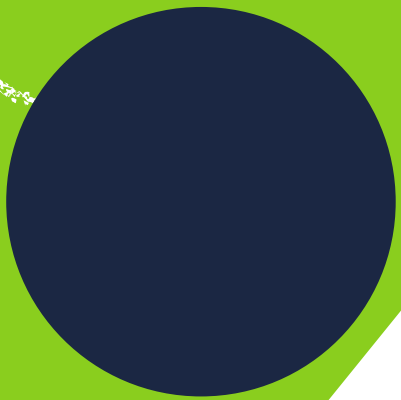


# The Value Attack



Health systems are under attack. How will you defend your hospital's reputation and value in the growing storm?

bpd

# The Value Attack

We first spotted the trend in 2018: In the media, in politics, from health plans and pharma, there was an uptick in accusations aimed at hospitals and health systems. Whatever the source, when the topic was the rising cost of healthcare, the target was hospitals and health systems. After a brief lull while hospitals sustained the nation through the first waves of the COVID-19 pandemic, targeting hospitals has returned with a vengeance.

**We call this trend “the value attack.” And it’s more than a trend. In 2023, hospitals and health systems face an assault on the reputation of hospitals that is only intensifying.**

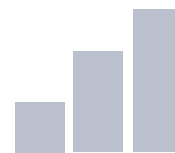
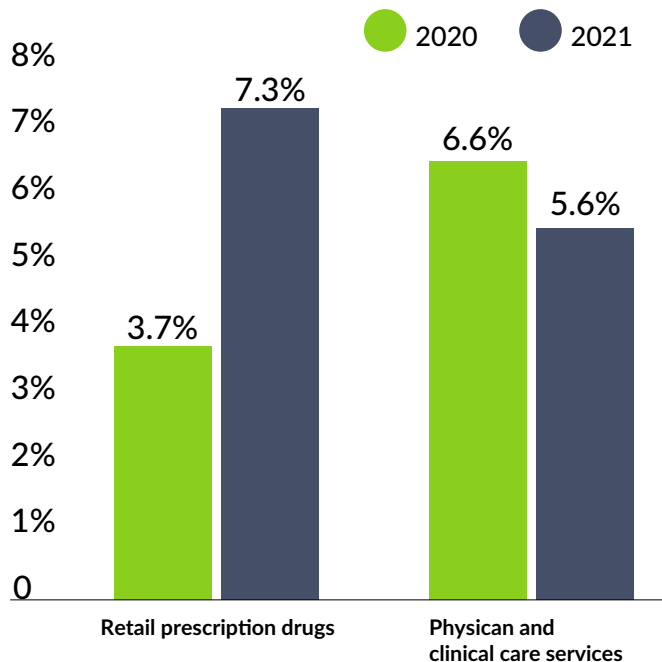
The value attack, at its core, is a false narrative that, left unchallenged has the potential to limit your organization’s growth and impact—even if your health

system has not yet been targeted directly. And, in the midst of the twin crises of financial struggles and staffing shortages in healthcare, that’s a risk no provider organization can afford to take. A failure to respond is a dismissal of the facts and acceptance of defeat. Those who do not respond accept the role of scapegoat for soaring healthcare costs. They accept taking the lower hand in

payor contract negotiations. Acceptance means brand value loss and eroding consumer trust. It means skeptical eyes on mergers and acquisitions.

Attacks on hospitals and health systems are coming from all sides and they aren’t going to stop. Your organization can accept operating in that environment, or you can take steps now to protect your reputation.

## Increases in healthcare spending, by expenditure



**More than half of hospitals are projected to have negative margins through 2022.**  
- American Hospital Association



**More than 275,000 additional nurses are needed 2020-2030.**  
- American Hospital Association

## Consumer perceptions of hospitals and health systems are being reshaped.

By damaging the reputation of hospitals and health systems, payors, retail chains and others can more easily capture larger shares of the market—and shift consumers away from traditional access points toward their own vertical integrations. Politicians can more easily push their own agendas on the backs of hospitals, shifting blame from government policies to CEO salaries. And the attacks can erode the trust that patients place in their providers, impacting revenues as well as outcomes.

### Here's the problem – and the solution.

The attacks on hospitals narrow the definition of “value” to cost—just half of the equation. Of course, hospitals and health systems provide vast value in addition to inpatient care in the form of community benefits, economic drivers, and leading the nation toward health equity.

