

Mindset Reset

HOW THE COST OF HEALTHCARE
IS YOUR BIGGEST BRAND OPPORTUNITY



SMITH  JONES

The background of the entire page is a close-up, slightly blurred image of the American flag, showing the blue field with white stars and the red and white stripes. The text is overlaid on this background.

Nothing worries *Americans* more than *the* cost of healthcare

America crossed a threshold in June of 2017.

That's the month in which Americans cited the cost of healthcare as the single most important financial problem facing their family. This high hasn't been matched since late 2007, just before the financial crisis, which ousted healthcare costs by putting more fundamental concerns like unemployment, low wages, and a simple lack of money at the top of our collective list.

It shouldn't be a surprise that we've reached this point. Concerns over the cost of care have been growing steadily since early 2013. And it's not just in our heads: the actual cost of care has grown steadily for years, and shows no sign of slowing.

Until the healthcare system as a whole finds ways to make meaningful cuts to the cost of care, cost issues will have to be addressed primarily by marketers.

Three new ways **of thinking**

**PRICING
NEEDS A
STRATEGY**

1

**PAYING
FOR CARE
SHOULD
BE EASIER**

2

**PRICING
SHOULD
BE MORE
TRANSPARENT**

3

In the old world marketers are seen as “the people who make the advertising.” But in the new world, this must change. Marketers must move into positions where they bring their superior knowledge of the customer’s priorities to bear on policy decisions across the entire organization. The first step on that path is to adopt new beliefs about how providers handle money.

Toward that end, we’ve written this ebook. It is centered around three mindshifts that marketers must engage with to build preference for their brand in a world where their service gets more expensive every year.

