

TOP 10 HEALTHCARE TRENDS: 2014

Prepare for a tumultuous year as market reforms, technology advances and consumer expectations raise the stakes for healthcare companies

How important is healthcare? In 2013, the national healthcare debate shut down the U. S. government! As 2014 looms large and strategic action plans are formulated, what's on the radar screen of leading healthcare companies? With competitive rivalry and econopolitical tension at an all-time high, it's critical to keep a sharp eye on how strategic decisions are informed and tactics implemented. Why? Growth, profitability and brand position depend on it.

Following are the top ten healthcare trends to watch in 2014. Use them to strengthen your enterprise's future vision and gauge short-term tactical direction.

1

OBAMACARE 2.0

With the hype of Marketplace exchanges going live in 2013, much of the next 12-18 months will be spent stress testing the Affordable Care Act (ACA). Behind the scenes, there are improvements to be made and glitches to be fixed: public/private integration, technological and administrative repairs, product mix refinements, user experience streamlining, and of course "unknown unknowns" that accompany any new program as vast as Obamacare.

Health plans will need a robust post-enrollment learning agenda to understand which customers entered the market, who stayed out, how they

shopped and what their risk mix looks like. On the competitive front, 80 new market entrants showed up, from newly authorized CO-OPs to provider-sponsored Plans to expanding Medicaid managed care companies.

For consumers, it's not a "build it and they will come" proposition. In an ACA marketplace defined by personal responsibility, it's the consumer's obligation to deal with intimidating, complex benefit and health care decisions. If we ask customers to step up and take control of their healthcare destiny by making upfront benefit and medical choices and ask them to stay involved throughout care delivery, they need to be educated and supported as they navigate through these delicate decisions.

Will ACA be successful? Who knows. Detractors claim operational complexities, people gaming the system, and consumers' inability to shop for health insurance make it unsustainable. Promoters argue that with 48 million Americans without health insurance, don't underestimate Americans' ability to manage a healthcare budget, comparison shop, and purchase what's right for them. Backing up these claims, advocates point to the escalating popularity of health benefit private exchanges among large employers (employee uptake is estimated to top 39 million in five years).

KEY STAT: Guesstimates for 2014 have 7 million people enrolling through government Marketplaces receiving approximately \$23 billion in subsidies.

2

RISKY BUSINESS

If only half of health reform's promise of access to care for the uninsured comes true, we will see millions of underserved, high-risk health care consumers with unmanaged illness enter the insurance and medical delivery systems. For insurers, elimination of pre-existing condition exclusions and tight pricing parameters threaten profitability and have actuaries in panic mode to reengineer risk management toolkits.

For providers, who last year doled out \$41 billion in uncompensated care (bad debt + charity care), post reform means figuring out how to optimize public payment levels and rethink population management tactics. As millions of ailing patients with shiny new health insurance ID cards and pent-up demand start showing up at doctors' offices and hospitals, many predict that we will quickly exceed capacity of the existing clinical infrastructure, exacerbating today's primary care shortage. Expect to see a surge in retail clinics (one national chain reports 17 million patient visits), urgent care centers, online physician consultations, patient-facing nurse practitioners, and new technologies to extend medicine's reach.

KEY STAT: If you are uninsured and diagnosed with cancer, you have a 60% greater chance of dying than if you were insured.

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QUALITY MATTERS

Providers of healthcare are putting skin in the game. Pay-for-performance reimbursement, from basic risk sharing to episode of care and bundled payments, are rapidly moving healthcare toward outcomes-based financing system — incentives and on disincentives based on quality of care delivered and patient clinical results. This goes beyond hospital readmissions and infection rates. Medical errors kill more people each year than breast cancer, AIDS or motor vehicle accidents.

