

How health care,
retail and tech can
work together to
change how we eat



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Consistently eating healthy is hard.

The average person makes more than 200 decisions related to food each day,¹ and these decisions are shaped by financial, educational, geographic, social and emotional factors. For many, the current setup of the food ecosystem makes developing and sticking with healthy food habits feel unattainable and exhausting, which has contributed to a rise in nutrition-related illnesses. In fact, 73% of US adults are overweight or obese and nearly half of US adults have hypertension,² and each of these nutrition-related illnesses comes with physical, economic, emotional and social costs to society and individuals. While there isn't a one-size-fits-all approach to addressing public health nutrition, it's clear that our current food ecosystem has to change.

Health care, food retail and technology CEOs, and chief strategy officers can make a large-scale impact on how we eat – and create long-term value for their enterprises – by moving beyond solo efforts to come together in a big way to change the national food ecosystem. Forming a connected, consumer-centric food ecosystem could increase nutrition affordability, education and support. It could also widen companies' customer bases, create new revenue streams through data and potentially reduce long-term health care costs.

Imagining a connected, consumer-centric food ecosystem

Some of the many steps that go into making a healthy food choice include determining which food will help a person meet their health goals, planning meals for the week that fit within a budget, purchasing the ingredients, preparing the food and logging nutrients. Even if someone tries to plan out and log everything they do, eating healthy can require trips to multiple stores and using a number of technology platforms. So how can this fragmented and overwhelming process be turned into a connected, consumer-centric food ecosystem designed to make healthy eating easier? What if health care, food retailers and technology all worked together seamlessly?

1 Brian Wansink and Jeffery Sobal, "Mindless Eating: The 200 Daily Food Decisions We Overlook," *SAGE Journals website*, <https://journals.sagepub.com/doi/10.1177/0013916506295573>, January 2007.

2 "One year later, a new wave of pandemic health concerns," *American Psychological Association website*, <https://www.apa.org/news/press/releases/stress/2021/one-year-pandemic-stress>, March 2021.

It is estimated that more than 12% of the US population is food insecure, and there are clear connections between food insecurity and obesity.³ It is critical to help those facing the greatest risk of food insecurity, and these solutions will likely require federal and state support and coordination. While the ideas laid out in this paper are intended to improve the food ecosystem as a whole, this paper focuses primarily on US consumers who do not qualify for food assistance programs, but who may struggle to afford healthy food or maintain healthy eating habits.

³ "The Impact of the Coronavirus on Food Insecurity in 2020 and 2021," *Feeding America website*, https://www.feedingamerica.org/sites/default/files/2021-03/National%20Projections%20Brief_3.9.2021_0.pdf, March 2021.

"Food Insecurity Is Associated with Obesity among US Adults in 12 States," *National Center for Biotechnology website*, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4584410/>, September 2015.



Imagine someone struggling to maintain healthy food habits.

