

DRIVERS OF CHANGE

Top drivers of change impacting consumer preferences and behaviors

Five key trends shaping consumerism in 2023

The healthcare delivery landscape continues to diversify and evolve, which makes capturing potential patients' attention ever more competitive. We've identified five key drivers that are shaping consumer preferences and behaviors.

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Audience

All healthcare organizations

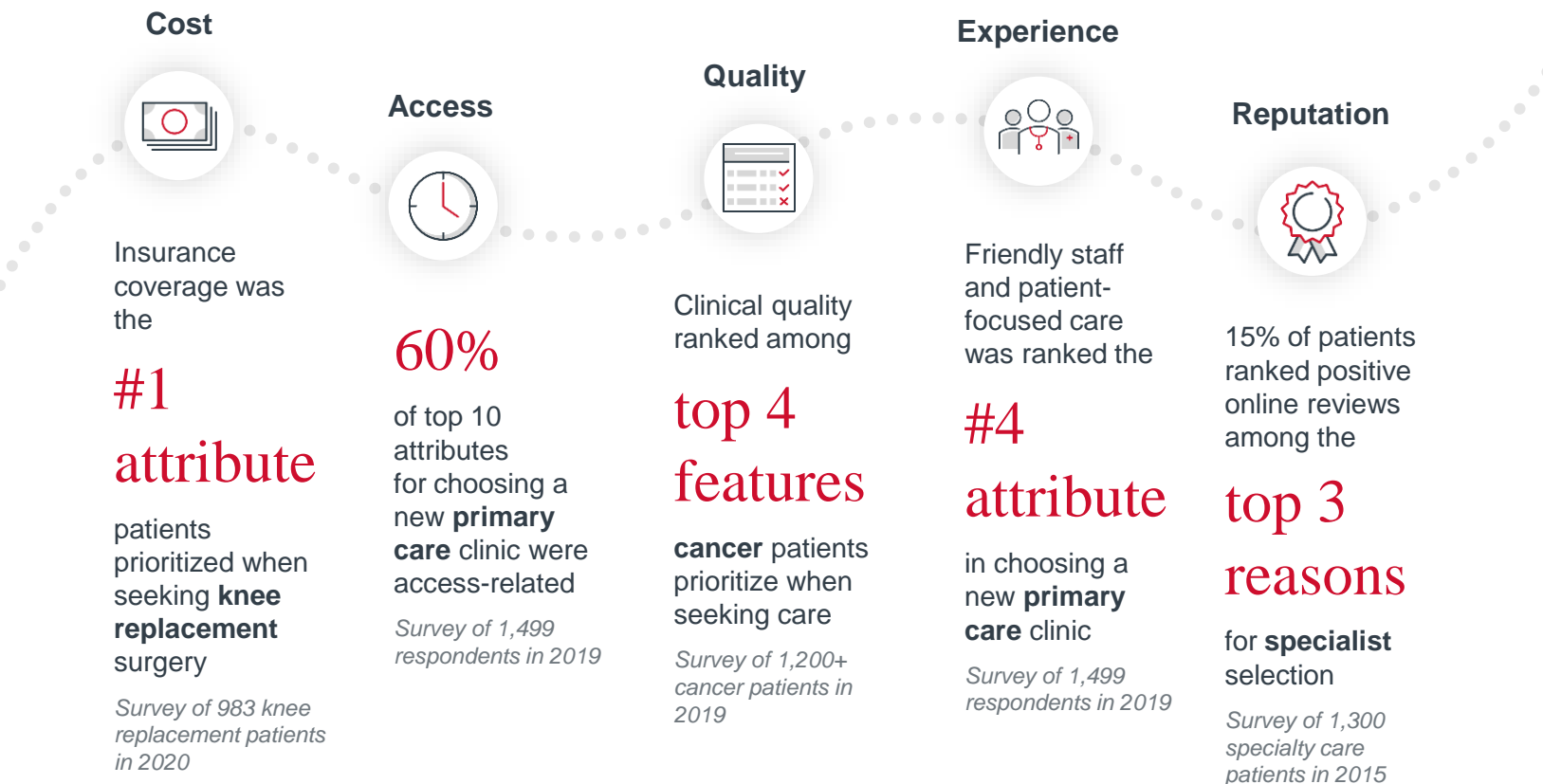


Introduction

Healthcare delivery is a changing landscape: between new disruptors, entrenched players launching differentiated access points, legislators shaping costs and price transparency, large health plans pushing for vertical integration, and more, winning consumer attention is challenging. It's also a moving target, as these changes are continually reshaping consumer expectations and causing consumer preferences to evolve. Competing for consumers therefore requires a future-oriented focus to stay ahead of predicted changes.

Five factors heavily influence patient decisions: cost, access, quality, experience, and reputation. Analyzing how market forces are impacting these factors today can help you prepare to compete for future consumer preferences.

Five key decision factors influence consumer care decisions.




Source: "What do consumers want from orthopedic care?" Advisory Board, January 2020; "Consumer preferences for a primary care clinic," Advisory Board, December 2019; "Understanding what matters to most cancer patients," Advisory Board, October 2019; "What Do Consumers Want from Specialty Care?" Advisory Board, June 2015.


Drivers of change

SECTION	DRIVER	CHANGE
01	Ambulatory care options continue to expand	Continuous growth in ambulatory options, such as ambulatory surgery centers and urgent care facilities, has contributed to the continued uptick in utilization of alternative sites of care.
02	Workforce shortages hamper care quality and timeliness	The healthcare workforce has shifted within the industry, leaving some stakeholders better off than others in their ability to attract and maintain sufficient staffing — and consumers.