Four trends will dominate in 2014:

1) Growth of Accountable Care Organizations (ACOs), a payment and care delivery scheme that ties provider reimbursement to quality metrics and reductions in the total cost of care for a group of patients;

2) Adoption of Medical Home, a patient care model with a "whole person" orientation toward coordinating medical needs across all components of a patient's care community, across all stages of life and across the care continuum: primary, acute, chronic, wellness, prevention, end-of-life;

3) Large hospital systems will continue to acquire physician practices (today, 1 in 4 specialists is a hospital employee) and become licensed health insurers selling directly to consumers to give them control of the complete patient lifecycle, and;

4) Formal quality standards to measure and quantify healthcare processes (safety, timeliness, efficiencies), clinical outcome metrics, medical Board certification, and patient-centeredness will become the norm for helping consumers evaluate payers and providers.

KEY STAT: There are 488 Accountable Care Organizations accessible by an estimated 40 million patients.

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CHRONIC AMERICA

In the next five years, 17 million baby boomers will turn 65. As the population ages, chronic medical conditions will consume more and more health care resources...they account for \$3 out of every \$4 of the country's \$2.8 trillion health care bill, and they are the cause behind 7 out of every 10 deaths. Management of chronic medical conditions is vital to our healthcare system's long

term survival. For example 70% of Americans take at least one prescription drug (50% take two and 20% take five or more).

The future of chronic care management is built around a pursuit of “patient centeredness”— comprehensive care that is accessible, continuous and family-centric supported by a partnership among practitioners, payers, patients, families, and caregivers. It’s the recognition that healthcare is local and relies on integrated data that gives the patient’s front-line providers information and tools to effectively manage an individual’s care. Next generation care management must be grounded in evidence-based clinical practices, predictive outcomes modeling, patient engagement, and multi-disciplinary professional collaboration.

KEY STAT: By 2030, people over 65 will represent 19% of the population and among this group, 43% have three or more illnesses, and 23% have more than five.

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BEHAVING HEALTHY

With 44 million Americans still smoking, 78 million adults and 13 million children classified as obese, 25 million diabetics and 79 million pre-diabetics, and over 20 million people on statins, we’re a nation in need of help. It’s time for consumers to change their health attitudes and behavior. Over half of employers with 50 or more workers offer a health improvement program.

Workplace wellness has become a \$6 billion industry in the U.S. Employers know that healthier employees will not only reduce healthcare costs, but lower absenteeism, result in more energetic employees and create better workforce retention. And, with healthcare costs rising much faster than wages, employees are searching for ways to reduce personal health expenditures. Out-of-pocket healthcare expenses not covered by private or government insurance

are over \$300 billion nationally. Consumers get it — better health, living longer and less stress due to poor health habits has its rewards!

Expect wellness programs to continue gaining traction in 2014. They are quickly morphing from simplistic extrinsic reward programs to hi-tech performance-driven platforms, often linked by personal “wearable tech” tracking devices and supported by social networks where self-improvement is the common goal.

KEY STAT: On average, corporate wellness programs realize an ROI of \$5 for every \$1 invested and reduce sick leave by 27%.

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GOOD DATA

While traversing the national debate on data security and privacy, healthcare companies’ ability to gather, analyze and interpret consumer data is a game changer. It allows payers and providers to understand variations among audience segments to develop a complete snapshot or “single view” of their most valuable (and most vulnerable) customers, regardless of whether you call them members, beneficiaries, policyholders or patients. Data mining helps diversify product portfolios and refine marketplace outreach. Predictive consumer insights — core demographics, purchasing habits, lifestyle or lifestage attributes, and health attitudes and behaviors — create tighter, better managed engagement strategies. And, the more enriched intelligence you have about existing customers — what’s important to them, who’s at risk of leaving, who they’re talking to, and what they’re saying — the more customers you will keep. Loyalty equals LifeTime Value, which translates into sustainable profitability.

Until now, the healthcare consumer lifecycle has most often been viewed as series of disconnected events or transactions, generated from fragmented organizational silos. Integrating

data from across the enterprise enables a cross-functional approach to communication that fosters a more personalized, lower-cost customer relationship to achieve true 360° member engagement.

