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How Millennials Are Reshaping Healthcare's Future

What Healthcare Organizations Need to Know to Succeed in a Shifting Business Model

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Introduction



For years, healthcare leaders have hypothesized about the changes the tech-savvy, instant messaging Millennial generation would bring to the industry—but the time for speculation is past. The oldest Millennials are well into their 30s, and already are driving significant change in healthcare as they make care decisions for themselves, their young children, and increasingly, their aging parents.

Hospitals and health systems must act now to reshape their business models to address rising demands from this surging generation, particularly as it pertains to routine care. Born from the early 1980s to the mid-1990s, Millennials range in age from the early 20s to the mid- to late-30s, and recently surpassed Baby Boomers as the largest population segment at 73 million.

THIS REPORT EXAMINES:

- Unique characteristics of the Millennial generation that are making it such a significant force for healthcare change
- Recent Kaufman Hall consumer research results that provide insights into Millennials' healthcare behaviors
- Important steps healthcare organizations should take to adapt to changing consumer demands



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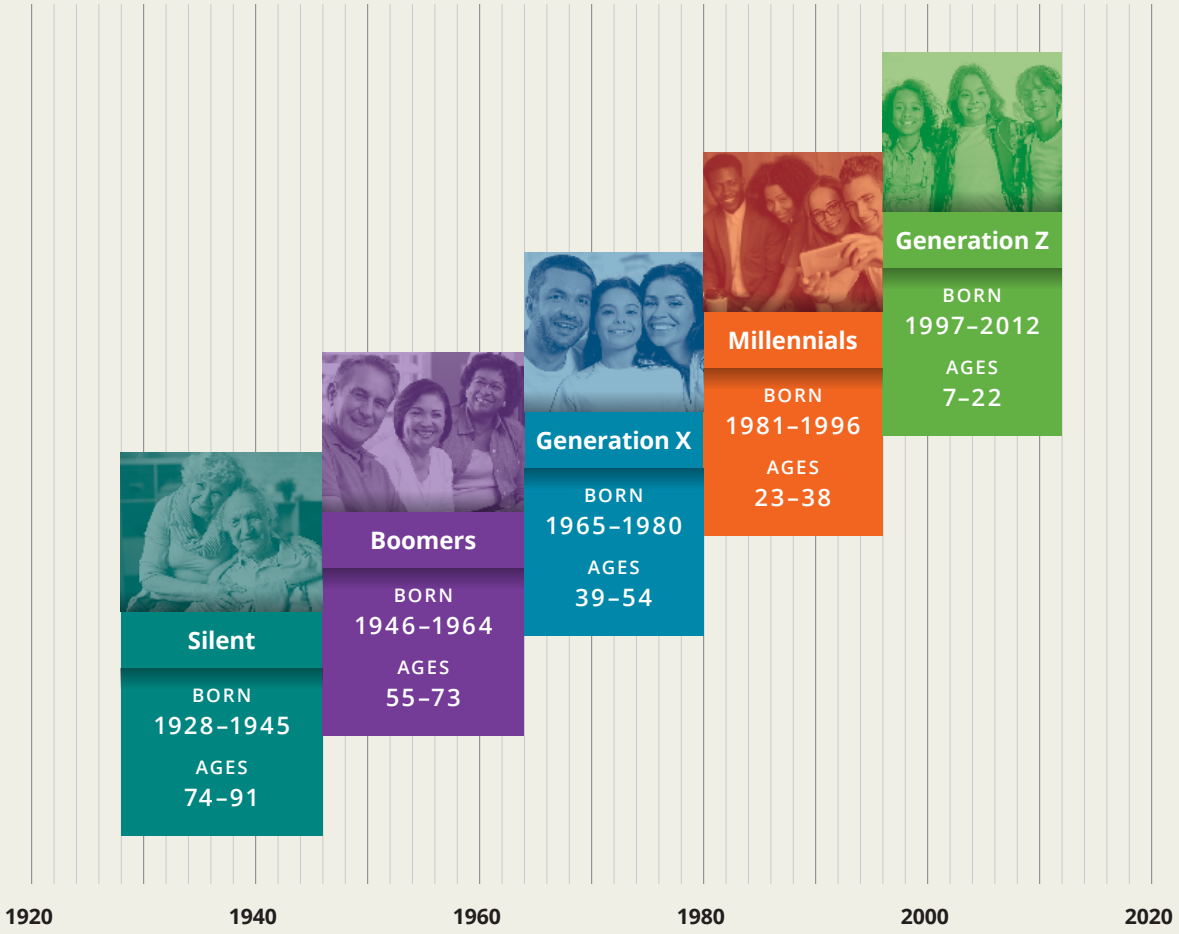
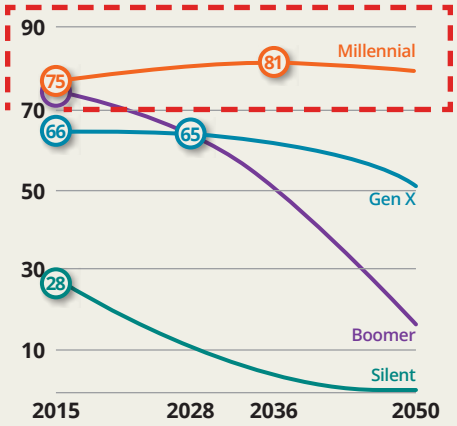
The Generations Defined





Millennials Recently Overtook Boomers



Sources: Pew Research Center, Kaufman Hall proprietary research.

