

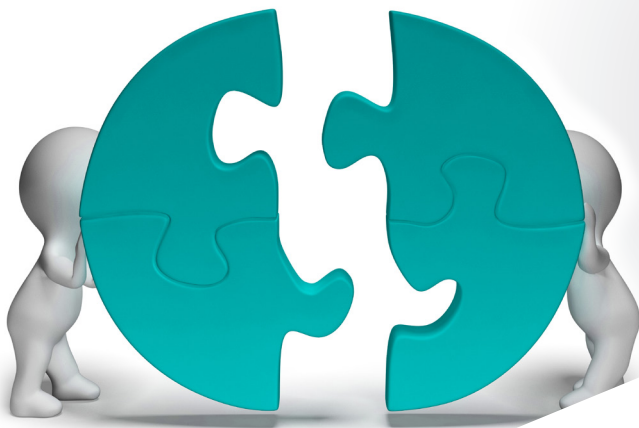
IT TAKES TWO TO TANGO:

CRACKING THE PATIENT/CUSTOMER
ENGAGEMENT CODE

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Market Corner Commentary
for June 8, 2016



The tango is a beautiful, complex, fast-paced dance that gets the heart racing for participants and spectators alike. The intimacy of two partners moving in coordinated lockstep leaves no doubt: It really does take two to tango.

Healthcare, that most intimate and complex of industries, is learning how to dance with consumers. Like beginning dancers focused on counting steps, however, many health organizations pursuing consumerism are heavy-handed and clumsy. They rely too much on technology, on-line tools and automated service models. They neglect healthcare's human dimensions and overlook the patient-customers.

Great technology and compelling business models aren't enough to engage patient-customers in wellness programs, doctor selection, benefit choice, and chronic disease management. User rates for many promising technologies and approaches are dismal.

For example, only one fourth of employers offering virtual telemedicine visits report patient utilization rates greater 5%¹. Elaborately-crafted, insurer-sponsored on-line wellness programs have even more discouraging use rates.

So, what does work to help customers establish habitual behaviors that support desired outcomes? The best programs combine easy-to-use technology with efficient process management and good old-fashioned human intervention.

Behavioral science is key. The most successful approaches take advantage of built-in behavioral biases. These include loss aversion, anchoring, social proof, overconfidence and inertia.

Exploiting behavioral quirks with well-calibrated doses of "Libertarian Paternalism" nudges people toward better behaviors and desired outcomes.

The good news is that innovative companies across the healthcare spectrum are working day and night to "crack" the patient/customer engagement code. Many are showing early signs of success.

¹<http://ushealthnews.mercer.com/article/542/telemedicine-s-rapid-growth-offers-a-low-cost-alternative>

THE SCIENCE OF ENGAGEMENT

Traditional economics assumes market participants have perfect information and act rationally in their own best interests. In the real world, people make irrational economic choices often against those best interests. Emotions, prior experience and environmental factors not only influence financial decision-making, they shape lifestyle choices, too.

Frustrated by the limitations of traditional economics to explain irrational choices, behavioral economics emerged to discover and understand the powerful, often instinctive, behavioral factors driving human decision-making. Beginning in the 1970s, path-breaking research by Nobel Laureate Daniel Kahneman and his partner Amos Tversky established behavioral economics' power to explain irrational choices.

In *Thinking Fast and Thinking Slow*, Kahneman described two types of thinking. *System 2* thinking is cognitive and requires the brain to process variables, data and situational cues to make informed decisions. It is slow and resource-intensive.

By contrast, *System 1* thinking is instinctive and fast. If human beings employed *System 2* thinking to flee saber-tooth tigers, they'd be dead before deciding to run. *System 1* thinking relies on flash reactions and ingrained biases, known as heuristics, to form instant opinions and make quick choices.

Habitual behaviors are efficient. They enable human beings to make quick decisions that require little energy. Habits are *System 1* thinking in action; however, habits begin as *System 2* thinking. It takes at least 6 weeks of intentional, resource-intensive behavior to build neural pathways strong enough to create instinctive behaviors.

Even so, old habits die hard and resist being replaced by new ones. Renowned physician, Dean Ornish, showed that within two years, 90% of cardiac by-pass surgery patients revert to the behaviors that caused their disease, despite reasonable fear of death.³

Ornish reversed those results with hands-on lifestyle modification within supportive communities. "Social proof" works. Human beings do what others around them do. Healthier living makes patients "feel better" and stimulates healthy habit-creation.

Recognizing the Ornish program's therapeutic benefits, Medicare began covering its cost in 2011 through a new Intensive Cardiac Rehabilitation reimbursement category.

²Coined by Professor Richard Thaler of the University of Chicago, the term "liberation paternalism" describes a methodology for engineering targeted "free choices" through tactical modification of environmental factors.

