

PLANNING FOR CDH SUCCESS

As Health Insurers Introduce New Product Combinations Aimed Not Just at Health Plan Groups, but at Individual Members, they Must Adapt and Improve their Overall Service and Support Capabilities

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With the rise of consumer directed health (CDH) plans, the health insurance market is changing: To capitalize on new market opportunities, insurers must design and support an increasing number of product combinations targeted at individual plan members. At the same time, they face increasing commoditization of health plan offerings, as well as burgeoning competition as many health insurers enter new markets — often merging with or acquiring regional players.

Historically, of course, insurers relied on only a handful of plans, targeted at specific groups, such as small, medium, and large companies and various industries. Appropriately, their marketing, sales, service, and IT processes were explicitly designed to support this approach. Yet, with employers' rapid switch to CDH plans, plus the increasing use of Medicare-D, High Deductible Health Plan (HDHP), Health Reimbursement Account (HRA), and Health Savings Account (HSA) options, insurers face a rapidly growing challenge: the need to support the full array of à la carte options a member may choose, even when provided by a business partner.

Previously, determining a member's precise benefits involved little more than identifying his or her group health insurance plan. Yet the CDH service equation is much more complicated, given all of the potential combinations of benefits, co-pays, deductibles, and applicable health savings account funds. Therefore, to deliver rapid and cost-efficient service, health insurers must quickly generate a complete benefits picture, and even communicate this information to a member via a self-service portal. Not surprisingly, as insurers introduce more à la carte options to individual group members, they will test the limits of their existing CRM systems, data storage practices, sales and service methodologies, IT support, and service capabilities.

Based on its experience in helping health insurers pursue market opportunities such as Medicare-D and CDH, Innoveer recommends that companies immediately assess their CDH readiness, and design a phased Roadmap to efficiently and cost-effectively offer CDH, HRA, HSA, and HDHP options using existing marketing, sales, service, and IT resources. In particular, CDH readiness requires that insurers improve four areas: call center processes, entitlement capabilities, organizational structures, and their member-centric focus throughout all service interactions. After addressing these areas, companies will ensure the success of their CDH endeavors, and also enhance business efficiency, improve member satisfaction levels, and increase cross-selling capabilities and revenue.

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PLAN NOW OR PAY LATER

With rising healthcare costs, many employers have rapidly embraced CDH, creating an explosive growth rate few experts predicted. Furthermore, analysts expect the CDH market to grow significantly for the next 20 or more years, fueled by aging baby boomers. Yet, a lack of CDH planning today could result in the loss of CDH revenue projected to reach \$363.1 billion by 2012. Many insurers learned this lesson the hard way with Medicare-D; only a handful of health insurers aggressively pursued the business process and technology changes needed to capitalize on Medicare-D, including data integration and advanced online portals. Given the industry's low member-turnover rates, latecomers may spend years playing catch up.

HEALTH PLAN BRAND MANAGEMENT

As health insurers pursue CDH, Innoveer predicts that they will find themselves in a position not unlike consumer goods and high-technology manufacturers such as Procter & Gamble and Epson; they will have to support many similar, yet differentiated products, and each product's precise options will determine actual benefits, and ultimately, price. The payoff from this type of brand management is the alignment of products with what consumers actually need and the proper support of them, which will greatly improve sales force success and effectiveness.

Yet, while companies within those two industries have spent years creating highly-differentiated product and option bundles that drive maximum consumer uptake, the health-care industry is just beginning. No one knows which CDH options will be the most successful for a given market segment. Furthermore, as health insurers test their product combination strategies, they will face numerous challenges. For example, as the number of products increase, how will salespeople know which ones to market and sell? In addition, many sales teams and call centers today are organized to support specific groups, such as national, local, or senior accounts. CDH, however, blurs such categories.

WILL SERVICE COMPROMISE CDH?

Current health insurance service levels rate extremely poorly with consumers. One University of Michigan study found that health insurers' customer satisfaction levels rank 23rd out of 26 service industries. Now consider that CDH plans, especially when coupled with savings options, are more complex to service than traditional plans. Perhaps not surprisingly, consumers' satisfaction with CDH offerings is also poor. An Employee Benefit Research Institute and Commonwealth Fund survey of over 1,300 U.S. adults found that if given the option to switch plans, 63 percent of comprehensive plan cus-

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tomers — PPO and HMO — would keep their existing plans, yet only one-third of CDH customers would retain theirs. Also, more than half of CDH customers were dissatisfied with their out-of-pocket costs, compared with only one-fifth of more traditional plan members. Thus, while CDH plans are gaining market share much more rapidly than analysts anticipated, “the rapid growth trend will be short-lived unless plans act now to eliminate their service shortcomings,” says Forrester Research Analyst Carlton Doty.

