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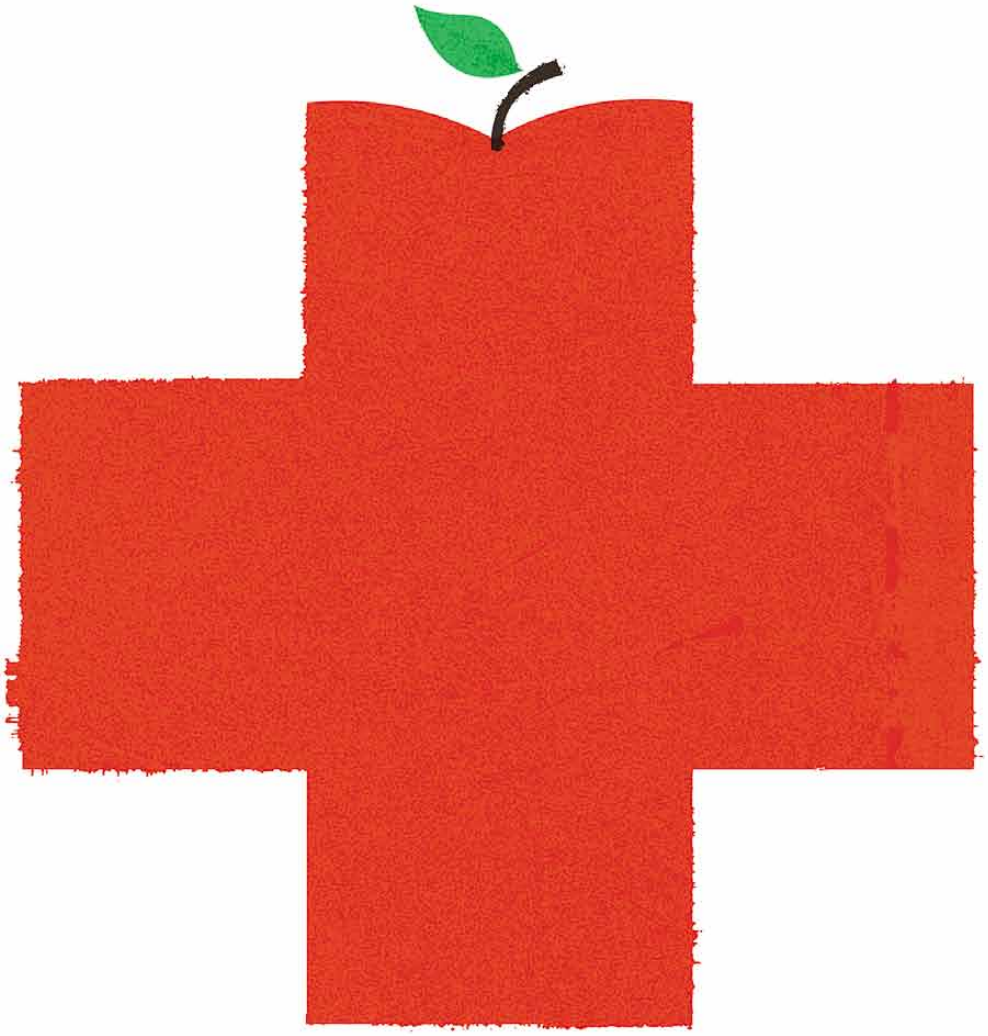

Engaging consumers to manage health care demand

Payors can help improve consumers' health and reduce costs by providing information, choice, and incentives that encourage healthier lifestyles and value-conscious consumption of health care.

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Demand for health services is rising steadily. At current growth rates, we estimate that most Organisation for Economic Co-operation and Development (OECD) countries will spend more than 20 percent of GDP on health care by 2050.[1] Two important contributors to this growth—the increasing prevalence of largely preventable chronic conditions and the suboptimal use of health care resources—are strongly influenced by the behavioral choices consumers make. For example, obesity, which is largely preventable, significantly raises the risk of diabetes, heart disease, stroke, and some cancers. And because most health systems have not encouraged patients to take appropriate control of their care, consumers often seek the wrong type of treatment for many conditions. Misuse of the health care system only intensifies the cost burden imposed by the increased prevalence of chronic illness.