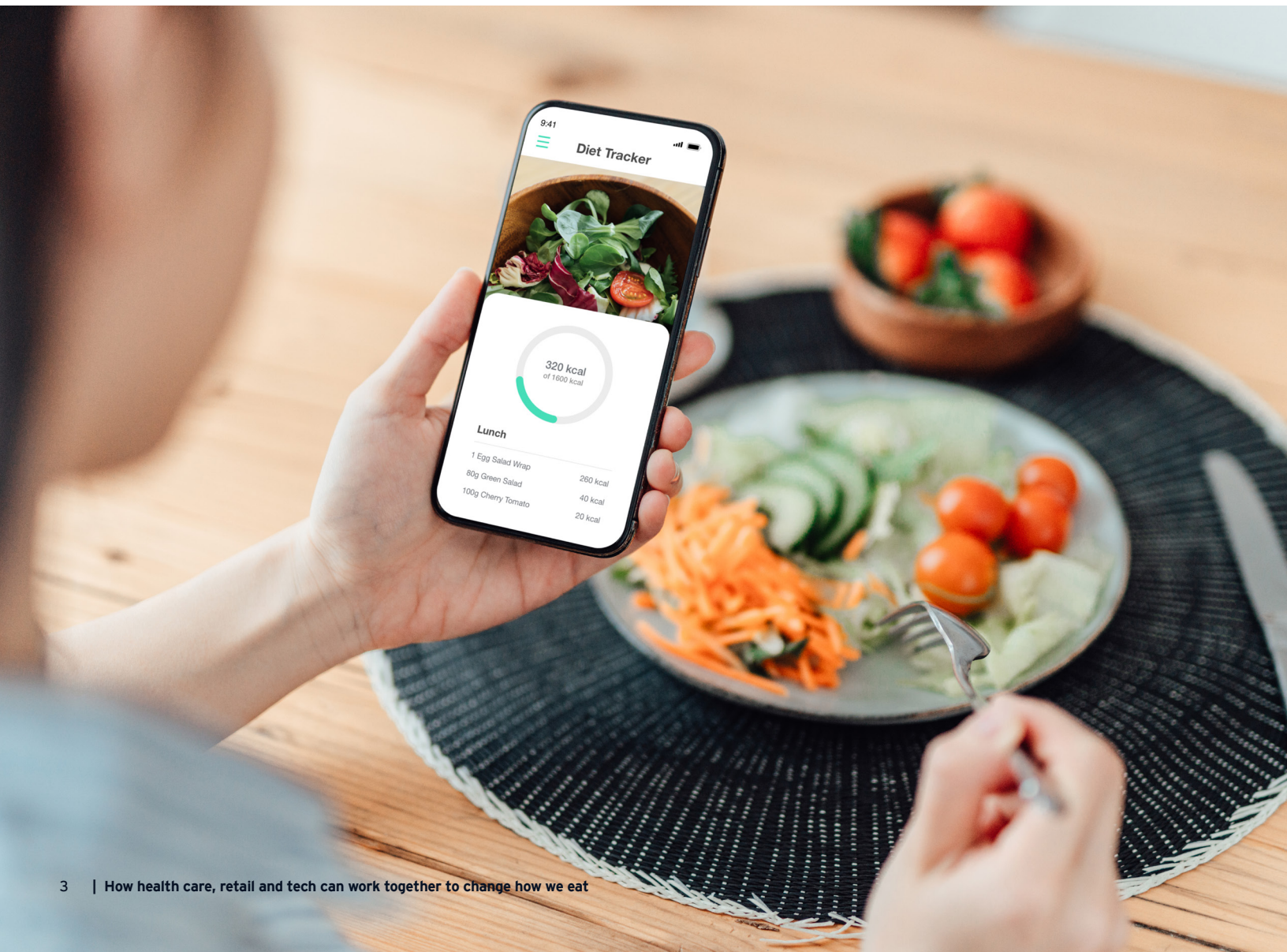
What if they ...

... Received discounted or even free healthy groceries based on curated, personal grocery lists and earned rewards for these choices?

... Could automatically load food purchases to a virtual pantry upon checkout (either in store or online through an app) for easy viewing and food and budget tracking, which was combined with pattern identification that would provide suggestions for ways to improve choices and reduce food waste?

... Had the chance to receive free check-ins and support from a personal nutritionist who will know their goals and have the ability to share that information to health care providers?

Ideally, these steps could all be achieved through one single application that could integrate seamlessly into consumers daily lives. But if health care, food retailers and technology could build partnerships to develop even some of these ideas, they could drive radical change across the food ecosystem.



Each player's part in radically changing the food ecosystem

Health care payers and providers, food retail, and technology companies each have a role to play in supporting consumers' healthier eating habits, and each can profit from being part of the ecosystem. While getting to a truly connected ecosystem may be a long-term project, requiring work around payment alignment, each player can start with some basic steps.

Payers and self-insured employers, who carry the health care costs for their employees, have traditionally reimbursed medical treatment and bear the bulk of the expense of chronic nutrition-related illnesses.⁴ While some plans have reduced health care spending by providing medically tailored meals to members on dual Medicare and Medicaid plans, financial incentives to buy and eat healthy food have not yet been extended to a larger population.⁵ Instead of facing the increasing costs of treating illnesses, some payers, such as Medicare Advantage and Medicaid payers, and jumbo or large administrative services only (ASO) employer groups can take steps to transition to a preventative model by providing more broad nutrition support:

► **Expand coverage for nutrition education and support.**

While payers currently provide nutrition counseling to members that meet certain criteria as part of the Affordable Care Act's mandate,⁶ both payers and self-insured employers could encourage a broader population to focus on nutrition as an important component of their physical and mental health.

