

RESEARCH IN BRIEF

Healthcare consumerism 2018: An update on the journey

Jenny Cordina, Rohit Kumar, Carlos Pardo Martin,
and Elizabeth P. Jones

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McKinsey's latest healthcare consumer research suggests that consumer engagement can improve care access, quality, and affordability. But to be successful, it requires true collaboration.

McKinsey's 2017 Consumer Health Insights (CHI) Survey yielded several findings with important implications for health insurers, providers, and other industry stakeholders.¹ Four important themes emerged:

- **Affordability.** The affordability of healthcare continues to be one of the most pressing consumer concerns and needs
- **Continuity.** Many consumers lack continuity in their healthcare ecosystem (e.g., in care delivery or health insurance)
- **Digital.** An increasing number of consumers are using digital healthcare tools, and interest in greater digital engagement continues to rise
- **Engagement.** Consumers are willing to engage in solutions to reduce healthcare costs, but most believe that they cannot do so today

These findings and their implications are discussed in detail below. Together, the findings deliver a clear message: Consumers want more from the healthcare industry. When survey respondents were asked what would make a healthcare company “the best,” coverage was ranked as most important (23%), followed by customer service (11%), cost (7%), and access (6%). Such basic “asks” would be unheard of in most industries. In fact, when the respondents were queried about which companies healthcare organizations should aspire to be like, they selected tech-focused innovators such as Amazon, Google, and Apple, as well as high-performing retailers (e.g., Chick-fil-A and Walmart). The types of interactions and relationships consumers have with these companies strongly suggest what they want from healthcare organizations.

¹ Survey respondents were adults ages 18 or older. Consumers without health insurance were included, but those with “niche” types of coverage (e.g., TriCare or Indian Health Services) were excluded because of small sample sizes. More details about the survey itself can be found in the appendix.

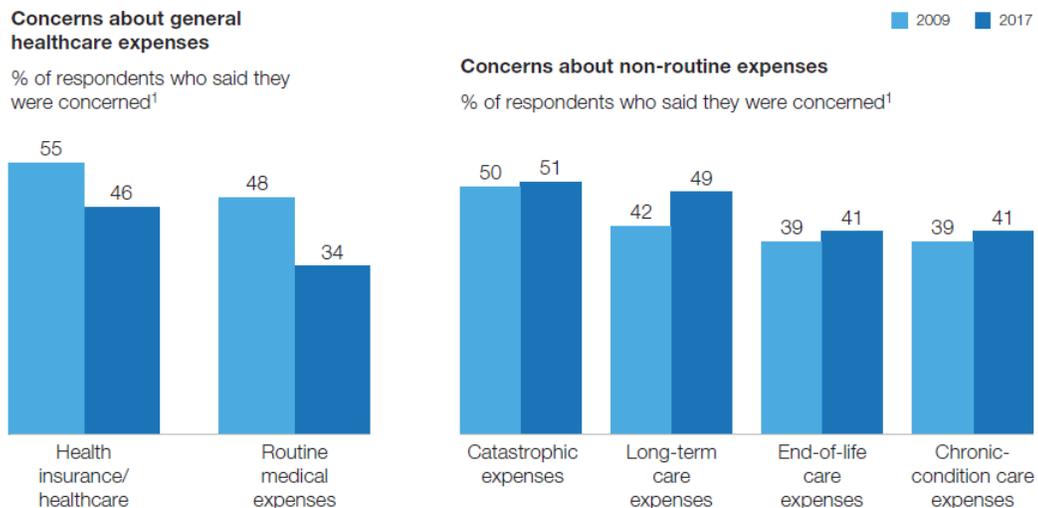
Given how personal health is, healthcare organizations are uniquely positioned to become the companies consumers identify as the leading consumer enterprises. As of today, however, these organizations have a long way to go.

AFFORDABILITY

The affordability of healthcare matters a lot to consumers, and this concern shows up in many ways. For example, when respondents were asked what frustrates them most in healthcare, the top three answers related to affordability—the difficulties they faced in understanding basic medical costs (29%), determining whether a treatment would be covered (28%), and comprehending their bill (25%).

