the COMPASS
YOUR GUIDE TO THE HEALTH ECONOMY
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What If They Aren't Coming Back…

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Our previous research has demonstrated that consumers have been slow to return to primary care settings and, as a result, preventive screenings.[1,2,3,4] If there was any doubt about that, the first quarter results from leading health systems confirmed that volumes are soft.

In the past two weeks, I have spoken to executives from four of the ten largest health systems in the United States, each of whom has asked a variation of the same two questions: What is happening, and should we ask our payers for rate increases?

The answer to the first question is this: what is happening is a series of unfortunate events, including labor costs, supply chain disruptions, population migration, persistent excess mortality in the 25-64 age cohort,[5] and a decrease in trust in the healthcare system among almost 1/3 of the public.[6]

The answer to the second question is this: it depends.

Economic principles, of course, do not support asking for a higher price for a good when demand is declining. Nevertheless, certain healthcare providers will inevitably pursue this tactic, and those who are "price setters" may well succeed in negotiating for higher rates[7].

For systems who are price setters, seeking rate increases risks alienating consumers in your market, who are already struggling with increasing deductibles and will ultimately bear the brunt of any rate increases you negotiate.

Of course, only a handful of healthcare providers are price setters. The vast majority of healthcare providers are "price takers," and the more you wonder whether to ask for rate increases, the more likely you are a price taker.

Perhaps a more strategic approach is to develop a plan to address the root cause of the problem: declining volumes.

Health systems have invested billions of dollars in creating newer, better, more convenient physical and digital access points for consumers, in line with a traditional "if you build it, they will come" mindset. However, most health system investments in "branded" access points, such as urgent care and the "digital front door," are largely ***indistinguishable*** in the eyes of consumers choosing based on location or price or convenience, not brand. Failing to offer a distinctive or "must-have" service results in being a price taker, and it is a tautology that the party ***requesting*** a rate increase is a price taker.

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More importantly, what if, in the aftermath of the pandemic, having dozens of access points is ***irrelevant***? What if consumers are not coming back because they are too scared to come back?[8] What if primary care volumes never return to the pre-pandemic peak in October 2019?[9] What would the impact of permanently lower volumes on healthcare providers? And what would the clinical ramifications of permanently lower preventive screenings be for consumers?

With the beginning of summer comes the end of the school year for students, but it may be time to “go old school” for health systems.

What if the only way to get the consumers to return to health care is to go get them? Instead of asking for higher rates from payers that will be passed along to self-insured employers, what if healthcare providers take care to the consumers, with health fairs and on-site screenings? What if instead of waiting for consumers to access services on a mobile phone healthcare providers take a mobile clinic to consumers at schools and municipal offices and suburban office parks?

What is the cost of doing that? What is the cost of not doing it?

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