When Castlight Health launched in 2008, its business model was a radical one for the times. The company aimed to help employees with high-deductible insurance plans spend their money more wisely by informing them in advance how much they would have to pay for medical procedures.

But Castlight’s leaders recognized that simply making healthcare and pricing information available wasn’t going to be enough to change consumer behavior. Guiding consumers to the right care, in the right place, at the right time would require a deeper level of engagement.

Less than a decade later, Castlight has remade itself into a comprehensive health navigation platform that steers consumers to best-in-breed healthcare and wellness providers and then works to engage them in their own care through incentives and sophisticated digital marketing.

To find out more about Castlight’s new vision of its place in the healthcare ecosystem, Oliver Wyman partner Sam Glick spoke with John Doyle, the company’s CEO, and Derek Newell, its president.

SAM GLICK: When Castlight started, it was about letting healthcare consumers see in advance what a given provider charges so they could make good decisions. But you’ve changed your focus. Why?

JOHN DOYLE: Our assumption going in was that there would be a huge upwelling of consumers reacting to the availability of this price data. Instead of following a “random walk,” they would find reasonably priced, high-quality providers. What we learned was that only a minority of users do just that – most don’t. We’re not going to create the smart healthcare consumer overnight because the behavioral inertia in the space is so strong.

DEREK NEWELL: But even if we’re never able to create educated healthcare consumers at scale, that doesn’t mean that consumers won’t be able to make better decisions. As we all know, when you get into a complicated healthcare journey, it’s difficult for anybody.

We think the future lies not in simple transparency, but in analyzing claims data to understand what people should be doing, and then use digital marketing techniques to steer them to the right resources. Think of the way Google makes predictions about what you’re searching for as you type – predictive search instead of the passive search. With a similar
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approach we can, for example, help people find centers of excellence for their surgery or steer them to a service that provides second opinions instead of going straight to the surgeon’s office.

GLICK: So you’re actively making recommendations. That’s quite a change from the transparency approach, where you just inform consumers and leave them to work things out for themselves.

DOYLE: Many employers were reluctant to be very directive about what kinds of choices their employees should make. But realistically, we know from the data that some procedures and providers are better than others, and if large employers want to make their healthcare spend more efficient, they need to start steering employees toward them. And we’re starting to see a much greater willingness to do that.

GLICK: How do the employees react to it?

NEWELL: There’s a lot of research showing that if you give people no choice they’re upset, but if they have too many choices, they’re overwhelmed. They don’t know what to do. Our goal is to give people the right choices – three to five great providers, not 20 or 100 – and not just serving up data without recommendations. If they have a credible source saying, “Here are three reliable options,” it’s very helpful.

By solving some of the challenges of navigating the healthcare system, we have a way of engaging consumers above the deductible.

GLICK: What do you mean by “above the deductible”?

NEWELL: Price transparency makes the most sense in the context of a high-deductible health plan and a health savings account, both of which give consumers an incentive to shop wisely for healthcare because initially they’re paying. For basic healthcare resources and purchases, that approach works.

But when someone goes into a complex health episode, when they go beyond their deductible, their buying behavior could change, because now they’re not paying; the plan is paying. That’s where we’re focusing our efforts — developing technologies that work with people who are in the high-cost part of the healthcare spend, and encouraging good behavior in the most expensive procedures through assisted decision making.

GLICK: There are a lot of challenges on the health and wellness side, too. It’s easy to get somebody to sign up for a gym membership after New Year’s; it’s hard to keep them going come March. How do you keep people engaged in their own health and wellness?

NEWELL: Every single consumer company in the world advertises. They put coupons out there. They put sales out there. They put economic and behavioral incentives out there
to get you to behave in a certain way, and they’re successful at it. So let’s adopt that for healthcare.

I’m not talking about using the old one-and-done model of incentives, the kind where you do a biometrics exam and come back next year: If you get good results, we lower your premium, if not, we don’t. There’s a whole year in between.

That’s too infrequent. We think the right approach is to create micro behaviors we monitor in real time using the “digital exhaust” of our digital health partners. We then link those behaviors to benefit design: When you do a search that results in you going to a higher-quality, lower-cost provider, we’ll give you an incentive. If you walk 10,000 steps every day, we’ll reduce your premium a little bit. Tying it directly to your benefits has an incredible quality to sustain engagement, and we see dramatic improvements in biometrics.

GLICK: Last question. If you had all the time and money in the world, what would you each fix about healthcare?

DOYLE: I would wave a wand and immediately have everybody in the United States on a standardized data format for their healthcare data.

NEWELL: That’s it, hands down, give everybody access to all their healthcare data in a place where, if they chose, they could expose it to a third party and could use it to create value for them. It might actually take all the money in the world to do it, but that’s how I’d invest it.

Realistically, we know from the data that some procedures and providers are better than others, and if large employers want to make their healthcare spend more efficient, they need to start steering employees toward them.

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