Overall, 72% of the respondents expressed concern about at least one type of healthcare expense (Exhibit 1). We found that concerns about general healthcare expenses have decreased since we asked this question in 2009. However, concerns about non-routine expenses—such as those related to end-of-life and long-term care—have increased.

EXHIBIT 1 **Seventy-two percent of consumers are concerned about at least one type of healthcare expense**



¹The percentages shown reflect the number of respondents who reported concerns about each type of expense; the percentages cannot be summed because many respondents said they had concerns in multiple areas.

Source: McKinsey 2017 Consumer Health Insights Survey

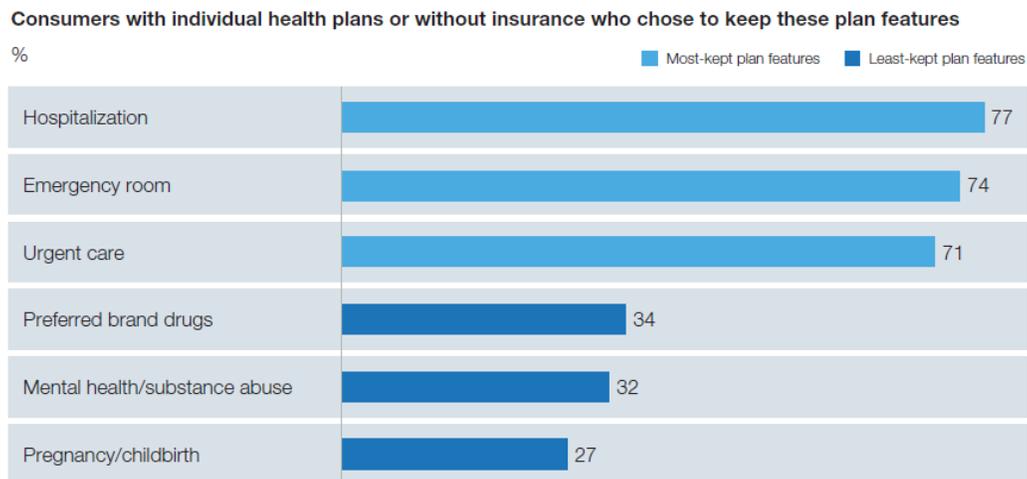
These concerns appear to affect consumers' perceptions of access to care. Twenty percent of the consumers surveyed said that they do not receive all the care they need. Of those, 60% cited cost as the prohibitive factor. Vision and,

especially, dental care were cited much more often than routine medical care as the types of services the consumers had not received.

Similarly, in a separate 2017 survey we conducted among consumers with individual insurance, respondents were asked to identify the three factors that were most important to them when choosing a health plan. Most of them prioritized affordability. The lowest monthly premium was the top response, at 56%, followed by the best value for price of my plan (51%), and lowest out-of-pocket costs (43%).

Consumers are, however, willing to make trade-offs between what must be included in health insurance and what they might have to give up to obtain the features they want most. In the CHI survey, hospitalization and emergency department (ED) care were chosen most often as the features that should be retained in a health plan; coverage for pregnancy and childbirth was chosen least often by the respondents as a whole (Exhibit 2).² Dental care was the service selected most often as something the consumers wanted added to their plans.

EXHIBIT 2 Many consumers do not want to lose core coverage features



Source: McKinsey 2017 Individual Exchange Market Survey

² Willingness to remove pregnancy and childbirth coverage differed significantly by age but not by gender.

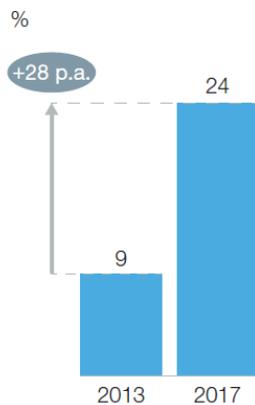
CONTINUITY

Many consumers do not have continuity in their healthcare ecosystem, whether the ecosystem is defined as insurance coverage or care provision (where or from whom they receive care). For example, only 43% of the new Medicare enrollees in our survey had previously had commercial group insurance. Twenty-five percent had transitioned from Medicaid, and 24% from the individual market. The remaining 8% had been uninsured. Among the new individual market enrollees we surveyed, two-thirds had transitioned from group insurance.

