

## The New Arms Race in Healthcare: Competing for New Members

As tens of millions of consumers enter the insurance pool, savvy payers can use data analytics and other technologies and techniques to target and acquire the most desirable prospects.



## Executive Summary

As components of the Affordable Care Act continue to take root across the U.S., tens of millions of consumers are entering health insurance exchanges to explore different options for insurance coverage. Through 2014, more than 12 million Americans who didn't have healthcare insurance prior to ACA are now covered, according to the U.S. Congressional Budget Office (CBO).

With an estimated 44 million more people coming into the market for insurance through 2016 and millions more to follow in subsequent years, a new arms race is emerging among healthcare insurers (payers) to compete for members.

"Payers are having to compete for new business at the individual consumer level and get them onboarded, which is a big change from the past," says Pat McCaffrey, Senior Vice President of Healthcare and Public Sector at TeleTech.

For instance, in its 2014 fourth quarter earnings release, United Healthcare announced that it has enrolled 400,000 new members through healthcare information exchanges (HIX), placing it ahead of its targets", "Payers that aren't developing the member acquisition competencies needed to succeed are falling further and further behind their competitors," says McCaffrey.

Marketing to and acquiring individual members represents a sea change for payers that have historically acquired members through employer partners (e.g., benefit administrators). Healthcare exchanges, search engines, and other digital tools now enable consumers to comparison shop between multiple plans. This includes existing members who are comparing plans offered through the exchanges with those offered by their employers.

## Trends fueling the consumer-led marketplace

Another factor that's influencing the consumer-driven market is how qualified health plans offered through the exchanges will be rated by consumers beginning in 2016 under an initiative being developed by the U.S. Department of Health & Human Services (HHS).

A Quality Ratings System will be beta tested in 2015 and implemented in 2016 in which qualified health plans will be rated based on consumer experiences and satisfaction. In addition, health plans will need to report on their Quality Improvement Strategies (QIS) to HHS each year to demonstrate that progress has been achieved. Each health plan's QIS must provide increased reimbursement or other incentives to hospitals, physicians, and other medical practitioners for improving health outcomes, preventing hospital readmissions, improving patient safety, reducing medical errors, etc.

Consumer experiences and ratings will become increasingly important for health plans. "Since customer experience and customer service will play a significant role in determining a health plan's overall score, consumers will increasingly rely on these ratings to help guide their purchase plans," says McCaffrey.

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- Pat McCaffrey, Senior Vice President of Healthcare and Public Sector at TeleTech

Going forward, as the consumer business model represents a larger percentage of a health plan's revenue stream, employer-sponsored plans are projected to have a diminishing influence on buying behaviors as the market continues to shift toward consumers, says Ron Wince, General Manager, TeleTech Consulting Services North America.

Indeed, a May 2014 study by S&P Capital IQ predicts that the majority of Standard & Poor's 500 companies will drop 90 percent of their workforces from employer-sponsored

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TeleTech Consulting Services  
North America.

health plans and send them into the public exchanges for coverage by 2020.

If these trends play out, these industry shifts could have massive repercussions for health insurance companies. "Some payers could see their revenue and profit streams shrink if they don't get the consumer acquisition model right," says Wince.

With billions of dollars at stake, the transition to a consumer-led acquisition model poses serious challenges for historically B2B-focused payer organizations. But it also creates enormous opportunities for payers that act with urgency and intelligence to quickly capture a sizeable share of the multi-billion dollar consumer market.

In order to successfully pursue and acquire lucrative prospects, pioneering payers are adopting data-driven models that can enable decision-makers to identify and market to the right consumers at the right time using the right messaging. To cater to and properly support potential customers, healthcare providers will also need to have associates with the right skill sets and tools to meet prospect and customer needs.

Payers that act now by creating strategic roadmaps and assembling the technological and skill competencies

needed to acquire attractive prospects can get a jump on their competitors and position their organizations for long-term growth in the emerging market.

## Section 1: Preparing for a Consumer-Driven Market

Consumers are becoming deeply involved in managing their health. They're demanding greater choice and access in their health plans. Consumers are also using digital channels such as websites, social media, mobile apps, and online forums to compare and select physicians, specialists, hospitals, clinics, and other types of providers.

