The rising cost of healthcare system complexity, and what can be done about it

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Abstract It is no secret that the US healthcare system is notoriously complex. The numerous product features and options offered by health plans are difficult to understand. Pricing transparency is non-existent. That complexity, in turn, has a detrimental impact on consumers' access to care, quality of experience and health outcomes. Unfortunately, the problem is getting worse. Consumers are frustrated when trying to determine whether their providers are in the plan's network, why they got an expensive bill for a routine service they expected to be covered by insurance, or how to decipher unfamiliar language in their insurance policies. Federal and state regulation has ramped up as health benefits offerings have proliferated, further driving complexity, especially for providers and health plans. This paper explores the findings and implications of recent Accenture research that gauged consumers' understanding of the healthcare system and their ability to navigate it to meet their needs. It also proposes ways to address the complexity of the healthcare system to ease the burden on consumers, payers and providers alike.

KEYWORDS: health literacy, healthcare engagement, patient experience, product innovation, healthcare costs, health insurance products

COMPLEXITY BREEDS MISUNDERSTANDING

To understand the healthcare competency levels of US consumers, Accenture developed a Healthcare System Literacy Index a few years ago. We found that more than half of consumers have low healthcare system literacy.[1]

In other words, the system is so complex that these people are unable to navigate it on their own, triggering avoidable customer

service calls and more costly care. Indeed, consumers with low health system literacy are three times more likely to contact customer service than are consumers with high healthcare system literacy.[2]

The financial cost of all this complexity is also staggering. A 2017 Accenture study estimated that health payers face US $4.8 billion in administrative costs each year from Americans with low healthcare system literacy who need more customer service assistance to navigate complexity.[3] According to our recent research,[4] this cost has ballooned today to US $10 billion annually owing to declining healthcare system literacy. Yet this is just the tip of the iceberg.

WHAT IS LOW HEALTHCARE SYSTEM LITERACY?

We surveyed more than 12,000 US healthcare system consumers last year. We asked them if they understood fundamental concepts such as the difference between 'in-network' and 'out-of-network' and if they could define common insurance terms.

On the basis of our findings we define low healthcare system literacy consumers as those who cannot correctly identify terms related to their health insurance coverage, including 'premium', 'deductible', 'co-payment', 'coinsurance' and 'out-of-pocket maximum'. They 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 authorisation is or how to get one.

It is important to note that low healthcare system literacy has little correlation with education level. Many people with low healthcare literacy levels are well educated. Nearly all (98 per cent) hold at least a high school diploma, and 61 per cent have graduated from college, graduate school or technical school.[5]

HEALTH LITERACY DECLINING

In our study, we segmented consumers into four groups around healthcare system literacy: no experience, novice, proficient and expert. In 2017, there was a fairly even split between what we categorise as low healthcare system literacy consumers — those with no experience or who are novices — and high healthcare system literacy consumers, who are either proficient or expert.

But last year's research paints a very different —and dismal — picture. Low healthcare literacy jumped from 52 per cent in 2017 to 61 per cent, while, conversely, fewer than 40 per cent are highly literate.[6] That represents a 20 per cent decrease in health system literacy over just the past four years (see Figure 1).

FIRST OPTION: EMERGENCY ROOM

People with low healthcare literacy are much more likely to go to a hospital emergency room
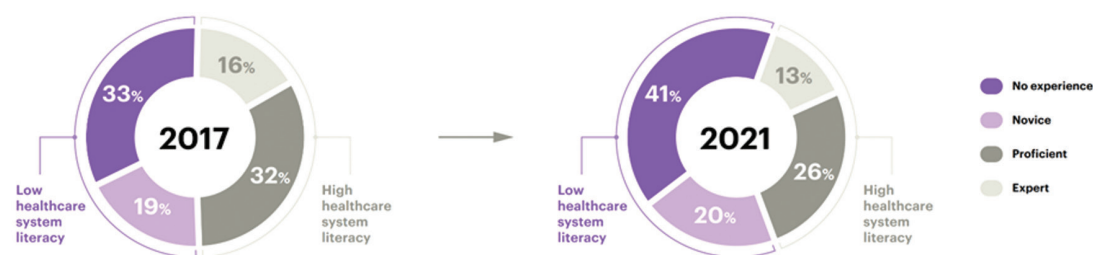

Figure 1   Low healthcare system literacy has increased — from 52 per cent in 2017 to 61 per cent in 2021
Source: Accenture 2017 and 2021 Consumer Experience Benchmarking Studies

(ER) for medical services than those with a better understanding of the healthcare system.

When we analysed ER utilisation, we identified two groups — those with chronic conditions and those who were generally healthy — to ensure that the differences in their use of the ER were not being driven by health status.

