



Healthcare Systems and Services Practice: Research in Brief

Healthcare consumerism today: Accelerating the consumer experience

McKinsey's latest research shows that consumer engagement in healthcare continues to grow, but many payers and providers are struggling to meet changing needs and demands.

by Jenny Cordina, Monica Qian, and Lara Sanfilippo

The results of McKinsey's 2018 Consumer Health Insights (CHI) Survey deliver a consistent message with important implications for payers, providers, and other industry stakeholders: consumer engagement is becoming increasingly important, but most stakeholders are still struggling to meet consumers' needs. Four issues stood out:

- **Personalization.** The consumer experience should be tailored more closely to the needs of individuals.
- **Access.** The continuum of care should be improved so consumers have access when and where they need it.
- **Incentives.** Well-designed incentives hold promise of motivating consumers to make better choices.
- **Innovation.** New product concepts must be carefully designed to meet consumers' needs and wants.

We will discuss these themes and their implications below. First, to put the themes in context, we will briefly describe the respondents to the 2018 CHI Survey.

Background on respondents

Almost 5,000 people participated in the 2018 CHI Survey. More than 95% of them indicated that they had obtained health insurance coverage, received medical care, or both in the past year. They were therefore defined as having engaged with the healthcare system during that time. This engagement often entailed a financial burden; 43% of the respondents said their out-of-pocket costs were higher than they had anticipated. The average amount respondents reported spending on healthcare in the past year varied depending on the coverage type:

- Group insurance: \$3,300
- Individual insurance: \$4,600
- Medicare: \$2,700

- Medicaid: \$700
- No insurance: \$1,200

National health expenditures data supports our finding about financial impact, showing that consumers are responsible for nearly 30% of all healthcare spending.¹ The high spending may help explain why a significant number of consumers—nearly one-quarter of working age adults²—have past-due medical debt. In our survey, about half of the respondents said they are not satisfied with their ability to figure out the cost of a healthcare service or find lower-cost options.

Four themes from the research

Consumer engagement has become increasingly important for all healthcare industry stakeholders. Both payers and providers are now evaluated through rating systems that incorporate customer satisfaction, giving them a strong incentive to enhance the consumer experience. Four of the major national payers reported in their Q2 2018 earnings that they had identified consumer experience as a priority.³

Nevertheless, many stakeholders are having difficulty meeting consumers' needs. Our 2018 CHI Survey found that four areas are especially in need of improvement: personalization, access, incentives, and innovation.

Personalization

In healthcare, as in other industries, consumers are expecting more. But, not all healthcare consumers want the same things. The attitudes and behaviors expressed by this year's survey respondents allowed us to refine the six healthcare consumer segments we'd previously identified (Exhibit 1). To illustrate how different these segments are, we will compare two: engaged traditionalists and busy convenience users.

Engaged traditionalists seek value and guidance. These consumers are disproportionately older and more likely to have health

¹ National health expenditures by type of service and source of funds, CY 1960–2017. CMS.gov.

² Karpman M, Caswell KJ. Past-due medical debt among nonelderly adults, 2012–2015. Urban Institute. March 2017.

³ Q2 2018 earnings call transcripts from UnitedHealth Group, Anthem, Cigna, and Humana.

conditions, typically have an established relationship with a primary care provider (PCP), and rely on guidance from that provider when making healthcare decisions. Nevertheless, they are open to using digital tools and other services that could help support their relationship with their PCP.

Engaged traditionalists are also willing to make trade-offs to lower costs. In our survey, 45% of them said they had used generic drugs. Furthermore, 63% of them reported that they decide where to get care depending on what their insurance covers. (By comparison, only about 50% of the respondents in the other segments said that insurance coverage determined where they seek care.) Choosing the right health insurance plan is especially important to engaged traditionalists: 74% said they want to know what services will be covered and 70% want to know copayment amounts.

Although engaged traditionalists regularly interact with payers and providers, the majority of them reported that they lack meaningful motivation to be healthier and want others to assist them with their health improvement goals.

In contrast, **busy convenience users** are typically of working age and in relatively good

health; many have young children. In our survey, most of these consumers indicated they prioritize convenience over other factors and want to be able to make decisions quickly. Most also said they often delay seeking care for themselves until it is absolutely necessary and actively avoid going to doctors unless they have a serious health problem.