As the principal bearers of health risks and costs, payors—both governmental agencies and private insurers—have an interest in helping consumers adopt healthier lifestyles and in promoting more value-conscious health care consumption. By encouraging their members to make better choices, payors can prevent or control many chronic diseases, ensure that health care resources are used more wisely, and—in many cases—reduce costs. Recognizing this, a growing number of payors have made consumer engagement a priority, employing strategies with different degrees of effectiveness. In this article, we discuss three increasingly common approaches: educating consumers about health and preventive care, encouraging them to be more proactive in making choices about health services, and creating incentives for behavioral change. We review how these approaches are being used and what impact they are having. We also suggest ways they can be used more effectively.

Engaging consumers requires a fundamental mind-set shift for payors: they must think of their members as partners in health management. Thus, payors need to build new or enhanced capabilities in such areas as consumer insights, customer relationship management, behavioral economics, and social marketing. They may also need to cooperate with other stakeholders—including providers, local authorities, pharmaceutical companies, and not-for-profit organizations—if they want to drive changes in consumer behavior.

Understanding consumer behaviors

Studies have shown that the combination of healthy eating, not smoking, and regular exercise can reduce the risk of heart disease by 80 percent and of stroke and some cancers by 70 percent.[2] Yet achieving sustained behavioral change is notoriously difficult. Despite widespread messaging about the dangers of smoking, excessive alcohol consumption, poor diet, and lack of exercise, many consumers continue to engage in risky behaviors. Unless these behaviors change, 60 percent of England's population, for example, will be obese by 2050 (up from 24 percent in 2007).[3] The implications include an increase in diabetes and other chronic diseases, with corresponding increases in premature deaths (Exhibit 1).

Many consumers know what they should do to improve their health, but few act accordingly. For example, in one European consumer survey,[4] 87 percent of respondents said they were interested in better managing their long-term health, yet only 15 percent reported drinking

[1] Jean P. Drouin et al., "The health care century," *Health International*, Number 7, 2008, pp. 6–17.

[2] "Food, nutrition, physical activity, and the prevention of cancer: A global perspective," World Cancer Research Fund and The American Institute for Cancer Research, 2007 (www.dietandcancerreport.org).

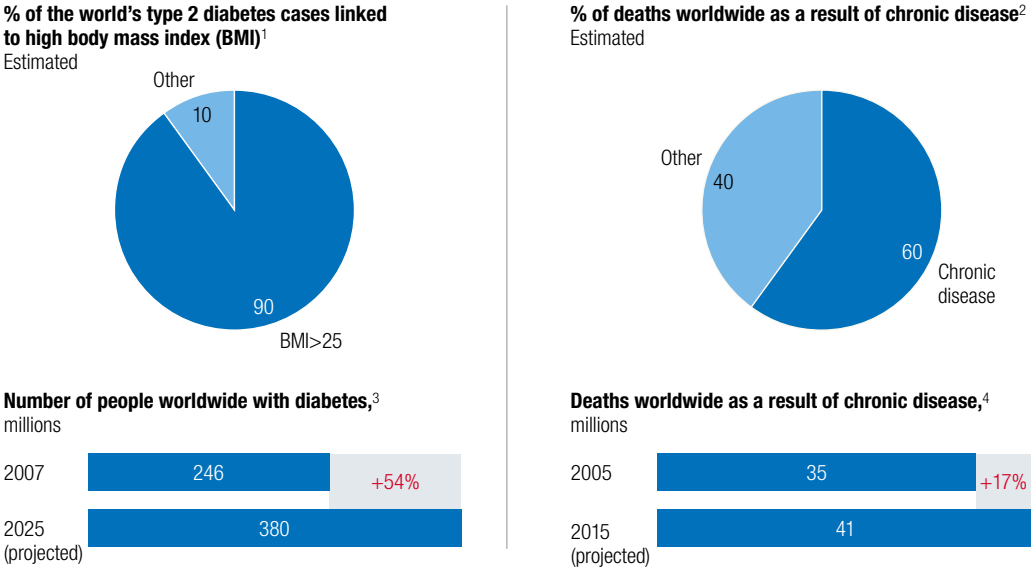
[3] Future Choices Project (United Kingdom), "Tackling obesities: Future choices—project report," UK Government Office for Science Foresight Programme, 2007 (www.foresight.gov.uk/Obesity/17.pdf); "Health survey for England 2007: Healthy lifestyles: Knowledge, attitudes, and behaviour," NHS Information Centre, December 16, 2008 (www.ic.nhs.uk/pubs/hse07healthylifestyles).

