

WAITING FOR CONSUMERS

THE OLIVER WYMAN 2018 CONSUMER SURVEY OF US HEALTHCARE



Over the past decade, new healthcare options have offered patients convenience and low cost. But only a small minority of consumers have tried them. Our latest survey explores why.

Solving the American healthcare industry's longstanding crisis of quality and affordability means reinventing the way healthcare is delivered and paid for. There are several potential pathways to that reinvention, including an influx of new players from technology and other adjacent sectors, vertical and horizontal integration, and – crucially – a migration of many forms of care to newer, cheaper, more convenient venues, driven by consumer needs and preferences.

We have seen a proliferation in recent years of med-tech companies, health-related apps, consumer-focused new entrants such as Oscar, and harder-to-classify innovators such as the Amazon-Berkshire Hathaway-JPMorgan healthcare venture. And there have been many high-profile examples of horizontal and vertical consolidation, including Cigna-Express Scripts, CVS-Aetna, Walmart-Humana, and Catholic Health Initiatives-Dignity Health.

But this flurry of new companies and deals mostly reflects progress on the supply side. What about demand? Are consumers making the transition to new forms of care and bringing their collective buying power to bear on reforming healthcare? Given that out-of-pocket costs have risen 230 percent over the past decade, one would think they should.

In our new 2018 Consumer Survey of US Healthcare, we looked closely at the disconnect between the supply and demand side of healthcare, paying particular attention to whether consumers were using the “new front door” of healthcare, and if not, why not. We explored what consumers want out of the healthcare system and what they would be willing to pay for – either in dollars or in personal data. (We also included questions on health insurance, which led to the striking finding that large numbers of consumers don't want the high-deductible plans they're increasingly buying. See Sidebar, page 6.)

Here is what we learned:

1. Those who have tried alternative forms of healthcare delivery are happy with them.
2. Despite that finding, there hasn't been much change in the number of consumers – about 10 percent – who have actually used the new front door, though the number who say they are willing to try is rising sharply.
3. Trust and comfort remain obstacles to the adoption of a newer model of healthcare, though these issues play out in a more complex fashion than we perhaps expected.
4. There is indeed a hunger for a new healthcare experience, but what consumers want is not what most companies in healthcare are offering. This suggests if consumers are not yet buying, it's because industry offerings are not yet compelling enough to overcome consumer resistance.

THE NEW FRONT DOOR: TRY IT, YOU'LL LIKE IT

More than one-third of the individuals who had used a retail clinic in the past year said the experience was better than a traditional doctor's office.

Regardless of age, consumers who have used the new front door tend to like it. For example as shown in Exhibit 1, more than one-third of the individuals who had used a retail clinic in the past year said the experience was better than a traditional doctor's office, while only 15 percent thought it was worse. This pattern held across generations — even for baby boomers, who tended to be more skeptical before they tried retail clinics. Consumers responsible for the care of others were especially positive about retail clinics; over 40 percent said they preferred a retail clinic experience to a standard office visit.

There is undoubtedly some self-selection at work here: the consumers most likely to try alternative forms of care are the ones who already expect they will like it. But it also seems likely if more consumers tried alternative care, they would like it, too.

For the most part, however, they aren't trying it. In our survey, only a modest number of consumers reported using alternative forms of healthcare delivery. Over the past year:

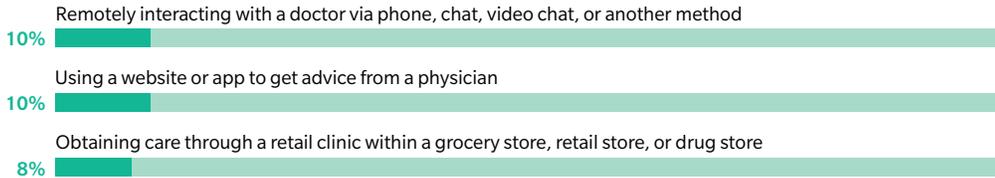
- 8 percent of respondents said they have used a retail clinic
- 10 percent have used telehealth to interact remotely with a doctor
- 10 percent have used an app to get medical advice asynchronously

These numbers vary by age, with the young using the new front door (both brick-and-mortar retail clinics and digital access options) at a higher rate than their older counterparts (See Exhibit 2). Overall, however, they remain virtually unchanged since our last survey in May, 2017. And they account for far fewer than the 71 percent who saw a primary care physician, or the 44 percent who saw a specialist in a traditional clinical setting – or the estimated 75 percent of Americans who shop on Amazon.

