

Future Generations Will Value “Wellness” over “Healthcare”



ECG's
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SERIES

Part 5





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The Demographics Don't Lie

Demographics do not define consumers or reduce them to simple stereotypes, but a generation's unique needs, biases, and behaviors are worth considering in the development and marketing of consumer-driven healthcare services. Sometime in 2019, Millennials (born 1981 to 1996) surpassed Baby Boomers (born 1946 to 1964) as the largest US generation; then by 2020, in just under a year, Generation Z (born 1997 to present) outgrew the Millennial generation by nearly four million.¹ By the end of the next decade, Millennials will account for the country's largest consumer segment.² At that point, one in five Americans will also be at retirement age as Generation X (born 1965 to 1980) begins to phase out of the workforce.³

These numbers are staggering. The demographics of our population are dramatically shifting.



 This paper is the fifth in a series of five ECG strategic perspectives on the changing dynamics of the US healthcare system.



Consumers Drive Decisions

By 2030, the average consumer will be highly educated, racially and ethnically diverse, upbeat about their financial future, health conscious, and technologically savvy.⁴ Contributing to the diversity of tomorrow's consumers, 43% of Millennials are nonwhite, a larger share than any preceding generation.⁵ The shift in the consumer persona will precipitate distinct behaviors, service demands, and convenience expectations that will fuel a shift toward valuing wellness over healthcare.

Both the young and old generations are already demanding more and will continue to push the envelope. Due to higher levels of education and access to on-demand information via technology, these generations will be more empowered to question established principles of medical care and demand greater attention to their own definitions of health-related quality of life than their elders. In a 2017 study conducted by Aetna on consumers over the age of 18, patients agreed their primary care physician should have familiarity with their mental health history (86%) and ability to handle stress (84%).⁶ Likewise, the more tech-savvy consumers, who will have recently braved a global

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pandemic, will demand online services in the form of telehealth and mobile applications that they became accustomed to during that time. Even Baby Boomers, whom health professionals previously thought of as unlikely to embrace digital health platforms, say they would use telehealth for their chronic disease management (61%).⁷ The more convenient, minimally high-touch, and faster the service in their eyes, the better. This trend preceded the pandemic, when Forbes identified personalized healthcare with features such as telehealth, text for triage, and flexible care options for transient populations as consumer innovations to watch for in 2020.⁸ Healthcare organizations should be proactive in recognizing and addressing this shift toward consumer-driven services.

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The more health conscious among the Baby Boomers, Millennials, and Generations X and Z populations will be knowledgeable about the various contributing factors to their overall well-being, outside of physical health. As a result, they will take ownership of their preventive health and share this information with their healthcare provider. Even more so, one in five Millennials say they cannot afford their basic healthcare expenses but will spend money on and take advantage of wellness services, so services such as mental health, chiropractic, massage therapy, and acupuncture will be in high demand as more and more Americans seek "self-care."⁹ Some Americans have already determined it is more beneficial to stay healthy and invest in wellness expenses. Today, the average American spends \$155 a month, or approximately \$1,800 per year, on supplemental health and fitness services, with many spending more.¹⁰ Not surprisingly, this spending and demand for wellness services will become even more prevalent with the demographic shifts over the next decade.

WHY A TELEHEALTH REIMBURSEMENT STRATEGY IS IMPERATIVE

As telehealth expands, providers will see fewer in-person visits and more telephone visits, virtual check-ins, or e-visits, all of which receive much lower reimbursement relative to standard evaluation and management (E&M) visits.

For example, take two E&M visits—one conducted face to face, one conducted via telephone—both with durations of roughly 25 minutes (see figure 1). Telephone E&M visits receive less than half the reimbursement of an in-person or qualified telehealth visit per Medicare’s standards. As long as the reimbursement continues to heavily favor standard in-person office visits, physicians and their practices will not be incentivized to adequately scale their telemedicine services, unless they can create a different revenue model. A primary care subscription model may be an answer to this imperative and a way for health systems to fundamentally change their relationship with consumers (see figure 4).

