



WHITE PAPER

# How the Rise of Consumerism is Impacting Health Plans

...and how it Drives the Need for the Right Information at the Right Time

The healthcare sector is one of the final frontiers when it comes to consumerism. The results of numerous surveys rating consumer satisfaction across many industries demonstrate that other industries have mastered how to analyze and personalize consumer needs and deliver what consumers want, when they want it. Unfortunately, health plans are behind. Now, health plans need to shift their focus on member experience to embrace consumers, as well as employers and large intermediary health groups and organizations. This shift requires health plans to reinvent themselves and rethink their core objectives and technologies.

In this white paper, you will discover how healthcare consumerism is impacting your business and how your organization must change to address this important requirement to create and maintain a competitive edge.

## Healthcare Consumerism Defined

Traditionally, health plans viewed themselves as fiduciary entities. They took in money, hired actuaries to calculate odds, negotiated contracts with providers, set fee schedules, and then waited to see if they made a profit. This system drove the fee-for-service payment scenario and a one-size-fits-all mentality when it came to servicing members.

Today, everything is changing. The industry is now transitioning to paying providers based on value, not straight services. Payers are seen as equal partners in the health care ecosystem. The move to Value-Based Reimbursement (VBR) will “impact how patients are cared for and how physicians and hospitals are paid... Those paying the bills — employers, government, health plans, and increasingly, individuals — are looking for better value and better outcomes.”<sup>1</sup>

VBR and rising deductibles and premiums are driving healthcare consumers to take

more control over their health choices and they want to do so at their convenience. In the past, healthcare consumers were largely passive and relied on both providers and health plans to provide them with the best care and services. But with consumers

### **Healthcare Consumerism**

“Transforming an employer’s health benefit plan into one that puts economic purchasing power — and decision making — in the hands of participants.”

Source: Institute for Healthcare Consumerism’s IHC Forum

paying substantially more for healthcare and expecting delightful experiences as they interact with service providers, consumers are now more engaged and ready to make decisions like never before.

## Who Cares What Healthcare Consumers Want?

If you are a health plan executive, you must care what healthcare consumers want. In addition to VBR and rising consumer costs,

Millennials — those born between 1982 and 2000 — are driving even more change in the industry. According to the U.S. Census Bureau estimates released for 2015, Millennials numbered 83.1 million and are now a larger population than the 75.4 million baby boomers.



Millennials' preferences for online buying are leading a trend that is driving brick-and-mortar retail outlets and shopping malls out of business. Millennials' preferences are already impacting health plans as well.

Millennials are the “digital generation.” Their preference for online buying is driving many brick-and-mortar retail outlets and shopping malls out of business. Obviously, Millennials' preferences will impact your health plan as well. Millennials make decisions differently than baby boomers or previous generations; placing more value on “the experience” and making buy decisions based on price and service. Once Millennials grow their buying power as they age, they will pay for more healthcare services out of pocket than previous living generations and the implications of their buying decisions will be greater than today.

In a recent survey conducted by HealthEdge, in partnership with San Francisco-based market research firm Survata:

- > 45 percent of Millennials and 37 percent of the general population (all age groups) surveyed “desire incentives for healthy behaviors directly from their health plan.”
- > Millennials rank their health insurers very low in their “ability to communicate via social

media and mobile apps,” signifying they want more options through those channels.

- > More so than the other age groups surveyed, 35 percent of Millennials assign the blame for the high cost of care to health insurers.

A recent article published by Windham Professionals entitled “Millennials and Healthcare: 5 Trends You Can't Afford to Ignore,” states, “Millennial healthcare preferences focus on service and payment models that incentivize and reward quality care and experiences. Because Millennials are digital natives, appeasing them largely means having healthcare management at their fingertips. They crave mobile-friendly online health portals to view medical records and to schedule appointments. They want to chat with customer support instead of calling, and they want timely reminder texts and personalized health offers.”

Health insurers should carefully consider these statistics. Now that Millennials are the largest demographic age group, their health insurance buying power will continue to grow as they age and dominate the industry with their preferences.

But Millennials are not necessarily the major drivers of change in all areas. For example, according to the same HealthEdge survey, 49 percent of the general population, including all age groups, indicate that “tools or information to help me understand my benefits” is the top service that would most improve their current level of satisfaction with their health plan. Health plans should not ignore this statistic either.

## Healthcare Consumerism: The Final Frontier

Consumers have been purchasing products and services online for years. You can book a trip on your phone, check your bank balance, buy a movie ticket, purchase clothing and many other products and services. All consumers — Millennial or otherwise — have expectations that health plans will provide the same level of service as they can experience in other industries.

Health insurance is the last remaining industry where quality, complete, online service is not yet possible.