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Why Focus on Millennials

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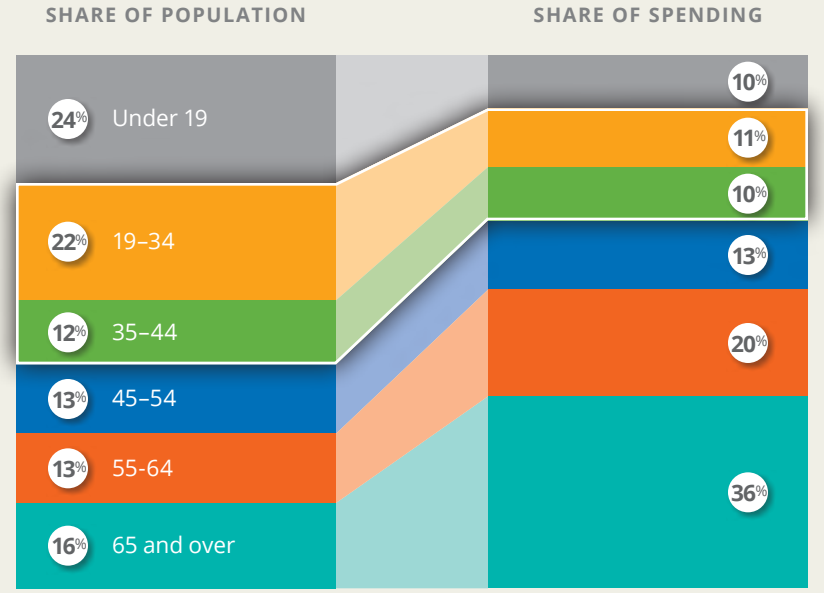
Their Influence Is Growing

Millennials' healthcare spending is significant and growing. Combined with other young adults, they make up about 34 percent of the population and contribute about 21 percent of total healthcare spending. While older generations continue to be the biggest users of healthcare services, Millennials are changing expectations across the industry with greater demands for improved healthcare access, value, and consumer experience.

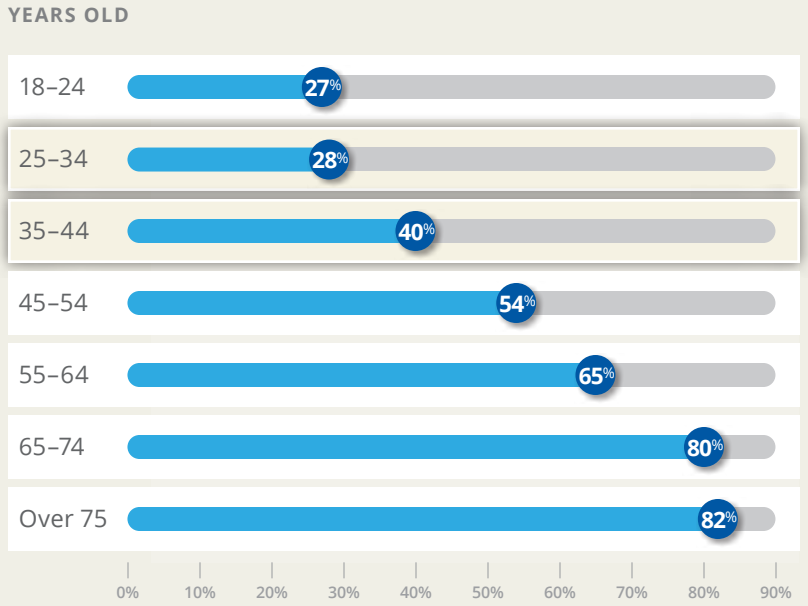


Millennials' influence will only grow as they get older and comprise a greater proportion of healthcare demand. Look at the incidence of those with more than one chronic condition, for example, as these individuals historically are high healthcare users. While only 28 percent of those ages 25-34 have more than one chronic condition, the proportion steadily rises to 80 percent or more for individuals ages 65 and older.

Share of Total Health Spending by Age Group



Percentage Having 1+ Chronic Conditions



Sources: Kaiser Family Foundation analysis of Medical Expenditure Panel Survey; 2019 Kaufman Hall National Consumer Survey.

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They Approach Healthcare Decisions Differently



INFLUENCING FACTOR	IMPLICATIONS
The Great Recession	• Cost conscious • Experience over "stuff" • Willing to compare and shop for healthcare
Technological Innovation	• Digital native • Technology has enabled greater access and focus on health and wellness information
Social Networking	• More social/online influence • Less brand loyal

Healthcare organizations must work to better understand Millennials. As with any generation, the expectations and preferences of today's 20- and 30-year-olds have been shaped by the events and experiences of their formative years. Most Millennials were in their teens or early 20s when the Great Recession hit, and have grown up more cost-conscious as a result, valuing the quality of experiences over "stuff," and inclined to shop for the best value in healthcare.