³<http://www.fastcompany.com/52717/change-or-die>

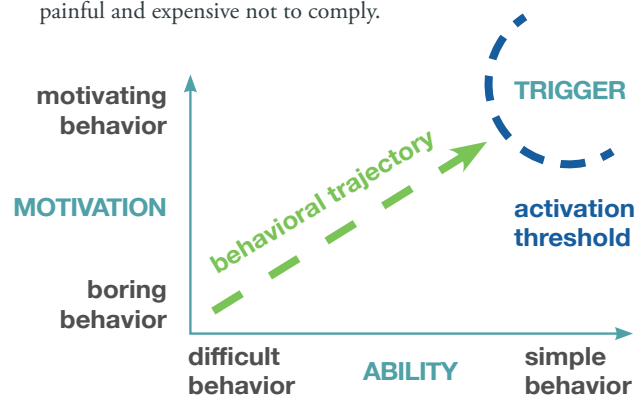
LIFTING THE FOGG

Psychologist B.J. Fogg runs the Persuasive Tech Lab at Stanford and is expert at designing strategies to alter behavior. The Fogg Behavior Model (FBM) assesses the following three elements when structuring a behavioral change program: Motivation (low to high); Ability (difficult to simple) and Triggers (natural and designed).

When desired behaviors do not occur, one of these elements is misfiring. Fogg believes constructive behavioral change requires the following: 1. Program Specificity (identify desired behaviors and outcomes); 2. Simplicity (easier changes happen more quickly); and 3. Properly “primed” (no behavior change without effective triggers).

FBM provides a powerful framework for stimulating behavior change.⁴ Within that context, behavioral change programs that incorporate the following traits achieve better performance outcomes across all categories (engagement, medication adherence, wellness):

- **Make it Easy:** Set achievable goals, take baby steps, make it cheap, make it fast and understandable.
- **Measure:** Track food consumption and activity. Make healthy choices top of mind. Find ways to transmit data automatically to personal health records.
- **Celebrate Success:** Applaud achievements in public and virtual ways. People have unlimited capacity for positive feedback. People will walk several flights of stairs to win virtual merit badges.
- **Eliminate Negative Cues:** Get the cookies out of the house; take a walk to beat the afternoon blahs.
- **Encourage Team Activities:** Bind people in wellness activities, such as competitions, mutual commitments and coaching. Behavior change is always easier with a buddy.
- **Calibrate Incentives:** Offer positive and negative rewards. Make it fun, edgy and entertaining to complete a health assessment. Make it painful and expensive not to comply.



⁴<http://behaviormodel.org>

THE “LITTERBUGGING” TEXAS TWO-STEP

Education can help if it hits the right buttons. Thirty years ago, “tree hugger” was the derisive term applied to environmentalists. Ask Texas. In 1985, the Texas Department of Transportation was spending \$20 million a year to pick up beer bottles and other trash from the state’s highways.⁵

The biggest litterbugs were young men and traditional appeals weren’t reaching them. Ad men Mike Blair and Tim McClure of GSD&M came up with the slogan “Don’t Mess with Texas” to persuade “bubbas in pickup trucks”⁶ to stop littering. The slogan appeared on road signs along major highways, in television and radio commercials and in print advertisements. It worked. Between 1986 and 1990, litter on Texas highways decreased 72 percent.⁷ Today, it’s cool to be green. The environmental movement changed attitudes and behaviors.

Americans know they need to eat smarter, take their medications, smoke less and move more. Getting Americans to actually do these things requires reorienting home, work and play environments. Human connection, the cool factor, feeling better, heuristics, triggers and technology are smart tools that Libertarian Paternalists can employ to make it easier for people to engage with great technology and well-meaning programs and make better lifestyle choices.



⁵http://en.wikipedia.org/wiki/Don't_Mess_with_Texas

⁶<http://priceconomics.com/the-surprising-origins-of-dont-mess-with-texas/>

⁷Tim McClure and Roy Spence, *Don't Mess with Texas: The Story Behind the Legend*, Idea City Press, 2006



GAMING ENGAGEMENT

A number of companies, from startups to established players, are beginning to show success blending technology, behavioral science and human interaction to promote better benefit selection, wellness participation and medication adherence.

Benefit Management Platforms

- **Keas**, the San Francisco-based online health management company, uses social networking, health quizzes, challenges, quests, and incentives on its platform to gamify healthcare and make tracking and improving health more fun. It reports utilization rates of 51% on average in employer health programs.⁸
- Chicago-based benefits enterprise company, **Maestro Health**, aims to make employee health and benefits management “people friendly” with an easy-to-use healthcare benefits platform that turns the shopping experience into one more familiar for consumers used to buying songs on iTunes.⁹
- **Collective Health**, located in San Mateo, California, manages health plans for self-insured employers by centralizing benefits on its easy-to-use online platform, but it’s the customer-friendly approach, right down to the lack of jargon, that makes the service so accessible.¹⁰
- **Quantum Health**, a consumer navigation company in Columbus, Ohio, launched its program for large self-insured businesses after studying the patient experience intensely and developing programs that draw on lessons from the retail and consumer goods industries to provide personalized solutions for patients.¹¹ They report exceptional patient engagement and satisfaction levels.¹²

Wellness (incentive programs)