A 2014 study conducted by Aon Hewitt found that half (50 percent) of U.S. adults prefer to obtain general wellness information through external websites while 60 percent and 37 percent regularly use social media and mobile apps for this information, respectively.

While a better educated consumer bodes well for a healthier populace, it also means that payers need to up their game when it comes to providing prospects with relevant information about plan options, pricing, coverage, and other details customers expect to find in healthcare exchanges and payer networks. Now that consumers have a range of plan options to select from, payers are under pressure to provide simple experiences that are easy for consumers of all types to navigate.

"It's critical for health plan leaders to gain a deeper understanding of the needs and behaviors of their target audiences, including their paths to purchase and diagnosis journeys," says Jonathan Gray, Vice President, Marketing and Leader for Revenue Generation at TeleTech Growth Services.

It's not just first-time buyers who are enrolling in healthcare insurance plans. A growing number of consumers who are provided employer-sponsored plans are beginning to test the waters as rising costs and deductibles are prompting some employees to comparison shop for more affordable plans. Workers with

employer-backed health plans who bear the full cost of premiums themselves may find coverage through an exchange that's comparable to or lower than their existing costs, according to a 2014 PricewaterhouseCoopers study, "Health insurance premiums: comparing ACA exchange rates to the employer-based market."

Consumer choice will become even more prevalent as employers create private exchanges where employees can pick and choose between different plans.

"These private exchanges are going to look a lot more like Cars.com or Kelly Blue Book with plan ratings and choices," says Wince.

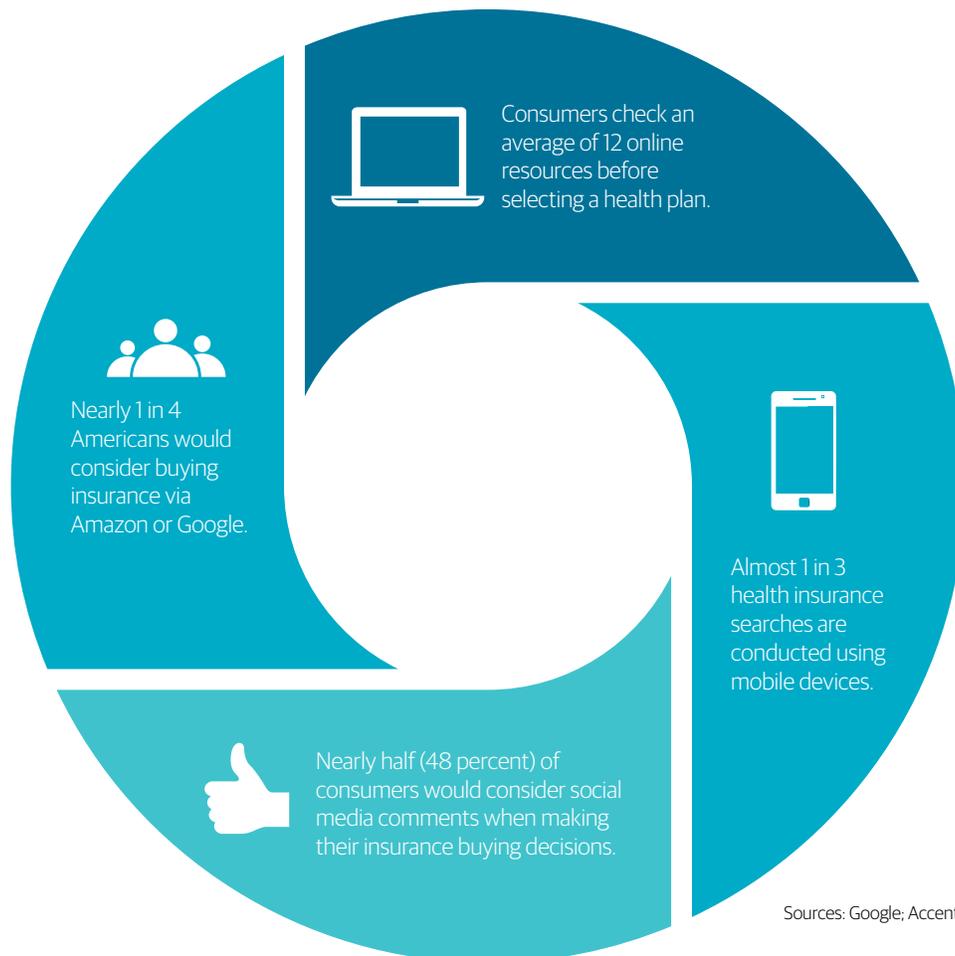
### Developing a strategic member acquisition roadmap

Preparations for a consumer-led acquisition model should begin with the development of a strategic roadmap. After all, most payers currently lack strategies to develop, price, and sell services directly to consumer markets.