What has changed since our last survey is consumer willingness to try new kinds of health services. For example as shown in Exhibit 3, almost 40 percent of consumers in our 2018 survey said they would be comfortable receiving treatment for minor medical issues through a retail clinic, and 35 percent of consumers would receive that care through telehealth – in both cases an increase of 12 percentage points since 2015 when we asked consumers this same question.

EXHIBIT 1: WHILE USE OF THE NEW FRONT DOOR IS LOW...

HAVE YOU HAD AN ENCOUNTER WITH THE FOLLOWING TYPES OF CARE IN THE PAST YEAR?



...CONSUMER WHO TRY IT LIKE IT

HOW WOULD YOU COMPARE YOUR EXPERIENCE AT THE RETAIL CLINIC WITH THAT OF THE STANDARD DOCTOR'S OFFICE?

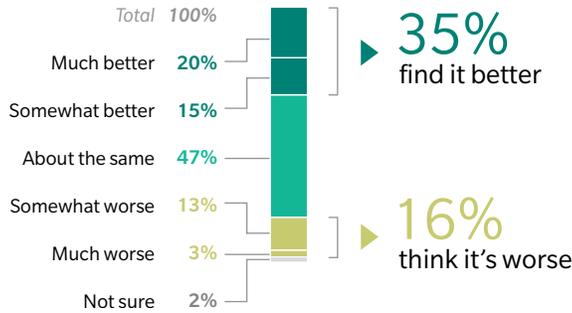


EXHIBIT 2: YOUNGER GENERATIONS ARE FAR MORE LIKELY TO HAVE USED THE NEW FRONT DOOR

WHICH OF THESE HAVE YOU EXPERIENCED IN THE LAST 12 MONTHS?

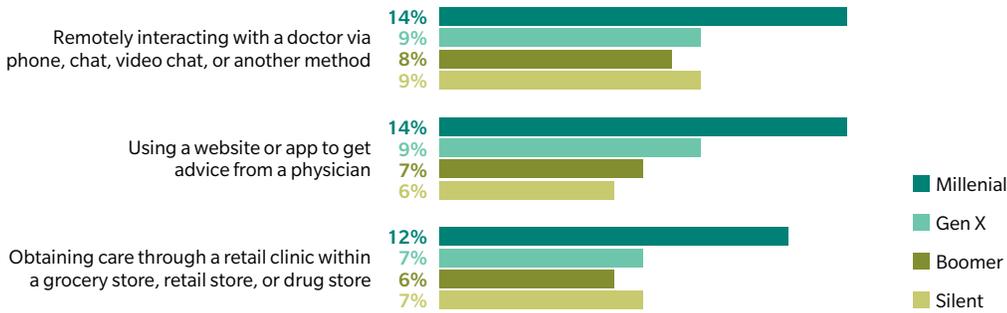
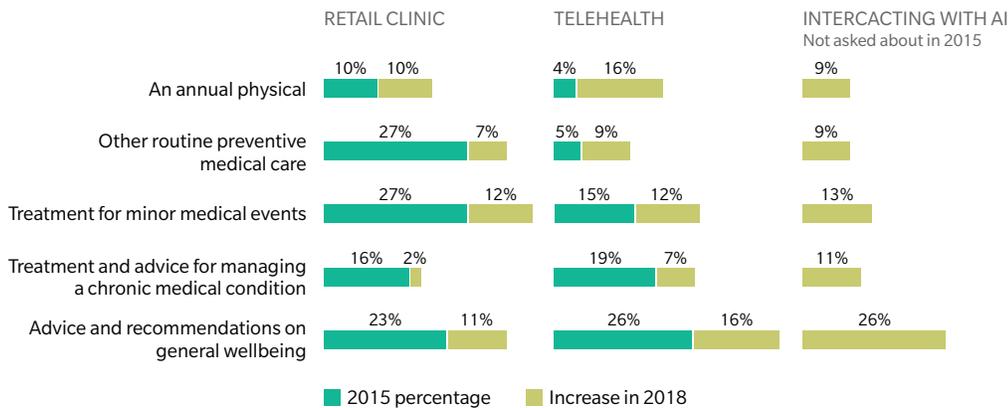