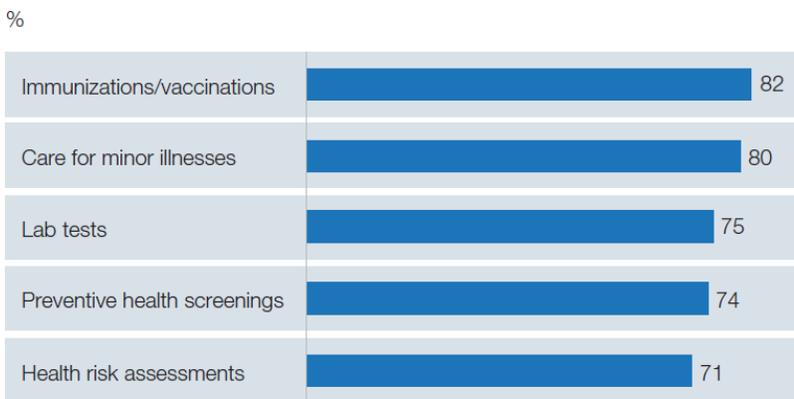
Similarly, continuity in care delivery is declining—the percentage of respondents who reported having primary care providers has been gradually dropping, from 87% in 2011 (when we first asked this question) to 79% in 2017. At the same time, the use of retail clinics has steadily grown (Exhibit 3). In our survey, more than four-fifths of the respondents said they were willing to receive care at a retail clinic.

EXHIBIT 3 Retail clinic use is steadily growing

Consumers who report using retail clinics



Consumers willing to seek various types of care at a retail clinic



p.a., per annum.

Sources: McKinsey 2013 and 2017 Consumer Health Insight Surveys

DIGITAL

Increasingly, consumers expect digital tools to be a core part of healthcare delivery. For example, most of our survey respondents preferred digital solutions to phone/in-person solutions for many healthcare interactions (Exhibit 4). Furthermore, 89% of the respondents said they were aware of digital appointment reminders; 55% said they had used them. As awareness of other digital tools increases, adoption is likely to rise. The respondents also selected

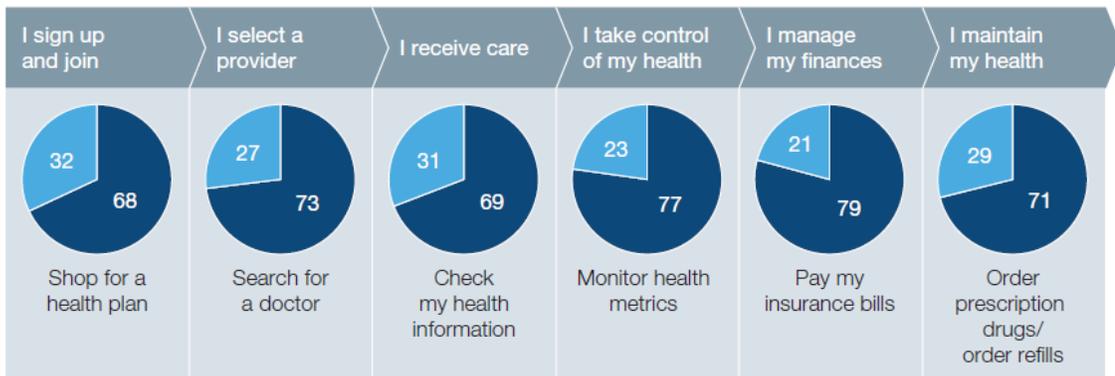
many digitally advanced companies as the ones the healthcare industry should emulate, as we mentioned earlier.

EXHIBIT 4 About 70% of consumers prefer digital healthcare solutions

Respondents who prefer digital solutions to phone/in-person solutions for their health needs

Consumer journey, %

■ Phone/in-person is preferred ■ Digital solution is preferred



Source: McKinsey 2017 Consumer Health Insights Survey

At present, the use of digital tools is lower in healthcare than in many other industries. For example, only 49% of the respondents said they had used technologies offered by their health insurer.³ A previous consumer survey we conducted revealed that the comparatively low use of digital tools in healthcare was not due to data privacy concerns;⁴ whether this has changed in light of recent news about data breaches is an issue we will explore in a future survey. The primary ways the consumers have been using health insurers' technologies were to update personal information (17%), find out what benefits are included in their plan (15%), and identify the physicians and hospitals in their plan (13%).