The creation and use of a roadmap can enable business leaders to lay the foundation for the key elements needed for a member acquisition strategy while providing a reference point for charting the course.

The base components for such a roadmap should include:

- **Clear definitions of the top business goals for a member acquisition strategy (e.g., monthly or annual acquisition targets).**



Sources: Google; Accenture; Centro; Accenture.

- **Descriptions of who the target customer segments are along with their characteristics.**
- **How those customer segments are differentiated from one another (demographics, anticipated frequency of care, profitability, etc.).**
- **What does the consumer experience look like today across different channels supported by the company (aided by the development and use of a customer journey map)? How do the technologies and processes used to enable these experiences need to be changed or improved?**
- **The skills needed to cater to a consumer audience, including B2C consumer marketing, analytics, and customer experience professionals.**
- **The infrastructure and technologies needed to engage, onboard, support, and retain would-be members.**

A strategic roadmap can help organizational leaders to plan for both the short- and long-term goals associated with the build-out of a consumer acquisition model which will likely take years to formulate.

"Some of the initial research investments should be aimed at understanding how the dynamics of the consumer market will evolve over the next three-to-five years," says Bill Duffy, Managing Partner at TeleTech Consulting Services. "Consumers aren't static; they're constantly evolving," says Duffy.

The development of a well-designed strategic roadmap is essential for executing effectively with a consumer-led business model. Payers need to get this right – there are huge opportunities as well as risks for companies that don't devote proper attention to crafting a strategic plan and ultimately miss the mark.

In this next section, we'll explore how the use of consumer data and predictive analytics can enable payers to better

understand and act on key value drivers for prospects. The results can then be used to craft relevant and engaging messaging in the consumer's channel of choice.

## Section 2: Catering to Target Consumers

As we discussed earlier, the shift to a consumer-led acquisition model represents a sea change for payers. Business leaders will need to understand consumer buying decisions, support preferences, along with effective approaches for consumer engagement, onboarding, and retention better than they ever have before.

This includes understanding what the key value drivers are for individual consumers before they select a health plan. For some consumers, out-of-pocket costs are the most important criterion. Other consumers are most interested in whether trusted physicians are in the network or whether a plan adequately provides for existing conditions of family members.

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-Bill Duffy, Managing Partner,  
TeleTech Consulting Services

The use of data and analytics can help health plan executives make these types of determinations and guide other critical decisions. For instance, marketing, engagement, onboarding, and other costs associated with acquiring new members can be staggering. Data and analytics can enable payer organizations to identify and target the most attractive prospects cost effectively.

This represents a huge potential benefit for payers. "Most companies don't have universal cross-company consensus on what constitutes a 'best' customer," says Duffy. "Some executives believe it's the customer who costs the least to acquire. But more sophisticated companies recognize that the best customers are those who generate the greatest amount of lifetime value," Duffy adds.

"Most payers don't have these capabilities and they need to go to school on this very quickly," says Wince.

Payers that develop these capabilities will discover that there are consumer segments whose needs they are uniquely positioned to meet. Insights about consumer needs, preferences, and behaviors can also enable executives to determine which channels, technologies, processes, and skills to invest in that will yield the greatest results.

Meanwhile, data-driven techniques can allow decision-makers to build strategies around certain customer segments, including how products should be priced and which channels should be used for certain consumer groups for marketing and engagement.

### A launch pad to success

Many healthcare organizations lack the technologies and infrastructure needed to properly support a consumer acquisition and retention model. A 2014 survey of 8,116 people conducted by the Washington Health Benefit Exchange reveals that 28 percent of applicants found the enrollment process difficult. Nearly 30 percent of prospects cited technical problems with the website while 23 percent complained about unanswered phone calls and emails to the customer service staff.