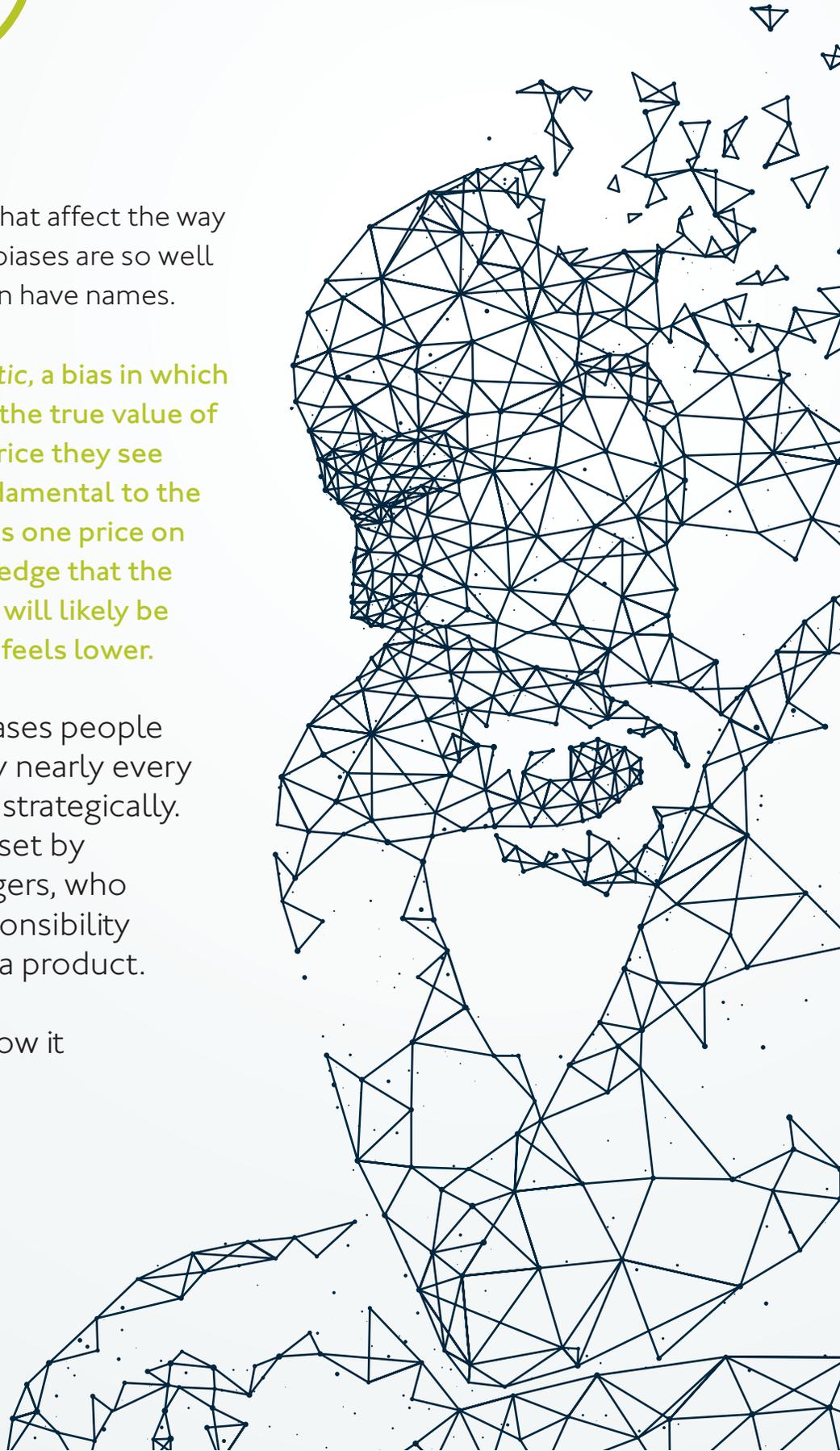
1 MINDSHIFT

Humans have cognitive biases that affect the way they perceive numbers. These biases are so well established, many of them even have names.

Consider the *anchoring heuristic*, a bias in which people make decisions about the true value of a product based on the first price they see attached to it. This bias is fundamental to the auto industry, which advertises one price on television with the full knowledge that the true price paid by a consumer will likely be negotiated to something that feels lower.

This, and a host of other biases people have about numbers, is why nearly every industry prices its products strategically. Often, those strategies are set by marketers and brand managers, who have both control and responsibility for the ultimate success of a product.

Needless to say, this isn't how it happens in healthcare.



ACTUAL PERCEIVED COST

A critical distinction for marketers is the difference between actual cost and perceived cost. They are widely different.

ACTUAL

The actual cost of a procedure is reliably easy to find. Talk to your finance people to find it.

PERCEIVED

Perceived cost is much harder to pin down, and you'll find it hard to calculate it on a spreadsheet. That's because it lives in the internal emotional soup of your customers. Not coincidentally, this is also where your brand lives.

The perceived cost of care is where marketers need to start making an impact. For inspiration, look to the skies. When Southwest Airlines famously eliminated fees for checked bags, they eliminated a major contributor to the perceived cost of flying.



IMAGINE WHAT THIS KIND OF THINKING COULD DO FOR A PROVIDER.

Imagine being able to tell patients that unlimited sick visits within your primary care system were covered for a reasonable monthly subscription price. Or think of the splash you could make if things like tests and imaging were available for a consistently low, predictable price.





MINDSHIFT 2

Let's compare a couple numbers.

First, the 10 year average cost of a new car in America: just under **\$31,000**.

Second, the average adjusted gross income for a married person filing separately in 2014 (the last year for which full data is available): just under **\$67,000**.

Ratio-wise, that means a new car is more than 46% of adjusted income. That's a huge percentage. And unlike healthcare, there are no insurance subsidies on the cost.

So why aren't people complaining about the cost of new cars? Especially when, as the data shows, the cost of a new car has gone up steadily over the last 10 years?

It's because the automobile industry has made it much easier to pay for their products. And healthcare providers who do the same stand to win big.



**5 ways cars are
easier to pay for
than healthcare**



1

FINANCING

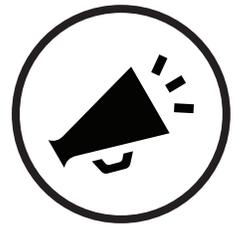
Car buyers have lots of options for breaking a big lump sum into a bunch of smaller parts. There's also a lot of competition for auto loans from national banks, regional banks and even dealers themselves. All of this makes it easier for consumers to get a good, manageable cost without resorting to high-interest credit cards.



2

PROMOTIONS

It seems like there's always an ad on TV with buying incentives. They happen at the local level (from dealerships) and at the national level (from brands themselves). They can make a big impact on a buyer, who might sometimes be able to buy a new car with no money changing hands at the moment of transaction.



