The Consumer-Centric Imperative for Healthcare Providers

BY MARK E. GRUBE, KAUFMAN, HALL & ASSOCIATES, LLC

Consumerism, disruption, innovation, retail, transformation, big data. A new set of words is dominating the healthcare lexicon. The vocabulary reflects the fact that smartphone-connected consumers have catapulted healthcare delivery into the on-demand economy made possible by technology.

Market forces are beginning to impact the performance of healthcare organizations that are not moving quickly enough to address changing consumer needs. In markets where consumers are highly activated, and thoroughly shopping for services based on price, access, or other dimensions, the competitive positions of slow-to-move organizations may be at risk.

To ensure the continued financial health of legacy organizations, hospital and health system boards must do three things: understand the imperative for consumer-centric service delivery, assess the current environment and organizational readiness to provide such delivery, and encourage and support investments in appropriate strategies.

The Consumer-Centric Imperative
The role of the individual in healthcare is quickly moving from passive patient to active consumer. Individual consumerism is being driven by more frequent and meaningful out-of-pocket costs, new and varied care delivery competition, transparency of cost and quality data, and technological innovation.

The imperative for providers is to make the consumer central to delivery models. The needs of an activated consumer should drive key business development and investment decisions, as well as the organization’s growth and consumer retention strategies. For example, if there is a need for improved access to services, an investment in virtual/telehealth delivery and electronic messaging might be appropriate. Meeting the consumer-centric imperative enables providers to define and deliver on their value proposition to consumers, and by extension then to payers, employers, and other stakeholders.

Achieving consumer-centricity is not an initiative or a program, but a foundational organizational competence requiring in-depth information about consumer preferences and expectations. Meeting the imperative involves a continuous effort to develop consumer-centric capabilities and deliver solutions that change to meet new needs over time.

The Current Environment
According to results of a survey of hospital and health system senior executives, many healthcare organizations lack a sufficient understanding of consumer needs and strategies to meet those needs. Ninety-six percent of respondents said that understanding patients as consumers is very important. However, only 13 percent said that their organization understands consumer needs and wants very well. Similarly, only 15 percent were very confident that their organization has a clear strategy and action plan for becoming more consumer oriented. These findings suggest that healthcare boards and management teams need to take a hard look at their organizational readiness for a more activated consumer, including their understanding of consumer segments and strategies for pricing, access, and experience, among others.

Forward-thinking organizations are starting to make the investments needed, but most healthcare providers have significant catching up to do relative to experienced, consumer-savvy retailers, such as Walgreens and CVS Health. These companies are investing in and delivering low-acuity healthcare services that previously were the domain of physician practices and hospitals.

“Informed intuition” will not be enough to guide providers’ approaches going forward. Organizations will need a consumer strategy that positions them for distinct advantage in the face of growing competition.

Consumer-Centric Considerations
Putting the consumer at the center of answers to key business questions requires real data, advanced tools and techniques, analytics, and insights. Early work is required to understand consumer behavior related to healthcare purchasing and usage decisions, and in developing smart customer relationship management strategies that will help retain consumers.

In a recent study, eight in 10 consumers indicate that—more than any other industry—healthcare should meet or exceed their expectations. Yet when asked to select from an array of emotions to describe how they feel during a healthcare journey, “confusion” often tops the list. The room for improvement appears to be significant.

Understanding the healthcare consumer’s path to purchase and preferences by segment will be critical. Segments may be defined in many ways, for example, by attitude and behavior (expressed by consumers as “only the best will do” or “just make this as simple as possible”), healthcare conditions (healthy, chronic—not serious, and chronic-serious), and need (wellness, routine, and acute).

Hospitals will need answers to new questions. For example, which consumers prefer retail clinics, physician office visits, or virtual visits, and for which kinds of conditions? How will the population segments want to access primary care? “Tech-savvy immortals” will want a primary care practice that can provide fast, electronic answers to their basic health questions; a “family planner” consumer will want a practice focused on pediatrics with 24/7 access.

Consumer insights should inform strategies related to population health management, virtual/telehealth services, and other growth strategies and innovations.


providing the fact-based foundation that enables change in healthcare delivery.

**How to Get Started**

Board and C-suite commitment and alignment provide the impetus for the first step, which is a readiness assessment. Organizational readiness can be assessed through a careful examination of:

- Market and organizational factors, including employer and insurance market characteristics, pricing, consumer-centric access, patient-centric experience, and relevant products, services, and bundles.

- Comparative competencies in generating and applying consumer insights, organizational support structure, and leadership for sustainability.

The assessment includes both qualitative and quantitative aspects of the organization’s capabilities and market position relative to what is needed. Data derive from public and proprietary commercial and organizational sources.

For example, strategic pricing is on the radar screens of many governance and management teams as they review their prices to make their organizations more attractive. As part of an organization’s readiness assessment, an eight-market national survey looked at consumer willingness to pay a higher price for services at a high-quality, well-recognized hospital versus other hospitals and facilities in the region. The results showed that brand-recognized organizations could command higher prices, particularly with high-acuity care, but also with services perceived to be non-differentiated commodities, such as MRIs and lab services. Knowing this enabled the hospital to develop a pricing strategy based on solid estimates of price and volume trade-offs. The strategy covers different services to be delivered based on modeled price risk, consumer willingness to pay, potential payer/employer activity, and fairness principles.

In addition to strategic pricing, readiness-assessment considerations include: consumer insights generation, consumer insights application, consumer-centric access, patient-centric experience, relevant products and services, organization, and leadership. Each of these eight considerations can and should be thoroughly addressed. Significant investments will be needed over time to understand and deliver consumer access requirements, improved customer experience, enhanced usage behavior, and other variables. Through the organization’s strategic capital planning and allocation process, boards must ensure support for consumer-centric investments that will start moving the readiness needle to meet growing consumer expectations and needs.

The Governance Institute thanks Mark E. Grube, Managing Director, Kaufman, Hall & Associates, LLC, and Governance Institute Advisor, for contributing this article. He can be reached at mgrube@kaufmanhall.com.

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3 A proprietary survey by Kaufman, Hall & Associates, LLC.

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