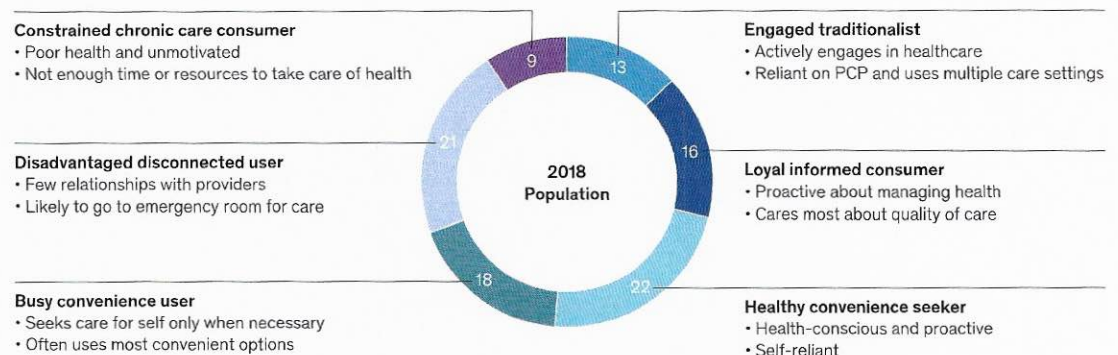
Compared with the other segments, busy convenience users were more likely to report that they do not have strong preferences about where they seek care for nonemergent health issues and that they visit urgent care centers when feeling unwell. However, almost 70% of these consumers, but only about 60% of the engaged traditionalists, said they want information on how much care costs before deciding where to seek treatment.

In addition, busy convenience users were more likely to indicate that they had used activity trackers *and* found them useful. They were also the segment most likely to report using mobile apps and mobile sites to schedule visits and manage other tasks with their routine care provider. Although 60% of this segment said they strongly believe they need to be better at taking care of themselves, 18% indicated they lack the time to do so.

Exhibit 1

The CHI Survey identified 6 consumer segments with differing needs

% of respondents in each segment



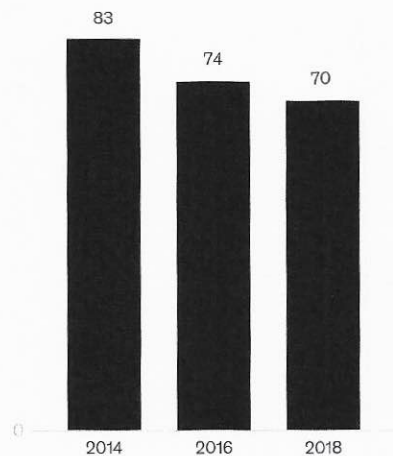
CHI, Consumer Health Insights; PCP, primary care physician.
Figures may not sum to 100%, because of rounding.
Source: 2018 McKinsey Consumer Health Insights Survey

Exhibit 2

How and where consumers seek healthcare is in flux

Fewer consumers are visiting PCPs...

% of respondents who said they had visited a PCP in the past year



PCP, primary care physician.

Source: McKinsey Consumer Health Insights Surveys (2014, 2016, and 2018)

...but consumers continue to use emergency rooms for nonemergency conditions

Explanations selected by respondents who said they had gone to an emergency room to get care for a condition that could have been handled elsewhere, % of respondents (multiple-choice question)



Implications: Both payers and providers should consider how they can better meet the needs of specific consumer segments through personalized information, delivered when, how, and where consumers need it. In addition, these stakeholders should explore how they can better tailor the experiences they offer to the specific needs of each individual. Addressing each person's needs remains a challenge for most payers and providers, but it is becoming somewhat easier because of the growing volume of consumer data and new techniques available to parse it. Developing the deep insights needed will require stakeholders to apply advanced analytics to multidimensional data.

Access

Access to healthcare services has often been defined as the number of PCPs per 1,000 people, but this definition often appears insufficient, given consumers' increasing demand

for convenience (e.g., evening and weekend appointments, nearby locations) and the growing number of choices available to them. In all of the segments we identified, most respondents said they want convenient access to the care they need when they need it—if they cannot get convenient access to a PCP, they will go elsewhere. Results from the five CHI Surveys we conducted between 2014 and 2018 reveal that the percentage of respondents who said they had visited an urgent care center is rising. In contrast, the percentage of respondents who reported having visited a PCP within the past year is decreasing (Exhibit 2).