[4] McKinsey survey on consumerism in health care (1,500 telephone interviews in Germany, the United Kingdom, and Italy in March 2001).

Exhibit 1

Impact of chronic disease

Chronic diseases, many of which are largely preventable, take a heavy toll throughout the world.



[1] "Obesity and overweight fact sheet," World Health Organization, 2003 (www.who.int/dietphysicalactivity/media/en/gsfs_obesity.pdf).
[2] "Preventing chronic diseases: A vital investment," World Health Organization, 2005 (www.who.int/chp/chronic_disease_report/full_report.pdf).
[3] "Press release, "IDF consensus on diabetes prevention," International Diabetes Federation, April 26, 2007 (www.idf.org/idf-consensus-diabetes-prevention-0).
[4] "Preventing chronic diseases: A vital investment," World Health Organization, 2005 (www.who.int/chp/chronic_disease_report/full_report.pdf).

the recommended seven glasses of water per day, and only 30 percent ate five daily portions of fruits and vegetables. In many cases, knowledge is in itself insufficient to drive behavioral change.

Research shows that this disconnect occurs because people often circumvent the steps of rational decision making when faced with choices. They sometimes make decisions without considering all the facts, by using irrelevant facts, or by making faulty calculations based on the facts they have. For example, faced with a dessert menu or fast-food choices, many will prioritize the immediate gratification of consumption over the long-term benefits of restraint.

Behavioral science shows that people's choices are driven not only by rational factors but also by a variety of societal, emotional, and psychological drivers. These include adherence to social norms ("Everyone else does the same"), maintenance of the status quo ("I've developed a habit of doing this"), and psychological dependencies ("I need it to feel good"). The circumstances of modern life also contribute to poor decisions ("I eat candy because there's nothing else in the vending machine").

Understanding how these factors prevent change is a key starting point for payors, but one they often have only limited experience with. In addition to gathering information about

their members' health status and clinical risk factors, payors need to apply consumer-insight techniques from the field of marketing to understand and segment consumers by their motivations and barriers to change. Using these insights, payors can then design appropriate consumer-engagement and behavioral-change interventions, and target them to appropriate members.

Three approaches for changing behavior

Going beyond an understanding of consumer behaviors to knowing what interventions will work is quite another challenge. Evidence of how effectively behavioral-change interventions influence clinical results is scarce. Some successes have come from government policy (such as smoking bans) or multistakeholder programs (involving schools, health authorities, and municipalities) that target childhood obesity. Although such efforts go beyond what a typical payor can achieve alone, some payors have already found successful behavioral-change formulas. The three approaches described below, when used appropriately, encourage consumers to take "ownership" of their health, help them manage chronic illness, and prompt them to make appropriate use of health services.

Most payors now view *education about health and preventive care* as a basic requirement, with the rationale that consumers need to understand the risks associated with their lifestyles as a starting point for addressing them. Virtually all payors in Western countries today offer educational materials (typically through Web sites or traditional media channels), including advice on wellness, nutrition, prevention, and disease management, as well as, increasingly, information about health care services offered.

Many payors are also attempting to empower consumers by encouraging *increased pro-activity in the choice of health care providers and services*. This usually involves posting comparative information about providers' performance on Web portals. Among the topics consumers can learn about are physician qualifications and experience; hospital infection and readmission rates; the risks, benefits, and costs of specific procedures; and even mortality rates by physician for some elective procedures. By enabling consumers to exercise fact-based choice, payors hope to create a virtuous cycle that improves quality and cost-effectiveness.

