

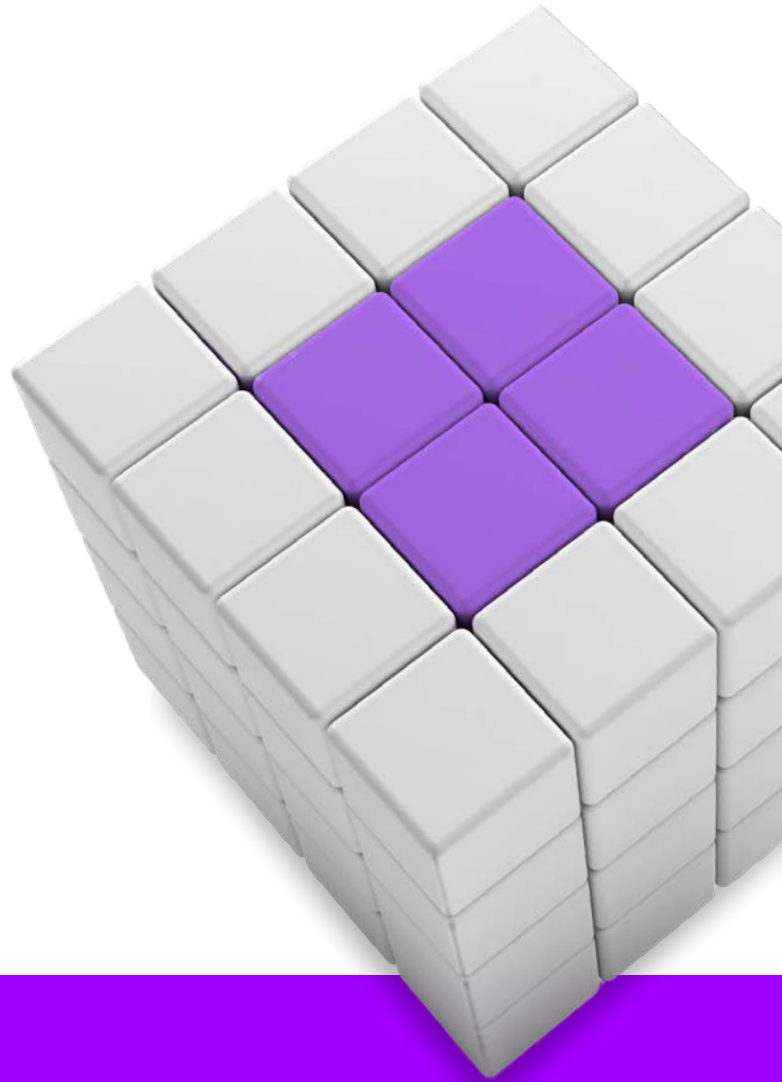
THE **HIDDEN COST** OF HEALTHCARE SYSTEM COMPLEXITY

The US healthcare system is so complex that more than half of consumers do not understand how to navigate it appropriately, reveals Accenture research. This low healthcare system literacy is creating an estimated \$4.8 billion annual administrative cost burden for payers.



The complexity of health plan options and health insurance coverage is more than a shared national frustration. Complexity costs. Consumers with low healthcare system literacy need more customer service support. And those with the highest healthcare need are often those that have the biggest challenge navigating the system.

The knee-jerk response for payers would be to double down on education to improve healthcare system literacy. This is valuable. But education alone cannot solve a systemic problem. Instead of forcing people to continue to battle complexity, payers can invest in simplifying the ways consumers interact and engage with healthcare. Because it's not Americans who are failing in healthcare system literacy. It's the complexity of the system that's failing them.



