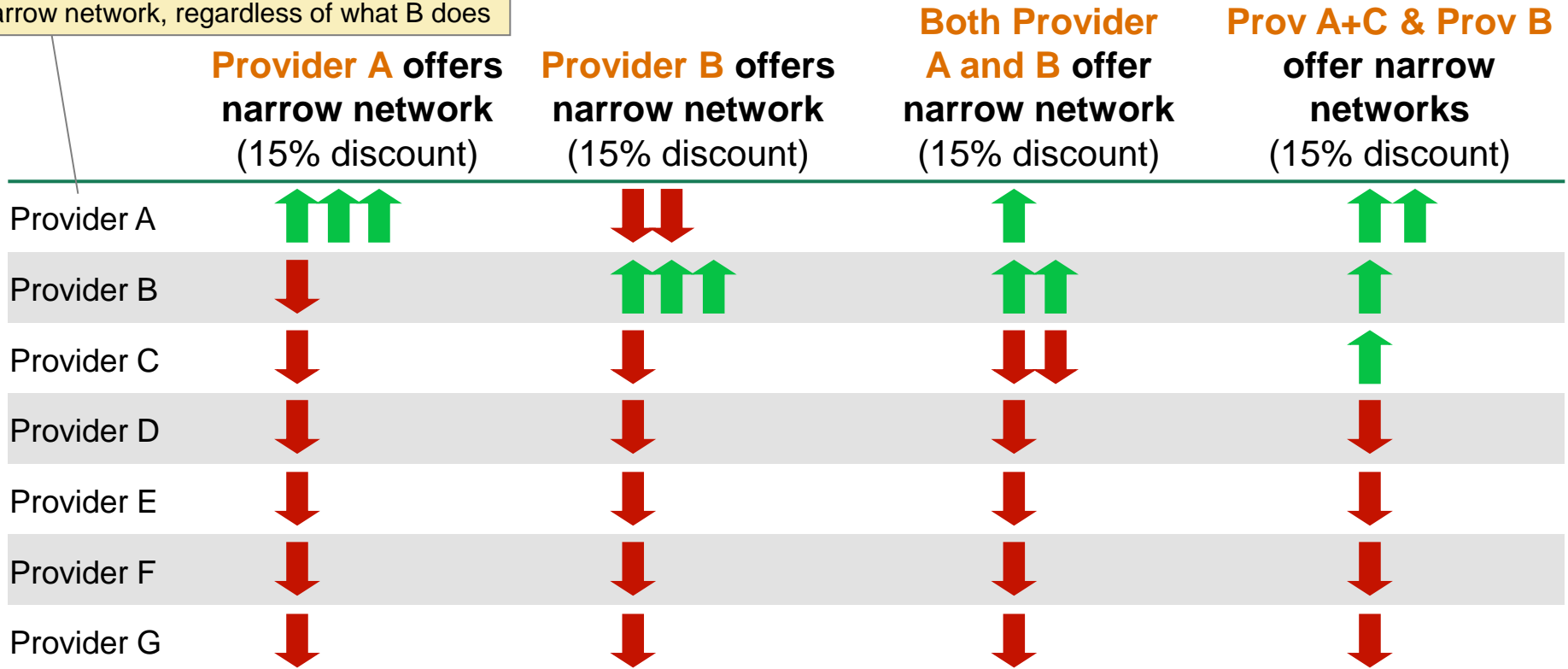
Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

2 How do we position at time of insurance purchase?

Evaluating potential partnerships and offerings

Projected changes to market share relative to broad network offering

Provider A gains market share by offering narrow network, regardless of what B does



↓ Share decrease

↑ Share increase

Masked client example

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

3 What health care products do we need to offer?

Understanding consumer willingness to pay for different services

Masked client example

Don't value

Consumers **don't care** about:

1. Feature A
2. Transportation support
3. Feature B
4. Subscription plan for routine care services
5. Feature C
6. Disease mgmt programs
7. Feature D
8. Feature E
9. Feature F
10. Feature G

Emerging Consumer Expectations

Consumers **like** and **expect for free**:

1. Feature H
2. Refill Rx online
3. Feature I
4. Feature J
5. Digital appt reminders
6. Feature K
7. Feature L
8. Feature M
9. Clinician email service
10. Ability to email doctor

