



Deloitte 2017 Survey of US Health System CEOs: Moving forward in an uncertain environment

“
We are always working on how to enhance quality and improve service, which goes back to consumerism. If you are not consumer-focused, especially with the new populations of people we deal with, you are going to [have challenges remaining competitive] at the end of the day.

—CEO of a large academic medical center

Introduction

As a follow-up to our 2015 Deloitte Survey of US Health System CEOs, we interviewed 20 health system CEOs in May 2017. We found that, of all the issues that may keep hospital CEOs up at night, they are most concerned about:

- » The future of Medicaid
- » Moving toward population health
- » Declining margins
- » Recruiting and retaining forward-thinking and adaptable health care leaders
- » Keeping up with new technology
- » Adapting to evolving consumer expectations

In chapter 6 of our series, we explore how surveyed CEOs are thinking about consumers; specifically, how hospitals and physicians interact with patients, their families, and other caregivers. Increasingly, hospitals and health systems need to think about patients as customers they want to attract, and work with consumers to get them more engaged, active, and satisfied with their health system interactions and experiences.

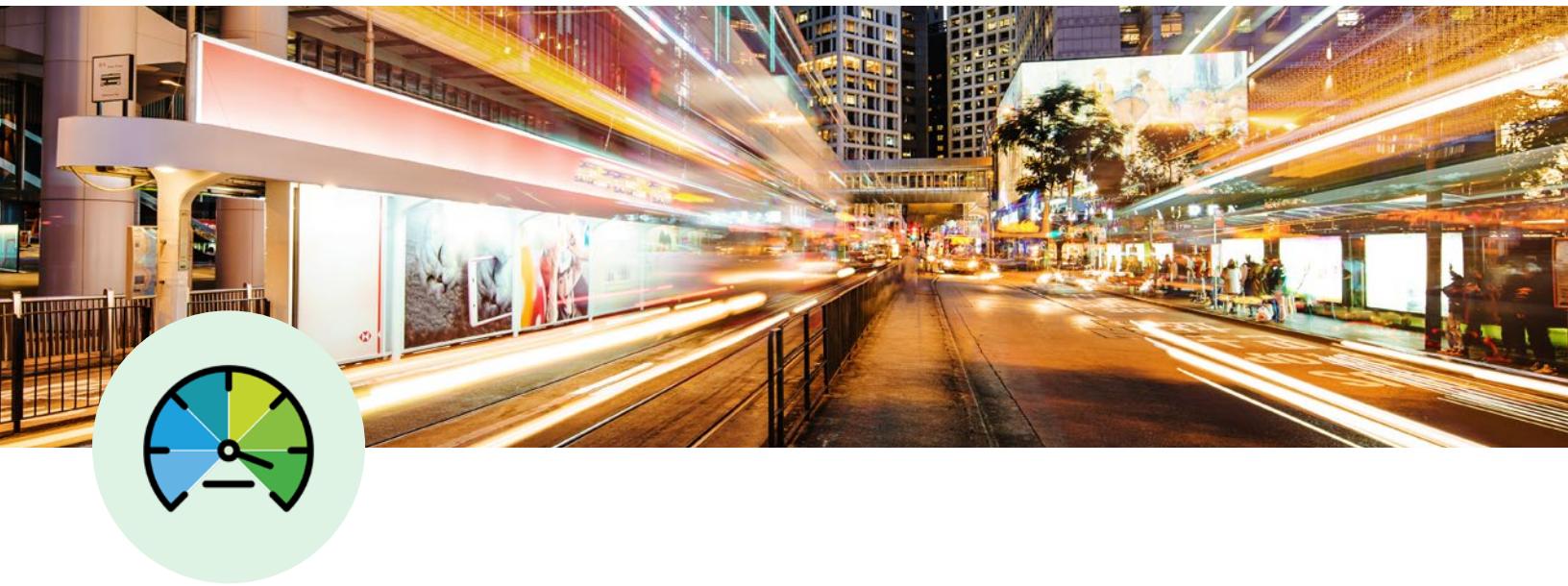
About the survey

The Deloitte Center for Health Solutions interviewed 20 hospital and health system CEOs during May 2017. In 2016, their organizations collectively generated \$91 billion in annual operating revenue, with each generating more than \$1 billion annually.*

*Based on Deloitte analysis of DACBond, Hoovers, and organization websites

The CEOs represent a wide range of organization types, including:

- » Seven nonprofit hospitals/health systems
- » Seven academic medical centers (AMCs)
- » Three faith-based, nonprofit hospitals
- » Three children’s hospitals



CHAPTER 6

Making the business of health care consumer-centric

Many health system CEOs say that being consumer-centric is a top priority for their institutions, especially as organizations move from a business-to-business (B2B) model (with employers, health plans, and physicians as their main customers) toward a business-to-consumer (B2C) orientation. Many CEOs realize that consumers are becoming more involved in their health care decisions, which can make positive health system-consumer connections and interactions increasingly important. CEOs interviewed stated they expect their leadership to understand consumers' evolving expectations, and that a focus on the consumer has become a fundamental part of how some organizations see themselves. One CEO of a large, nonprofit health system notes that the organization's mission and vision now includes being "consumer-obsessed" and "continuously earning the trust of others."

