

Explainer

# How sensitive are healthcare consumers to changes in price?

An IBM Watson Health PULSE® Health Poll finds about two out of three respondents say they would switch healthcare providers to save money

By Betsy Block



Financial pressures are putting healthcare prices under the microscope. For healthcare providers, data-driven insights about consumer opinions and behaviors can help shape better [pricing strategies](#) for their markets.

An IBM Watson Health PULSE Health Poll<sup>1</sup> recently asked 3,000 U.S. healthcare consumers about their thoughts on [price sensitivity](#). We asked respondents to think about how much out-of-pocket savings they would need to have before they would switch to a different facility or healthcare provider for non-emergency services. They were asked to assume that both quality and convenience are comparable to what they currently use.

**A few of my observations about the [full results](#) include:**

→ Overall, approximately two out of three people would switch healthcare providers to save money. We asked about three different types of services with different out-of-pocket costs: lab work (\$200), imaging procedure (\$1,000) and elective surgery (\$2,500). What I find interesting is that \$150 appears to be the cost savings that will motivate the greatest number of consumers to shop whether for lab work with a \$200 co-pay or for an imaging procedure with a \$1000 co-pay.

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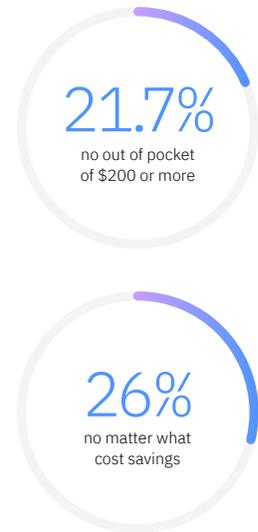
→ Millennials, GenXers and Baby Boomers are more likely to change providers than other age groups. For example, 27.6% of Millennials would switch for a savings of \$100 – \$150 as would 25% of GenXers. Given that Millennials and GenXers increasingly make up the largest portion of the commercially insured population, it is important for providers to understand this price sensitivity. Understanding the price points at which Baby Boomers would switch, for example, they are most likely to switch at price points higher than \$500 for elective surgery, is important information for providers who are starting Medicare Advantage programs.

[Read more in the health poll](#)

## References:

1. Every month, IBM Watson Health conducts a poll that surveys approximately 3,000 Americans to gauge attitudes and opinions on a wide range of healthcare issues. This poll is powered by the IBM Watson Health PULSE® Healthcare Survey, an independently funded, multi-modal (land line, cell phone, internet) survey that collects information from approximately 80,000 U.S. households annually. The results shared here represent responses from 3,019 survey participants interviewed from November 1-15, 2019. The margin of error is +/- 1.8%. See more about the PULSE survey and health polls here: <https://www.ibm.com/watson-health/learn/pulsehealth-polls>

- The rate of people who would switch healthcare providers tends to increase with both increasing levels of income and education. For example, when asking about elective surgery, 81% of people who make \$100,000 or more per year would switch providers for any cost savings, compared with 53% of people with an annual income of \$25,000 or less. And 71% of people with a college degree or more would switch to save money, compared with 52% of people with a high school degree or less. This is a little counter-intuitive because we typically assume that higher-income populations would be less price-sensitive than lower-income populations.
- Older, less educated and lower-income respondents are more likely to delay treatment. The survey found that 21.7% of adults aged 65+ would not get a service with an out-of-pocket cost of \$200 or more. And 26% of respondents with a high school education or less would also delay no matter what cost savings were offered. Lab work can play an important role in managing chronic conditions and providers who are taking risk for these populations must understand this healthcare avoidance behavior.
- A small segment of respondents says they would never leave their provider, regardless of the cost savings (5% for lab work, 9% for imaging procedure, 11% for elective surgery). Patient loyalty is not as high as some providers may expect, so it is important to consider cost as consumerism is becoming a higher priority.



Older, less educated and lower-income respondents are more likely to delay treatment

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One caveat to remember with these results is that it is a hypothetical situation, not actual data reflecting real-world behaviors. It could be interesting to watch how these opinions change over time, especially as Gen Z begins to reach adulthood and manage their own care.

But for now, healthcare organizations should be aware of how consumers think they would respond to potential cost savings. Understanding those price ranges can help organizations design more effective pricing strategies, and potentially become first movers in their markets.

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