Millennials grew up in a digital age. Technology has been integral to their lives since childhood, and they are accustomed to the conveniences it offers. These include easy access to information about a variety of goods and services, on-demand delivery, reviews and ratings for quick comparisons, and instant communication through social media and other forums. For healthcare, technology is enabling greater access and focus on health and wellness information. Social media also enables consumers to easily seek provider recommendations from trusted friends and family, rather than relying on physician referrals or well-known health system brands.

Overall, Millennials are much less brand loyal than older generations. Anyone seeking their attention—including healthcare providers—must work to win their business again and again. Even if they had one good experience with an organization, it cannot be assumed they will return—as Millennials will continuously shop for the best and most convenient care at the lowest cost.

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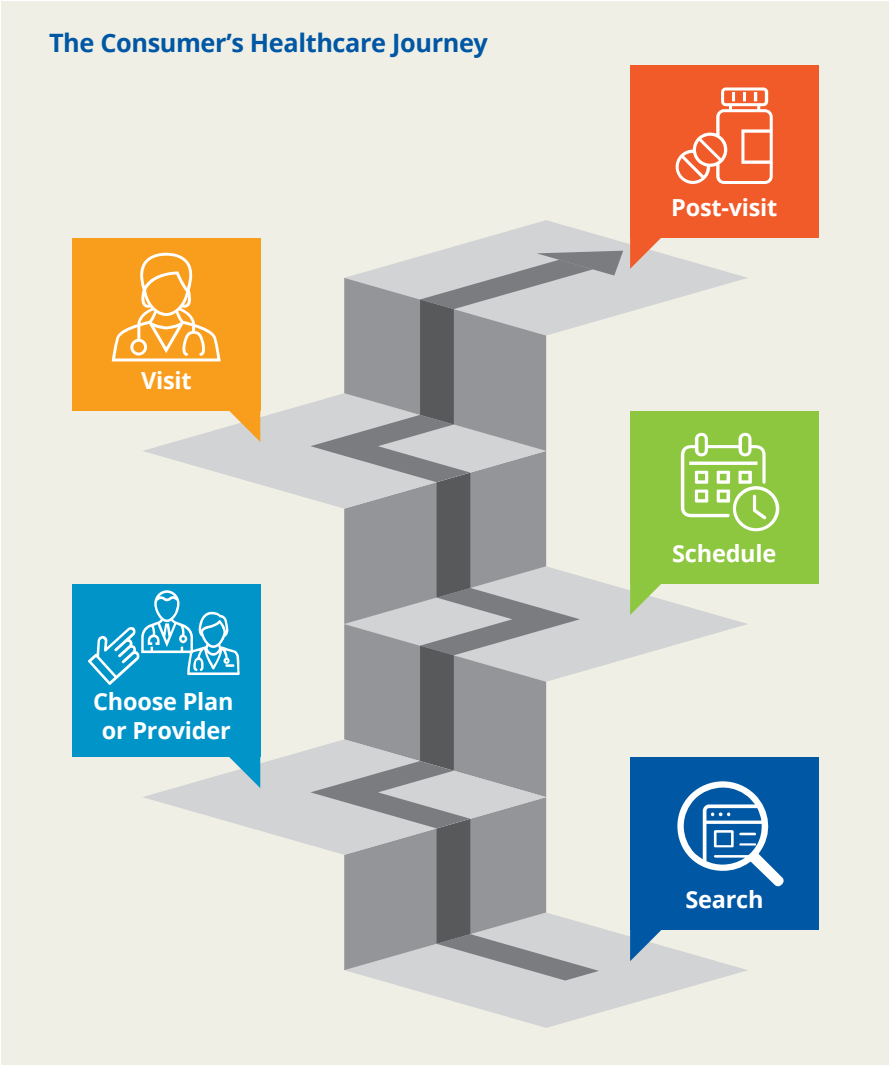
They Have Higher Expectations



In his book, *The Patient Will See You Now*, physician and author Eric Topol describes a future healthcare environment in which people can use their smartphones or other mobile devices to get rapid test results, monitor vital signs, and bypass clinicians all together through artificial intelligence that uses algorithms to issue diagnoses and prescribe treatments. No longer would consumers need to wait days, weeks, or more for an appointment with a primary care physician or specialist. While it is hard to imagine for some, such changes are coming sooner rather than later.



Millennials and other young adults live in a world of instant access. Whether ordering a ride-share in five minutes or less over Uber, same-day delivery from Amazon, or rush delivery from the restaurant of their choice through GrubHub—they have high expectations for consumer quality, convenience, and cost. Traditional and non-traditional providers are responding with services such as same-day appointments at One Medical or a CVS HealthHUB, or virtual visits via Teladoc, SOC Telemed, or Zipnosis.

To best serve Millennials' needs, healthcare providers must learn to walk in their shoes. Providers must build better understanding of Millennials' expectations, and the factors that drive their decisions throughout the consumer healthcare journey.