Many CEOs are preparing their organizations for the future by focusing on the patient/consumer experience (e.g., quality outcomes, safety, integration, access) and exploring direct-to-consumer care delivery (such as telehealth). They are also seeking to better understand consumers. One nonprofit hospital CEO explains that making health care "easier" for consumers to access—and providing high-quality care—are distinct aims, both of which can improve consumers' lives. Technology can assist health care organizations in reaching these goals. More and more, health care providers should begin to view their customers as members. As health systems

take more risk for outcomes, engaging with their patients as members—or subscribers—can require a whole new set of capabilities for health care providers.

Improving the patient experience not only can help reduce challenges in accessing health care; it can improve profit margins and quality scores. Recent Deloitte Center for Health Solutions research found that hospitals with higher patient experience scores are generally more profitable than those with lower scores.¹ Hospitals with more positive patient-experience scores also rank higher in certain quality scores than those with lower experience scores. Many CEOs are learning that there are benefits to addressing consumers' needs and they are striving to create positive patient experiences.

Treating patients as informed consumers with purchasing options is increasingly important as they become more financially responsible for their health care costs. The growing prevalence of high-deductible health plans (HDHPs)—in which consumers pay more out of their own pocket—is helping drive this heightened focus. Roughly 42 percent of Americans are enrolled in a HDHP with an annual deductible of \$1,300 or more.² One CEO of a large, nonprofit health system says that HDHPs that require patients to pay more out of pocket contribute to the health system's bad debt and uncompensated care.

In November 2015, Geisinger Health System in Pennsylvania announced a revolutionary policy: a warranty offering patients their money back if they were unsatisfied with their care—no questions asked. The health system had already implemented a successful program where it agreed to absorb extra expenses for care (e.g., extra hospital days) if a patient experienced complications after care. Over the first nine months of the program, the monthly average for adjustments (i.e., returned copayments, forgiven deductibles) was about \$30,000—roughly the same amount offered prior to the program. The health system did not see a substantial change in financial adjustments.³

Driving patient engagement

"Consumerism is important because we need engaged consumers to make intelligent decisions on where to seek care and when."

—CEO of a large children's hospital

Many CEOs agree that an informed and engaged consumer is necessary for the health care system overall. Recent research found that health care providers are becoming increasingly responsible for patients' health literacy and that providing assistance in this area can directly enhance patient loyalty.⁴

"Consumers are driving some of the desires for the innovations and shifts in delivery models or innovative ways to receive health care."

—CEO of a large children's hospital

Because of consumer demand and changing incentives around value-based care, many health systems are investing in retail clinics, telehealth services, and other types of care delivery models. One CEO notes that learning about consumer preferences forced the organization to think creatively about care delivery.

Technology can support a health system's efforts to be consumer-centric. As responses to Deloitte's 2016 Survey of US Health Care Consumers show, patients want to use technology for their care. For example, 17 percent of consumers report going online for reminders to take medication. Other popular uses of technology in health care include telehealth, connected

devices, and the Internet of Things (IoT). Many caregivers are also interested in connected devices. Many hospital systems are investing in technologies including mobile health (mHealth) apps, consumer-friendly websites, and online scheduling to enhance patient-provider connections.

Emphasizing patient convenience over that of the clinician by providing care through specialty clinics, telehealth, primary care clinics, and urgent care centers is another consumer-centric strategy, says a children's hospital CEO. The CEO adds that making care more convenient can help keep patients, including those with behavioral health issues, out of the emergency department and the hospital overall.

As many millennials become parents, some children's hospitals are changing the way they interact with these typically tech-savvy and health-aware consumers. One physician says that millennial parents often come to physician or hospital visits already informed, having done research.⁵ Many millennials do not want a traditional patient-clinician relationship; instead, they are looking for new ways of relating. For example, a children's hospital CEO notes that often millennial parents want mobile and telehealth connections with their children's health care providers.



Many CEOs are taking action to improve the patient experience, in part, to increase consumer loyalty to the health system and its clinicians. CEOs say they recognize the importance of loyalty and branding when it comes to consumer engagement and population health efforts.

- » "Consumers count," says one CEO from a nonprofit health system. However, a CEO from a different nonprofit notes that the concept of loyalty has changed—people are more concerned about convenience than staying with a particular physician. A Deloitte survey of health insurance consumers found that 20 percent would accept a network with fewer hospitals, and 20 percent would accept a network without their current primary care provider. These results suggest that stakes are high for hospitals, and that patients are not necessarily loyal to one hospital or clinician.
- » Another CEO of a large nonprofit health system states that it is important to help patients move easily among a health system's departments or facilities because they do not see them as separate entities. This CEO also says that he wants patients to see the components of the system as "all part of one family."
- » A third nonprofit CEO describes a broader relationship between hospitals and patients' health in which the hospital is responsible for the community's overall health, not just interacting with individuals during episodes of illness. Broad access will be necessary to realize this goal.