A starting point could be providing an easily accessible consultation with a dietician as a regular, free service, just like other preventative services, such as yearly physicals. Another option could be covering or providing a discount on nutrition-related coaching programs. These programs are often financially out of reach but would be a helpful preventative tool that would help people set goals (e.g., reduce blood pressure, achieve a fitness goal or reduce fatigue and anxiety) and achieve them through better nutrition.

► **Cover healthy food.** Using a "food-as-medicine" approach, payers and self-insured employers could cover healthy food just as they cover medications. While some provide general funding for health and wellness, specifically covering food could be an important first step in helping people afford and prioritize healthy food.

A starting point could be providing discounted healthy food at employer cafeterias, covering "prescriptions" for healthy food at retailers or even certain healthy items at restaurants based on income level or broader health risks that could be improved through nutrition. Covering healthy food could help reduce food insecurity and nutrition-related illnesses for the approximately 20% of US households who do not qualify for federal and state food assistance programs.⁷ It could also affect many more by covering the many Americans who make below the average living wage of \$68,000, as calculated by the Massachusetts Institute of Technology (MIT).⁸

► **Reward healthy choices.** While most people want to eat healthfully, many need a clear incentive to stick with their plan. Providing rewards right when a consumer takes a healthy action, such as buying healthy food, could increase engagement.

A starting point could be to gamify food shopping and healthy eating through a health technology platform that provides rewards tailored for individual preferences. Options could range from lower premiums (similar to car insurance programs that discount premiums for safe driving) to gifts.

4 "Annual Medical Spending Attributable to Obesity: Payer- and Service-Specific Estimates," *Health Affairs website*, <https://www.healthaffairs.org/doi/10.1377/hlthaff.28.5.w822>, 2009.

5 "Meal Delivery Programs Reduce The Use Of Costly Health Care In Dually Eligible Medicare and Medicaid Beneficiaries," *Health Affairs website*, <https://www.healthaffairs.org/doi/10.1377/hlthaff.2017.0999>, April 2018.

"Food is Medicine: Peer-Reviewed Research in the U.S.," *Center for Health Law and Policy Innovation of Harvard Law School (CHLPI) website*, https://chlpi.org/wp-content/uploads/2013/12/Food-is-Medicine_Peer-Reviewed-Research-in-the-U.S.1.pdf, December 2020.

6 "A & B Recommendations," *U.S. Preventive Services Task Force website*, <https://www.uspreventiveservicestaskforce.org/uspstf/recommendation-topics/uspstf-and-b-recommendations>, 2022.

7 Set at less than 130% of the federal poverty line, which was approximately \$34,000 a year for a family of four in 2019

8 EY analysis; "2019 Poverty Guidelines," *Office of the Assistant Secretary for Planning and Education website*, <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines/prior-hhs-poverty-guidelines-federal-register-references/2019-poverty-guidelines>, 2019.

"Age of Householder-Household, by Total Money Income, Type of Household, Race and Hispanic Origin of Householder," *U.S. Census Bureau website*, https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-hinc/hinc-02.html#par_textimage_12, October 2021.

"New Living Wage Data for Now Available on the Tool," *MIT Living Wage calculator website*, <https://livingwage.mit.edu/articles/61-new-living-wage-data-for-now-available-on-the-tool>, May 2020.

Food retailers, including mass merchants, grocers and restaurants, have made significant strides adapting to consumers' increased focus on health. This is an essential business strategy, as the EY 2021 Future Consumer Index⁹ showed that 25% of consumers see "health" as their first criteria when shopping across all categories, trailing only affordability (28%). Many large retailers with grocery channels have crafted health and wellness strategies that include retail pharmacy and other health care services, such as nutrition support and primary care clinics. The next step may be to integrate these services with their other channels, as well as more fully into the greater health care ecosystem to diversify their revenue streams and attract and retain more customers.

► **Make choosing healthy foods a positive, easy experience.**

With access to information about consumers' medical conditions and nutrition needs, food retailers and restaurants could curate personalized experiences through targeted marketing and online displays, recommending food that could help consumers meet their health goals.

Starting points could be helping consumers understand the difference between products (e.g., a healthier alternative), providing nutrition training to in-store and online associates so they can advise consumers, and personalizing the consumer experience through marketing to help shift behaviors and attitudes.