The value attack is a smoke-and-mirrors strategy to shift blame for rising costs away from those who are driving those costs—payors and pharma—to care delivery organizations. And health systems, which as a group have been reticent to respond, are easy targets.

Attacking hospitals for the cost of care is an effective strategy because this message reaches consumers in their day-to-day lives. In an era of high inflation, messaging about the cost of healthcare resonates with consumers today more than ever. In 2021, for the first time ever, the bad debt of insured patients replaced that of uninsured patients as the top source

of hospital debt. And more than 58% of hospitals' bad debt in 2021 came from commercially insured patients who couldn't cover the costs of high deductibles, co-payments, and other post-insured costs—an increase from just 11% of total bad debt for this group only three years earlier.

Yet, in a form of confirmation bias created by steady attacks on health systems, consumers are primed to blame their hospitals—not their health insurers—for high out-of-pocket health spending. Real estate agents have a mantra: location, location, location. And the entities throwing blame at health systems have one too: cost, cost, cost.

In 2023, hospitals and health

**\$19B** Projected costs for supplies, services, and drugs

**\$86B** Labor cost increases from 2021

**\$49B** Non-labor cost increases from 2021

systems face a historic financial crisis: The assault on hospitals' reputations comes as health systems are already operating on a financial precipice due to economic fallout from the pandemic, including soaring labor costs and inflation, hardball negotiations with payors, and changing consumer behavior.

Meanwhile, over the same span of time, in response to the growing needs of the communities they serve, hospitals and health systems have doubled down on the work of community benefits, outreach and education, health equity, and behavioral health. In 2023, the true value of hospitals and health systems has never been more important, demonstrable, and overlooked. In a survey of 1,200 consumers in December 2022, we found that 32% of consumers said hospitals care most about profits while just 12% said hospitals prioritize the health of their communities.

### The solution: reclaim the narrative.

In 2023, without delay, health systems must reclaim the narrative. Articulate your purpose by telling the stories of your organization's community impact. Reinforce – or establish – your reputation as an anchor institution of expertise, services, and actions that creates health and wellness. Like a university campus, your organization is an educator that builds careers and a generator of economic activity among local

businesses. Tell those stories of impact that your consumers will recognize as improving life in their communities.

And choose your storytellers well. As a rule of thumb, people distrust institutions but trust individuals. So, find the most powerful voices within your institution and among allies in the broader community. Shine a light on them and let them speak. Preserve and deepen the historic high levels of trust that most

consumers still place in their providers to counter the attacks. Don't delay: The assault on hospitals is intensifying. As contracts are renegotiated and inflation continues to rise, cost will be the leading topic in 2023 – and all signs point to the value crisis becoming a full-blown attack on hospitals and health systems in the 2024 election year. The good news is that there are proven ways to push back, if you act now.

# What—and who—is driving the value attack?

How did we get here? How did hospitals go from heroes to zeros – not just over the course of a historic pandemic, but steadily across the last decade? If consumers are the ultimate arbiters of healthcare’s true value in their lives and communities, who is working to influence consumers’ perceptions of that value, and how? The wedge between consumers and their healthcare providers is being driven in on multiple fronts. And each front in this battle will need its own action plan.

## Institutional distrust

The erosion of public trust in all institutions is a crisis of its own. From the government to media to education, growing numbers of Americans distrust what have been the traditional pillars of civic society. It’s a macrotrend, as we reported in *Joe Public 2030: Five Potent Predictions Reshaping How Consumers Engage Healthcare*, and healthcare has been swept up in it.

Even before the pandemic, Pew Research reports, “two-thirds of adults think other Americans have little or no confidence in the federal government,” and Gallup reports that 28% “do not have very much trust” and 38% “have none at all” in the media. When it comes to healthcare, Our survey of 1,200 working-age adults found that in December 2022, 65% agreed that trust in healthcare has declined since 2020. When asked what hospitals care most about, 32% of respondents said “profits” while 19% said “patients’ health” and 12% said “the health of their community.”

The good news is that public trust in healthcare, when compared to other civic institutions, is still relatively high, with 64% of the public “completely” or “somewhat” trusting in healthcare, according to a survey by the National Opinion Research Center at the University of Chicago. Medical distrust – and even aggression toward hospitals – is growing, however, in ways few predicted, with rising numbers of violent threats to hospitals and healthcare workers. In *Joe Public 2030*, we identified this trend as “the rise of health sects,” or political tribalism that dismisses mainstream medical care and even science itself in favor of thinking that best fits their world view.