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What We Know About Millennials' Healthcare Behaviors

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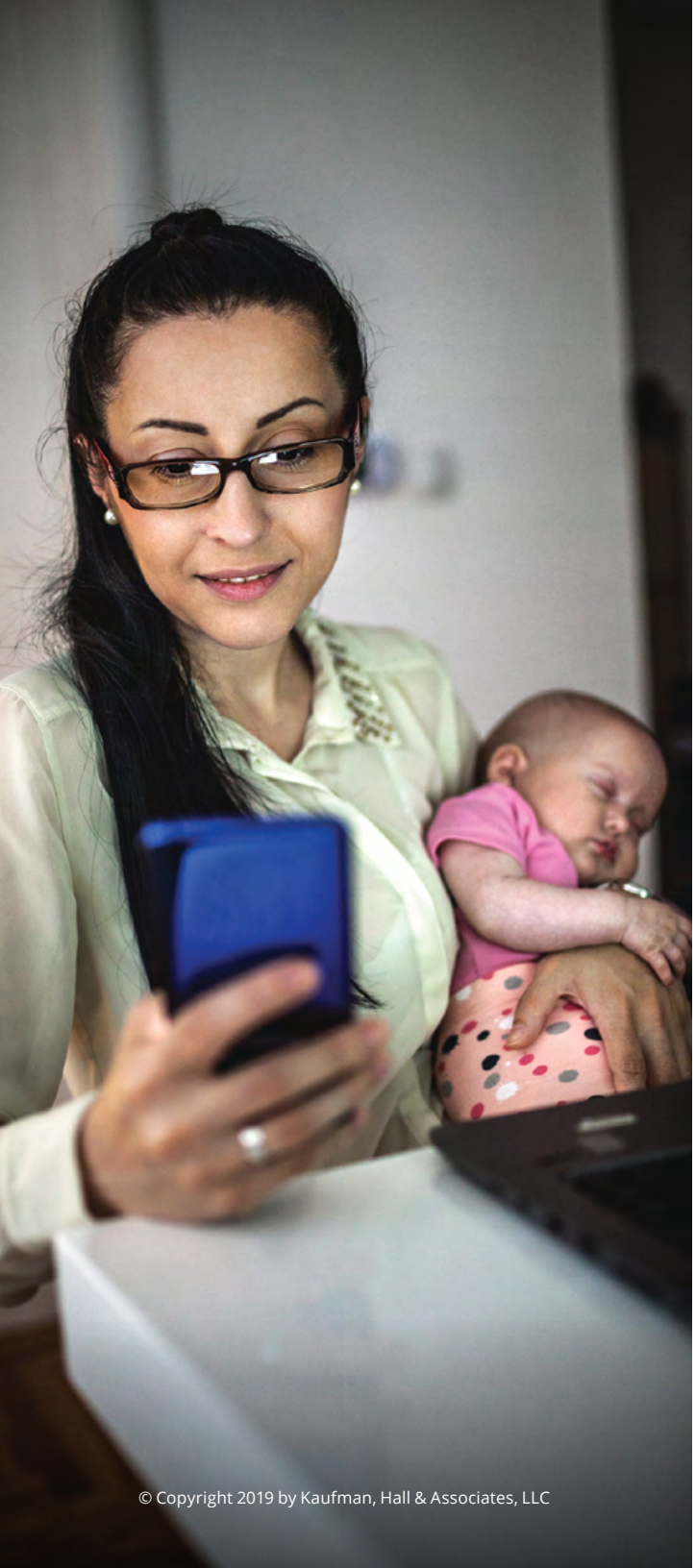
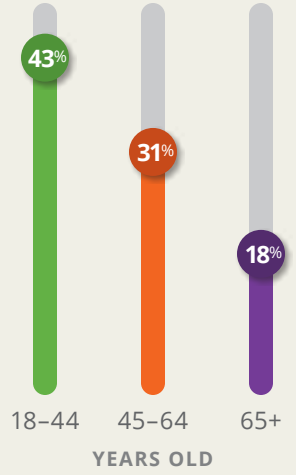
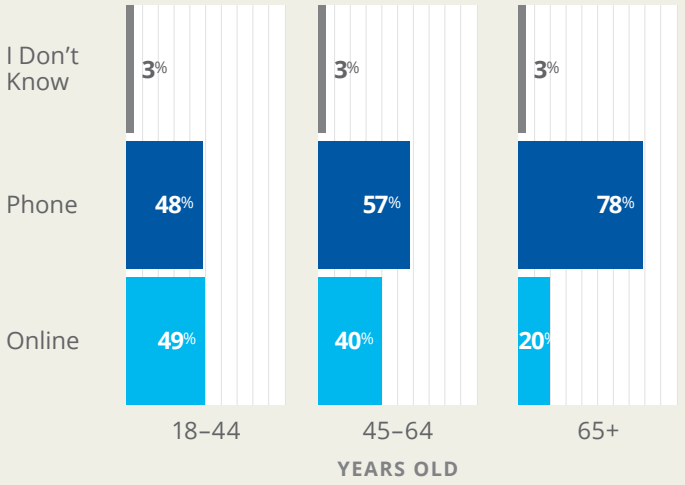


Millennials Search Online for Care Options

Percent of Consumers Who Found Where to Receive Care Online, By Age Group



Preferred Appointment Scheduling Method By Age Group



Source: Proprietary Kaufman Hall consumer surveys.