Would pay

Consumers **love** and are **willing to pay for**:

1. Second opinion services
2. Same-day/next-day appt guarantee
3. Feature N
4. Feature O
5. Alternative therapies
6. Feature P
7. Feature Q
8. Feature R
9. Feature S

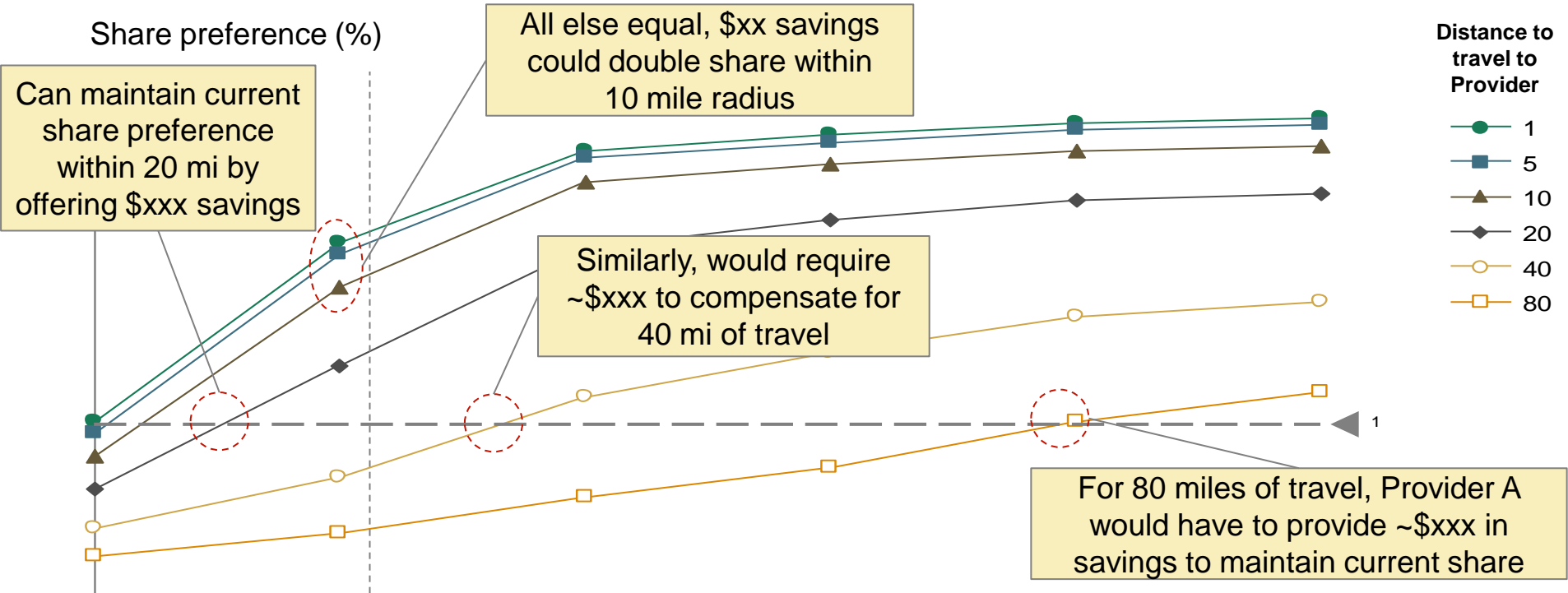
Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

3 What health care products do we need to offer?

Tradeoff between savings and willingness to travel

Masked client example

Sample: Tradeoff between savings, distance to travel, & share preference



Savings offered by Provider A only (\$)