## Payors and Pharma: Where consumers’ costs become corporate profits

In 2023, inflationary pressures and wage growth will dictate further cost increases as payors, employers, and providers negotiate new contracts – despite the fact that payors enjoyed record profits over the last three years.

**In 2022, UnitedHealthcare alone recorded more than \$287 billion in revenue and an expected \$23 billion in profit in just three quarters. And with three payors (UnitedHealth Group, Cigna, and CVS Health) owning the largest PBM, their revenues have risen along with the record profits of big pharma.**

Even with lowered and capped drug prices for Americans on Medicare, commercially insured consumers’ pockets will still feel the sting of high prices. Couple this with their tendency to lump prescription costs with care costs, and they may blame your health system for all of it.

**In our survey, 36% of respondents said pharma is most responsible for the overall cost of care, 36% blamed health insurers, 22% blamed physicians, and 22% said hospitals are the primary cause.**

Faced with higher drug costs, steeper premiums, higher deductibles, and reduced benefits in 2023, consumers will bear the burden of the overall cost of care more than they already do. As pharma’s and payors’ complex business models obscure the reasons for the rising costs of drugs and premiums, will consumers distinguish among the drivers of these costs? Or has the value attack primed them to blame care delivery organizations?

## The Funnel Wars: Diverting consumers to new sources of care

Amazon, Walmart, CVS Health, Walgreens, and other retail giants now offer healthcare delivery. In what we call “the funnel wars,” retailers are purchasing or creating healthcare delivery arms of their consumer businesses. Amazon acquired One Medical, Walgreens bought Village MD, SummitHealth bought CityMD, and Walmart Health and CVS Health are opening hundreds of primary care clinics in thousands of retail locations. Those new, convenient primary care options are drawing consumers away from health systems to locations where they already expect lower

costs. And the funnel wars aren't being fought on the retail front alone. Payers are also luring consumers to their own doors: UnitedHealth Group's Optum is poised to become one of the largest providers of outpatient care through voracious acquisitions of physician practices, surgery centers, and urgent care clinics. If the metric is the number of employed physicians, Optum is already the largest health system in the country with nearly 60,000 physicians on staff.

Masters of narratives of convenience and low cost, Walmart and other consumer-centric brands are building market share on one of

traditional healthcare's most glaring weaknesses: the confusing, frustrating, and tedious process of accessing healthcare. This narrative, unfortunately, is far from false: It's easier for a consumer to get a flu shot at CVS or Walgreens than a health system. Many health systems, however, are making strides, easing access and navigation via digital front doors and other consumerfriendly encounters. Yet, few of even those forward-thinking health systems are using their advances to reshape consumer perceptions in the face of the value attack.

## Politicians and Their Influencers

The army of adversaries focused on health systems includes politicians taking advantage of an easy narrative to boost their own visibility. In an era of institutional distrust, healthcare is fertile ground for candidates and elected officials to capture and keep voters' attention. Add consumers' cost concerns, and they've got their key talking points. In fact, nearly 9 in 10 Americans rated a candidate's plan for reducing healthcare costs as very or somewhat important to their votes in the 2022 midterm elections. And 39% say it is very or somewhat likely that they would cross

party lines to vote for a candidate who makes reducing healthcare costs their top priority, according to Gallup.

In North Carolina, state treasurer Dale Folwell, for example, has been a relentless critic of the state's healthcare institutions. Comparing health systems to “cartels,” Folwell steadily issues reports based on “misinformation” to spin a false narrative about health system finances. North Carolina's attorney general, Josh Stein, has joined the chorus, attacking Asheville-based Mission Health

and its parent, HCA Healthcare, for mergers and acquisitions activity, despite the focus of that activity being to preserve and expand access to care for North Carolinians. By leveraging consumer concerns about the cost of care, politicians can cement their places as consumers' allies, and position hospitals and health systems as consumers' adversaries. Along with a newly energetic Federal Trade Commission, the very partnerships that health systems engage in to preserve and expand access to care have become weapons to be deployed against them.