- **Welltok**, the population health company out of Denver, Colorado, developed its well-regarded Health Optimization Platform by focusing on customer experience and leveraging mobile apps, gaming, and other fun and engaging tools to create personalized health guidance for patient users. Progress is tracked and rewards given when goals are met.¹³
- **Noom**, based in New York City, has both B2C and B2B offerings for its “behavior change platform.” Noom’s programs combine health coaching and artificial intelligence along with personalized health plans and supportive information in real time that involve customized and simple to follow lists, tasks, and instructions. Noom is generating impressive results and very high engagement rates largely due to its scalable “coaching algorithms.”
- **WellRight**, also out of Chicago, provides corporate wellness software aimed at improving the physical and mental well-being of employees. Their solution helps users connect to their own personal fitness devices, while encouraging supportive relationships with peers, and nudging people toward healthier lifestyles.
- Giant pharmacy retailer, **Walgreens**, awards loyalty points for healthy behaviors and activities through its Balance Rewards for Healthy Choices program. By encouraging micro-habits, the program helps customers lead healthier lives, and has improved medical adherence and fostered weight loss.¹⁴ Walgreens has discovered that smaller, fun rewards actually have a bigger impact on influencing healthy behaviors than larger rewards.

Behavior Modification

- **Pharos**, in Northfield, Illinois, has focused on patient engagement since 1996. Its sophisticated customer engagement model mixes technology with people-guided interactions. Pharos has achieved close to a 100% prescription-refill rate and daily patient engagement, an 85% retained-appointment rate and a 60% reduction in all-cause hospital admissions.¹⁵
- **Eliza**, out of Danvers, Massachusetts, is a pioneer and recognized leader in member engagement, blending technology, communication expertise and data analytics to drive healthy behavior change. Drawing from billions of health-related interactions with consumers, Eliza makes health and healthcare information more accessible, more actionable and more engaging.
- Walgreen’s competitor, **CVS**, is working to improve the country’s miserable 50% medication adherence rate through a broad mix of strategies and approaches. More efficient refill and packaging processes reduce trips to the pharmacy and make it easier to take medications. Pharmacists use motivational interviewing techniques with patients to encourage adherence and healthier behaviors. Dedicated help lines also provide high-touch contact with patients. Direct messaging with care providers and patients when prescriptions are not filled reinforces adherence as does encouraging family members to be active care supporters.

¹¹<http://www.columbusceo.com/content/stories/2015/03/healthcare-trailblazer-quantum-health.html>

¹²<http://quantum-health.com/results/>

¹³<http://histalkmobile.com/welltok-raises-25-million-series-d-to-expand-patient-engagement-platform/>

¹⁴<http://www.businesswire.com/news/home/20150611005786/en/Walgreens-Balance-Rewards-healthy-choices-Participants-Losing>

¹⁵<http://www.pharosinnovations.com/>

NATURE'S CRUEL TRICK

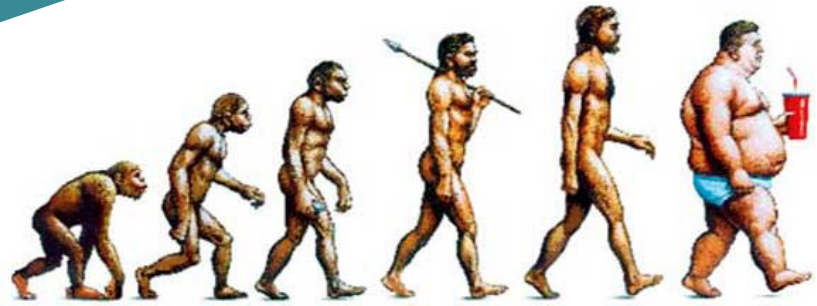
To survive in the Serengeti, humans learned to walk long distances, eat mostly plants, live in small cooperative communities and respond quickly to dangers and/or opportunities. Evolution enabled humans to live off the land and avoid saber-toothed tigers, but it has not equipped us for office work, abundant food and prolonged stress.

Human beings are not built for modern society. Nature has played a cruel trick on us.

Modern lifestyles create unprecedented and increasing levels of disease, disability and medical expenditure. Significant biological, and environmental factors contribute, fostering deeply-ingrained and unhealthy behaviors that are difficult to reverse.

Healthcare delivery accounts for only about 10% of Americans' health status. Lifestyle choices, genetics, social determinants of health and environmental triggers account for the other 90%. Fixing healthcare alone will not reverse the chronic disease epidemic that is crippling the country. We need to make it easier for people to make healthier lifestyle and care management decisions.

Innovative companies are rising to this challenge and learning to make the customer patient part of the solution. Some of those companies are startups, others are well-established industry leaders. In this particular tango, anyone can participate. Big or small, new or old, we're all in this big dance together.



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Jill Frew leads Cain Brothers' Payer Services and Consumer Health practices. Ms. Frew joined Cain Brothers in 2006 with over 15 years' experience advising both public and private companies in a variety of M&A, capital raising, and strategic advisory transactions. Ms. Frew has executed transactions across several verticals over her career, including managed care, providers, and HCIT. Cain Brothers is a pre-eminent investment bank focused exclusively on healthcare. Our deep knowledge of the industry enables us to provide unique perspectives to our clients and is matched with the knowhow needed to efficiently execute the most complex transactions of all sizes | www.cainbrothers.com



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