The third approach, providing *incentives for behavioral change*, is less widely used than the other two, but it has significant untapped potential for impact. Incentives range from ad hoc rewards for simple behaviors (such as coming in for a health screen or bringing in an infant for vaccination) to free benefits that support behavioral change (such as nicotine-replacement therapy) and full-blown incentive programs (similar to frequent-flier programs) that reward healthy behaviors. Other incentives are designed to discourage unnecessary or inappropriate use of health services. The extent to which payors can apply certain incentives differs by type of health system. Insurance-based systems, such as those in the United States, Germany, and South Africa, tend to be more amenable to incentives, because consumers typically have greater visibility into and responsibility for financing their health care than do consumers covered by tax-based systems, such as those in the United Kingdom and Scandinavia. That said, some governmental payors, such as the English National Health Service, are beginning to implement incentive programs.

Increasing impact

Our research reveals wide variability in the way payors are implementing these approaches and the likely effectiveness of their efforts. Hard data on impact can be difficult to obtain; many payors do not systematically collect such data, and those that do don't necessarily focus on clinical results or make the information publicly available. Also, their definitions of success vary: some focus on improved awareness, while others emphasize changed behaviors or customer loyalty. Although our research has enabled us to identify some best practices, our overall impression is that most payors have significant room for improvement.

Empowering through education

Health information tends to be most helpful when consumers are searching for specific facts or services. However, the way in which information is offered can limit its impact. Consumers can be confused by similar, but not identical, information from multiple sources that often vary in quality. For example, there are hundreds of health-related Internet sites in the United Kingdom. As the left side of Exhibit 2 shows, six popular sites had significant overlaps last year in the information they provided. Despite consolidation attempts among several of the sites, this problem remains. The right side of the exhibit shows UK consumers' usefulness

Exhibit 2

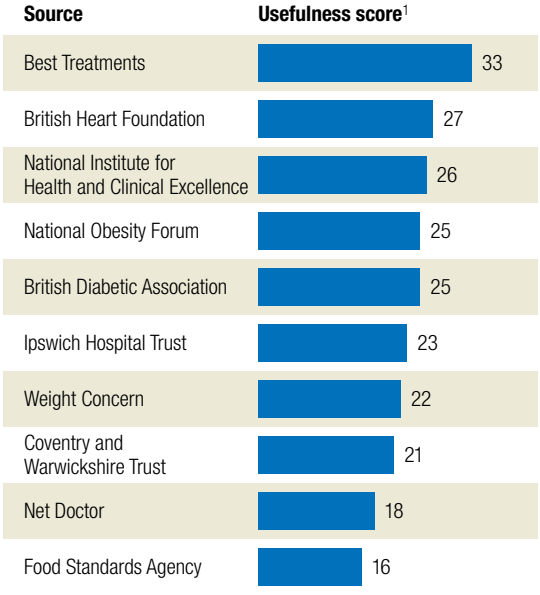
Online health

Health information available online often overlaps and can vary significantly in quality.

Sources of general medical information in England, 2008

Healthcare Commission	• Independent health care regulator • National Health Service (NHS) trust performance: finance, patient satisfaction, national targets
Dr. Foster	• Public–private partnership • Availability of local health services, hospital mortality rates
NHS Direct	• 24-hour telephone and electronic health and medical information services • Nurse and information advisers
NHS Choices	• General health information • Finding and using NHS services
BBC	• Major broadcaster • Health, fitness, and nutrition information
NHS	• Individual trust Web sites • Services offered, plus latest news and board reports

Information sources offering advice on healthy eating and obesity



[1]Scoring system (with a maximum score of 40) based on set criteria, such as layout and accuracy of information.

Source: "Assessing the quality of information to support people in making decisions about their health and healthcare," Picker Institute, 2006 (www.pickereurope.org/item/document/19); Web sites

Payors can mine their member databases to better target specific individuals with relevant content based on risk factors, psychographic profiles, or life-changing events

ratings of various Web sites offering advice on healthy eating and obesity prevention.[5] Out of a possible score of 40, the best site achieved a 33 and the lowest-ranking site got a 16.