► **Help consumers and their health care professionals understand their food purchasing patterns.** Food retailers have access to large amounts of purchasing data through their rewards programs.

As a starting point, sharing this data with the customer in a summarized way could have a profound impact by allowing consumers to track their nutrition behaviors over time and make plans with their health care professionals about healthier options. While some retailers already offer tools to help their customers make informed choices, these tools could be further developed in partnership with health technology companies to provide detailed insights on actual purchasing data that consumers could share with their health care providers.

Health technology companies can provide the connective tissue that links consumer engagement between payers or self-insured employers, health care professionals and food retailers. Consumers are increasingly looking to actively participate in their health care but in a way that fits their lifestyles, which for most includes the use of technology. Just as the FinTech industry has made budgeting, banking and shopping more accessible, health technology can provide consumers with a seamless interface that blends into everyday life to make food purchasing and tracking natural – even enjoyable.

► **Provide seamless, intuitive nutrition tools and support.**

Consumers today face hurdles navigating between multiple health-related platforms.

While many of the below features exist on various applications, a starting point could be integrating these features into a one-stop-shop application that will make it easier to change eating habits. Consumers should not need to open three or more applications to be able to:

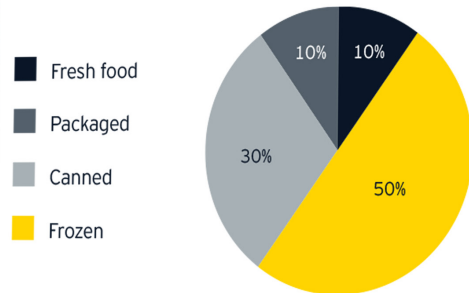
- Select recipes, develop shopping lists or develop a meal plan for the week based on purchased food that meets personalized health goals within a budget
- See food purchases in a well-displayed virtual fridge and pantry
- Easily track food intake through quick-select features from the food purchasing log
- Share data with health care providers through electronic medical record connections
- Access nutrition advice, live coaching and communities

⁹ "US Future Consumer Index 7: how to balance optimistic and hesitant consumers," EY website, https://www.ey.com/en_us/consumer-products-retail/us-future-consumer-index-7-is-hesitant-optimism-the-sign-of-a-consumer-boom, June 2021.

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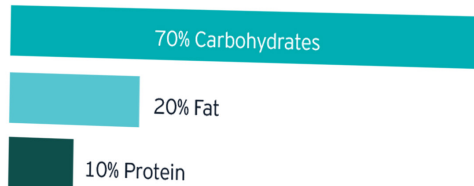
TIP:

Try this recipe for a healthy version of pad thai to increase your fresh food intake



TIP:

Increase your protein intake by 40 grams each day



The business case for change

The benefits of creating this connected, consumer-centric, wellness-oriented food ecosystem are clear – for both consumers and organizations.

Lower costs and improve operations

- ▶ **Payers and self-insured employers** can lead the transition to value-based care and lower their costs of managing nutrition-related illnesses. According to the Centers for Disease Control and Prevention (CDC), the cost of managing Type 2 diabetes was \$327b in 2017, and it is estimated that the total aggregate medical cost for adult obesity in the US was \$260.6b in 2016 in the US, much of which is borne by payers and self-insured employers.¹⁰ Diet intervention can have a meaningful, measurable impact in managing these chronic conditions. Multiple studies show that medically tailored meal delivery is associated with reduced use of costly health care services, such as emergency department visits and inpatient admissions.¹¹ If programs like these can be expanded, payers and self-insured companies can focus on preventative care and reduce health care treatment costs, which is especially urgent as nutrition-related illnesses rise.
- ▶ **Health technology companies** can refine and develop new programs with new data accessed from these partnerships. For instance, if a health technology company partners with a retailer that can track purchases through a loyalty program, the companies could derive additional insights that would lead to more effective, personalized programs.

- ▶ **Food retailers** can use artificial intelligence to analyze new consumer data, such as health needs and goals. Food retailers and restaurants could also achieve higher conversion rates and better predict demand to avoid shortages or overstock.
- ▶ **All three** can improve spending on human capital. In this competitive market, it can be challenging to recruit and retain health care professionals, and partnerships with traditional providers or with mass retailers who have health care personnel could ease the burden on recruitment and retention.