03	Economic volatility causes consumer hesitancy	Unstable economic conditions have led consumers to make stringent choices and to value price transparency anew.
04	Healthcare across sectors becomes more digitally enabled	The pandemic accelerated the use of digital health tools, allowing for the expansion of on-demand services like remote patient monitoring and virtual visits.
05	Stigma around mental health and wellbeing lessens	Increased awareness of mental health challenges is changing consumer perceptions of and demands for mental healthcare.

More resources on consumerism

Accessible on [advisory.com](https://www.advisory.com)

 VIDEO
[Consumerism - and what it means for you](#)

 RESEARCH
[What health care stakeholders can gain from consumer behavior change](#)

01 Ambulatory care options continue to expand

What's happening?

Ambulatory surgery centers (ASCs), urgent care clinics, and direct and concierge primary care sites have grown in recent years, both in the number of sites and the scope of services offered. This is largely the result of disruptors and traditional health systems competing in the ambulatory space, and payer pressure to push more care out of the hospital. While these sites use cost to help distinguish themselves from hospital-based care, most compete with other ambulatory sites on access and convenience.

11.5x

increase in direct and concierge primary care from 2014 to 2021

7.1%

increase in the number of ASCs from 2016 to 2020

57%

increase in urgent care clinics from 2013 to 2019

Why does this matter today?

Fifty-one percent of surveyed consumers¹ indicated convenience and access — including facility proximity to home and ability to take walk-ins — as the most important factors in care decision-making in 2019. This demand continues to spur organizations to invest in access-related differentiators, which perpetually heightens consumer expectations for convenience.

4%

Increase in community health center use from 2020-2021

6%

Increase in local pharmacy use for care from 2020-2021

Patients increasingly choose convenience

Patient use of routine care from PCPs dropped from 62% in 2020 to 56% in 2021 in favor of online resources, community health centers, and local pharmacies.