However, use often correlated strongly with awareness. For example, 89% of the respondents said they were aware of digital appointment reminders; 55% said they had used them. As awareness of other digital tools increases, adoption is likely to rise.

ENGAGEMENT

Many consumers would like to be better healthcare consumers—in particular, they want to be better able to make decisions to address their needs (e.g.,

³ Use was highest (62%) among those ages 18 to 34 and lowest (39%) among those ages 65 to 84.

⁴ McKinsey's 2015 Consumer Health Insights Survey.

affordability). In our survey, respondents—even those with good insurance coverage—repeatedly indicated that they want to be good healthcare consumers who can make informed choices about the care they receive. Most of the respondents said that they do not believe they can do that today.

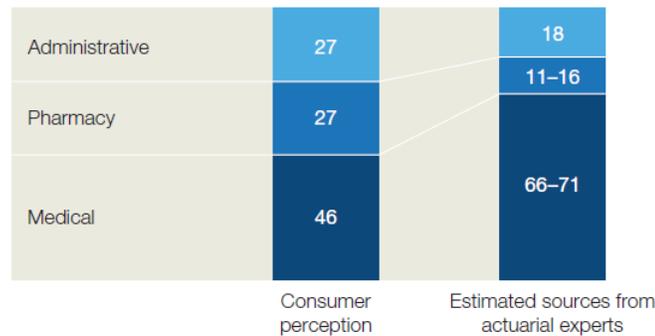
To help consumers reach this goal, the healthcare industry will need to engage with them in more and better ways. Collaboration will be crucial. The survey identified three ways through which health insurers and providers could potentially make consumers a part of the solution to lowering healthcare costs:

Improved education. Many consumers don't understand healthcare costs, leading to uninformed decision making (Exhibit 5).

EXHIBIT 5 **Many consumers misunderstand the sources of healthcare costs**

Healthcare insurance costs by source

%



Sources: McKinsey 2017 Consumer Health Insights Survey (left); interviews with actuarial experts (right)

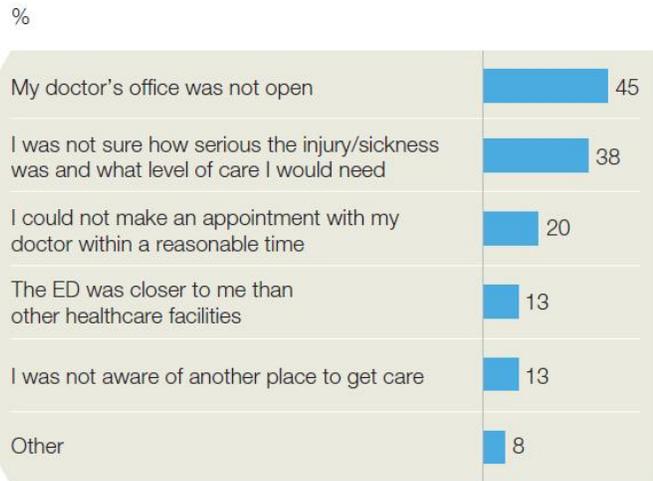
Improved navigation. Consumers often use healthcare inefficiently, which drives up costs. For example, one-quarter of the survey respondents who indicated they had visited the ED in the past year said they could have received care elsewhere and often chose the ED for access-related reasons (Exhibit 6).

EXHIBIT 6 Many consumers who had visited EDs said they could have received care elsewhere and went to the ED for access-related reasons

Thinking of your ED visit(s) in the last 12 months, was it necessary to go to the ED for care?



For the visit(s) that could have been handled outside the ED, why did you choose to go to the ED?



ED, emergency department.