A multichannel technology platform that can draw contextual information about a customer's behaviors and communications preferences can provide payers a leg up in attracting, enrolling, and supporting new members. Information that's gathered about target consumers, including third-party data, behavioral data gleaned from website visits, and information about consumers' digital interactions can be used to:

- **Identify the most attract prospects based on characteristics of a health plan's most valuable members via cluster analysis.**
- **Segment high- and low-value customers to maximize revenue generation and profitability.**

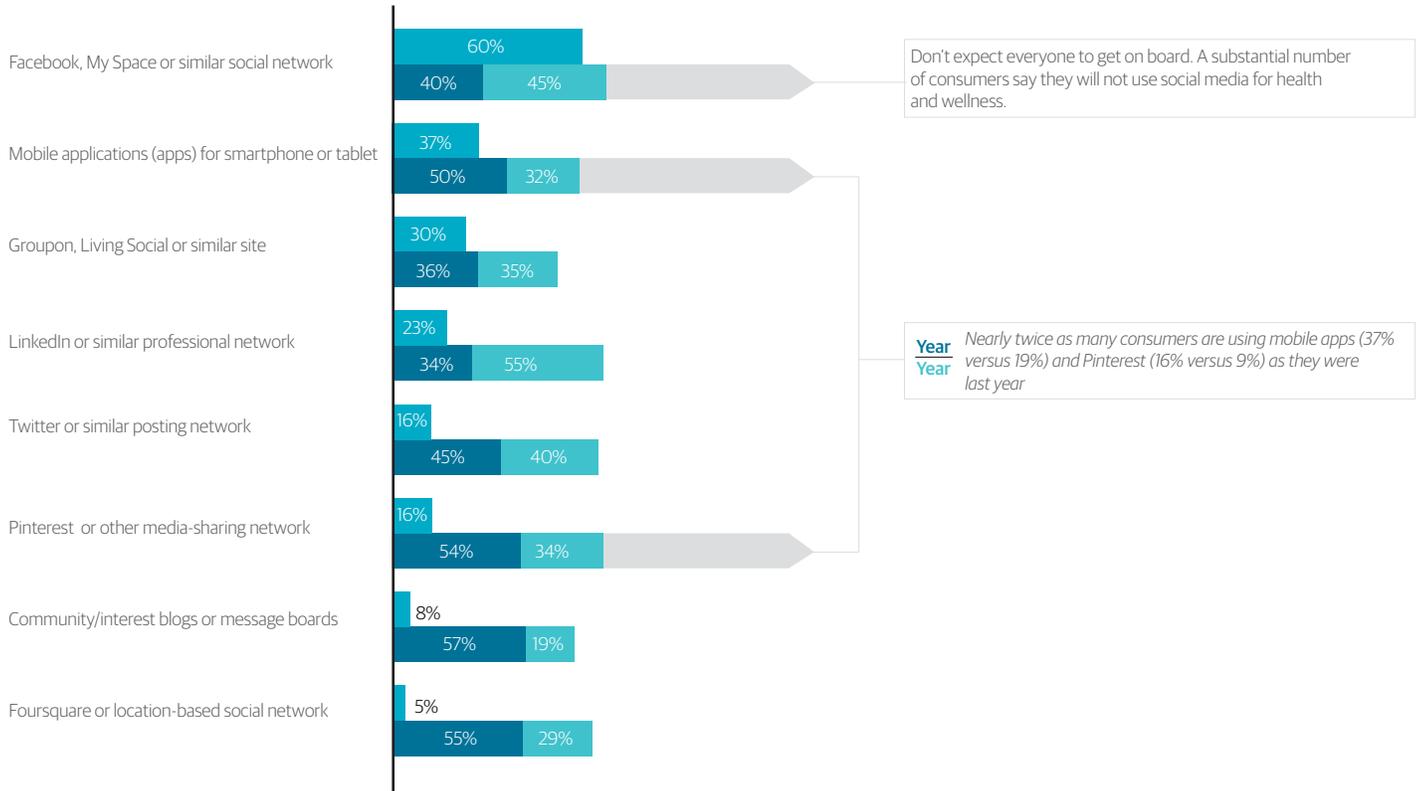
- **Craft custom user experiences and personalize content for deeper engagement and better business outcomes.**
- **Determine the most effective channel or channels to engage with prospects during different stages of the customer journey.**
- **Allocate marketing spend by customer segment and media type.**
- **Pinpoint gaps in the omnichannel customer experience that can be addressed.**
- **Develop cost-effective self-service tools based on what customers want and need.**
- **Recognize relevant opportunities in real-time for proactive customer outreach.**
- **Calculate a consumer's likelihood to convert.**
- **Build member profitability profiles.**
- **Create post-acquisition programs that boost engagement and lead to longer customer lifetime value.**

Since most payer organizations don't have extensive experience dealing directly with consumers, customer service models and benchmarks should be designed and adapted from B2C leaders, such as Amazon or L.L. Bean, that are renowned for top-notch consumer support.