KEY STAT: The amount of data consumed by households each day is 375 megabytes; the daily amount processed by Google is 24 petabytes.

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RETAILIZATION

Let's face it, on a good day, healthcare is a confusing, bureaucratic mess. Benefit standardization, regulatory constraints and price transparency are commoditizing markets and neutralizing brands. As a result, health insurers need to refresh their approach to customer acquisition and retention. Across generations, millions of individuals are now on their own shopping for coverage and migrating between market segments – On/Off Exchange, In/Out Medicaid, Uninsured/Insured.

The retailization of healthcare means consumers are in control: budgeting health benefits, choosing provider networks, navigating care delivery, and recommending preferred companies. Like any well-functioning retail marketplace, those that dominate will combine the art of marketing with the science of data analytics to find the right person at the right time and access them through the right channel using the right message, at every stage of the customer lifecycle. In this new age of healthcare customer personalization, "bespoke marketing" will rule the day.

KEY STAT: U.S. advertisers are expected to spend \$178 billion in 2014 with television leading the way and digital ads representing about one-fifth of the total.

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MOBILE HEALTH

Healthcare like most industries recognizes that today's consumer has a mobile mindset — an expectation that any desired information or service is available on any device at a person's moment of need. Almost a quarter of Facebook's 1 billion users are "mobile only". It's almost three times that for Twitter. Mobile is rapidly growing as the most important channel throughout the customer journey. For Millennials, who send an average 88 texts per day, mobile isn't an activity it's a lifestyle — it's their way of connecting. Roughly one third of patients use their mobile devices or tablets on a daily basis for health research and/or to book appointments.

From a care delivery perspective "mHealth" is an exploding category. It includes both connected medical devices (monitors and trackers across a range of conditions from diabetes to sleep apnea to cardiac) and healthcare applications (exercise, weight loss, medication compliance or medical reference). Over the next five years, it's expected that 13 million wearable connected devices will be integrated into wellness plans. Communication between patient and provider is no longer a one-way monologue, but rather a data-driven, personalized interactive dialogue that's portable.

KEY STAT: Only 20% of consumers' time on mobile devices is spent on the Web. Eighty percent is spent in apps: games, news, productivity, utility and social networking.

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SOCIALNOMICS

Social media cuts across every customer segment and every aspect of the customer relationship, from brand awareness to acquisition to activation to loyalty. Is healthcare there yet? No, but what sector truly is? Socialnomics in healthcare is

moving fast. Think about where we are today: 55% of Americans age 45-54 have a profile on a social networking site; YouTube reaches more 18-to-34 year olds than any cable network; there are 500 million Tweets every day; and every second, two new people join LinkedIn's 238 million user base. Healthcare companies are using social media to generate new business leads, while others are using it to establish more intimate customer service relationships.

Companies are creating consumer communities for connection, collaboration and communication. Patients are bonding with their network of providers, and wellness programs are deploying social apps for activity and calorie tracking with inspiration coming from healthcare-based rewards to gamification. And, patient-to-patient dialogue has never been greater through social health networks such as PatientsLikeMe, MedHelp, DailyStrength, and CureTogether.

KEY STAT: While 61% of health consumers trust information coming from doctors via social media, it drops to 55% for hospitals, 42% for health insurers and 37% for drug companies.

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CUSTOMER CENTRICITY

It's the new selling. The cost of acquiring new customers is three to six times that of retaining existing ones. Across payers, providers and big pharma engaging healthcare consumers with a superior, loyalty-based user experience will be the differentiator separating winners from losers in 2014. Best practices will be driven by customer insights, relevant content/relevant channels, cross-functional metrics, and most importantly, championed by the C-Suite. Tomorrow's healthcare customer will be in control, talking about you, reviewing you, price checking you and recommending you (or not). They will have an abundance of choice and their experience as your customer will determine value as well as what your brand stands for.