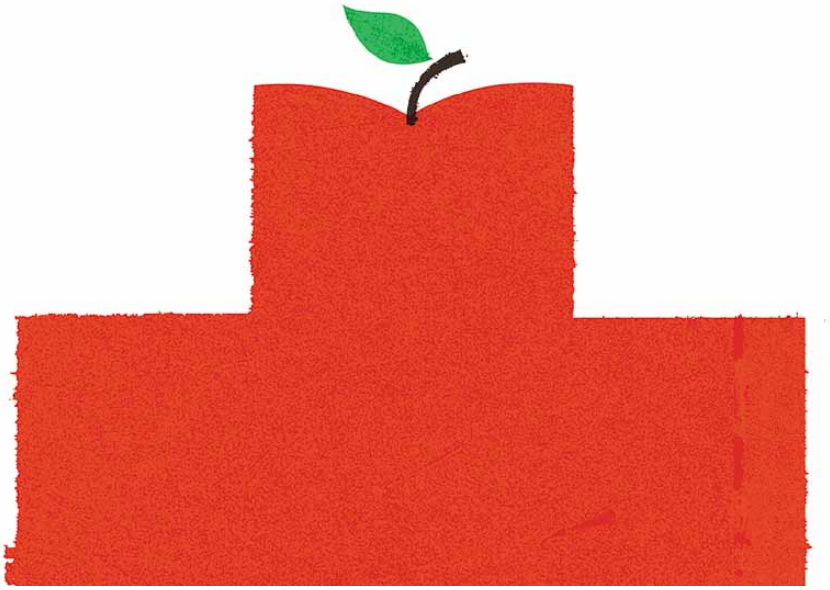
Targeting and customizing information can help improve effectiveness. Adopting approaches from the retail sector, payors can mine their member databases to better target specific individuals with relevant content based on risk factors, psychographic profiles, or life-changing events (for example, the birth of a first child or the onset of a major illness). Targeted communication based on patients' health status is now relatively common among US payors, and more are starting to use disease onset or life stage as targeting criteria. For example, Blue Cross Blue Shield of Michigan makes educational materials about treatment options available to women considering a hysterectomy, a procedure performed at much higher rates in the United States than in other developed countries. The payor's campaign has markedly reduced the rate of that procedure among members.

Payors can combat the dispersal of pertinent information across the Internet by *creating an integrated platform* that provides "one-stop shopping" for health information, provider information, performance data, individual care records, and direct physician access. Support and advice via telephone or e-mail can enable consumers to make more sense of all the information. A distinctive example is Kaiser Permanente's HealthConnect informatics platform, which acts as a comprehensive data repository and decision-support tool for a wide range of applications aimed at caregivers, care managers, and consumers. Members can access their records, view physicians' qualifications, communicate with practitioners, schedule appointments, order prescription refills, build personalized wellness plans, or book themselves into health classes.

Some payors are also beginning to think about extending their outreach efforts through the *creative use of communication channels*. For example, teenagers may be less likely to pay attention to messages on smoking or obesity posted on a payor's Web site than to an ex-smoker's testimonial on YouTube or a weight-loss group on a social networking site such as Facebook—even if the payor is responsible for the postings on the latter sites. Other channels include motivational coaches, health training, and support networks.

To implement these ideas, payors need to radically enhance their skills in behavioral segmentation, communication, customer relationship management, and health informatics. They may also stand to gain from partnering with established IT players. Microsoft, McKesson, and

[5] "Assessing the quality of information to support people in making decisions about their health and healthcare," Picker Institute, 2006, p. 28 (www.pickereurope.org/item/document/19).



Google have in recent years launched tools that help patients build virtual repositories of their health information and connect directly with their providers.

Encouraging proactive choice

A growing number of payors try to help their members make informed choices about plans, providers, and services, seeing it as a way to increase consumer involvement, encourage provider competition, and improve the patient experience. In general, insurance-based health systems—which give patients greater visibility into and control over their health care costs—have had more experience with this approach than tax-based systems. Even so, some tax-funded systems, such as those in Norway and the United Kingdom, have recently implemented patient choice initiatives. How can payors effectively use choice to engage patients?

First, payors can *provide choice on what matters to consumers*. For example, a London survey showed that the top three concerns for respondents about to be hospitalized were high success rates for their particular operation, high standards of cleanliness, and good communication between the hospital and the patient's general practitioner.[6] Using similar surveys, payors could supply consumers with the data they value. Doing so could have the added benefit of driving desired improvements in provider performance. To ensure that consumers benefit from such data, payors should consider ease of use. Simple quality ratings are more likely to be helpful than a multiplicity of data on different clinical parameters, which could cause confusion and prevent consumers from making choices.