The increasing use of urgent care centers reflects the growing number of such centers, as well as consumers' desire for convenience.⁴ Nevertheless, consumers still value their relationship with a PCP. When asked about the one place they preferred to receive care, most

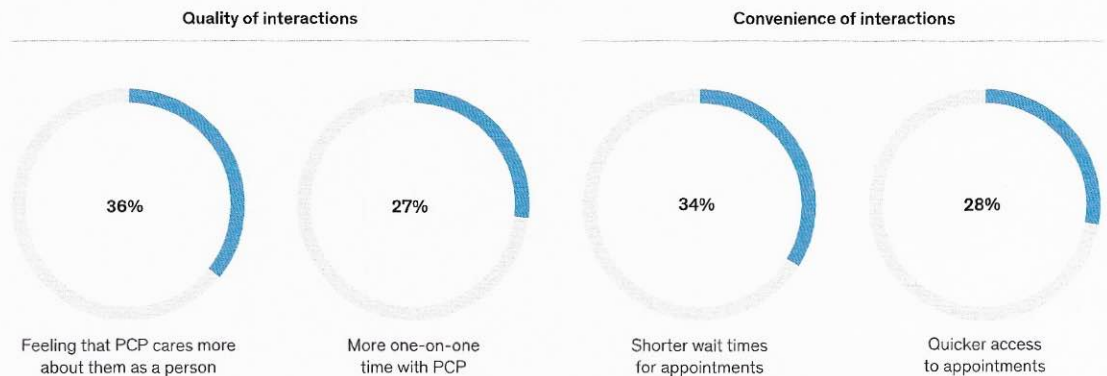
⁴ Stoimenoff L, Newman N. The essential role of the urgent care center in population health. Urgent Care Association of America, February 2018.

Exhibit 3

Consumers want changes in how care is delivered

Beyond lower cost, factors that would make consumers more likely to go to their PCP include

% of respondents that selected each factor as part of a top-3 ranking



PCP, primary care provider.

Source: 2018 McKinsey Consumer Health Insights Survey

respondents selected their PCP's office: 85% preferred that site for their annual exam, and 80% preferred it for routine care. Most respondents also said they want their PCP's input for care decisions.

Given this preference, what would encourage more consumers to visit their PCP? We asked respondents to select their top three factors from a list of choices. Cost was the top response. As Exhibit 3 shows, the non-cost answers given most often were:

- Feeling that my physician cares more about me as a person: 36%
- Shorter wait times for appointments: 34%
- Quicker access to appointments: 28%
- More one-on-one time with the provider: 27%

Digital tools could help address some of these concerns. Among the respondents who indicated that they are open to using digital tools, the majority said they would prefer to receive them from their PCP. The tools they were most interested in were telemedicine, appointment reminders, and email or online communications

(Exhibit 4). Fifty-eight percent of the respondents said they would most prefer to receive digital appointment reminders from their PCP, and 53% would most prefer to get electronic health records from their PCP.

Implications: Stakeholders need to address consumers' desire for convenience more effectively and thus must change the way they think about access to care. Providers especially need to make better use of the digital tools a growing number of consumers would like to use.

Incentives

Many consumers appear to be influenced by incentives. We asked respondents to rank their interest in 20 new product concepts for health insurance; incentives were one of the top three features chosen.⁵ However, health-care lags behind other industries, such as ride sharing and retail, in offering incentives to consumers.

In healthcare, incentives could be designed to achieve a variety of aims, including encouraging consumers to take more action to lower health-care spending. In our survey, a high proportion

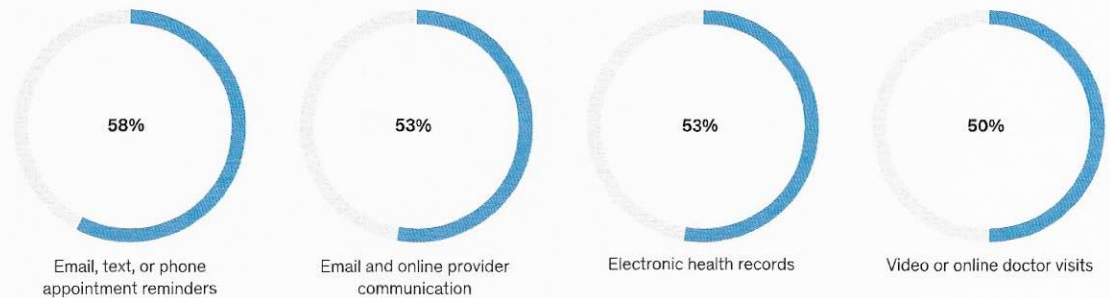
⁵ Financial incentives can include both rewards and well-designed penalties; nonfinancial incentives can include shorter wait times or easier payment methods.