We found that people who are generally healthy but with low literacy were nearly three time more likely to have visited the ER than their high-literacy peers in the past year. And low-literacy individuals with a chronic condition were two times more likely to have visited the ER than their high-literacy peers.

It is easy to see why people with low health literacy choose the ER for non-emergency acute care. After all, the ER never closes, requires no appointment and is easy to locate. They do not have to try to search for urgent care clinics or other alternative care sites with limited hours that often require appointments and may be tucked in strip malls and office parks.

But besides convenience, there is another force driving those with low healthcare system literacy to the ER — a feeling that the healthcare system is not meeting their needs. Compared with their high-literacy peers, people with low healthcare system literacy are more likely to feel that their insurance company did not provide enough information for them to find a new doctor and that they cannot use their preferred channel to find care. They were also more likely to be disappointed in how long it took to get treated.

In short, the ER is the path of least resistance in a system riddled with confusing rules, puzzling terminology and opaque processes. People with low healthcare literacy tend to use the ER for needs that are more appropriately addressed at less intensive, lower cost settings such as urgent care clinics, primary care physician offices and telehealth visits. That means higher costs for employers and health plans.

US $47-BILLION ANNUAL SAVINGS

We estimate that the US healthcare system could save US $47 billion every year in medical costs if people with low healthcare system literacy used the ER at the same rate as their more informed peers. Breaking that figure down further, US $42 billion could be saved from lower health literacy people with chronic conditions, plus an additional US $5 billion from those who are generally healthy.

This cost saving assumes that their excess ER visits would shift to less expensive sites, such as primary care physician offices, urgent care centres, retail health clinics and telehealth visits.

It is important to note that this ER use is not a COVID-19-related issue but a long-term problem. Our analysis controls for overall changes in utilisation since it focuses only on the difference in ER use between people with low and high healthcare system literacy. In other words, this savings figure is not driven by more people going to the ER because of the pandemic. In fact, the Centers for Disease Control and Prevention reported that ER utilisation decreased by 42 per cent in the early pandemic period.[7]

PATH FORWARD

Health plans need to rethink their focus. Shifting the burden to people seeking care or trying to teach them how to better navigate the system are a losing proposition. Those strategies will not address complexity or improve their experiences.

Instead of trying to mould people's behaviours to an inflexible and labyrinthine system, it is time for a cultural shift in which the consumer is at the centre of every decision health plans make. By recognising the attributes that draw people to the ER and reinterpreting them across physical and digital experiences, health plans can help direct people towards convenient, effective and less costly care.

IMPORTANT STRATEGIES

- *Simplify products*. Simplify and innovate product designs to reduce healthcare jargon and rules so that people can better understand how to navigate their insurance plans and get needed care. Design products in ways that reflect people's needs, not entrenched organisational processes. For instance, Bind Health designed a health plan based on feedback from consumers. It offers a unique, on-demand health insurance product that allows people to buy more coverage as they need it.
By shifting all consumer costs to co-pays — and eliminating deductibles and coinsurance — it also offers full price transparency prior to getting care.

- *Promote price transparency*. Price transparency helps people make informed decisions. It enables them to know what they are going to spend before they decide what care they are going to receive. Health plans can capitalise on new price transparency regulations that can help unlock what is today a black box of healthcare costs. This is an opportunity to create healthcare 'shopping' experiences in which cost and quality information is available to help people make decisions in real time. It is akin to using an Amazon-inspired experience to find a provider that offers an integrated view of benefits coverage and cost information.

- *Collaborate with providers*. Provider collaboration can help make patient options clearer at the point of care, where providers have significant influence. Collaboration can influence patients' decision-making and lead them to appropriate sites for their care. Health plans should work with providers to ensure that their communications regarding pricing and other factors align.

- *Redesign around patients*. Any changes made by health plans to influence consumers' behaviours should reflect human-centred design principles. This means combining human and digital guidance to design experiences, products and workflows from an 'outside-in', 'walk in others' shoes' perspective. One health insurance company, for example, improved members' experience and eased unnecessary demand on call centre staff by integrating cost, quality and benefit information in a single view in its mobile app so that members get all the information they need up front to make informed decisions about their care.

CONCLUSION

Complexity in healthcare is an entrenched problem that impacts consumers, health plans and providers. Despite efforts in recent years to increase transparency, consumers still do not have the information they need to make informed decisions about how and where to receive care. Solving this challenge will take a commitment to transformation, not simply tinkering with financial incentives or applying design bandages.

While systemic complexity will not be eliminated in the short term, health plans can start taking steps to make navigating the health care system easier. With simplicity and patient-centred design as their touchstones for implementing change that improves patient care, they can finally start cutting through complexity, reduce costs and improve the patient experience.

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