Source: "Amazon Care Plans Big U.S. Virtual And In-Person Health Services Expansion," Forbes, February 2022; "Pediatric urgent care facility opens in Opelika's Tiger Town," MSN, February 2022; "How Clinics Can Evolve Amid The Increasing Role Of On-Demand Care," Forbes, February 2022; "Tenet continues bet on ambulatory surgery centers to drive long-term growth," Healthcare Dive, February 2022; "Key Steps for Opening the Digital Front Door, Digital Transformation," Patient Engagement Hit, June 2021; "Walking out of the hospital," McKinsey, September 2020; "Pandemic boosting healthcare consumerism, CVS Health finds," Healthcare Finance News, July 2021.

1. According to a 2021 CVS Health consumer survey.

Potential impacts of industry actions

Impact to stakeholder expected to be: + Positive - Negative ? Too soon to tell

- + **Consumers** will have more care options with more variety in cost and convenience.
- ? **Device companies and suppliers** will face a more fragmented market with new customers who have different purchasing and pricing expectations than hospitals.
- + **Health plans** will continue to see lower costs, as more ambulatory options mean more opportunities for health plans to incentivize less expensive care sites.
- ? **Health systems** will lose revenue from profitable services that shift to new settings, but those with ambulatory networks stand to gain from volume growth in outpatient services.
- + **Physicians** will see increased diversity of care settings and care model options.

Expected stakeholder actions

- **Consumers:** Will prioritize lower cost and more convenient care options, which will likely be ambulatory services when clinically appropriate.
- **Device companies and suppliers:** Will likely adjust their value proposition to appeal to freestanding providers, emphasizing their ability to drive surgical efficiency, reduce costs, and optimize supply chains.
- **Health plans:** Will adjust coverage to incentivize ambulatory services over inpatient services, both to accommodate consumer preferences and to lower costs. For some plans, this will include acquisition of ambulatory assets.
- **Health systems:** Will likely build, acquire, or partner with ambulatory facilities and enhance outpatient strategy to minimize lost revenue, remain competitive, and meet consumer demand.
- **Physicians:** Will explore emerging site of care options, taking into account their potential for higher volumes and more flexible hours.

02 Workforce shortages hamper care quality and timeliness

What's happening?

The number one concern for hospital CEOs in 2021 was personnel shortages, partly due to provider burnout. The primary reasons providers reported leaving their jobs — for other jobs, different industries, or retirement — were insufficient staffing, workload intensity, emotional toll of their job, and feeling unsupported at work. Among the many impacts of the resulting staffing shortages are poorer health outcomes for patients and less timely access to care.

Operational impacts of insufficient staffing



Why does this matter today?

Care quality is paramount, but consumers also seek timely and convenient care, and they may switch providers when their expectations aren't met. For example, a 2022 CVS Health survey revealed that 39% of consumers would go to urgent care instead of another provider in their doctor's office if they weren't able to see their regular PCP quickly. This means that workforce challenges are having market share impacts, since it's often non-hospital employers who can offer employees more flexibility and lower stress — thereby helping them compete for access-conscious consumers.



Source: "2021 Advisory Board hospital turnover and vacancy benchmarks," Advisory Board, March 2022; "Top Issues Confronting Hospitals in 2021," American College of Healthcare Executives; "State of the Long Term Care Industry," AHCA NCAL, September 2021; "2022 Frontline Nurse Mental Health & Well-Being Survey," Trusted Health, July 2022; "Nursing in 2021: Retaining the healthcare workforce when we need it most," McKinsey, 2021; "Pandemic boosting healthcare consumerism, CVS Health finds," Healthcare Finance News, July 2021; "healthcare worker burnout at 'crisis levels,' warns Surgeon General," Advisory Board, May 2022.

Potential impacts of industry actions

Impact to stakeholder expected to be: + Positive - Negative ? Too soon to tell

- **Consumers** will face worse overall care experiences (including worse outcomes and longer wait times) at understaffed facilities, especially for inpatient care.
- + **Digital health companies** will continue to see opportunities to recruit healthcare workers and heightened demand for automated technology to help alleviate staffing shortages and burnout.
- **Health systems** will continue to lose workers to more flexible, lower stress places of work and may have a harder time competing for patients as wait times for shoppable care lengthen and quality scores decline.
- ? **Physicians** may see expanded employment opportunities — or, as wait times increase, they could see more frustrated and less healthy patients, which can perpetuate burnout cycles.