Exhibit 4

Consumers want digital solutions

Consumers are interested in PCPs leveraging digital more

% who said they most preferred getting digital tools from their PCP (among consumers wanting tools)



PCP, primary care provider.

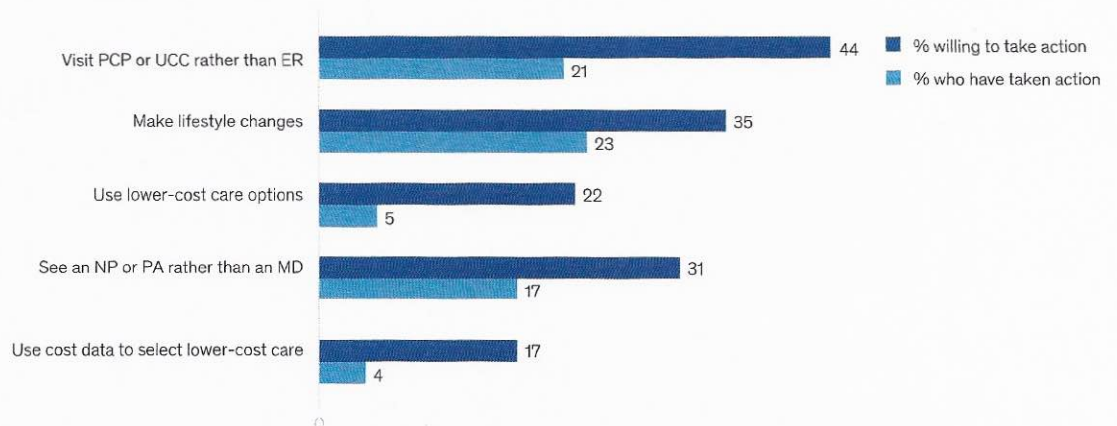
Source: 2018 McKinsey Consumer Health Insights Survey

Exhibit 5

Many consumers want—and are likely to respond to—well-designed incentives

Incentives might encourage consumers to take more actions that might reduce costs

% of respondents



ER, emergency room; MD, medical doctor; NP, nurse practitioner; PA, physician assistant; PCP, primary care physician; UCC, urgent care center.

Source: 2018 McKinsey Consumer Health Insights Survey

of respondents indicated that they were willing to make various changes to lower spending (Exhibit 5). Far fewer people said they had already made those changes. Well-designed incentives⁶ might encourage more consumers to make the necessary changes.

Well-designed incentives might also encourage greater health insurance uptake. In our survey, we queried the respondents without health insurance about what would induce them to obtain coverage. About one-third of them said they would sign up for coverage if premiums

⁶ When designing incentives, stakeholders must consider not only what is most likely to prompt the desired responses but also the regulations governing what is permissible to offer healthcare consumers.

were \$0—but two-thirds said they would sign up if remaining uninsured meant they could be denied coverage in the future.

In some cases, however, consumers will need more information before they can respond appropriately to incentives. For example, incentives designed to encourage consumers to choose high-quality, low-cost providers will not work if consumers cannot determine who those providers are. In our survey, 60% of the respondents said they would like to do their own research before deciding where to receive care, and cost was the number-one piece of information respondents said they would want before selecting insurance, choosing where to get care, or deciding on a treatment. However, 50% of the respondents reported that they are unsatisfied with their ability to access cost information.

Implications: Payers and providers need to provide well-designed incentives—both rewards and penalties—to help motivate consumers to make better decisions. However, they must also give consumers the tools and information they need to make those decisions.

Innovation

Consumers want innovation, especially changes to the current healthcare system, better access to quality care, and greater simplicity. In our survey, we gave respondents the opportunity to write in the one change they thought would make the health system better. Twenty-one percent mentioned types of further health system reform (e.g., single payer, free healthcare). Coming in next were broader provider networks (12%), improved provider quality and efficiency (9%), simplified and streamlined processes (9%), greater convenience (8%), greater benefits coverage (6%), and drug or prescription benefits (6%).