Kaufman Hall recently conducted national consumer research involving more than 6,000 individuals. Results show that—particularly for Millennials and other young adults—the healthcare journey increasingly begins online. Among adults ages 18-44, 43 percent identified where to receive care by searching online, compared to just 18 percent for those ages 65 and older, and 31 percent for those ages 45-64.

Nearly 50 percent of those ages 18-44 said they prefer to schedule a medical appointment online, compared to just 20 percent of those ages 65 and older.

In looking at healthcare access, the survey results indicate that Millennials and other young adults are frustrated by a lack of convenient care options. Nearly 50 percent of those surveyed said they do not have easy access to a video visit for basic healthcare needs.

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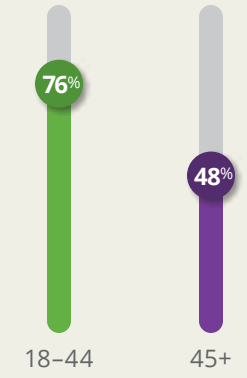
Millennials Trust Big Tech Companies

As "digital natives," Millennials and other young adults have grown up with the dominant tech companies Amazon, Apple, and Google. They are highly familiar with these companies, and are more inclined than older generations to trust big tech to steer their healthcare journey. Three quarters of adults ages 18-44 said they would use a mobile app developed by Amazon, Apple, or Google to help find and select healthcare services, compared to less than half of those ages 45 and older.

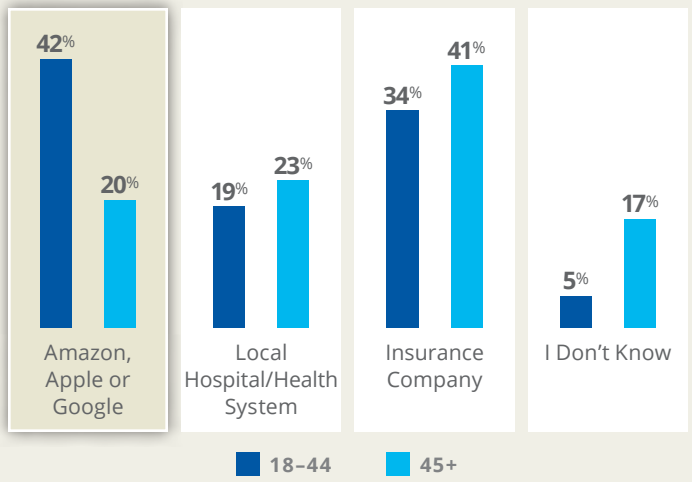
When asked who they would trust to develop the best online tool to help find and select the right healthcare services, 42 percent of those ages 18-44 indicated Amazon, Apple, or Google, compared to just 20 percent ages 45 and older.

Older adults were more inclined to trust their health insurance company, or a local hospital or health system. Local hospital or health system was the option selected by the smallest proportion of young adults.

Would use a *mobile app developed by Amazon, Apple, or Google* to help find and select healthcare services



Would *trust* to develop the *best online tool* to help them *find and select* the right healthcare services



Source: Proprietary Kaufman Hall consumer surveys.



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Millennials Shop for Key Services

Question: What are the top 3 factors when deciding where to obtain service?

	ROUTINE CARE	MORE SERIOUS CARE	VERY SERIOUS CARE
Convenient location	44%	22%	18%
Cost of the service	37%	32%	24%
Customer experience	20%	16%	14%
Easy to schedule an appointment	33%	14%	11%
Open during hours that fit my schedule	27%	10%	8%
Friendly doctors and staff	30%	17%	16%
Experience with the illness or procedure	21%	52%	59%
Good clinical reputation	35%	45%	52%
Modern facilities and technology	22%	41%	52%

Source: Proprietary Kaufman Hall consumer surveys.

Millennials and other young adults said they are most inclined to comparison shop for outpatient services such as urgent care, outpatient surgery, or advanced imaging services.



Today's healthcare consumers tend to be pragmatic in their healthcare choices. Brand and clinical reputation are less important for everyday healthcare needs, but become increasingly important for more serious needs. Consumers indicate that convenient location is the most important consideration in seeking routine care, whereas the provider's experience with the specific illness or procedure is the most important consideration in seeking care for a very serious healthcare need.