One AMC CEO sums up health systems' perspective on consumerism, saying that the system seeks to understand consumers, their preferences, and their behaviors.

Understanding and addressing consumer preferences may be key to the system's survival and all of the hospital's leaders say they try to listen and respond to consumers.

Investing to become consumer-centric

Many leading health systems are investing in technology and improving the patient experience to better connect with consumers. But many of them still have a long way to go to become truly consumer-centric. Health care can look to other industries—airlines, travel/hospitality, and financial services—to identify effective strategies for interacting with consumers.

To address consumerism, many hospital CEOs are:

- » Realizing that meeting an individual's expectations as a consumer may be as important as meeting their clinical needs.
- » Keeping clinical care at the center of a patient's experience, rather than merely focusing on appearances or amenities.
- » Investing in technologies to make health care easier to understand and access, such as:
 - Creating an online experience to find relevant and personalized content for a condition based on cost, the patient's medical situation, etc.
 - Improving their scheduling systems and processes, and using telehealth, e-visits, and remote patient monitoring to make care easier to access.
- » Establishing and nurturing a two-way relationship with consumers to build long-term loyalty.

These types of changes are helping move the traditional hospital-patient relationship toward a member relationship. Ultimately, surveyed health system CEOs predicted that the hospitals with the most members are going to do the best in the new world of health care.

Conclusion

Consumerism is helping drive a shift in the US health care delivery system. Increasing focus on the consumer may be key for hospitals' and health systems' survival; surveyed CEOs know they need to move their organizations toward becoming patient-centric. Consumers are looking more closely at their health care options and are increasingly focused on value as they take on more financial responsibility. Hospital leaders should to take steps to adapt to this changing consumer dynamic.

Endnotes

¹ David Betts, Andreea Balan-Cohen, Maulesh Shukla and Navneet Jumar, "The value of patient experience: Hospitals with better patient-reported experience perform better financially," Deloitte Center for Health Solutions, August 2016. Available at [<https://www2.deloitte.com/us/en/pages/life-sciences-and-health-care/articles/hospitals-patient-experience.html>].

² Robin Cohen, Michael Martinez, and Emily Zammitti, "Health insurance coverage: Early release of estimates from the National Health Interview Survey, January-March 2017" National Center for Health Statistics, August 2017. Available at [<https://www.cdc.gov/nchs/data/nhis/earlyrelease/insur201708.pdf>].

³ Greg F. Burke, "Geisinger's refund promise: Where things stand after one year," NEJM Catalyst, January 12, 2017. Available at [<http://catalyst.nejm.org/geisinger-refund-promise-one-year>].

⁴ Stephanie MacLeod, et al., "The impact of inadequate health literacy on patient satisfaction, healthcare utilization, and expenditures among older adults," Geriatric Nursing, July-August 2017. Available at [<http://www.sciencedirect.com/science/article/pii/S0197457216302981>].

⁵ Lynn O'Connor Vos, "The new world of healthcare: What millennials want," greyhealthgroup, Available at [https://ghgroup.com/sites/default/files/2016-11/952165_ghe_white_paper_final.pdf].

Authors

Steve Burrill

Vice Chairman
US Health Care Providers Leader
Deloitte LLP
sburrill@deloitte.com

Arielle Kane, MPP

Deloitte Center for Health Solutions
Deloitte Services LP
arkane@deloitte.com

Acknowledgements

The authors would like to thank Wendy Gerhardt, Kiran Vipparthi, Ryan Carter, David Betts, Steve Davis, Lauren Wallace, Amy Hoffmaster, Sarah Thomas, Samantha Gordon, Jessica McCann, and the many others who contributed to this project.

Deloitte Center for Health Solutions

To learn more about the Deloitte Center for Health Solutions, its projects, and events, please visit
www.deloitte.com/centerforhealthsolutions

Sarah Thomas, MS

Managing Director
Deloitte Services LP
sarthonas@deloitte.com

Email: healthsolutions@deloitte.com

Web: www.deloitte.com/centerforhealthsolutions

We encourage you to bookmark our hospital CEO series at
www.deloitte.com/us/ceo-survey

To download a copy of this report, please visit
www.deloitte.com/us/ceo-survey-consumerism

Deloitte Center for Health Solutions

About the Deloitte Center for Health Solutions

The source for fresh perspectives in health care: The Deloitte Center for Health Solutions (DCHS), part of Deloitte LLP's Life Sciences and Health Care practice, looks deeper at the biggest industry issues and provides new thinking around complex challenges. Cutting-edge research and thought-provoking analysis gives our clients the insights they need to see things differently and address the changing landscape.

Deloitte.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.