3

NEGOTIATION

Why do auto dealers need salespeople? Because baked into the structure of the auto industry is the expectation that prices are negotiable. That puts more power in the consumer's hands, and makes it easier to work out a deal that fits a given person's means.



4

ONLINE TOOLS

Want to know how much you should be paying for that new car? Check out Kelly Blue Book. Want to know how much people in your area paid for a similar car? Check out TrueCar. Want something more specific? At the time of writing, Google had nearly 8 million results for the query "online car buying tools".



5

DISRUPTIVE BUSINESS MODELS

Carmax has heavily advertised, and promises a no-haggle buying experience. They're just one of the new entrants to the auto market that has big disruptive possibilities. Healthcare has lots of these entrants at the gates, including Amazon, Walmart and CVS, some of the biggest brands on the planet.



3 MINDSHIFT

Confusion around the price of a given procedure is widespread. In fact, we'd probably need to work our way into the depths of the finance department to find it. And even the finance people will admit that pricing is a little fuzzy.

Case in point: a 2017 study asked clinicians to estimate the cost of care for common scenarios. They were given lots of detail, including test results, medical histories and a list of treatments provided. With all the details in hand, clinicians were asked to choose the appropriate price from 4 options.

Statistically, if every physician just closed their eyes and guessed at the answer, 25% should have gotten it right. In reality, 32% did. That's just a 7% difference.

And that raises an important question: if doctors are only slightly better at estimating the cost of care than a random guess would be, how good can we expect patients to be?



The demand for *transparency*

PRICE TRANSPARENCY — is a — BIG OPPORTUNITY

3 out of every 4 consumers want to see cost and quality comparisons online before they have a healthcare visit.

Yet only one of every twelve finds it easy to get that kind of information.

That's evidence of a gross mismatch in consumer expectations.



Making headway in price transparency is a leapfrog opportunity for most providers. Those who make price information easy for patients to access will find themselves the winners of lots of new trust in the marketplace. Those who couple it with great pricing strategies stand to turn that trust into revenue.



One of the biggest barriers to price transparency is the fear that it will cause customers to simply seek out the cheapest possible option every time. This is unlikely.

For evidence, look to every other industry. They understand that there are different strata of buyers. Yes, there are segments of customers who will apply the cheapest-is-best philosophy to buying care. Those consumers will shop at whatever becomes the Walmart of healthcare (perhaps Walmart itself).

But unless we believe that Walmart is likely to drive The Cleveland Clinic out of business, we can't realistically believe that price transparency will be the undoing of the industry.



HEALTHCARE MARKETING LEADERS, OUR TIME HAS ARRIVED.

We have our work cut out for us. Our industry needs innovation, but it's hostile to it. We're the keepers of valuable information, but it's not given its due. What to do?

At the macro level, we need to lead. Reading this eBook is a great first step towards shifting our mindset. Now, the hard work starts. We need to change the mindset of other leaders at our organization. That's an essential leadership challenge that no one else can spearhead. And it's one that may be the difference between thriving amid consumerism and being a casualty of it.



**NEXT
STEPS**

123



Ask more questions

If pricing isn't a topic of discussion at the highest levels, start asking more questions about it.

Ask your finance people what their pricing approach is. Ask doctors, nurses and PA's what kind of pricing questions they hear. Ask your CEO about his vision for pricing.



Seed the clouds

Sometimes leading change is a matter of helping others understand a problem more deeply.

Toward that end, bring data to bear on the challenge. Gather up some patient comments about pricing from social media or clinical staff, and present them to leaders. Or use broader studies to put quantitative data in front of decision makers.

A large, light gray, stylized number '3' is positioned on the right side of the page. It has a rounded top and a thick, rounded bottom. The background is a solid light gray color.

Share this eBook

This book is meant to help people make shifts in their thinking. Share it with other leaders, and highlight areas most relevant to your organization.

Need some backup?

Smith & Jones spends 30% of our time understanding how healthcare consumers make buying decisions, and we've been helping healthcare providers align themselves with what patients want for more than 30 years.

If you'd like some help moving the needle, call our president, Mark Shipley, at (518) 244-8246

SMITH  JONES