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Millennials Don't Want to Wait

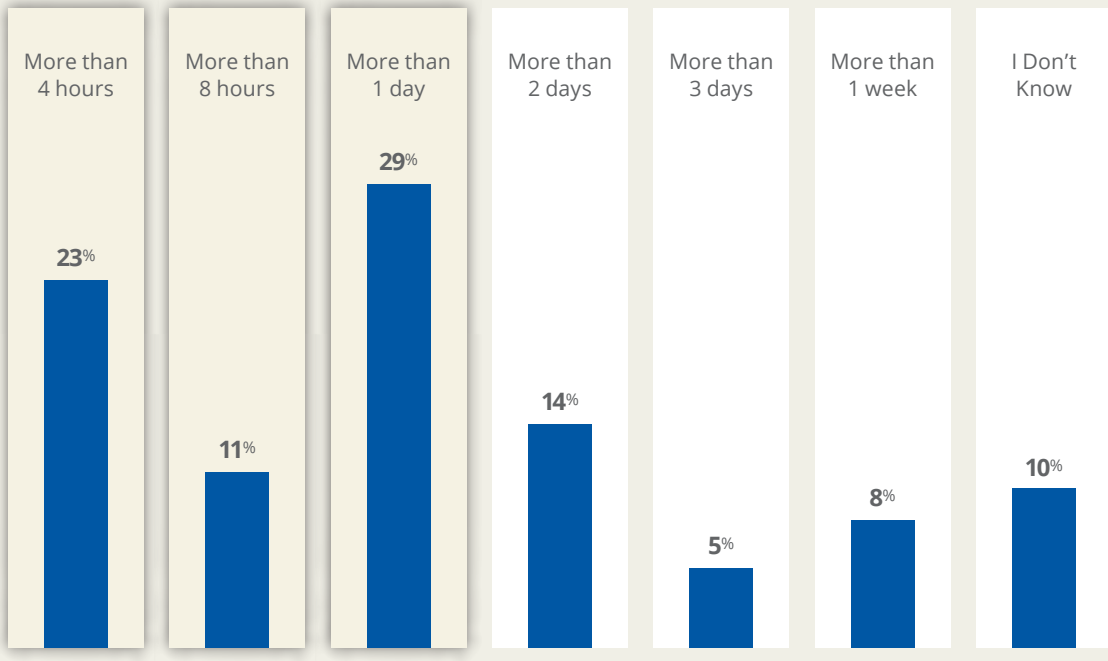
When asked how long they are willing to wait to see a primary care physician for a minor injury or illness before seeking another option, most Millennials say they will wait no more than a day. About a quarter said they would not wait more than four hours.

Millennials are more open than older adults to using alternative care models—such as telehealth, virtual, and walk-in clinics—and are accelerating development of these models as a result.

Millennials also are demanding basic improvements to online search and accessibility capabilities. When asked what healthcare providers should focus on in making improvements, Millennials indicated their top priorities as:

- Finding cost estimates for their healthcare needs
- Conducting a video visit with a physician or nurse
- Finding which providers accept their insurance
- Having the ability to call outside of normal business hours to schedule an appointment

How long of a wait for your primary care doctor to see you for a minor injury or illness (e.g. cut, sprain, cough, fever) would cause you to choose another option?



Source: Proprietary Kaufman Hall consumer surveys.

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What Healthcare Providers Must Do to Succeed

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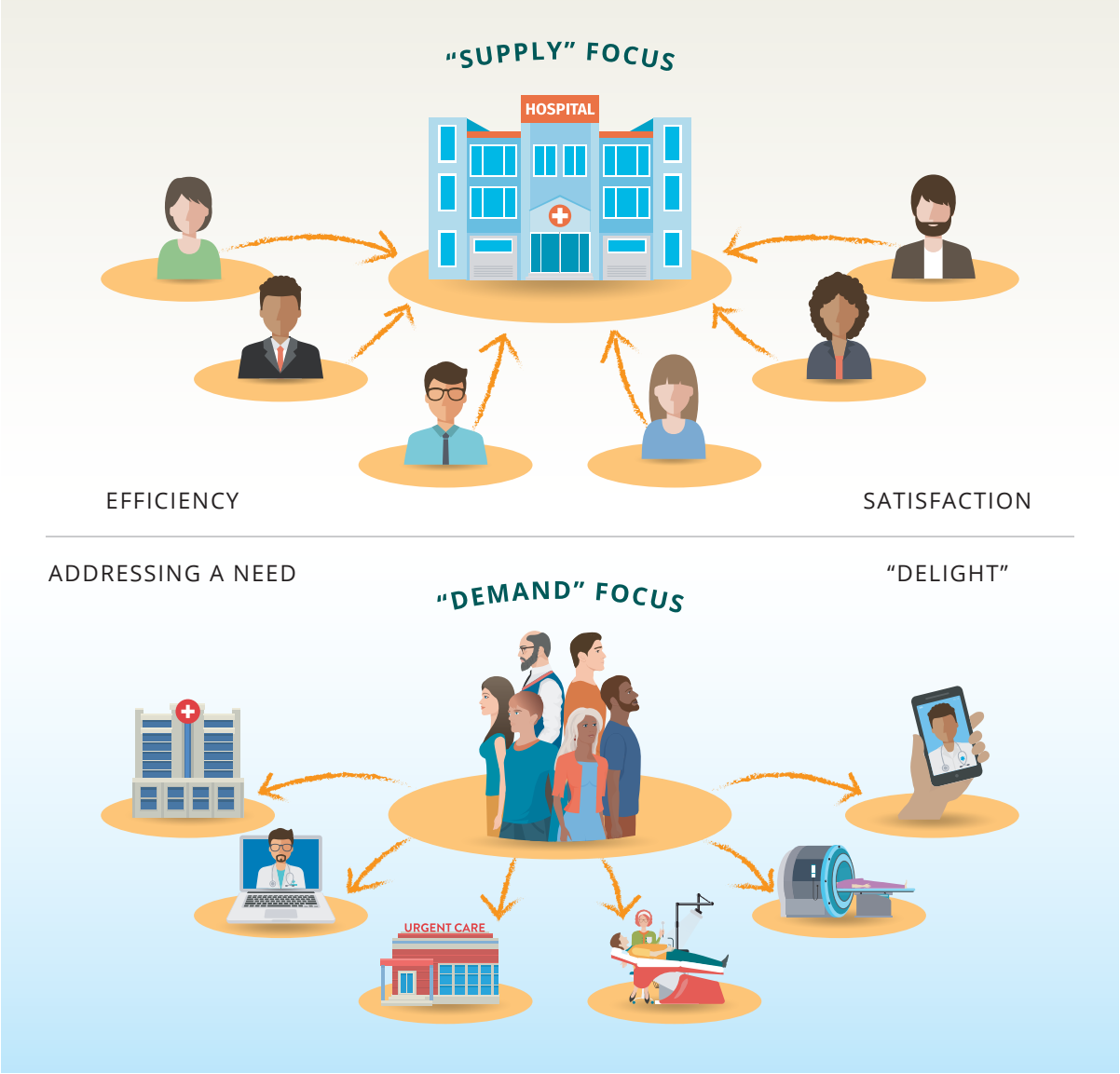
Make a Fundamental Shift