Conjoint can measure price sensitivity against any attribute tested¹

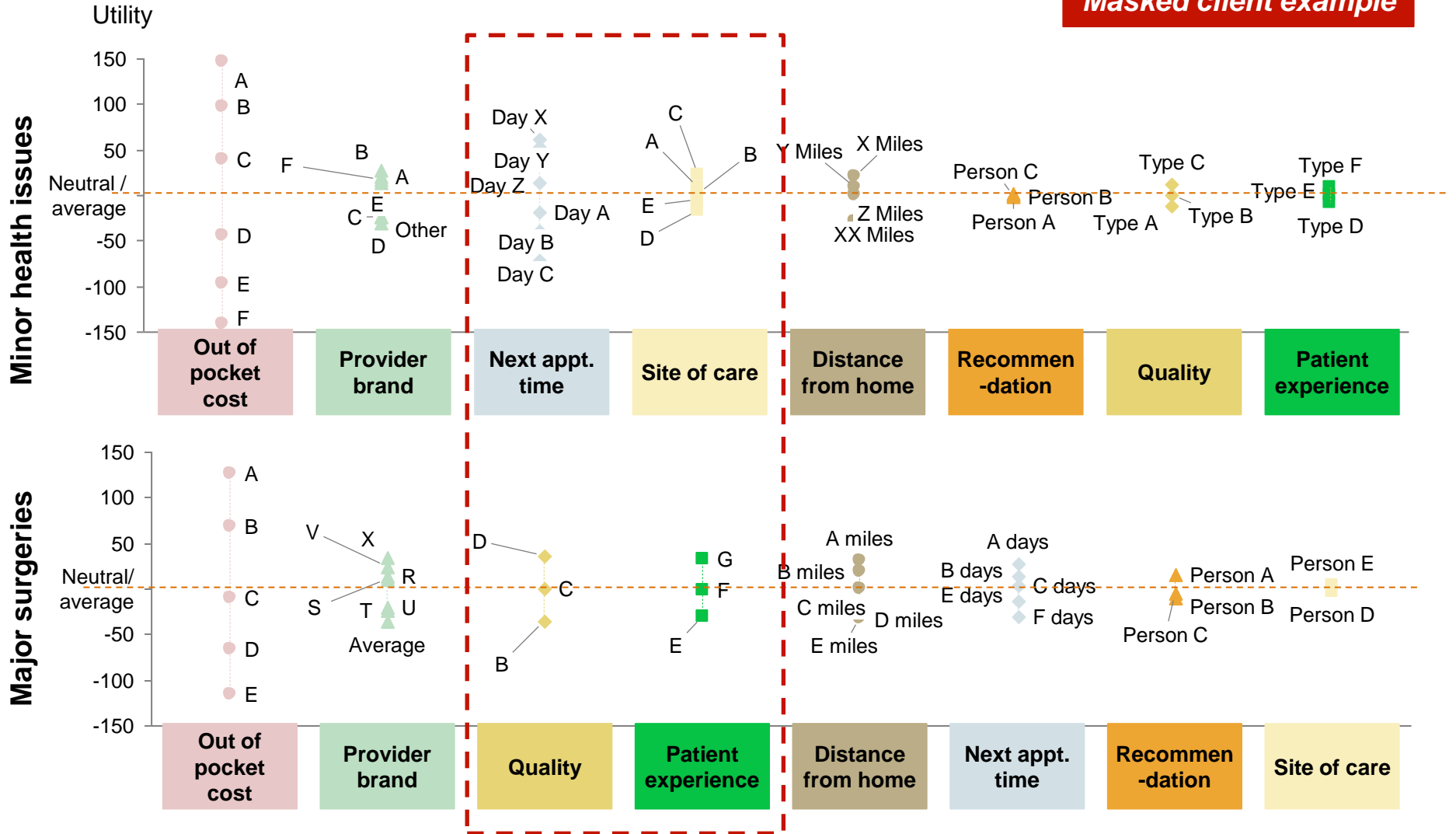
1. Includes brand, referral source, patient experience, clinical quality, distance of provider from home, and appointment availability

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

3 What health care products do we need to offer?

Understanding value of different attributes by procedure type

Masked client example



Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.

Thank you for your time today! Please feel free to reach out to us with any questions

Sanjay Saxena, MD

*Partner and Managing Director
West Coast Payer / Provider Sector Lead*



- saxena.sanjay@bcg.com
- (415) 310-0950

Brett Spencer, MD

*Partner and Managing Director
North America Provider Sector Lead*



- spencer.brett@bcg.com
- (312) 219-1447

Please note that the views expressed by the conference speakers do not necessarily reflect the views of Health Forum and the American Hospital Association.



Thank you

bcg.com | bcgperspectives.com