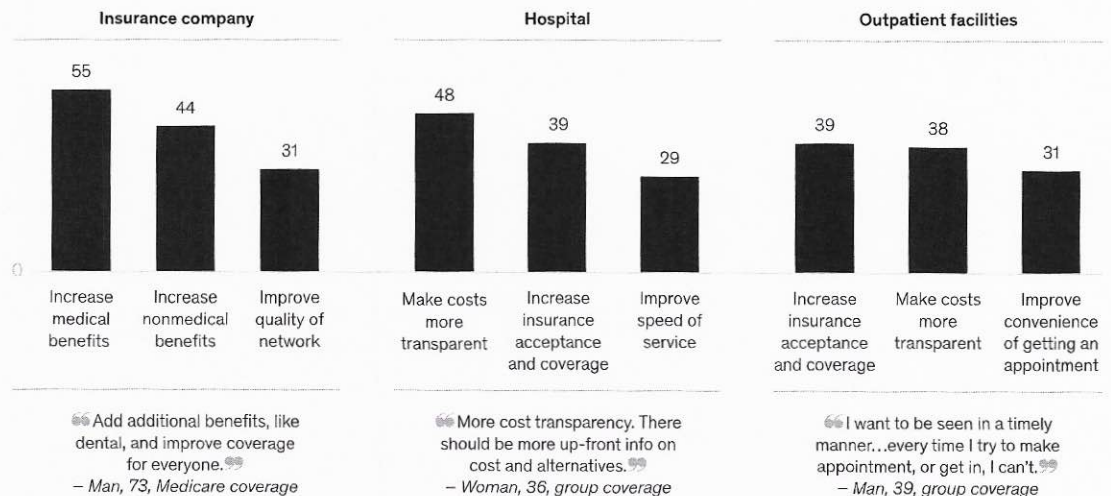
We also included a multiple-choice question that asked specifically about how interested they were changes to their health insurance plans. Of the respondents, 55% selected increased benefits coverage for medical services; 44% chose better coverage of nonmedical services; and 31% opted for improvements in network quality (e.g., better doctors or facilities within the network) (Exhibit 6). When we asked about hospital and outpatient care, greater cost transparency and increased insurance acceptance and coverage were selected most often.

Exhibit 6

Consumers are seeking greater value and convenience

What should a healthcare company do to better meet your needs?

% of respondents (multiple-choice question)



Source: 2018 McKinsey Consumer Health Insights Survey

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 40,000 individuals and their households. In 2018 alone, more than 4,900 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 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 1,182 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.

Our survey also investigated the gap between what consumers think is important and where they are least satisfied with their current experience. Three areas—claims submissions, cost information, and provider performance data—stood out. Although most respondents rated these areas as especially important, many reported that their satisfaction levels in these areas was low. Medicare recipients also indicated that they were dissatisfied with the help they were given to resolve problems.

Consumers' openness to innovation can be seen in their increased use of digital tools. Between our 2015 and 2018 surveys, respondents' familiarity with and use of a range of digital tools—including online medical visits,

activity trackers, electronic health records, online scheduling, and digital appointment reminders—rose significantly. Similarly, a growing number of respondents reported that they pay health insurance bills online.

Employers are also interested in innovation. In a recent employer survey we conducted, 47% said they currently offer digital wellness apps to their employees, and another 36% reported that they are somewhat or very interested in doing so.⁷ The employers indicated a similar level of interest in on-site clinics: 44% currently have them, and an additional 34% are somewhat or very interested in having them.

Not all innovations received a resounding reception, though. When we asked about new

⁷ 2018 McKinsey Employer Health Benefits Survey.

product concepts for health insurance, respondents reacted positively not only to incentives but also to concepts that increased coverage or provided greater convenience. They were wary, however, of concepts they perceived as unaffordable or intrusive (e.g., in-home safety assessments, auto-enrollment in plans).

The survey tested several product ideas specifically with lower-income respondents, including Medicaid beneficiaries. The concepts these respondents liked most were dental coverage, having specialists “in program,” incentives, scheduling via apps, and care management for chronic conditions. The concepts they liked least included

prepaid phones with personalized apps, advice to find support groups, transportation from home to healthcare appointments, and phone/video chats before appointments.

Implications: Healthcare stakeholders need to innovate and take a more comprehensive approach to product design if they are to meet consumer needs and improve the consumer experience.

The 2018 CHI Survey results highlight practical opportunities for healthcare stakeholders to better meet consumer needs while improving business performance.

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