The use of customer journey maps can aid in the development of consumer-centric support experiences. "A customer call to a health plan's contact center to determine why a claim was denied is a lot more complex than calling a bank to challenge a charge on their card," says McCaffrey. "Consumers are passionate about their health and medical care. Contact center associates need to be aware of these emotional dynamics and be empathetic and able to resolve these types of issues effectively."

Payers can further improve prospect and member experiences, in part, by unifying digital marketing and

- Regularly Use Overall (select all that apply)
- Use at Least Monthly for Health and Wellness\*
- Never Use at Least Monthly for Health and Wellness\*



Source: Aon Hewitt/The National Business Group on Health/The Futures Company; "The Consumer Health Mindset," online survey of 2,732 consumers, February 2014.

contact center data. For instance, a prospect who has been viewing information on a payer’s website about critical illness coverage can be routed to a specific associate who has demonstrated skills in this area, notes Gray.

Better integrated customer data between a payer’s marketing and the contact center departments can also help strengthen ROI. “Marketers are always trying to determine the cost per member sold from an enrollment perspective,” says Gray. Data gathered from contact center actions can provide marketing leaders with insights about the number and duration of calls or digital interactions that were needed to enroll an individual.

### Section 3: Getting Started

Transitioning to a consumer acquisition strategy is complicated, especially for companies that have historically focused on a B2B model. Payer relationships with consumers have traditionally been funneled through employer-sponsored healthcare coverage. As such, payers haven’t had to devote much if any attention to consumer acquisition or retention strategies.

While payer organizations have piles of medical and member satisfaction data, they don’t have experience in leveraging that data for customer acquisition. “Now that payers are being measured and compensated based on

member experience and satisfaction, healthcare insurance executives need to draw from best-practices consumer strategies applied by leaders in consumer-focused industries such as retail, hospitality, and consumer goods," says Wince. Those health plans that begin laying the groundwork for delivering superior customer experiences will achieve higher ratings and grow their businesses faster.

Consumer ratings will have numerous consequences for health plan executives as they develop consumer acquisition strategies over the next several years. In the past, payers could decline coverage to a member outside of a

set of defined rules.

Although payers still maintain that authority, executives now must consider how happy a customer is going to be and the impact that coverage decisions will have on customer satisfaction.

One TeleTech health plan client uses

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member, physician, and industry data with analytics to help its decision-makers to better understand the costs, recovery periods, and physicians with the greatest success rates for different types of medical treatments, including surgical procedures. "You want to offer the best options for members," says Gray. "It's not entirely about cost reduction. Analytics can help you be smarter about delivering the most successful outcomes for members."

Nonetheless, health plan leaders are incented to keep a careful eye on consumer marketing and acquisition spending going forward. As part of ACA requirements, health plans must allocate 85 percent of premium dollars to medical care, with tight limits on health insurance rate increases that are permitted. Payers that fail to meet these standards are required to provide members with rebates. That means payers will need to manage administrative spending carefully, including consumer marketing, acquisition, support, and retention expenses.

"Servicing members in the old model is extremely expensive," says McCaffrey. "To succeed in the new environment, business leaders need to re-think their customer experience and service strategies."

Health insurance companies lack the expertise and experience necessary to acquire members directly and provide them with the quality experiences and support required to onboard them, keep them engaged and satisfied, and retain their loyalty. With billions of dollars and the future of your company's survival at stake, will you risk venturing into this new business landscape alone? Or will you partner with a trusted provider that has decades of demonstrated experience in customer experience, customer service, consulting, and analytics—one that has enabled healthcare and numerous companies in other industries to blaze successful paths toward exceptional customer-centric strategies?

"The key to success in the consumer market is bridging the gap between the knowledge and capabilities your organization has and the knowledge and capabilities your organization needs," says Duffy.

## About TeleTech

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