Even with life insurance, it is possible for a consumer to pay a lower premium for exercising. However, it is still rare for health plans to offer incentives for exercising, discounts on gym memberships, discounts for healthy behaviors such as having a lower BMI or being a non-smoker. While even employers provide incentives for healthy behaviors, health plans are behind.

While this deluge of change is happening around them, some health plans will continue to embrace a “one-size-fits-all” mentality, continuing to view the healthcare consumer as a member rather than a paying customer. These health plans see no need to update their technologies to accommodate the shifts in the marketplace. In fact, some health plans are still running on decades old, outdated systems.

Unfortunately, these health plans will find themselves unable to keep up over the long term as they square off with more technologically evolved competitors and new “entrepreneurs, retail organizations, and communications and technology companies that see opportunity in the large and growing health care market.”<sup>1</sup> These payers are in a

danger zone because any plan not fully enabled to communicate with their customers will get tossed aside.

However, most health plans recognize that the time for change is now! In a different survey conducted by HealthEdge in association with Survata, of more than 100 health plan executives cited that “member satisfaction” was the most important organizational priority for 2018. The healthcare consumer is taking the “driver’s seat,” and this is compelling healthcare insurance executives to rethink their core objectives and strategies. As best stated in a recent Deloitte article entitled Growth of Consumerism in Health Care — Rethinking Patient Engagement Strategies, “Health plans will likely find that they should redefine their value propositions — and create new sources of value and new partnerships—to help steer members to high-value, cost efficient care outlets with new products, networks, plan designs, and digital health offerings.”

Historically, health plans marketed to employers, groups, and large intermediaries but with consumerism here to stay, these plans need to adopt a different approach and market directly to consumers — the buying customer who wants more engagement, more information, more options, and the best coverage at the best price!

## The Right Information at the Right Time

Traditional core administration systems were built to meet the market demands to support communications with Generation X and The Baby Boomers via print and phone. And, as these generations are now changing their “modus operandi,” and embracing digital, Millennials are creating change even faster as instinctive digital users.

Your organization must incorporate significant internal changes to execute on a customer-centric business strategy and unfortunately, these changes cannot be supported by a legacy system that was built in a time when interactions with members were predictable and slow paced. In those days, agility was not a key business requirement. But today, successful health plans must be agile enough to quickly meet market demands and interact with the healthcare consumer with speed and accuracy.

To meet these demands, you need a next-generation core administration system that allows your health plan to engage each customer with the right information at the right time and do so using any channel: print, phone, and digital.

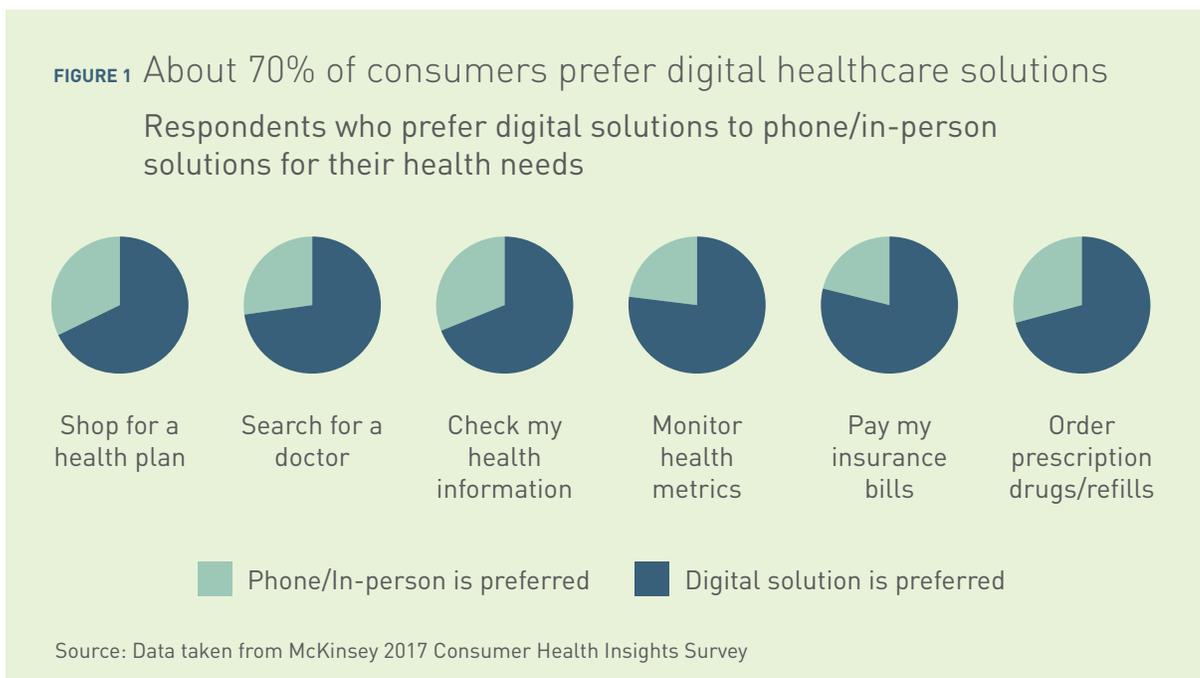
According to a recent McKinsey article, “companies that can learn to understand, guide, and engage healthcare consumers, while inspiring their loyalty, have a significant opportunity to change the healthcare landscape... Greater consumer engagement could help them improve customer acquisition

and retention, strengthen brand premium, lower administrative costs, and develop competitive advantages.”