Increase patronage or membership, strengthen image and foster loyalty

- ▶ **Payers**, primarily those with Managed Medicare or Medicaid plans, could attract more providers to their networks by offering access to data that providers could use to better help their patients make healthy choices.
- ▶ **Self-insured employers**, primarily jumbo or large ASO businesses, could improve their benefit package by offering nutrition support, discounted healthy food and a rewards program, demonstrating to employees that they are truly invested in employees' health and well-being.
- ▶ **Food retailers** can increase traffic into physical and online stores by expanding their customer base through partnerships. For instance, if an insurer partnered with a retailer and provided discounts on healthy food purchases, customers may shift their loyalty to the covered retailer. Additionally, consumers, especially Gen Z, are increasingly supporting brands that are doing good for the world.
- ▶ **Health technology companies** could expand their customer base by partnering with payers and large self-insured employers, increase member retention, and sell other wellness-focused modules as add-ons.

¹⁰ "Diabetes and Prediabetes," CDC website, <https://www.cdc.gov/chronicdisease/resources/publications/factsheets/diabetes-prediabetes.htm>, November 2020.

¹¹ "Direct medical costs of diabetes in the United States and the most populous states," *Journal of Managed Care and Specialty Pharmacy* website, <https://www.jmcp.org/doi/full/10.18553/jmcp.2021.20410>, March 2021.

¹¹ "Meal Delivery Programs Reduce The Use Of Costly Health Care In Dually Eligible Medicare And Medicaid Beneficiaries," <https://www.healthaffairs.org/doi/10.1377/hlthaff.2017.0999>, April 2018. "Food is Medicine: Peer-Reviewed Research in the U.S.," CHLPI website, https://chlpi.org/wp-content/uploads/2013/12/Food-is-Medicine_Peer-Reviewed-Research-in-the-U.S.1.pdf, December 2020.

"Association Between Receipt of a Medically Tailored Meal Program and Health Care Use," *Journal of the American Medical Association* website, <https://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2730768>, April 2019.

Develop alternative revenue streams

- ▶ **Food retailers** can partner to develop additional revenue streams, such as credit card programs that incentivize spending on healthy items, such as food or health care services. The grocery industry is one with small and declining margins, with earnings before interest, taxes and amortization as a percent of revenue projected to decline. Services that help create a curated, personalized health and wellness experience and drive additional spending by motivating consumers to invest in their well-being will help offset declining grocery margins. While diversifying is necessary, partnerships can help improve speed to market for new products or services and reduce costs. For instance, food retailers can partner with technology companies to build out applications that would improve the consumer experience, such as providing ways to make healthy food choices.
- ▶ **Health technology companies** can increase their opportunities to sell additional services, such as modules for anxiety or sleep management.

Change isn't easy

All innovators face hurdles and these companies will need to determine the right partnership structures, including advocating for payment alignment, defining ownership and sharing of data, and how to approach implementation.

- ▶ **Earning consumer trust:** Payers and employers will need to prove the benefit to their members and employees and demonstrate true support and empathy to mitigate privacy concerns.
- ▶ **Partnership terms:** Just as food retailers work with the U.S. Department of Agriculture's food and nutritional service food assistance programs like the Supplemental Nutrition Assistance Program (SNAP) to determine payment arrangements, pricing terms for food items will need to be determined with payers and self-insurers. Additionally, health technology companies should consider pricing models where a portion of their fees are based on meeting goals for member engagement and satisfaction, in line with value-based care structures.

- ▶ **Use of data:** Payers and self-insured employers will need to develop mechanisms to quantify the return on investment (ROI) of reimbursing food and providing rewards. While this ROI calculation has been challenging in the past, additional data gleaned from this new ecosystem could facilitate these calculations. Food retailers will need to work with partners to develop a system to track consumer purchases and related information, such as nutrition facts, then transfer this data to the health technology application. Additionally, food retailers will need to adapt their systems to use increased access to health data to drive operational improvements, such as marketing, space planning, demand forecasting and supply chain management.
- ▶ **Technology development and usage:** While many of the needed capabilities exist today, health technology companies tend to focus on one area. Technology deals may be needed to create a comprehensive experience that can allow users to access these features in one place, and new technology would also be needed to share data between health technology and food retail companies. Another consideration is smartphone usage. In households with an annual income of more than \$50,000 the smartphone penetration rate is 90% or higher, while on the other hand, smartphone ownership in households with an annual income below this threshold is below 80%.¹²

¹² "Percentage of U.S. adults who own a smartphone from 2011 to 2021," *Statista website*, May 12, 2021.