To meet the new demands of Millennials and other young adults, healthcare providers should start with a basic question:

Why will consumers choose you, and why will they come back to you?

Addressing that question requires a fundamental shift in mindset and business model. Legacy providers must transition from an internal, hospital-centric emphasis on efficiency, to an external focus on capturing consumer demand.



It's not about "satisfying" consumers—rather it's about "delighting" them by exceeding their expectations for convenience, service, and value. Doing so will drive new patient growth and increase patient loyalty, and result in improved financial performance.

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Focus on the "Big 3 + 1"

Building Blocks for Attracting and Retaining Consumers



The first step is to conduct a readiness assessment that clearly defines an organization's current capabilities and resources relative to what is needed to transform its services, culture, and care delivery model to best serve Millennials and other younger generations.

Effective solutions should be grounded in what Kaufman Hall refers to as the "Big 3 + 1." These include **access**, **experience**, and **pricing**, all supported by and grounded in a solid **infrastructure** of leadership, branding, insights, analytics, and digital strategy. Serving Millennials requires intense focus on the following elements:

Access—It's all about the digital front door, and providing the kind of 24/7 on-demand access Millennials are accustomed to in other areas of their lives.

Experience—Providers need to offer a contemporary experience, including high levels of service and real-time feedback opportunities for consumers.

Pricing—Organizations must recognize that Millennials are highly price sensitive, which requires providing new, lower cost routine care delivery models and easy-to-find, accurate online pricing information.

Infrastructure—Organizations should build a solid foundation of insights and analytics to fuel decisions about access, experience, and pricing.



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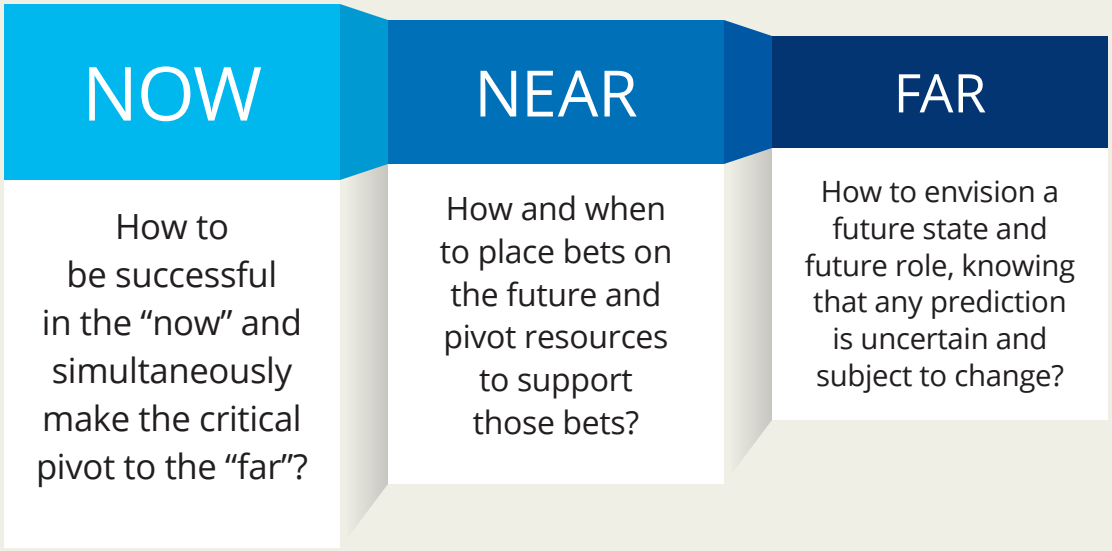
Establish the Path Forward