## Media and the Easy Narrative

Politicians and legislators understand their audience isn't primarily consumers. It's the media. And the media know that attacks get readers. True or false, a headline about a “huge wealth transfer” from the federal government

to hospitals, for which Folwell recently drew coverage in North Carolina, catches more attention than “Health systems grow apprenticeships to tackle shortages.” Media also track and build on the direction of national conversations. Over the next two

years, a national election will focus the national conversation on the cost of healthcare – and who's to blame. Will your health system be ready to respond when the next news story is about you?

# How We Got Here

2018

## THE CRITICS ARE RAGING

Scrutiny of hospitals and health systems intensifies. The stage is set for the value attack. Doctors, Big Pharma, and insurers play the blame game about rising costs while CVS and Amazon heat up the retail healthcare space, catching the eyes of private equity firms.

2019

## RISING COSTS

Health system labor expenses per patient begin the 19% rise between 2019 and 2021. Surprise medical bills also become public enemy #1 for consumers, but Congress struggles to find a resolution.

2020

## COVID-19 TAKES CENTER STAGE

Healthcare professionals become heroes as the COVID-19 pandemic begins. The value attack is muted; global researchers develop vaccines in a historic effort, retail pharmacies become critical health access points, and Joe Biden assumes the presidency, vowing to bring down care and drug costs. Pandemic-related job and coverage losses, a public reckoning of systemic racism, and widespread health misinformation create a potent brew of distrust in America's largest institutions. The masses take healthcare into their own hands and U.S. health spending reaches \$4.1 trillion.

2021

## A TURNING TIDE

Nurses leave the frontlines en masse; their hero status is no more. The worker shortage quickly intensifies. Consumers' belts tighten nationwide in the face of inflation, a looming recession, and the end of the COVID-19 public health emergency. Meanwhile, hospital spending on goods, physician services, and prescription drugs balloons to \$1.3 trillion, \$864 billion, and \$378 billion, respectively.

2022

## IN THE RED

It's a rough year for healthcare: Systems are facing their worst financial year in decades following billion-dollar losses, and pharma companies are accused of "pandemic profiteering" when they report record revenues. Retail pharmacies also win big with billion-dollar acquisitions. But the storm's not over: Inflation hits a four-decade high of 9.1% and health spending reaches \$4.3 trillion.

2023

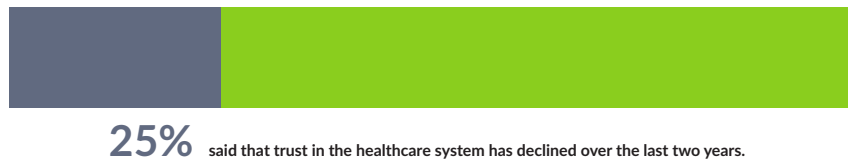
## THE ROAD AHEAD

A challenging year is ahead: Rising inflation, mass layoffs, a continued nursing shortage, and endemic COVID-19 are set to test healthcare's recession-proof label. Payors and providers battle over who bears the burden of increased costs and all signs point to consumers as the "winners." How the industry responds remains to be seen.

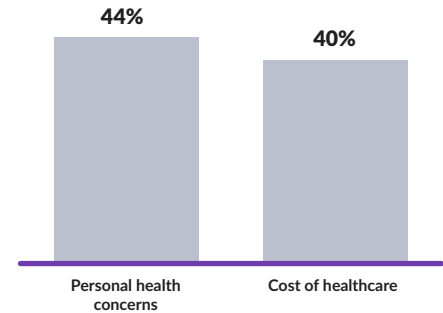
# Eroding trust, growing blame among consumers

Is the value attack succeeding? We surveyed 1,200 Americans in December, 2022 to track consumers' perceptions of and trust in healthcare – and how current stressors from inflation to equity to political polarization are influencing those perceptions.

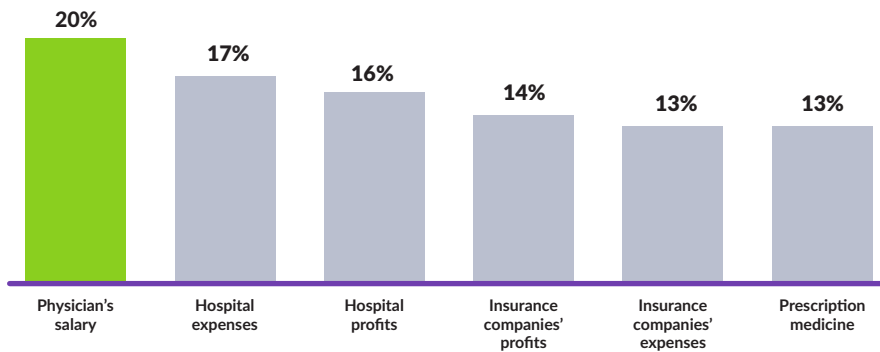
Consumers' ability to access care is compromised by exorbitant care and drug costs.