EXHIBIT 3: OPENNESS TO THE NEW FRONT DOOR HAS GROWN DRAMATICALLY IN THE PAST 3 YEARS

WOULD YOU CONSIDER RECEIVING THESE HEALTH AND WELLNESS SERVICES IN THE FOLLOWING LOCATIONS OR MANNERS?



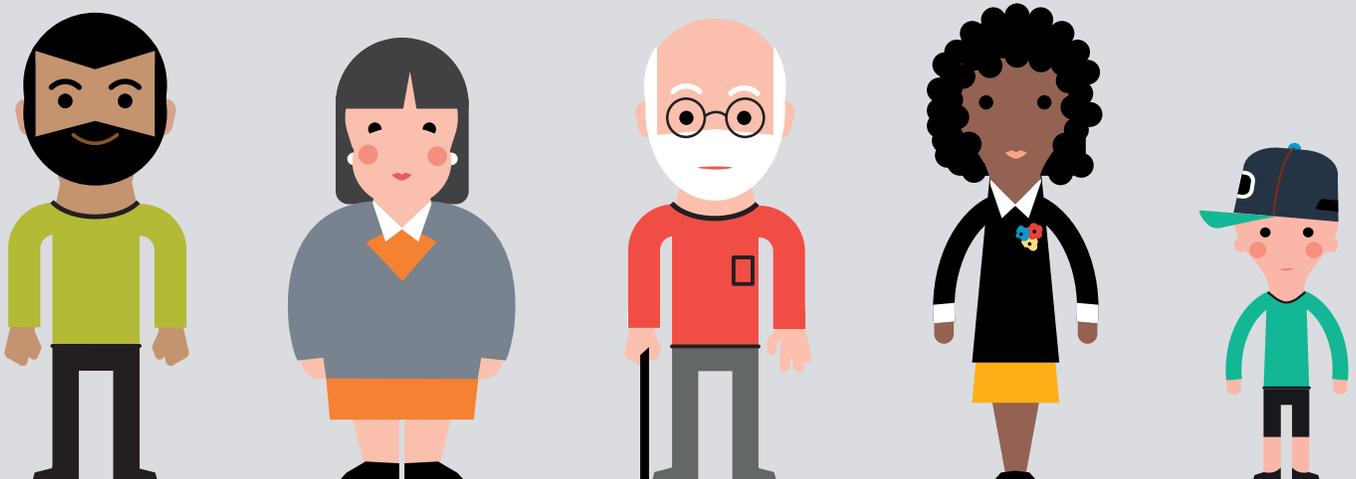
INSURANCE: WHEN CONSUMERS CHOOSE A PRODUCT THEY DON'T LIKE

Oliver Wyman's 2018 Consumer Healthcare Survey revealed numerous disconnects between what consumers want and what the healthcare system offers them. The most striking disconnect was in regard to health insurance, specifically high-deductible health plans (HDHPs).

Consumers don't want HDHPs. When we described two insurance approaches to them, half said they preferred a plan that costs more upfront but guarantees low out-of-pocket medical costs through the year; only 21 percent preferred a plan that costs less upfront but could result in high out-of-pocket expenditures throughout the year.