HEALTHCARE SYSTEM LITERACY INDEX

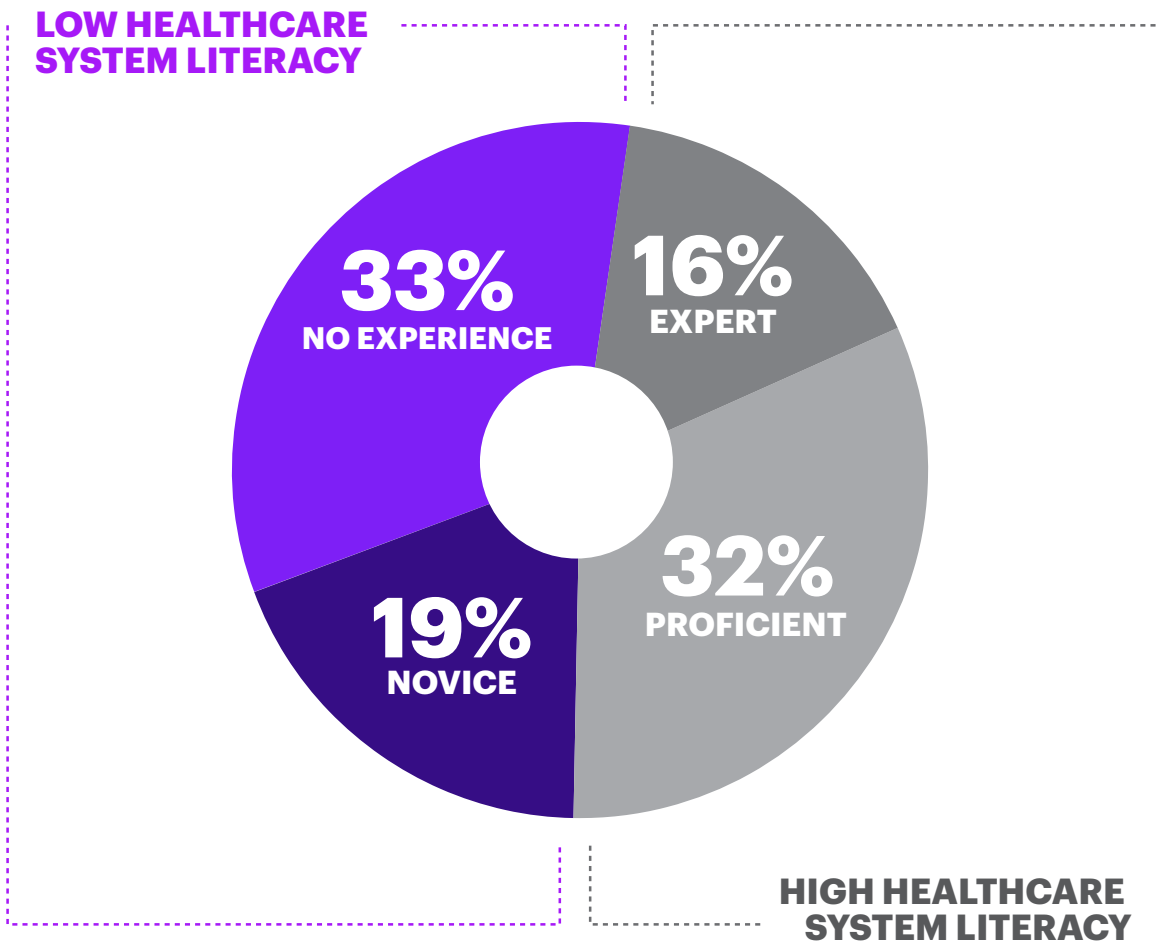
Accenture developed a Healthcare System literacy Index to understand the healthcare competency levels of US consumers. Consumers with low healthcare system literacy cannot correctly identify terms related to their health insurance coverage including premium, deductible, copayment, coinsurance and out-of-pocket maximum.

They also do not understand the difference between in-network and out-of-network and how to find in-network doctors, are unaware of the benefit differences in their plan if they choose an out-of-network provider, and do not know what a prior authorization is or how to get one.

LITERACY IS ON THE LINE

This complexity is pervasive according to Accenture’s Healthcare System Literacy Index, and has a profound impact on consumers. Fifty-two percent have low healthcare system literacy—including 33 percent with no experience and 19 percent who are novices. Of the 48 percent of Americans who have high healthcare system literacy, only 16 percent qualify as experts (Figure 1).

FIGURE 1: Healthcare system literacy of US consumers



Source: Accenture 2017 Consumer Experience Payer Benchmark Survey

People with low healthcare system literacy struggle to make informed decisions about everything from the health plan types they choose and the premiums they pay to the doctors they see and the procedures they have done (Figure 2). What's more, these consumers are not who you think they are. Many are well educated. In fact, 48 percent of low healthcare system literacy consumers completed college or hold a graduate degree. Nearly all (97 percent) of them have at least a high school diploma.

FIGURE 2: Consumers with low healthcare system literacy may struggle to make key decisions