Second, payors can partner with third parties to *ensure that the data provided to consumers is objective*. Consumers may not be as trusting of payors' recommendations about providers if they believe that payors' focus on cost control is at odds with their interests. Some payors, however, have found that using content from third-party "infomediaries" may help overcome this bias. For example, US payor Humana's "provider transparency resources" tool includes content from WebMD and Active Health.

[6] "Is the treatment working?" UK Audit Commission/ Healthcare Commission, June 2008 (www.audit-commission.gov.uk/Products/NATIONAL-REPORT/9F8B7 F6A-214D-4165-BE65-716315270A82/ IstheTreatmentWorking.pdf); "Patients' experience of choosing where to undergo surgical treatment: Evaluation of London patient choice scheme," Picker Institute,2005, p. 29 (www.pickereurope.org/ item/document/13).

Third, payors can *make choice-related information more actionable* by providing relevant information through an integrated data platform that allows patients to execute their choices immediately. This could include booking appointments online, filling out registration forms, reporting outcomes, and providing other feedback. For example, the UK NHS's "Choices" Web site now allows patients to provide feedback on hospitals, and it will soon allow them to provide feedback on primary care physicians.

Getting incentives right

Payor forays into incentives are still relatively new, and most of the early experience has been in insurance-based systems. Current incentives on offer include payments of cash or cash equivalents (for example, discounts and free benefits such as access to gyms) and "no-claims bonuses" or premium rebates. However, many payors have refrained from offering incentives in the absence of proof that they truly drive sustainable behavioral change or provide value for money. There is also concern that some incentives could have unintended consequences. While there is some consensus in the field of behavioral economics that properly designed and targeted incentives work, evidence remains scarce in health care, making incentive design a challenge. Nevertheless, our examination of successful payor incentive programs reveals two general principles that can help guide their design.

The first principle is to *know what types of behaviors incentives can change*. Behavioral science suggests that one way incentives work is by offsetting consumers' tendency to discount the value of future benefits. Although impact has been difficult to measure, it is widely believed that financial rewards and free benefits can be powerful motivators. For example, in its "Give It Up for Baby" program, the Scottish government pays pregnant women to stop smoking. The women are monitored every week, and those who are nicotine-free receive supermarket vouchers to spend on anything but tobacco and alcohol. Initial results of the program, which has been running since March 2007, include quit rates of at least 50 percent.[7] Several German insurers reward healthy behaviors (such as getting vaccinations, being a certain weight, actively using a fitness club, or getting health checkups) through small bonuses with values ranging from about €30 to €100, as well as reimbursement of fees for smoking-cessation or weight-loss courses. Other payors increasingly use incentives for simple behaviors such as attending appointments, coming in for health screens, or supplying e-mail contact information. In France, a disincentive in the form of decreased reimbursement is used to penalize patients who choose to go to specialists without a referral from a general practitioner.

Another idea, currently being tested in Germany, is that no-claims bonuses can discourage consumers from inappropriately using health services. Since April 2007, German payors have been compelled by law to offer such bonuses.[8] The program does not penalize consumers for using health services. Instead, it rewards them with a bonus at the end of the year—typically a few hundred euros or repayment of one monthly premium per insured—if they do not make any medical claims. While designed to avoid unnecessary doctor visits and encourage self-care, the bonuses theoretically run the risk of discouraging patients who need care from seeking it. Germany has taken steps to minimize this risk by excluding desirable services, such as health screenings and preven-

[7] Case study, "Give it up for baby," National Social Marketing Centre, 2008 (www.nsmcentre.org.uk/public/CSView.aspx?casestudy=72#top).

[8] Although 62 percent of the consumers surveyed about this plan expressed interest in these bonuses, actual uptake is as yet tentative. See Kassenärztliche Bundesvereinigung (KBV), Versichertenbefragung der Kassenärztlichen Bundesvereinigung (May/June 2008), and M+M Versichertenbarometer 2008.

tive treatments, when determining whether a consumer has "used" health services.