Source: McKinsey 2017 Consumer Health Insights Survey

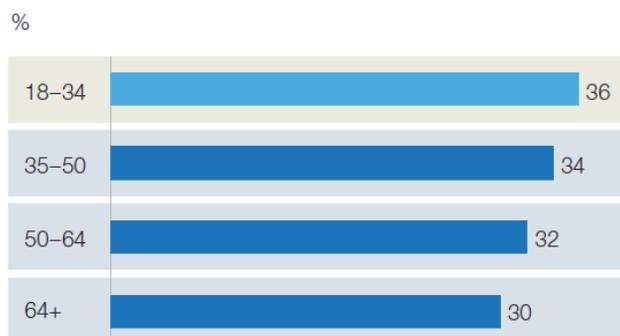
Frequent ED use was particularly common among young adults (ages 18 to 34). This group was only slightly more likely than older respondents were to be heavy healthcare utilizers (Exhibit 7).⁵ However, of the young-adult heavy utilizers, 67% had visited the ED more than once in the past year. (In contrast, the rate of repeat ED visits was 59% among all heavy utilizers.) The young-adult heavy utilizers could be further split into two groups: those who reported using EDs for nonemergent conditions and those who did not use EDs that way. The first group was three times more likely than the second to *not* have a primary care physician.

Better incentives. Consumers say they are willing to change their behavior if it reduces their costs (Exhibit 8). Better incentives could help accomplish this.

⁵ A heavy utilizer was defined as someone in the 10% of consumers who had reported the highest healthcare costs in each age bracket.

EXHIBIT 7 Younger adults are more likely to make multiple ED visits

Heavy utilizers,¹ by age group



Young-adult heavy utilizers, by number of ED visits

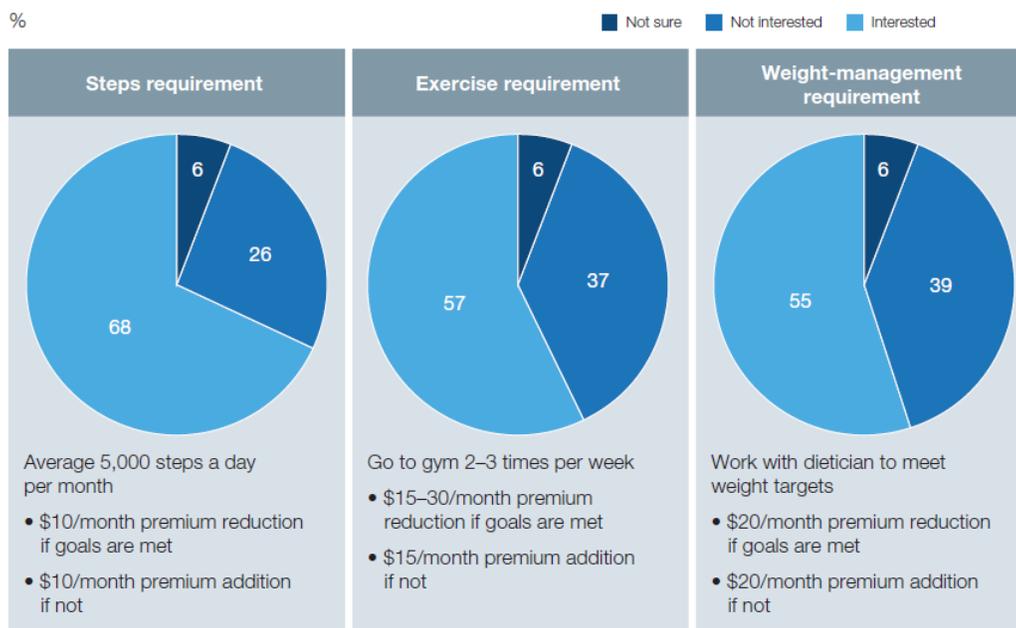


ED, emergency department.

¹Heavy utilizers are defined as the top 10% of consumers whose visits and usage of healthcare generated the highest costs.

Source: McKinsey 2017 Consumer Health Insights Survey

EXHIBIT 8 Consumers are open to changing behaviors to reduce costs...



Source: McKinsey 2017 Consumer Health Insights Survey

IMPLICATIONS FOR THE HEALTHCARE INDUSTRY

The healthcare industry has an opportunity to address the concerns of, and engage with, consumers in a way that is win-win for both consumers and the industry. For example, many of the concerns about affordability raised in our survey relate to a lack of transparency or understanding. Health insurers and providers have an opportunity to better inform patients about the potential cost of care. Consumers who can understand both the total cost of care and the fraction of those costs they will be responsible for are in a better position to decide what types of care they need and which health plans would best provide the needed coverage.