A Strategic Framework for the Future

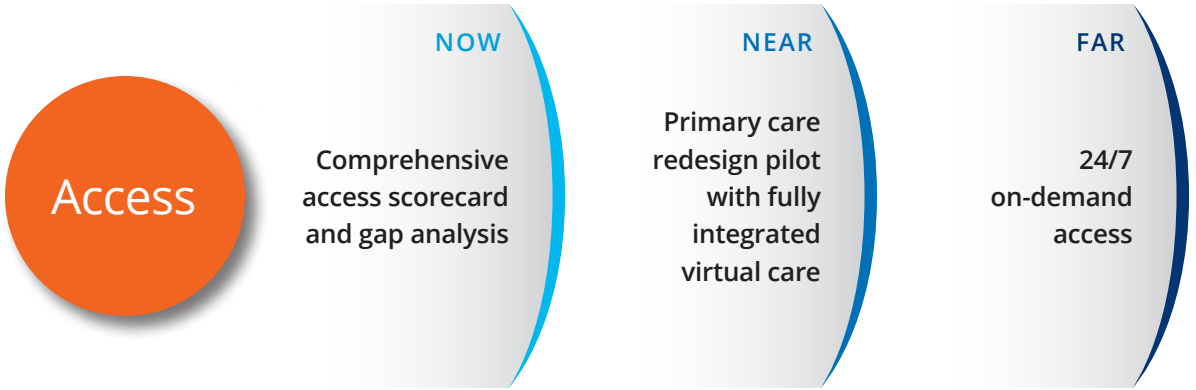
Ford Motor Company CEO Jim Hackett developed the "Now, Near, Far" framework as a means of conceptualizing the future, identifying the path to get there, and providing a way to communicate the journey inside and outside of an organization. The framework provides an effective lens for healthcare organizations in mapping a path forward.



In determining where to begin once the comprehensive readiness assessment is complete, healthcare leaders should consider the key areas of **access** and **pricing**.

Access is the essential starting point, as Millennials grow increasingly accustomed to same-day or instant access in other areas of their lives. Given rising expectations and the emergence of numerous disruptors competing to offer convenient, routine care services, developing on-demand access must be the No. 1 priority for legacy healthcare providers.

The chart to the right maps out core areas of focus for organizations in building access from the "Now" to the "Far."



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Build Targeted Brand Value

Pricing should be another top priority for hospitals and health systems. To respond to Millennials' practical decision-making about where to seek care, legacy healthcare systems must deliver "Targeted Brand Value." This equation is illustrated below:

$$\text{Targeted Brand Value} = \frac{\text{Access} + \text{Service} + \textit{Reputation}}{\text{Price}}$$

Delivering targeted brand value requires rethinking the overall primary care delivery model consistent with expanding access.

Simply stated, healthcare providers need to understand the relative importance that consumers place on convenient access, service, and clinical reputation across a variety of services, and then price those services accordingly.

This is *pricing based on what the consumer is willing to* pay—not on what has been negotiated with insurance companies. To achieve this, healthcare providers will need to aggressively explore alternative delivery models for routine care, and partnerships with retail-oriented providers, with the goal of delivering quality care at a lower cost. The chart below maps out how a healthcare organization might build these capabilities using the "Now, Near, Far" framework.

Pricing

NOW

Use the brand value equation to quantify and prioritize at-risk shoppable services

NEAR

Develop a consumer-driven pricing strategy

FAR

Reposition the delivery model to offer the right procedure at the right place, at the right price

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In Summary







Ultimately, the battle for the future of healthcare will take place far from the inpatient realm—it will center on routine, outpatient care for Millennials and other young adults, who increasingly will be the key healthcare decision makers. To review:

- As the largest population segment, Millennials are driving significant healthcare change as they select providers for themselves, their young children, and increasingly, their aging parents
- As digital natives who came of age in the Great Recession, Millennials are more cost-conscious, and inclined to shop for the best "value" in healthcare
- Many Millennials begin their healthcare journey online, searching for providers and scheduling appointments
- Young adults generally are frustrated by a lack of convenient care options, such as video visits for basic healthcare needs
- Millennials are more inclined to trust big tech companies to steer their healthcare journey
- Young adults are less brand loyal, and are inclined to comparison shop for outpatient services
- Convenience is a critical factor for Millennials in choosing where to go for routine care
- Millennials don't want to wait for care, and will seek more convenient, alternative care models

To address these changing expectations, legacy healthcare providers must completely rethink their business model and look at new ways of providing care. In particular, there needs to be a radical transformation in how hospital and health system leaders think about routine care.

Millennials no longer are "the future." They are here and affecting real healthcare change today, with high expectations for consumer convenience, service, and value.



To stay relevant, healthcare providers must look at their own organizations—and the industry as a whole—through the eyes of Millennials. Healthcare leaders should plan for the consumers they have now, and the consumers they will have in the next 15 years, not the consumers they have had for the last 15 or 50 years.

For more information, please contact consumer@kaufmanhall.com

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