DIFFERENCE IN MEDICARE PAYMENT FOR IN-PERSON AND TELEHEALTH VISITS

CODE	DESCRIPTION	ESTIMATED MD TIME REQUIREMENT	MEDICARE PER VISIT PAYMENT
99213	Face-to-face E&M Visit	~25 minutes	\$110.43
99443	Telephone E&M Visit	~25 minutes	\$41.14

Figure 1: Difference in Medicare Payment for In-Person and Telehealth Visits



Shifting from Health to Wellness

Eating a balanced diet, exercising frequently, and scheduling regular doctors' visits are active choices that have long been known to lead to a healthier life; yet most traditional healthcare providers are not currently aligned to provide services to help us get there. Instead, healthcare providers are largely utilized by those with health-related needs—maybe the patient has a predisposition to heart disease or diagnosis of type I diabetes at an early age—or for addressing acute care needs such as respiratory

infections or minor injuries. As future generations' behaviors, service demands, and convenience expectations push the healthcare system toward a wellness mindset, this outdated and limited perspective on health ceases to succeed as a stand-alone model (see figure 2).

Historically, health has been rooted in problem solving and thus focused on acute or immediate medical care or treatment; however, the World Health Organization (WHO) challenges this presumption and states that health is "not merely the absence of disease or infirmity"; it is also a "complete state [...] of social well-being."¹¹ Health providers today are widely successful at addressing physical health and heading

THE DIFFERENCES BETWEEN HEALTH AND WELLNESS












Health		Wellness
OUTCOME-BASED	 GOAL	PROCESS-BASED
NARROW	 SCOPE	MULTIDIMENSIONAL
TREATMENT OF DISEASES	 APPROACH	BALANCED HEALTHCARE LIFESTYLE
✓	 PHYSICAL	✓
✓	 MENTAL	✓
✗	 EMOTIONAL	✓
✗	 SPIRITUAL	✓
✗	 SOCAL	✓
✗	 ENVIRONMENT	✓

Figure 2: The Differences between Health and Wellness



toward a more effective model of mental healthcare but often are more reactive in disease treatment rather than proactive in prevention of chronic issues. Tomorrow's consumers will not accept such a limited definition as absence of illness and will instead consider whole-body wellness as a minimum standard. Given their reluctance to spend on routine healthcare, Millennials are particularly focused on the shift toward a wellness model where preventive measures become the priority, and 54% say taking actions to care for physical, mental, and emotional health is a top priority.¹²

Tomorrow's consumers are already defining their needs more in line with how the National Wellness Institute defines wellness, which centers on six dimensions:¹³

- | | |
|--|---|
|  <p>PHYSICAL:
A healthy body through exercise, nutrition, sleep, etc.</p> |  <p>SPIRITUAL:
Our search for meaning and purpose in human existence</p> |
|  <p>INTELLECTUAL:
Engagement with the world through learning, problem solving, creativity, etc.</p> |  <p>SOCIAL:
Connecting with, interacting with, and contributing to other people and our communities</p> |
|  <p>EMOTIONAL:
Being in touch with, aware of, and able to express one's feelings (and accept those of others)</p> |  <p>OCCUPATIONAL:
Recognizing personal satisfaction and enrichment in one's life through work</p> |

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The future healthcare consumer will demand more than the physical and mental amenities of today's healthcare framework. There will be interest in the holistic nature of wellness. For an empowered, financially optimistic, and educated consumer, health systems' current focus on "health" will not be enough. Successful health systems will need to support the whole person, including all six wellness dimensions. How will the current physical health-centered healthcare system adapt to meet these needs?

A healthcare system that serves the changing tides of these consumers will involve leaders, practitioners, approaches, and offerings that are hyperfocused on the six dimensions of wellness.



Three Actions Health Systems Should Take

1

NEAR TERM:

Implement a Consumer-Facing Digital Strategy

Health systems have been struggling for years to shift from a hospital-centric to a consumer-centric model. It is easy to cite all the barriers that prevent or slow this transition:

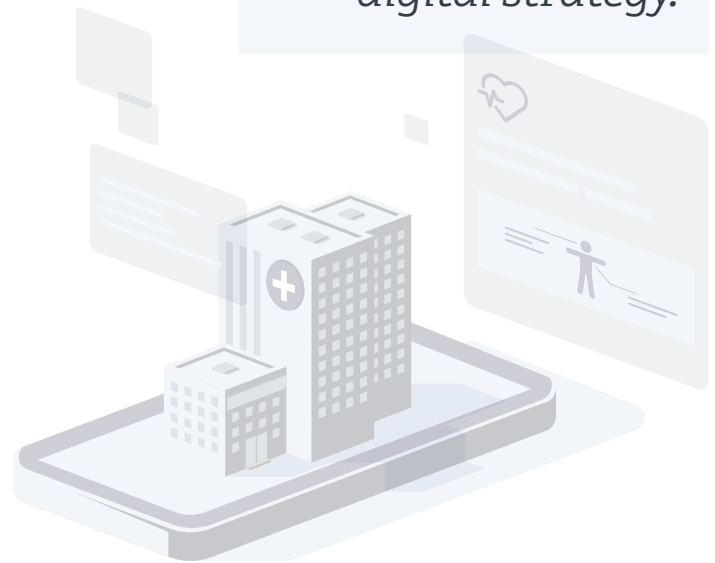
- Reimbursement limitations
- Lack of capital
- Regulations
- Corporate inertia
- Historical investment in acute care facilities