There were some differences by demographics: Younger respondents were somewhat more likely to choose an HDHP, if only because fewer of them said they were unsure which type of plan they preferred. Patients with chronic diseases, predictably, were more likely to choose plans that minimize out-of-pocket expense. But the differences were small.

And what kind of insurance do consumers actually buy? Overwhelmingly HDHP – with the Centers for Disease Control and Prevention reporting more than 40 percent of consumers have that sort of plan. The reasons are not clear. Employers or the high cost of traditional insurance may be pre-empting choice. Or consumers may not be clear on what they are purchasing until they are already locked into a plan. But clearly today's insurance products are out of sync with consumer wishes.



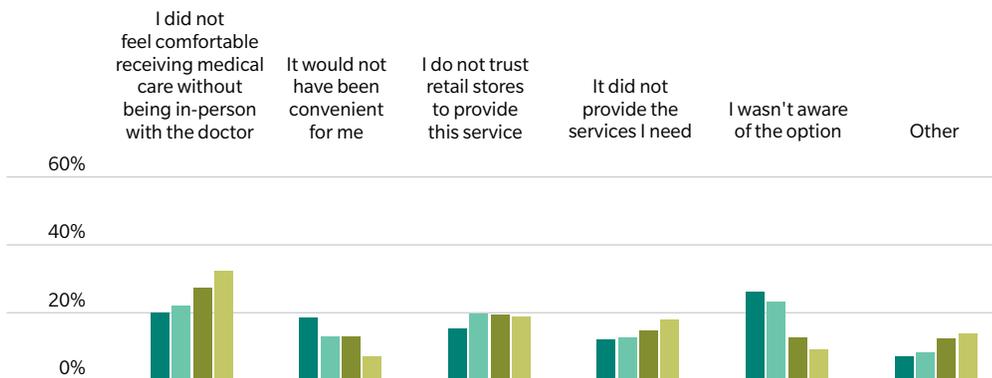
MORE COMFORTABLE – BUT NOT YET COMFORTABLE ENOUGH

The strong positive reactions of those who have tried the new front door suggest that quality is not the issue keeping potential patients away. If that is so, then what is? What prevents consumers from trying a lower-cost, more convenient approach to basic care (which is also, crucially, a gateway to broader, more transformative innovations)?

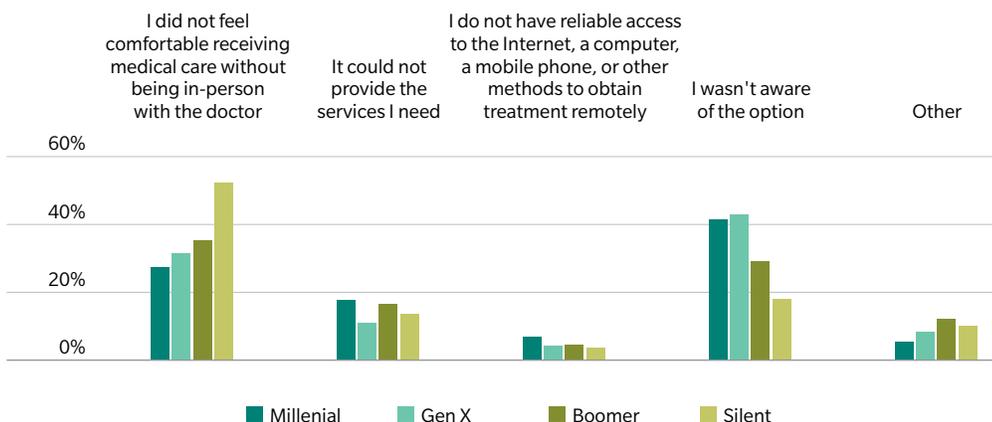
In our survey, we asked respondents who could have used a retail clinic or telehealth but didn't for the most important factor that held them back. The answers (shown in Exhibit 4) were a mixed bag, in which only two stood out, with more than 20 percent of respondents citing them. For the youngest age cohorts, the reason was they were unfamiliar with the option. The older group said they were uncomfortable with the idea.