So, what do we mean by the right information at the right time? Already, some innovative health plans are delivering on improved ways to service customers.

For example, it is not unusual for a customer to call a health plan about a deductible balance and get different information from different sources. Innovative health plans are working on this problem so that all consumers get consistent information in real-time about their plan and benefits regardless of the source. Those same health plans are working on allowing customers to use mobile apps to routinely obtain plan information as well.

Other innovative health plans are working to provide consumers with easy-to-understand information on health plans benefits and prices online before they buy. According to McKinsey’s 2017 Consumer Health Insight Survey, 68 percent of respondents preferred to use a digital solution to shop for a health plan



(see Figure 1). What is most interesting is that in McKinsey's 2016 Consumer Health Insights (CHI) survey, more than half of respondents, "who said they researched the price of care ahead of time, reported that they needed to check more than one source (e.g., by visiting a payor's website or calling a payor or provider)." To meet the demand of online consumers, health plans are developing portals and mobile apps to make it easier to shop for a plan and compare benefits and prices using a single source of truth.

Other health plans use the right information at the right time to analyze consumer behavior and drive personalized messages about health metrics, medications, treatment options, and incentives to each consumer based on their preferences — snail mail, email, or via mobile app. According to the same 2016 McKinsey article, "To effectively guide consumers, payors and providers should be prepared to heighten consumer awareness by giving them the right information at the right time at each stop along the consumer-decision journey. However, guiding consumers is more than simply making high-quality information available; thus, the second step in guidance is to ensure that consumers can easily connect with the information they need."

If we inspect Figure 1 further, we see that approximately 70 percent plus of respondents from McKinsey's 2017 study prefer to use a digital solution for all the cited journey activities.

## How HealthRules Supports Healthcare Consumerism

HealthRules® provides your customers with the information they need in a digestible and consumable digital format so that you can deliver fast, accurate service. When you make a change to a benefit plan in HealthRules, you only make the change once and that change

then flows through the entire system, allowing all internal stakeholders to utilize the updated information in real-time. Regardless of who speaks to a customer, all stakeholders can respond consistently, accurately, and quickly because they are all viewing the single source of truth. You can also make that same change visible to consumers directly via an online portal or mobile app.

HealthRules can accomplish this because the solution models your business. So, if the business dictates that your plan must include incentives for healthy behaviors, such as following dietary guidelines, taking prescribed medications, adding wearables, etc., those incentives are included in the plan configuration and can be monitored and tracked and presented back to the consumer.

## Conclusion

According to a March 2018 policy brief from healthcare researchers at Rice University's Baker Institute for Public Policy, "rising costs and changing attitudes about convenience and the ability to personalize life choices are driving a trend toward greater consumer purchasing power and individual responsibility in health care services." However, the brief goes on to say that "the industry needs some fixes to drive patient empowerment and assist patients who face growing financial responsibility... Healthcare payers are meeting patient expectations by putting beneficiaries in the financial drivers' seat, giving patients more control over their healthcare choices while also increasing the financial burden."

The good news is that your organization still has time to react to the healthcare consumerism wave by ensuring that you can provide the right information at the right time over each consumer's journey. To learn more about how HealthEdge can help, visit [healthedge.com](http://healthedge.com).

## About HealthEdge

HealthEdge® provides modern, disruptive healthcare IT solutions for core administration and care coordination that health insurers use to leverage new business models, improve outcomes, drastically reduce administrative costs and connect everyone in the healthcare delivery cycle. Our next-generation enterprise solution suite, HealthRules, is built on modern, patented technology and is delivered to customers via the HealthEdge Cloud or onsite deployment. An award-winning company, HealthEdge empowers health insurers to capitalize on the innovations, challenges and opportunities that await in the new healthcare economy.

1. Coughlin, S., Wordham, J., Jonashrising, B. (2015) Rising Consumerism Winning the hearts and minds of health care consumers. Retrieved from [https://www2.deloitte.com/content/dam/Deloitte/tr/Documents/life-sciences-health-care/DR16\\_rising\\_consumerism.pdf](https://www2.deloitte.com/content/dam/Deloitte/tr/Documents/life-sciences-health-care/DR16_rising_consumerism.pdf) on August 6, 2018.

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