Expected stakeholder actions

- **Consumers:** Will seek facilities that have better patient reviews, reputations, and wait times, or defer care entirely if they feel that consistent, high-quality providers are unavailable.
- **Digital health companies:** Will continue to attract providers if they can maintain recruitment, strengthening digital workforce solutions.
- **Health systems:** Will fight to remain competitive both among employees and consumers. Although traditional recruitment and retention efforts remain important, they are no longer sufficient in the current environment. To remain a top choice among consumers, health systems will need to ensure adequate staffing or invest in staffing supplements (ex. automated technology) to meet the service demand.
- **Physicians:** Will continue seeking places of work that offer more flexibility and support — likely at ambulatory and freestanding sites, with Big Tech and Retail providers, or in other sectors of the healthcare industry.

03 Economic volatility causes consumer hesitancy

What's happening?

Rising inflation, a looming recession, and slowed investing have compounded to create unstable economic conditions. Inflation began to spike in the United States in April of 2021, steadily climbing throughout 2022 until the rate peaked at 9.1% in June. Therefore, Americans paid more for almost everything, including health services, despite an overall decrease in income for middle-income households over the last three years.



47% of adults reported¹ having difficulty affording healthcare costs.



Out of pocket healthcare spending grew at an annual rate of **4.3%** for consumers between 2013 and 2016.

Why does this matter today?

Consumers face higher out-of-pocket healthcare costs and premiums and more limited healthcare benefits under current economic conditions. They're wary of unexpected costs and trying to manage unknowns by looking for advanced pricing info. As a result, they're more stringent with their care decisions today and apt to reward organizations who can give them clear answers on costs, even if they aren't ultimately the lowest cost option. Additionally, some consumers are deferring care due to high costs of healthcare services (46%) and higher costs of living overall (43%).

91%

Of consumers want to know their out-of-pocket cost prior to treatment — but 63% of healthcare executives report price transparency as a major challenge.

75%

Of patients who visited a hospital, clinic, or doctor's office in the past 6 months looked up the cost of medical procedures prior to prevent unexpected expenses.

Source: "How Much Has Inflation Increased In 2022? And Are Prices Still Rising?" Forbes, December 2022; "How CHOP's price transparency initiative boosted patient satisfaction by 85%—and 5 ways to replicate their success," Advisory Board, December 2018; "Rising Costs Replace Pandemic Concerns As Top Reason Americans Defer Healthcare," Business Wire, November 2022; "Americans' Challenges with Health Care Costs | KFF," KFF, July 2022; "Paying Out-of-Pocket," JPMorgan Chase Institute, September 2017; "75% of Patients Look at Price Transparency Ahead of Care Access," Patient Engagement Hit, September 2019.

1. According to a 2022 Kaiser Foundation report.

Potential impacts of industry actions

Impact to stakeholder expected to be: + Positive - Negative ? Too soon to tell

- **Consumers** will continue to grapple with less affordable care.
- + **Digital health companies** will benefit from increased demand for their products and services as plans prioritize virtual-first offerings and consumers seek cheaper virtual care options and price transparency tools.
- **Government** will face pressure to stimulate the economy and provide relief to struggling Americans.
- **Health systems** will be limited in expansion and innovation capabilities due to margin pressures, which may lead them to fall short of consumer expectations.
- **Physicians** may face decreasing volumes as patients defer or delay care due to high costs.