EXHIBIT 4: LACK OF AWARENESS AND DISCOMFORT ARE THE PRIMARY REASONS CONSUMERS HAVE NOT USED THE NEW FRONT DOOR

YOU INDICATED THAT YOU HAVE NOT VISITED A RETAIL CLINIC. WHY NOT?



YOU INDICATED THAT YOU HAVE NOT USED TELEHEALTH. WHY NOT?



Over 80 percent of individuals are at least fairly confident in the advice their doctor offers, with 42 percent saying they trust their doctor's opinion without question.

This lack of comfort varies, depending on the type of care consumers are considering. Consumers are generally less willing to receive care through the new front door for services based on longer term, recurring relationships, such as an annual physical or management of a chronic condition, but are more willing to for simple transactional services, such as treatment for minor medical events.

This suggests hesitance around use of the new front door is driven not by a lack of quality, but by a lack of faith that it can support the close connections and long-term relationships healthcare consumers are looking for. A number of questions in our survey attempted to gain deeper insights into various aspects of comfort and trust. The answers we received showed an interesting – and important – ambivalence.

WHO DO CONSUMERS TRUST? AND FOR WHAT?

Consumers don't think well of the healthcare industry in the abstract. We used consumer responses to calculate net satisfaction for a number of industries. (A net satisfaction ranking is expressed as a number between -100 and 100. Consumers were asked how likely they would be to recommend a company on a 0-10 scale. When many people say they are highly likely to recommend the company, rating it 9 or 10, the company score is highly positive. When people are lukewarm or actively negative, rating the company 6 or below, the score becomes negative.) At the top of the list were retailers and tech companies. Retail pharmacies were in the middle of the pack, and health insurers and hospitals were at the bottom, with scores hovering around zero, dozens of points below retailers and tech.

Put the question another way, and the answer changes. For example, over 80 percent of individuals are at least fairly confident in the advice their doctor offers, with 42 percent saying they trust their doctor's opinion without question. And when we asked consumers who they trust to provide a variety of health-related services (even non-traditional ones), doctors were the top choice by a wide margin (See Exhibit 5). For example, we asked: "Who would you trust to provide monitoring of your health and wellness through wearable technology?" Respondents were far more likely to choose their primary care physician, and much less likely to choose a mobile app or social network. And those retailers and tech companies that scored so well on net satisfaction? They were chosen by only 1 or 2 percent of respondents.

Trust is partly a matter of believing a healthcare provider can and will provide the right sort of care. But it is also an issue of expecting the provider to respect privacy and behave with integrity. To assess how consumers felt about those issues, we asked them about their willingness to share personal information, regarding both health-related and more general purchase-related data. Our findings in Exhibit 6 suggest a (surprising) willingness from all types of consumers to share data – but the results differed sharply depending on what they perceived they were getting in return. Nearly two in three respondents would be willing to share personal health information to ensure they received the highest quality possible medical care. Over half would be willing to share personal health information to receive services more tailored to their situation. Interestingly, less than 40 percent were willing to share personal health information to receive health services for a cheaper price.

Over half would be willing to share personal health information to receive services more tailored to their situation.

EXHIBIT 5: CONSUMERS TRUST THEIR DOCTORS BY A WIDE MARGIN

EXAMPLE SERVICE: WHO WOULD YOU TRUST TO PROVIDE MONITORING OF YOUR HEALTH AND WELLNESS THROUGH WEARABLE TECHNOLOGY?