Every customer touchpoint throughout the lifecycle must be managed to drive an integrated communication stream that deepens engagement and improves loyalty. And in healthcare, unlike transactional retail markets, loyalty must be focused on interactions enabling companies to leverage individual motivators as well as emotional and rational drivers of customer engagement.

KEY STAT: An estimated \$83 billion is wasted each year in marketing spend due to poor customer experience.

Everyone agrees that 2014 will see fast-paced action and, no doubt, unforeseen market-driven surprises. Keep a close watch on big trends impacting your business and take a proactive approach to managing change. As the saying goes... "There are decades when nothing happens and there are weeks when decades happen."

ACTIONABILITY

Putting a lens on the future is an important first step in bringing strategy to life. Trendwatching is great, but now what? Making information actionable is critical for success. Here are 10 action ideas to consider as you evaluate 2014's top healthcare trends within your organization.



OBAMACARE 2.0

Entrepreneurship trumps bureaucracy. Track and analyze key take-aways from early ACA enrollment experience (internally and competitors) to make in-market adjustments over the next 6-12 months. Evaluate prospect acquisition and customer retention efforts: what worked well, what didn't and what needs to happen.



RISKY BUSINESS

Risk management and capacity challenges going forward require an integrated data strategy that crosses organizational fiefdoms and forces information to be used to define Key Performance Indicators needed to run the enterprise. If you can't measure it, you can't manage it.



QUALITY MATTERS

High performance healthcare is built around connections among payers, providers, patients and family. Measurable clinical outcomes mean establishing tight controls around product mix, business processes, corporate governance, and clinical standards. It also means C-Suite commitment to new models of financing, care delivery and customer engagement.



CHRONIC AMERICA

Patient-centered chronic care management is the only way to successfully "bend the cost curve" (industry lingo for slowing growth of health care spending). It takes oversight and education to help patients understand their condition and motivate them to be proactive with their therapies in to improve quality of life.



BEHAVING HEALTHY

Effectively influencing healthcare consumer behaviors and attitudes takes a new alignment: CMO² – Chief Medical Officer and Chief Marketing Officer. Create a practical "medical marketing" approach that combines principles of direct response (get people to raise their hand) and evidence-based bedside manner (patient rapport built around medical excellence).



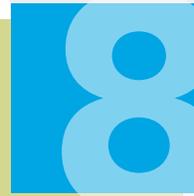
GOOD DATA

Good data translates into better returns on marketing and customer management investments. The trick is how data is organized, managed, analyzed and interpreted. A successful data strategy also needs customization based on markets served, product portfolio, existing technology platforms, and most of all it's about actionability – turning data into insights and insights into results.



RETAILIZATION

Engage consumers as they take on their new roles of benefits shopper, healthcare budget manager, and care delivery decision-maker. Leverage lessons learned from other retail verticals: deepen relationships with existing customers, expand customer base through measurable direct marketing, and bolster communication to augment sales and enhance loyalty.



MOBILE HEALTH

A growing number of your customers carry you in their pocket everyday and want instant fingertip access. Make sure you're there when they need you. All too often, speed to market can result in a "crapapplication" so pay attention to mobile's three "Rs"—relevance, reliability and relationship: content that is compelling, navigation that is user friendly, and tools that facilitate a conversation with customers.



SOCIALNOMICS

Measure your company's social engagement. As social strategies mature, tracking brand performance in social networks means monitoring real-time information about a brand's reach (how many express interest) and engagement (degree of involvement and interaction). And you better be watching your competitors too!



CUSTOMER CENTRICITY

Improve customer LifeTime Value and achieve superior user experience by starting with an understanding of the current state. Use a cross-functional touchpoint analysis to document every member interaction to construct a process map of customer engagement and a data map that describes what, when and where customer data is captured.

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KBM Group: Health Services is a healthcare and insurance marketing and customer engagement agency that combines its proprietary national consumer database with sophisticated predictive analytics to drive direct-to-consumer marketing campaigns. Wunderman's KBM Group is part of WPP, a \$16.5 billion global holding company with an extensive network of marketing, advertising and communication resources.

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