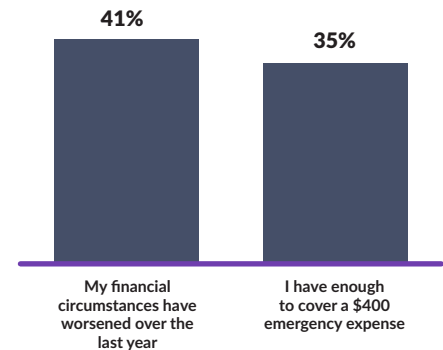
Personal health and money are major stressors for consumers, and invariably affect each other in the fight for access to care.



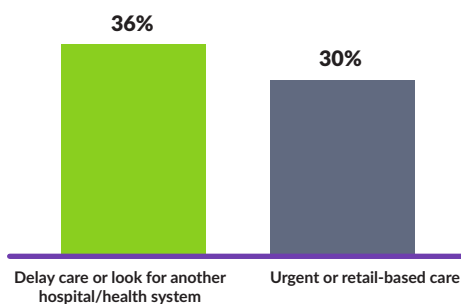
When asked where they believe their medical bills end up, many consumers pointed to their physicians' pockets and hospital costs.



Higher price tags all around put Americans at risk for financial loss in the event of a health emergency.



Rising care costs are making health systems' competition and retail healthcare more attractive to cash-strapped consumers.



**65%**

said that trust in the healthcare system has declined over the last two years.

**32%**

of respondents said hospitals care most about profits.

## Our findings indicate that:

- 1 Cost is at the top of consumers' minds.
- 2 Consumers' trust in healthcare is eroding.
- 3 Perception of cost and level of trust are connected for consumers.

# The Coming Storm: Steps to Survive

The steady rain of attacks over the years on the value of hospitals and health systems will become a full-blown storm of criticism and blame in 2023 and beyond. Don't head to a bunker. Be a lighthouse. Strategic communications can lead your organization through the chaos.

With proactive strategies, you can reclaim the narrative and raise awareness among consumers, media,

employers, and legislators of the value that your health system provides in social responsibility and economic and educational benefits. Don't wait until you are highlighted in the next Rand report, are the focus of a negative local news report on a surprise bill, or are sitting down for payor-managed care negotiations to defend your value.

Take virtual health and telemedicine, technologies that have been embraced

by consumers and providers. Easier access to care is a proven community benefit high on the list of consumer priorities. And that's where reclaiming the narrative starts. Know first what your organization offers that appeals to consumers' own priorities – the aspects of their daily lives they wish to improve – and how you can help.

## Your allies in the fight

1

Community outreach and population health initiatives

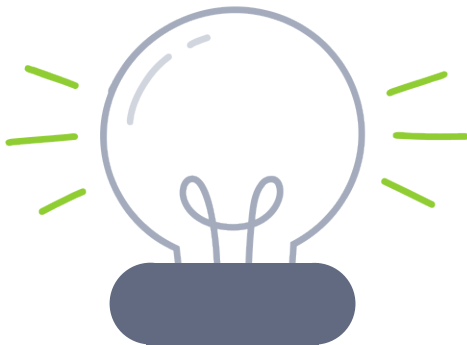
2

Hospitals as employers and teachers of healthcare professionals

3

Health systems' push for policy/legislation that benefits community health and well-being (e.g., NCHA/Medicaid expansion)

## Tell Your Stories



If you are meeting rising health needs in your community, for example, tell the stories that substantiate your role in the community as a hub of expertise, services, and actions that extend beyond providing care. Like university campuses and other nonprofit anchor institutions, health systems offer their local communities more than academia. Counter false narratives with storytelling and data-driven content across your owned channels, press releases, and community events, sharing the many ways your health system benefits health, education, employment, and finances in the daily lives of people.

Here's how.

# Be proactive with durable communication and scenario plans that connect trust and value.

The high degree of trust that consumers place in their clinicians is at the heart of every health system's reputation. Keeping and building trust, therefore, is at the core of your communications and scenario planning. Then, when consumers see pervasive negative headlines about cost and health systems, they are more likely to see your organization, their hospital, as the exception.