While consumers are deeply concerned about the affordability of healthcare, they also care about coverage and experience. And, they define “healthcare” more broadly than most health insurers and providers currently do, which gives insurers the chance to move closer to creating personalized, value-based products that address the needs of individual consumers (e.g., narrow or tiered networks, supplemental insurance products). The new portfolio of products should be flexible enough to account for the fact that consumers’ needs change as their lives evolve, and that consumers will often require help as they transition from one form of insurance to another.

Consumers’ increasing willingness to use less traditional healthcare providers is creating opportunities for innovators/disruptors, as well as more challenges for incumbents. For example, managing the total cost of care is likely to be more difficult when patients do not have a consistent relationship with a primary care provider—even though the cost of a retail clinic visit is typically much lower than the cost of a physician visit. Incumbents will need to think through how to engage with consumers at the location and time of their choice to maintain the continuity of relationship.

It is also clear that today’s consumers expect better digital engagement. A growing number of consumers think that healthcare organizations should offer them digital tools at par with those offered by companies in other industries. By learning from the top tech companies, healthcare organizations will be better positioned to design digital tools that consumers want and use—and to understand how those tools should be used to ensure that engagement occurs when consumers want and need it. In addition, healthcare organizations should take steps to better inform consumers about the digital tools already available, since awareness correlates with use. Health insurers and providers that ignore the lessons from tech companies may risk being usurped by new players in the healthcare arena.

Finally, collaboration with consumers is crucial for controlling healthcare spending. Health insurers and providers have multiple opportunities to engage consumers and help them manage their health, healthcare, and healthcare costs. For example, they can help consumers understand how their own actions contribute to healthcare costs and help correct mistaken perceptions. By using

digital tools for just-in-time, on-demand engagement and offering meaningful incentives, insurers and providers can truly collaborate with consumers to change behaviors and improve public health.

□ □ □

Healthcare consumerism has changed in ways unimaginable, and it will continue to change. The insights from our 2017 CHI survey can help health insurers and providers better engage with consumers and offer them the services they need.

Jenny Cordina (Jenny_Cordina@mckinsey.com) is an expert partner in McKinsey's Detroit office. **Rohit Kumar** (Rohit_Kumar@mckinsey.com) is a partner in the Chicago office. **Carlos Pardo Martin** (Carlos_Pardo_Martin@mckinsey.com) is an associate partner in the New York office. **Elizabeth P. Jones** (Elizabeth_P_Jones@mckinsey.com) is an expert in the Detroit office.

APPENDIX

Consumer Health Insights Survey

McKinsey's annual Consumer Health Insights (CHI) Survey provides information on the opinions, preferences, and behaviors of thousands of US consumers, as well as the environmental factors that influence their healthcare choices. The survey also offers insights into the current market environment and can be used to make predictions about the choices and trade-offs consumers are likely to make.

Since the survey was inaugurated in 2007, McKinsey has collected descriptive information from over 31,000 individuals and their households. In 2017 alone, more than 4,250 consumers participated. The survey assesses customer experience with healthcare and non-healthcare companies; attitudes regarding health, healthcare, and the purchase and use of healthcare services; experience and satisfaction with current and past health insurance carriers; attitudes about a broad range of related supplemental insurance products; opinions, use, and loyalty levels regarding healthcare providers and pharmacies; and experience of individuals with chronic conditions.

We supplement the information from the CHI with data from other sources, such as information on a consumer's estimated lifetime value to a health insurer, consumer behavior, and marketplace conditions, as well as other proprietary surveys (e.g., our McKinsey annual survey to understand the preferences, intended actions, shopping, and purchasing behavior of consumers who are eligible to purchase individual coverage on the ACA exchanges or elsewhere, which included 3,000 individuals in 2017). This combination of data provides a holistic view of healthcare consumers that is not available through other means. We have used CHI data in a range of customized analyses. We expect that health insurers and others will primarily use the information in applications that assist with product design, marketing strategies, consumer segmentation, consumer targeting, network configuration design, and assessment of new channel opportunities.

Editor: Ellen Rosen

For media inquiries, contact Julie Lane

For non-media inquiries, contact Jenny Cordina

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