Expected stakeholder actions

- **Consumers:** Will delay care or defer entirely to avoid high medical expenses. They will likely put pressure on government agencies, health systems and providers, and health plans to lower costs and offer intuitive price transparency tools.
- **Digital health companies:** Will build price transparency tools and will likely face pressure from consumers and regulators to enhance their comprehensiveness and user friendliness. Additionally, they will expand virtual capabilities as a cheaper alternative to in-person care.
- **Government:** Will likely cut corners to reduce spending, but they may eventually provide stimulus and relief funding to consumers as pressure mounts.
- **Health systems and physicians:** Will struggle to maintain patient volumes as consumers forgo care. Progressive hospitals will likely expand cheaper inpatient care options, and some may see it as a strategic imperative to shift to more ambulatory and virtual services to reduce costs.

04 Healthcare across sectors becomes more digitally enabled

What's happening?

Social distancing necessities and payment parity during the pandemic accelerated the use of digital health tools, allowing for the expansion of services like remote patient monitoring and virtual visits. While virtual visit utilization has fallen since its peak in Spring 2020, consumers' increased exposure to virtual delivery channels has reset their standard for access and convenience. Today, about 10% of outpatient visits occur virtually (as opposed to about 1% pre-2020).

Why does this matter today?

Virtual care has led consumers to expect on-demand access as a normal service, not a differentiator. That means those who are trying to compete for access — and convenience-hungry consumers — are trying to push the boundaries of virtual *and* in-person care even further.



Even [61% of] 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.

ECG Management Consultants, December 2020

31%

Of respondents said provider availability for telehealth and in-person visits would influence their decision to switch providers

4 in 5

Consumers said they were in favor of remote patient monitoring, especially for monitoring chronic diseases

72%

Of providers indicated that having access to virtual visits and telehealth would be very or somewhat valuable for patient communication

Uptake of digital health tools has increased among consumers of all age groups and will continue to rise as capabilities expand within chronic and specialty care.

Source: "Key Steps for Opening the Digital Front Door, Digital Transformation," Patient Engagement Hit, June 2021; "Telehealth Now a Permanent Fixture for U.S. Healthcare Delivery," The Chartis Group, October 2022; "We Believe Series: Future Generations Will Value "Wellness" over "Healthcare"," ECG Management Consultants, December 2020; "New Survey Finds Patients Are Ready for Remote Patient Monitoring," Health Intelligence, June 2021.

Potential impacts of industry actions

Impact to stakeholder expected to be: + Positive - Negative ? Too soon to tell

- ? **Consumers** will continue to see increased digital care options that optimize convenience, but consumers without internet or electronic devices will struggle to access virtual services.
- + **Device companies and suppliers** will likely see increased demand for support for virtual and on-demand services to keep up with health plan and consumer preferences.
- + **Digital health companies** will see rising demand for virtual health services in primary care, chronic disease management, specialty care, and follow-up appointments, as well as for more affordable remote patient monitoring capabilities.
- + **Health plans** will benefit from lower cost virtual services, which are typically less expensive than in-person care.
- **Health systems and physicians** will face pressure to expand digital care offerings while they may lose revenue from in-person services.

Expected stakeholder actions

- **Select consumer groups:** Will seek virtual care when clinically appropriate and will pressure providers, health systems, and health plans to expand access to digital health services. This includes potentially switching providers for better access.
- **Digital health companies:** Will continue to grow offerings and will likely aim for a more holistic approach to telehealth, likely with a focus on interoperability and asynchronous offerings, to keep up with virtual visit demand and to combat disruptions to the continuum of care.
- **Health plans:** Will continue to incentivize virtual services over in-person services to lower the cost of care but will eventually feel the impacts of care fragmentation if they don't move to improve coordination among providers and sites of care.
- **Health systems and physicians:** Will expand their digital care offerings with variable success, depending on the type of investments they make, how much they are willing to invest, and ability to integrate those digital offerings into care pathways and clinician workflows.

05 Stigma around mental health and wellbeing lessens

What's happening?

A recent survey from CNN and KFF¹ indicates that 90% of Americans agree the United States is experiencing a mental health crisis, and over 30% of U.S. adults report struggling with their mental health. The taboo, however, is lessening. In 2019, an APA² poll found that 87% of American adults agreed that having a mental health disorder is nothing to be ashamed of, and 86% said they believe that people with mental health disorders can get better. The pandemic further drove conversations around the deteriorating state of Americans' mental health, helping to destigmatize seeking care for mental health needs.