But looming demographic shifts, coupled with the delivery model shifts necessitated by COVID-19, reinforce the business case for implementing a consumer-facing digital strategy. This is a “no-regret” strategy, as it addresses business needs within the current health delivery environment while also positioning a health system to start broadening its services to encompass wellness.

Various offerings within the digital health ecosystem create a convenient and affordable way for patients to receive timely, high-quality care. Further, providers are able to offer additional direct-to-consumer services that increase ease of access to both healthcare and wellness services (see figure 3).

This broader portfolio of easily accessed services creates a platform for patients to connect to

Looming demographic shifts, coupled with the delivery model shifts necessitated by COVID-19, reinforce the business case for implementing a consumer-facing digital strategy.



health and wellness services outside of episodic interactions by allowing direct interaction with the care team. Moreover, there are numerous offerings that health systems can pursue, ranging from minimal to significant investment, and minimal to significant corporate change. No matter which initial offerings are pursued, a consistent and branded point of entry (e.g., a mobile app, single portal) is essential to tie the strategy to the system.



DIGITAL HEALTH ECOSYSTEM

Consumer-Facing Digital Health Services



Figure 3: Digital Health Ecosystem



2

INTERMEDIATE TERM:

Create a Direct-to-Consumer Model for Access to Basic Services

As consumers look to bypass the traditional methods of accessing healthcare, a direct-to-consumer subscription model can provide a cohesive way to segment service offerings and meet the specific needs of different consumer types in a timely manner. A simple consolidation of free services (that in many cases have already been delivered) provides an enhancement to the previously established entry point into the system that focuses on wellness activities, such as seamlessly refilling prescriptions and maintaining proactive communication with a care team. It also serves as an easy way to encourage consumers to use an app or other connection point. Step-up models add subscribed services based on consumer need, such as those illustrated in figure 4.



Integrating wellness resources in a subscription model gives consumers the ability to more easily manage preventive activities alongside healthcare.

Some health systems are more likely to find it beneficial to partner with insurers and employers to deliver co-branded models that extend the reach of the health system while lowering overall health spending by providing cost-effective care delivery. Employers can partner to integrate components of their wellness plan into the platform or enhance offerings by linking to other corporate wellness partners or platform applications (e.g., discounted gym memberships, a weight management program such as WW at Work, transit reimbursement, employee assistance programs). Integrating wellness resources in a subscription model gives consumers the ability to more easily manage preventive activities alongside healthcare. The health system has the ability to expand its brand reach by consolidating health and wellness options via a single portal.



TIERED SUBSCRIPTION MODEL



Figure 4: Tiered Subscription Model



3

LONG TERM:

Become an Aggregator

Despite all the consolidation over the past several decades, healthcare is still a fragmented industry. When we expand our definition of healthcare to include wellness, it is an incredibly fragmented space. To deliver on wellness, providers will have to look beyond their traditional service offerings. Leaders will need to become more comfortable partnering with others to meet consumers' wellness desires. To do this, successful health systems will become aggregators within the wellness space. Relevant examples abound in other service industries: taxis (think Uber), hotels (Airbnb), and travel (Expedia). Unlike the traditional health system approach that primarily relies on employing the service providers, aggregators forge partnerships to deliver on their promise. In doing so, they organize an unorganized, populated sector and establish a trusted brand. They make sure that partners provide the consumer with a standardized experience rooted in quality, value, and accessibility. Sound familiar?