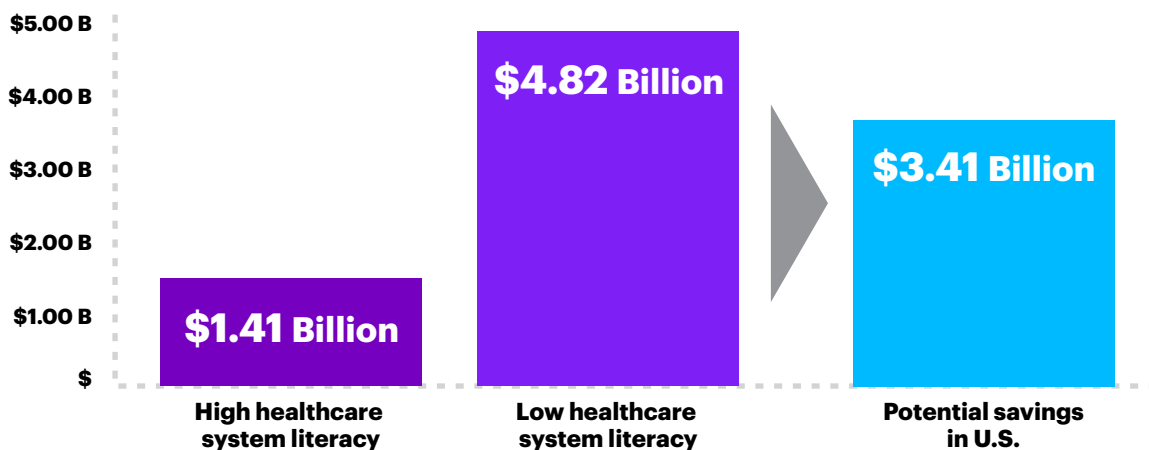
COMPLEXITY COSTS \$5 BILLION

Not surprisingly, consumers with low healthcare system literacy have a higher than average need for customer service assistance. Accenture analysis reveals that they contact customer service 13 percent more often than high literacy consumers do. Consider how this plays out in practice. They are seven times more likely to use customer service support one to three times a week and three times more likely to use it one to three times a month than consumers with high healthcare system literacy are.

These interactions create a big administrative cost burden for payers. On average, health insurers and employers

spend \$26 more on administration for every consumer with low healthcare system literacy. That translates to \$4.8 billion annually in administrative cost across the United States. Compare this to the \$1.4 billion each year in administrative costs for consumers with high healthcare system literacy. This cost gap signals that health payers could save \$3.4 billion a year in administrative costs if all consumers had high healthcare system literacy (Figure 3). As eye-opening as these savings are, they would be even bigger if the analysis accounted for the impact of low healthcare system literacy on medical costs.

FIGURE 3: Payers' annual administrative costs are much higher for consumers with low healthcare system literacy



Source: Accenture 2017 Consumer Experience Payer Benchmark Survey, Accenture analysis

THERE IS A HUMAN COST TOO

No one is immune to the complexity of today's healthcare system. However, its complexity is especially detrimental to the one in four US consumers (26 percent) who have both low healthcare system literacy and a high need for intervention. These are people who are more likely to have serious health conditions, including high-cost and pervasive conditions such as cancer, congestive heart failure or renal failure among others. They also have a higher need for weekly and monthly interactions with customer service.

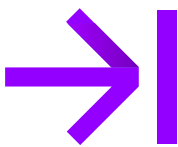
The system is clearly not designed to accommodate these high-need, highly-confused consumers. Their struggle to make informed decisions impacts their ability to get the medical care they need, creating higher administrative and medical costs for insurers and employers—and increasing the risk that those consumers will incur unnecessary out-of-pocket expenses.



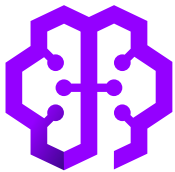
CONFRONTING COMPLEXITY

Healthcare system complexity is not news to anyone. Yet the impact in hard dollars on payers is news. Not only are people frustrated, but money is being wasted.

While there's no eliminating systemic complexity in the short-term, the industry can create a new model of consumer service and engagement that makes navigating the healthcare system feel easier for people. This is exactly what digital retailers do. Consumers can click one button and get their delivery two hours later. They are completely oblivious to all the operational complexity that goes on behind the scenes to make it happen. Payers can do the following:



Shift the burden off consumers when they need it most. Orchestrate service options and experiences across physical, digital and emerging channels to reach low literacy consumers on their terms. The focus should be to deliver information in ways that align with their behaviors and communications preferences.



Abandon spray-and-pray tactics. Data insight from advanced analytics and artificial intelligence make it easier, less costly and faster than it was in the past to deliver easy-to-follow programs and relevant products with granular, “segment of one” customization.



Look beyond the four walls. Incentivize healthcare providers to help consumers understand and navigate their health insurance options and questions. Work with employers to encourage them to provide more health insurance education through employee assistance programs.



Integrate the use of lay navigators. Engage community members who are trained to help people manage non-clinical challenges—financial, logistical, emotional, cultural and communications—and who can provide empathy and direction when consumers feel lost in the healthcare system.¹

Payers can direct the cost savings from these initiatives to new product concepts that actually make the system simpler. For example, simple, per-visit copayments over complex deductible and coinsurance plans. With iterative, test-learn-tweak development, health payers can experiment and scale the best concepts faster. This creates momentum for a targeted approach to cut through complexity—and make low healthcare system literacy yesterday's news.

¹ Accenture, “How Patient Navigation Boosts Healthcare,” <https://www.accenture.com/us-en/insight-patient-navigation-eases-clinical-workforce-challenges>

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ABOUT THE ACCENTURE 2017 CUSTOMER EXPERIENCE PAYER BENCHMARK SURVEY

The Accenture 2017 Customer Experience Payer Benchmark Survey surveyed 10,000 consumers to understand how their insurance companies perform across nine key healthcare consumer experience touchpoints. Respondent data was aggregated and normalized for age, income, region and gender. The survey was conducted online between October and November 2017.

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