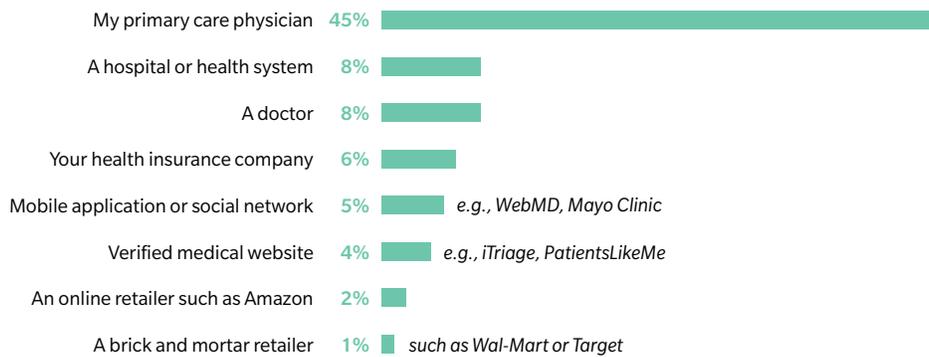
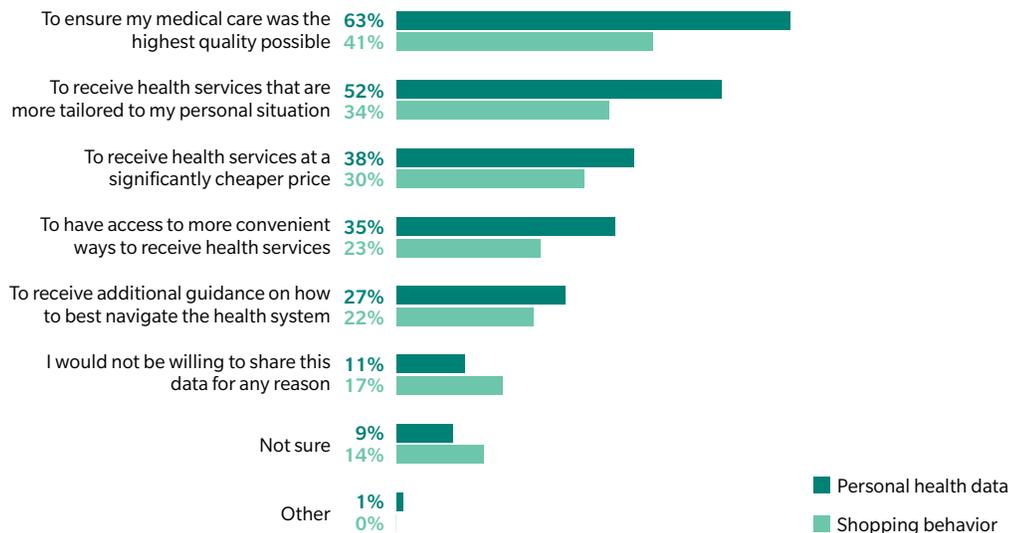


EXHIBIT 6: CONSUMERS ARE QUITE WILLING TO SHARE DATA, AS LONG AS THEY VALUE WHAT THEY ARE GETTING IN RETURN

WHICH OF THE FOLLOWING REASONS WOULD YOU BE WILLING TO SHARE PERSONAL HEALTH INFORMATION/GENERAL PURCHASING DECISIONS?

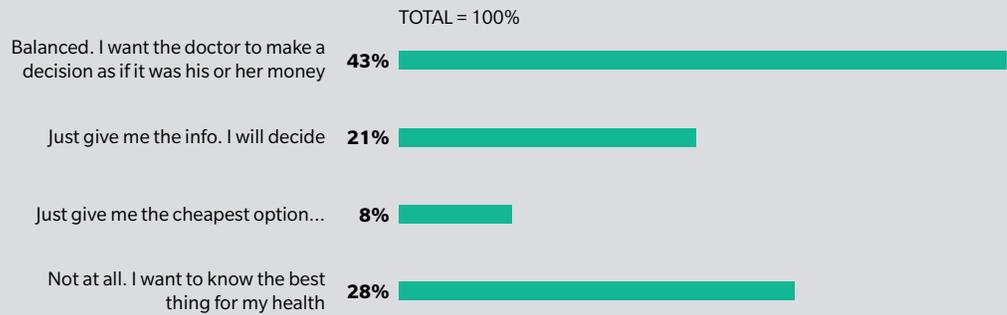


PATIENTS TO DOCTORS: CONSIDER COST

Physicians have long been trained to give their patients the best treatment and to not limit care to save money. But as costs for some treatments have become unaffordable even for patients with insurance, some specialties have begun to look for ways to become more cost conscious while still putting patients first. Our survey suggests many patients will back the effort.