## Key actions:

1. Start today. If countering the value attack isn't a top priority for your health system right now, it needs to be. You may be suffering reputational damage already, even if your brand hasn't faced the fury of media or politicians. And when it does come your way, you'll need to
2. Identify and act on opportunities to build trust with consumers. Identify and eliminate encounters that decrease trust. When consumers think of your health system, do they think of the care they've received? Or surprise bills and debt collectors?
3. Build scenario plans so that, if your organization is directly attacked, you can get the other side of the story out without delay. Attacks make better headlines, so make the truth a powerful headline, too – and don't bury it in your annual report.
4. Put diversity, equity, and inclusion at the heart of everything you do. People trust people who look like them, speak their language, and care about the things they care about. A clinical encounter – or a reception desk – full of empathy and free of bias is the strongest trust-builder you have.

*Reducing health disparities is a powerful way to build trust in your community as well as improve outcomes for all people. Marketing and communications experts can lead the way by understanding the impact that communications can have in health equity and building trust with consumers.*

# Don't be anonymous. Speak as a community member.

As a rule, people distrust institutions but trust individuals. When your organization is attacked, individual voices are its most powerful defenders. Develop a team of trusted community messengers ready to speak on your behalf and change the narrative of the attacks. Messengers may be internal or community leaders. Staff who believe in the mission of your organization and how they contribute to it can also be powerful spokespeople in person-to-person encounters. Business and education leaders who have seen the broad value your health system provides can also help to counter skewed information from adversaries.

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## Key actions:

1. Understand your consumers, who they trust most and where they seek information.
2. Identify and support trusted community members as spokespeople and influencers, from clinicians to faith, education, and business leaders, who will resonate with your consumers.
3. Remind policy makers and legislators at all levels about the value that hospitals and health systems bring to their constituents and how they positively impact the economy. Give them the facts and messaging that counter the value attack.

# Prepare for increased scrutiny of cost.

The value attack has just begun. Already the cost of healthcare is a central topic in the industry, politics, and consumer's lives. And, if predictions of a recession prove true in 2023, an economic downturn will add fuel to a narrative that blames hospitals. Because that narrative is already out there, help your patients understand the factors that drive the cost of their care and direct them toward sources of financial assistance. And always tell the stories of the broad value of your health system in their community. To counter the easy narrative that the media tends to follow, help the media better understand the financial complexities of healthcare by meeting with editorial boards and countering attacks with facts.

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## Key actions:

1. Push back hard and without delay when facts must be corrected with press releases, talking points, and op-eds.
2. Meet with editorial boards to educate media on healthcare financing and the factors that drive cost.
3. Inform legislators and policy makers about the precarious financial status of health systems.
4. Prepare talking points and fact sheets for rapid responses to news stories and other value attacks.

# Flip the script. Develop your value narrative.

Shape the value narrative of your health system based on your mission, culture, and impact in caring for patients and communities. The value attack seeks to reduce your value to the high cost of a surgical procedure or a surprise bill. Counter it with a sustained and comprehensive campaign customized to key constituents. Show how your health system should be measured in community investments, jobs and job training, reducing health disparities, and more. Build a narrative that underscores the indispensability of health systems rather than the cost of healthcare – and that spotlights the profits generated by payors and pharma as hospitals teeter toward financial disaster.

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## Key actions:

1. Give media an angle that is worth writing about and adds to your reputation, rather than detracting from it.
2. Seek to differentiate hospitals from all healthcare companies in your narrative. When the public hears “healthcare” they tend to think first (and even exclusively) of hospitals. So, when they see headlines about healthcare CEO salaries, they think hospital CEOs, not the CEOs of payors, life sciences companies, and pharma who actually top the list.
3. Team up to shape the narrative: Work with other health systems in your region to state key messages and go on offense together. When multiple CEOs go to state legislative leaders, the chamber, or the editorial board meetings, all saying the same thing, it gets attention.

# The time is **now.**

The value attack has only gained steam since 2018. There's no time to lose in defending your organization against overplayed and often unfair scrutiny by entities across the health ecosystem and beyond. Your brand reputation is likely already suffering from the blows taken by the industry. Take a stand to declare the true value of hospitals and health systems – before it's too late.

**Partner with BPD.**

Want to learn more? [Let's Talk.](#)