This also means that health systems will need to redefine, or at least expand, their revenue model, and then educate consumers so that they engage in this revenue model. Building on the near- and intermediate-term strategies previously discussed, successful health systems will further expand their revenue streams to charge wellness partners as brand awareness and consumer loyalty increase. It is hard to find a healthcare leader that doesn't want to diversify its revenue streams, particularly in a manner that places less reliance on transactional, fee-for-service arrangements. Pursuing this will entail providers embracing a full range of wellness partnerships that encompass complementary

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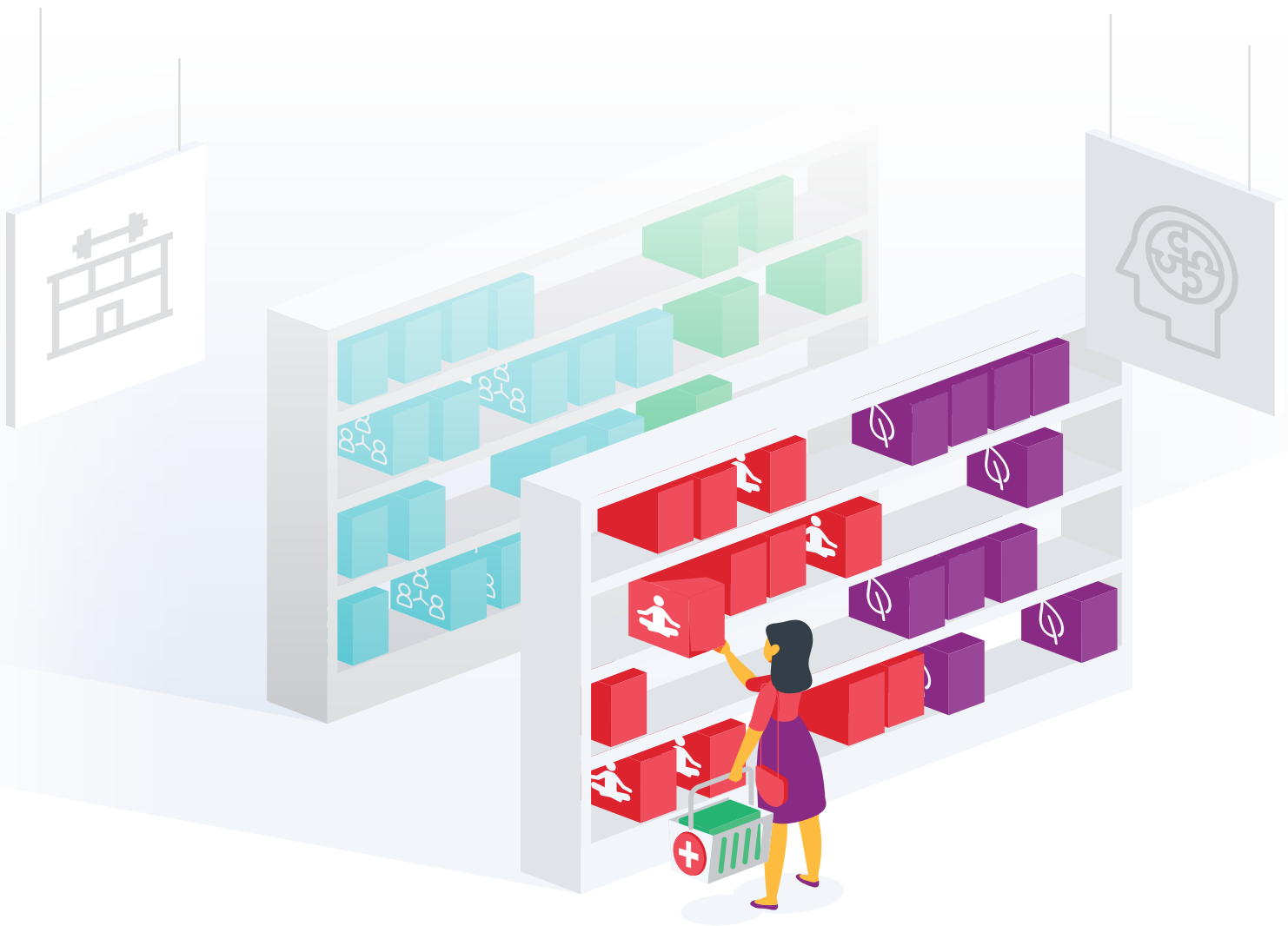


therapies (e.g., chiropractic, massage, acupuncture), group fitness (e.g., yoga, Pilates, spin/cycle, biometric workouts), nutrition, spiritual/mind-body (e.g., meditation, mindfulness) needs, and even wellness tourism. Consumers are already driving their own healthcare decisions as opposed to relying on providers to refer them, but they are seeking an aggregator to facilitate quality, value, and access to their desired choices.



Listen to Consumers

The demographics don't lie—changing lifestyle preferences of younger generations will drive different health and wellness behaviors. Consumers are clearly signaling to health systems what they value, and the most successful health providers of the future will proactively deliver a broad range of wellness services alongside both traditional and contemporary healthcare offerings to reach the full spectrum of consumers.





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