We asked, “When you make a medical decision, how do you want your doctor to include the cost of that decision in his or her recommendation?” A plurality (43 percent) selected: “Balanced. I want the doctor to make a decision as if it was his or her money.” In second place was the traditional answer: “Not at all. I want to know the best thing for my health.” In general, younger respondents were more likely than older respondents to select the balanced option.

WHEN YOU MAKE A MEDICAL DECISION, HOW DO YOU WANT YOUR DOCTOR TO INCLUDE THE COST OF THAT DECISION IN HIS OR HER RECOMMENDATION?



GIVING CONSUMERS WHAT THEY WANT

Given the importance of trust, plus the relatively transactional approach consumers seem to take – trusting more where they feel they are getting more in return – it is crucial to know what consumers want out of the healthcare system.

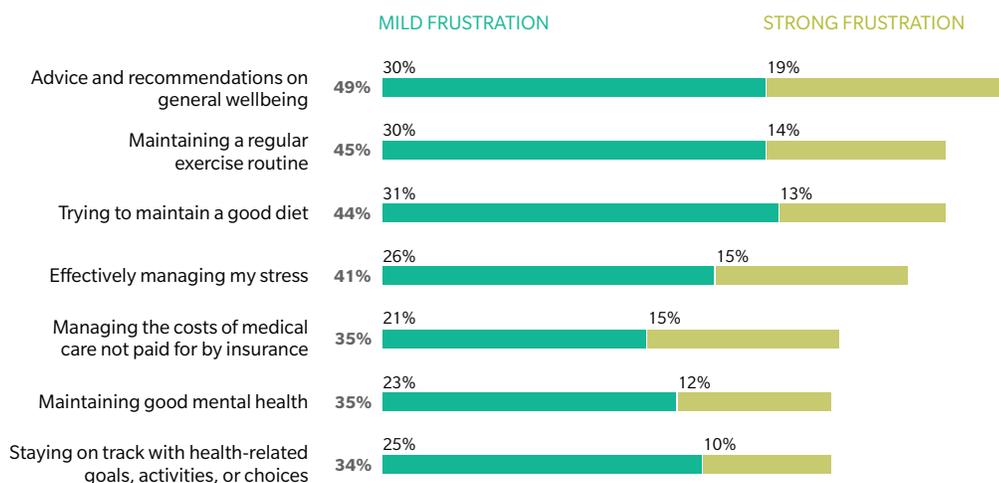
When we asked consumers about their strongest frustrations, cost and convenience (predictably) came up, with more than one-third of respondents noting at least mild frustration with managing their medical care costs. A slightly smaller number was frustrated with their inability to obtain healthcare in a “timely and convenient way.” See Exhibit 7.

But neither of these concerns was top-of-mind for consumers. Cost was number five on the list; convenience didn’t come up until number 11. Instead, consumers were far more likely to cite frustrations with their core health and wellbeing, and strive to take care of their minds, bodies, and spirits. One in two individuals cited frustration with getting a good night’s sleep. Similar numbers demonstrated frustration about maintaining an exercise routine or good diet, and unhappiness with stress management.

Addressing these frustrations falls outside the scope of traditional healthcare organizations. Incumbents know they need to better serve the broad range of their consumers’ needs, but are challenged to describe a return on investment within the current business model.

EXHIBIT 7: CONSUMERS’ HIGHEST FRUSTRATIONS RELATE TO THEIR GENERAL PHYSICAL AND MENTAL WELLBEING

OVER THE LAST 12 MONTHS, HAVE YOU OR A MEMBER OF YOUR IMMEDIATE FAMILY EXPERIENCED FRUSTRATION WITH ANY OF THE FOLLOWING? (TOP 7 RESPONSES)



The survey showed the importance of understanding the balance across what consumers already trust, might learn to trust, and the power of aligned incentives.