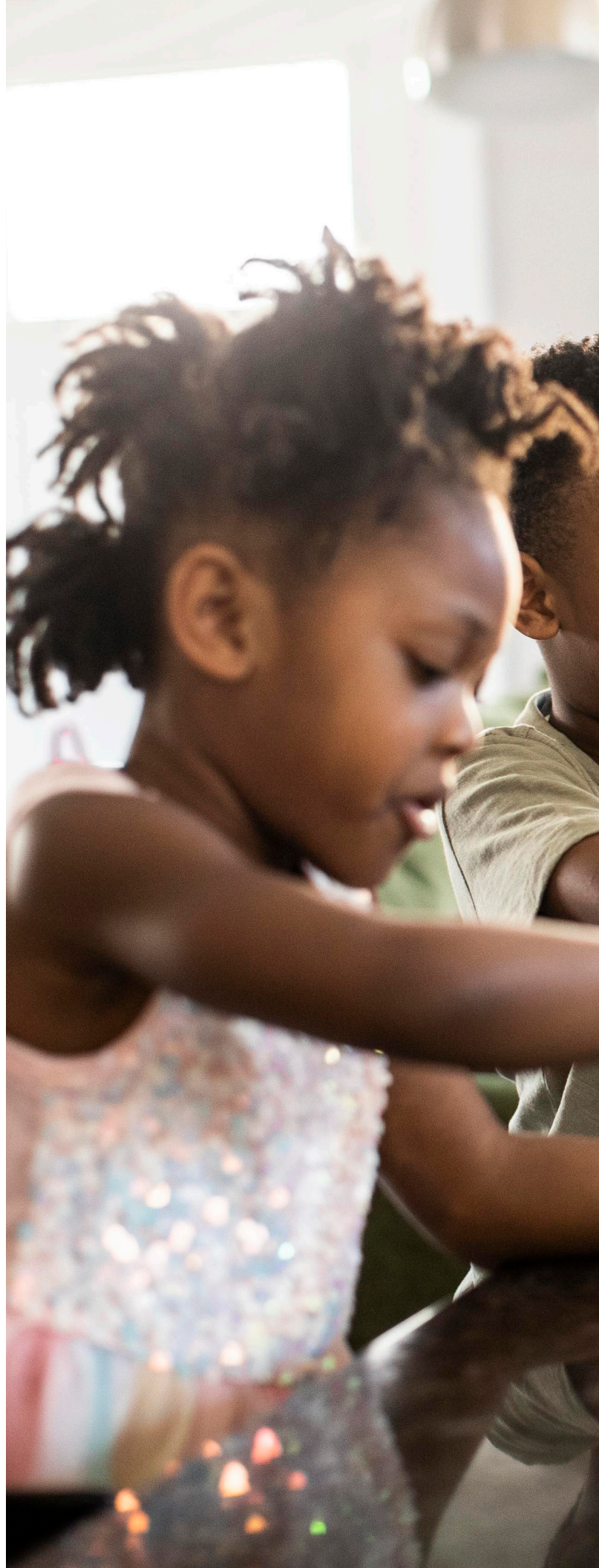
Consumers want to take charge of their health but need help doing it.

Building this ecosystem will require companies to work with partners they may have never considered and to reimagine how they work with existing partners. This important undertaking is complex and will likely take time to design and implement. They will need to first identify and evaluate potential partners that can offer complementary services and then determine partnership structures that most effectively benefit both partners and consumers, all with the goal of promoting healthier eating. But health care, retail and technology companies working together to build a connected, consumer-centric food ecosystem with access, education, support and incentives can make a big impact on helping people make healthier food choices and improve the health outcomes driven by those choices.

Takeaways:

- ▶ Payers and self-insured employers should consider a preventative approach to health and wellness through coverage for nutrition services and healthy food.
- ▶ Food retailers should refine their operations to help make shopping for and eating healthy food a better experience.
- ▶ Digital health companies should integrate more fully in the food shopping and eating process.

Strategic moves for each of these players could include organic growth initiatives, acquisitions and partnerships to better connect the food ecosystem, making it easier for consumers to eat healthfully on a consistent basis.





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