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Explainer

5 questions to ask when building a "shoppable service" strategy

Innovative health systems are redefining their approaches to the market

By Betsy Block

For several years, there has been a [growing trend of consumerism in healthcare](). To help inform patients about their options as consumers, the Centers for Medicare and Medicaid Services (CMS)) [finalized policies]() around price transparency, including making public the payer-specific negotiated charges for common "shoppable services."[1]

The final regulation from CMS will require hospitals to publish charges for 300 shoppable services – 70 specified by CMS[2] and the remaining 230 are at each hospital's discretion. Generally, we recommend that it is important to know relative pricing for the 70 CMS-specified services. For systems that want to take an early lead in their markets, they might want to narrow that list to three or four services that matter most to consumers in their markets and focus on delivering those services in the most cost-effective way possible.

A few key questions can help organizations identify the right areas of focus and build a shoppable services strategy, including:

1. Which shoppable services are in most demand with consumers in your market?

First, health systems must have a deep understanding of the consumers in their primary service areas. They must gather data to help them segment populations, not just by demographics and zip codes, but by their behaviors, lifestyles and decision-making patterns. Understanding consumer price sensitivity is also important; a recent health poll of U.S. healthcare consumers recently found that 80% of respondents would switch providers or facilities to save money on a $1,000 imaging procedure.[3]

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2. Where else can patients get the service?

Health systems should be aware of their competition. If there are already health systems or independent for-profit operators in the community who lead the market in terms of pricing and accessibility in a shoppable service, it might be more worthwhile to focus elsewhere.

[How sensitive are healthcare consumers to changes in price?]()

3. What are the costs associated with delivering this service?

Traditionally, hospital pricing strategies focused on finding high-volume, high-margin procedures, which springs from an environment where there is variability in pricing. However, price transparency may begin to force one market price, or median reimbursement rate, for each service. This means that providers will need to understand what their internal costs are and either deliver more efficiently or let someone else provide the service.

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4. What factors affect the consumer experience with the service?

Top-quality doctors. Lower wait times. Convenient locations. Affordability. Speedy results. These are just a few of the factors that affect the consumer experience with each service. If a health system wants to become the best, easiest and cheapest place in the community to get a mammogram, for example, it needs to think through the entire experience for the consumer. Knowing an organization's capacity to provide the service – where it is most available and efficient – can help pave the way for a more positive consumer experience.

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5. How can we best align the organization behind the service?

In the early days of online shopping, some retailers set up an internet-based storefront but failed to develop the logistic support needed to succeed with e-commerce. Disruption of a market demands more comprehensive changes to the business model. Instead of the finance team setting rates with little input from other departments, the system must consider market demand and consumer health behaviors which are traditionally known by the marketing and planning team, as well as operational capacity and throughput which are clinical metrics. Health systems must break down silos and align for the best results.

Answers to these questions can help health systems select the services that work best for their consumers and their organizations. The move toward price transparency is disruptive for health systems, and it will come with its share of [challenges](#) and [potential unintended consequences](#). But I believe there is cause for optimism for those health systems that adapt quickly and build data-driven, consumer-centered strategies.

[Learn more, watch the webinar: Price Transparency – What should hospitals do now?](#)

References:

1. CMS defines shoppable services as, "...services that can be scheduled by a health care consumer in advance. Examples of shoppable services include x-rays, outpatient visits, imaging and laboratory tests, or bundled services like a cesarean delivery, including pre- and post-delivery care." https://www.cms.gov/

2. https://www.hhs.gov/ Table 3 – pp 190-192

3. IBM Watson Health PULSE Survey 2019. Sample size = 3,019 U.S. healthcare consumers, Sample date: Nov. 1 – Nov. 15, 2019, Margin of error +/- 1.8%.

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