However, there are likely some concrete, near-term benefits in addressing these frustrations, as consumers are willing to pay for services that would deal with aggravations. More than one-third would pay at least a little for a solution to a mild frustration, and over a half would pay at least a little for a solution to a strong frustration. Consumer willingness to pay was concentrated across certain generational segments, with millennials most willing to pay for additional services.

We also noticed those responsible for the care of others see value in services to address their frustrations. Nearly half of caregivers would pay to address even mild frustrations, compared to one-third of non-caregivers.

MEETING HEALTH'S NEXT CHALLENGE

The survey reveals the need for companies to balance the idea of trust with serving real consumer desires and needs. On the one hand, things can be done to build consumer trust by building on trusted relationships – especially primary care provider relationship. On the other hand, there are opportunities to build new relationships by offering services that are not well addressed in the traditional healthcare marketplace. The industry has made inroads offering speed and convenience, but more needs to be done.

The survey's findings outline what those relationships could be. There is a clearer picture of the obstacles and opportunities that the battered, but surprisingly durable, health industry faces in its evolution toward something more sustainable and effective. It shows the key lies in understanding the balance consumers perceive between what they already trust, what they might learn to trust, and the incentives – not just in cost and convenience, but in solving pressing concerns health organizations have not addressed. The new health services landscape becomes much more attractive if it provides new benefits for consumers. We need to spend much more time figuring out what those benefits need to be.

ABOUT THE SURVEY

The online questionnaire was fielded in the United States in July 2018, gathering 2,509 responses. The people polled all have insurance coverage, ranging from government programs such as Medicare and Medicaid to those who are insured individually or are insured through an employer or union.

There is a cross-section of ages, including 33 percent who are millennials, 26 percent Gen X, 36 percent baby boomers, and 5 percent born in 1945 or earlier. There are almost equal numbers of men and women. Thirty-nine percent of the respondents live in households with annual income of \$75,000 and above. Eighteen percent have household income of \$50,000 to \$75,000. The types of household run the gamut from people living alone to families with children.

Two important segments of the population were polled: 42 percent are caregivers and 38 percent have a chronic health condition that requires regular treatment.

The respondents were asked what types of medical care they had received in the past year. Seventy-one percent had visited a primary care physician, 44% had been to a specialist, 64% had taken a prescription drug, and 10% had been admitted to the hospital. Of those who take prescription drugs, 25% have only one prescription, 20% have two, and 55% have 3 or more.

ABOUT OLIVER WYMAN

Oliver Wyman is a global leader in management consulting. With offices in 50+ cities across nearly 30 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm has more than 5,000 professionals around the world who help clients optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC], the world's leading professional services firm in the areas of risk, strategy and people. Marsh is a leader in insurance broking and risk management; Guy Carpenter is a leader in providing risk and reinsurance intermediary services; Mercer is a leader in health, wealth and career consulting; and Oliver Wyman is a leader in management consulting. With annual revenue of more than \$14 billion and nearly 65,000 colleagues worldwide, Marsh & McLennan Companies provides analysis, advice and transactional capabilities to clients in more than 130 countries. The Company is committed to being a responsible corporate citizen and making a positive impact in the communities in which it operates. Visit www.mmc.com for more information and follow us on LinkedIn and Twitter @MMC_Global

Oliver Wyman's Health & Life Sciences practice serves clients in the pharmaceutical, biotechnology, medical devices, provider, and payer sectors.

Oliver Wyman launched the Health Innovation Center (OWHIC) in 2011 dedicated to promoting positive change in healthcare. OWHIC champions innovation by disseminating proven innovations; envisioning market-based solutions to today's and tomorrow's challenges; and establishing a cross-industry community of thought-leaders to share and shape ideas.

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