



HEALTH DIMENSIONS GROUP

THE RISE OF CONSUMERISM IN HEALTH CARE IS HERE TO STAY

By Erin Shvetzoff Hennessey and Preston Gee

What Doesn't Change with a New Administration and Health Care? The Rise of (and Responding to) Consumerism in Health Care. President Trump and the Republicans, leading both the House and Senate, vowed to repeal and replace Obamacare and the Affordable Care Act. Earlier this month, the House Republicans made good on the promise and introduced repeal and replace legislation, The American Health Care Act. There continues to be speculation on what a final plan will look like, one thing that is not the subject of much speculation—the emergence of consumerism.

This movement results from myriad changes to health care payment and delivery and additional provider options, combined with consumers' increased education and heightened involvement in their own health care. All these market factors necessitate consumer-driven strategies, which are a cornerstone of success for hospitals and health systems in this new era of empowered consumers.

This paper highlights the reasons for the continual rise of health care consumerism as well as strategies to respond to this trend in your hospital or health system, specifically in the area of senior services, as seniors are the largest consumers of health care in the United States.

Consumerism is impacting and radically changing many industries. Examples of industries that have been disrupted by consumerism include:

- Transportation—Uber has lowered the cost of entry to the market, has increased the standards for services, and has given consumers options beyond a raised hand.
- Shopping—Amazon.com has given consumers a place to shop for competitively priced goods and entertainment of a wide variety without leaving their homes, with delivery sometimes within an hour!
- Travel—Websites like Tripadvisor.com have given consumers a venue to share experiences, shop for competitive prices, and book travel without an agent. Once at a hotel, consumers can use a phone to enter their room and pay their real-time updated bill.
- Restaurants—Many restaurants offer online ordering, swift delivery, and—for those who prefer to dine in—an experience that includes technology such as tablet ordering and tableside payment.

The above examples serve as bellwethers to the health care industry in which several factors drove a move to consumerism, including expanded access and use of the internet, economics, new competitors, and the impact of millennials' buying power on industries.

Move to Consumerism in Health Care

Many factors contributed to the rise of consumerism in health care, including patient access to health care, patient involvement in their health care, and increased patient financial responsibility for health care spending.

Patient Access to Health Care

More Americans have access to insured health care than ever before. The early release of the 2015 National Health Interview Surveyⁱⁱ revealed the percentage of patients of any age without insurance has dropped to under 10 percent. In addition to more patients being insured, patients can access health care in many places—at the grocery store, retail centers, and even on their phones—and have a diagnosis and treatment plan within 10 minutes, usually from a provider they have never met.

According to the Robert Wood Johnson Foundationⁱⁱⁱ, approximately 2,000 retail clinics in the United States see more than 10.5 million visits annually. There have not been concerns about the cost savings and ease of access, but there have been concerns about the quality of integrated care found through this new access, given the lack of provider knowledge of the patient and communication with other providers. However, there are now more than 100 partnerships across the country between retail clinics and health systems to ensure care integration.

Patient Involvement in Health Care

There continues to be improvement in the provision of patient-centered care. The Institute of Medicine (now the Health and Medicine Division) defines patient-centered care as, “providing care that is respectful of, and responsive to, individual patient preferences, needs and values, and ensuring that patient values guide all clinical decisions.”

Websites from providers, health plans, and private organizations provide in-depth information on diseases, conditions, and treatments that allow patients to engage in their own health and wellness like never before. Seniors now have access to information like quality measures; patient experience data; payment; and complication, readmission, and death statistics of providers at Medicare.gov^{iv}.

Workplaces, retail organizations, insurance companies, and hospitals and health systems have developed population health programs to reduce the overall cost of health care. The investment in wellness and illness prevention and management with the patient offers valuable and often free services to patients while saving the health care system millions of dollars.

Increased Patient Financial Responsibility

High-deductible insurance plans have become more popular and have given the consumer more control in their health care spending and preference, location, and levels of care and treatment. The Kaiser Family Foundation reports the average out-of-pocket expense per patient rose almost 230 percent between 2006 and 2015. Employee deductibles increased 67 percent on average from 2010 to 2015.

While most seniors do not pay for Medicare Part A, the premiums for Medicare Part B vary and will be seeing an increase in 2017. Most beneficiaries will only see small increases as 70 percent of Medicare beneficiaries have increases aligned with increases to Social Security payment under the “hold harmless provision.”

Some seniors will see much higher Part B costs, including those who are newly enrolling in Medicare (10 percent increase in premium) and high-income seniors who have paid between 30 percent and 300 percent more (since 2007) than the standard Part B premiums (\$134 monthly in 2017). Seniors also pay 20 percent of covered services after the Part B deductible (\$183 in 2017), or pay for a supplemental

insurance program that may have high deductibles ^{iv,v}. Hospitals and health systems are forced to either compete with lower cost providers or partner with them; this can be a challenge given the scale of competition. Due to the effects of the rise of consumerism and involvement from patients on the cost of care, the industry has seen companies entering the health care provider market for the first time, including Walgreens, Target, CVS, and Walmart. These organizations have made it a business to provide swift, effective, and low-cost services and goods—and now health care.

Developing Strategies to Respond to the Rise of Consumerism

As your organization begins to plan, or continues to plan, for the rise of consumerism in health care, it's recommended that you start with knowing "what and why it's all about" and asking yourself the following strategic questions:

- How well is our organization prepared and positioned for the new market reality?
- How will our organization compete or partner with non-traditional providers?
- What are the elements of a consumer-driven environment that will affect the market and the organization?
- How is our competition prepared to fare in a world of increasing consumerism?
- What is our organization's current understanding of a market-oriented approach to the business of health care?

Most organizations will need to complete research within their organization and market, as well as on their competitors, to identify the drivers in their specific market and to understand consumer perceptions of their organization and their competitors.

This research should look closely at how consumers make decisions, what creates high-quality patient experiences, what contributes to loyalty, and how competitors perform in these areas.

Organizations may be surprised by the results of research and assessment, or they may be comforted knowing they are on the right track from implementation of past strategy. Using this data, you can develop service lines that bring new patients to your organization and keep patients loyal to the organization based on their perception of the cost and quality of care you provide, all of which is critical to maintaining or growing market share.

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Since the enactment of the Affordable Care Act, hospitals and health systems are operating in a marketplace that continues to be more competitive, while remaining laser-focused on value and being expected to provide better outcomes than ever before. To succeed, providers must concentrate their focus not only on the patient who is treated episodically, but also on the consumer who is considerably more educated and empowered than ever before.

About the Authors

Erin Shvetzoff Hennessey, MA, NHA, CPG, is vice president of consulting for Health Dimensions Group. Ms. Hennessey, a certified gerontologist, has considerable experience in the senior health care industry, assisting acute and post-acute care providers with initiatives to improve their business performance, specifically in the area of senior services. Ms. Hennessey has served as an administrator of skilled nursing, assisted living, and senior living facilities in several states.

Ms. Hennessey is active in multiple trade organizations, working to provide them with education resources, industry information, and support for members in the area of senior services. She has spoken at both state and national meetings on a variety of topics, including senior health care, health care reform, and planning for aging populations.

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Over the course of his career, Mr. Gee has written numerous articles on planning and strategy for a variety of publications in the health care industry, and he is the author or co-author of several books on market-oriented approaches, with an emphasis on service line management. His latest book, *The Service Line Solution: Consumer-Focused Strategies for the Accountable Care Era*, was released in 2014.

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i <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html>

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iv www.medicare.gov

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