Why does this matter today?

The poor state of population-level mental health in the U.S. — paired with the growing societal emphasis on mental health and wellbeing — has led consumers to prioritize mental health and wellness services in several ways.

PHYSICIAN SUPPORT

86% of consumers said their primary care physician should have familiarity with their mental health history.

WELLNESS SERVICES

1 in 5 millennials said they cannot afford basic healthcare expenses but will spend money on wellness services like mental healthcare.

HEALTH PLAN COVERAGE

73% of workers sought mental health coverage in 2019, and 72% say health and wellness stipends are critical.

While they may be more willing to seek mental healthcare, many consumers are inhibited by costs: nearly 30% of consumers³ said they did not visit a mental health specialist due to the cost. This effect is magnified in younger segments of the population. One study found that 74% of young adults in the U.S. did not seek mental health services during the pandemic due to costliness, despite being the most likely age group to report depression.

Source: "90% of US adults say mental health is a crisis in the United States," CNN, October 2022; "The US' growing mental health crisis, in 6 charts," Advisory Board, October 2022; "Great Resignation: Employers are upping pay and benefits to keep workers from resigning. Here are ones workers want the most," Fortune, February 2022; "Pandemic boosting healthcare consumerism, CVS Health finds," Healthcare Finance News, July 2021; "Adults Reporting Symptoms of Anxiety or Depressive Disorder During COVID-19 Pandemic," KFF, March 2022; "Millennials can't afford health insurance, adopt risky alternatives," CNBC, June 2016; "Survey: Americans becoming more open about mental health," APA, May 2019.

1. Kaiser Family Foundation.
2. American Psychological Association.
3. According to a 2021 CVS Health consumer survey.

Potential impacts of industry actions

Impact to stakeholder expected to be: + Positive - Negative ? Too soon to tell

- **Consumers** will continue to see a gap between demand for and access to mental healthcare.
- + **Digital health companies** will see rising demand for virtual and tech-driven mental healthcare.
- ? **Employers** will need to establish or expand employee wellness efforts to be desirable among employees — an investment that could pay dividends through increased presenteeism and a healthier workforce, if interventions are successful.
- **Health plans** will see pressure to meaningfully cover mental health and wellness services.
- ? **Health systems** will likely see growing demand for mental healthcare that many will struggle to meet, and they may see growing demand for more holistic wellness services, especially among younger patients.
- ? **Pharmaceutical companies** may see increased demand for medications for mental health, but they may also experience a shift to non-medication solutions like therapy.
- ? **Physicians** will have more opportunities to join virtual platforms and other tech startups to deliver virtual-only mental healthcare services, and they may find their patients are more receptive to following referrals to behavioral health services. Some may struggle to access the mental health support they need.

Expected stakeholder actions

- **Consumers:** Will seek employers and health plans that offer benefits and coverage for mental health and wellness services, and providers that offer convenient, affordable, and supportive mental health services.
- **Digital health companies:** Will expand virtual capabilities for mental healthcare.
- **Employers:** Will iterate on benefits packages, including more mental health support services and better coverage, and invest in more flexible, supportive company cultures to help recruit and retain talent.
- **Health plans:** Will move to expand coverage of mental healthcare and might eventually include non-traditional wellness services like acupuncture and massage therapy.
- **Health systems:** Will struggle to accommodate the growing demand for mental healthcare, including inpatient psychiatric care and outpatient services like therapy. Some will likely adjust their services to stay competitive.
- **Pharmaceutical companies:** Will seek growth opportunities in psychiatric medical solutions. They might need to revamp their marketing efforts to establish pharmaceutical solutions as holistic and low-risk, high-reward.

Source: Advisory Board interviews and analysis.

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