The second principle is that *more fundamental behavioral change requires a mix of incentives and support*. Some of the most compelling evidence that this approach works comes from Discovery Health, which has been running a program called "Vitality" in South Africa for more than 14 years. Vitality uses individual risk profiles to help its members set personal health goals. It then helps members attain those goals through a broad range of incentives and support, including personal wellness programs with recommended providers and rewards for healthy behaviors. Benefits include cinema tickets, discounts on electronics purchases, frequent-flier miles, and insurance premium rebates. The program helped Discovery gain more than 40 percent market share in South Africa's private health insurance market. Discovery data show that for a range of lifestyle-related conditions, members who engaged in healthy behaviors experienced significantly lower hospital admission rates and costs than other members (Exhibit 3).[9]

Providing incentives within the context of a support program can be particularly effective. For example, to encourage physical activity among diabetes patients in a region in England, Humana supplied free pedometers and daily targets for the number of steps to take. Humana

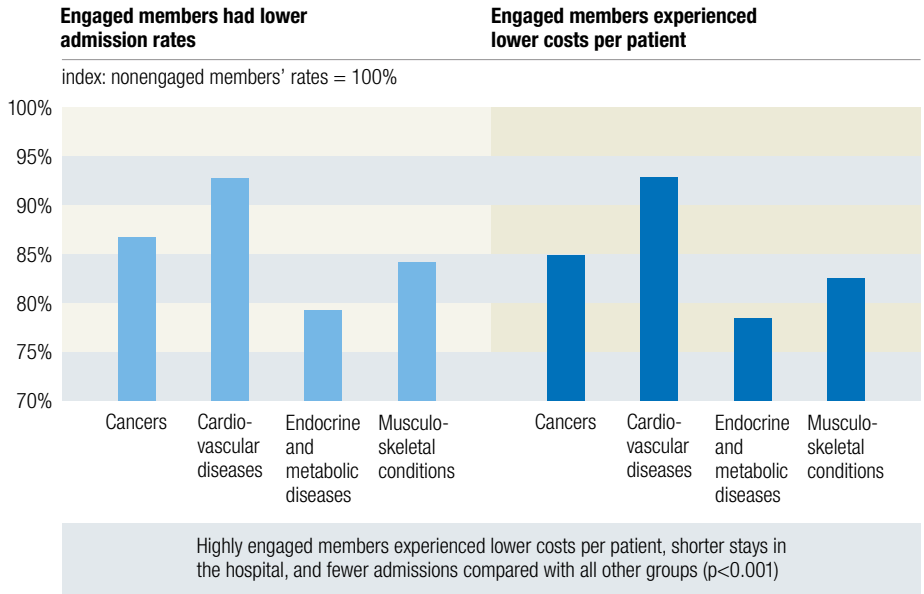
[9] A Discovery subsidiary, PruHealth, has now introduced the program in the United Kingdom. Similar approaches are being tried in other countries as well, such as United's "Vital Measures" and Aetna's "Healthy Actions" programs in the United States, Uniqua's "Vitalplan" in Austria, and Birmingham East and North PCT's "Healthy Incentives" program in England.

Exhibit 3

Discovery Health's 'Vitality' program

Members engaged in healthy activities experienced fewer admissions and lower costs than others.

- Vitality rewards members for healthy and preventive behaviors
- The program offers a broad range of benefits tailored to specific customer segments
- Accumulating Vitality points leads to 'bronze,' 'silver,' or 'gold' status and premium discounts



Source: Discovery Health

also provided a way for patients to check their step numbers online and share this information with their health coaches. Because friends and family members could also share the patients' progress online, the program took on a competitive, social-networking element, which encouraged participants to continue. The initial pilot included 400 patients, and the program has now been extended to 20,000 people.

To make the best use of incentives, payors need an understanding of how the principles of behavioral economics apply in health care and the ability to design incentive schemes and target them to appropriate patient segments. Payors also need to be willing to experiment while collecting evidence of effectiveness and return on investment.

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We believe these three approaches will have the greatest impact if used as part of an overarching strategy to promote prevention, chronic-disease management, and wise use of health services. Each payor must define for itself what success looks like. The long-term objective may be improving members' health and reducing health care utilization, but metrics that can be measured in the short term must be used to gauge success. Does it mean reducing certain types of claims? Getting better scores on consumer-satisfaction surveys? Or is it simply a means for differentiating the payor from its competitors? One way to get started could be to select one or two risk factors or conditions with high prevalence (such as obesity or diabetes) and develop a coordinated program that includes education, choice, and incentives.

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