CONSOLIDATE MEMBER DATA

To create a complete and ready picture of each individual member’s precise health information — including co-pays, deductions, outstanding HSA balances, and other relevant data — health insurers must better integrate existing systems and consolidate member data. To achieve these goals, Innoveer has developed an approach using a service-oriented architecture (SOA), which relies on XML and middleware, to rapidly interface applications. Instead of hard-coding interfaces between applications, SOA allows companies to build less expensive, lightweight, and repeatable connections that will not break as applications evolve. Thus, insurers can integrate applications and data stores, including legacy and custom-built software, as well as their business partners’ systems, as time and resources allow.

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To create a plan for CDH success — beyond data integration — health insurers must pursue these four strategies:

1) Diversify the Call Center

Currently, many call centers and online support portals are dedicated to functional areas — one for corporate groups, government members, dental plans, and HSAs. As health plan product strategy professionals introduce new product combinations, insurers must move beyond just supporting these groups, to creating a functionally-diverse service environment — both with call center staff and online — to provide a complete benefits picture, and thus service any combination of à la carte options. Such capabilities will increase member satisfaction, and allow service staff to cross-sell health plan options for increased revenue.

2) Determine Entitlements

Under CDH, members want additional ways in which to invest their dollars, so health insurers must increasingly partner with external companies to provide the services mem-

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bers need, and also support such services. To ensure success, insurers must present the right information at the right time — whether through a self-service portal environment or an individual customer service representative’s computer screen. Thus, understanding entitlements will require previously unseen levels of system integration between health insurers and their business partners. By pursuing such integration, insurers can speed service transactions, quickly resolve members’ inquiries, and more efficiently utilize call center resources.

3) Examine the Organizational Structure

Supporting an increasing number of products may require additional levels of business rules within the call center, to enable more sophisticated call routing. Health insurers must determine which techniques to use for servicing products, such as triaging calls via multiple levels using more specialized customer service representatives (CSRs); employing call-backs to calls or online queries; or perhaps endeavoring to answer all questions immediately. Online, many insurers are now introducing FAQs, tracking which questions an individual member asks — useful if the inquiry is elevated to a CSR — and using online trouble-ticket systems, which allow members to track the status of any question, dispute, or claim adjustment. These types of approaches increase service efficiency, help rapidly resolve claims, and direct members to lower-cost online service channels.

4) Pursue a Member-Oriented Approach

As competition increases, insurers strive to adopt a more member-centric approach — the ability to quickly connect with a member, provide all necessary information, and effectively resolve problems. In the call center, this requires training representatives to ensure adoption of the proper attitude and member approach, understanding of CDH options, and knowledge of detailed information for rapid resolution of members’ inquiries. For example, an experienced CSR may be able to quickly scan 10 different applets on one screen, which displays a member’s activities to date, category and pre-authorization codes, and benefits and riders, and then tell a member — in plain English — what they need to know.

Online, beyond providing data, insurers must anticipate the questions members or prospective members will ask, ensure that they can provide easy-to-understand answers, and support their CDH options even as the market rapidly expands.

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FINDING THE CDH PAYOFF

When it comes to CDH, insurers have two choices: adopt required technology, data integration, sales methodology, and service requirements as needed; or create an ongoing, strategic Roadmap to ensure readiness and align the organization's marketing, sales, and service functions to increasingly focus on individual members. By pursuing a strategic CDH plan, implemented in stages, insurers will ensure that their business processes and technology infrastructures support the rapidly expanding number of plan combinations, while also effectively differentiating their products and brand from an increasing number of competitors. Well-designed plans allow insurers to efficiently and cost-effectively pursue CDH, HDHP, HSA, and HRA, rapidly determine which product combinations will achieve maximum market saturation and revenue, transition service to less costly online channels, cross-sell health options, and finally, retain and sign members by adopting an effective member-centric approach. To succeed at CDH, however, health insurers, and especially their heads of service, must begin planning now.

ABOUT INNOVEER

INNOVEER SOLUTIONS, an award-winning customer strategy and solutions consultancy, provides advanced customer management services to healthcare and high-technology companies, among others, in the areas of planning and strategy, technology implementation, and optimization. The company's deep industry knowledge, broad technical skills, and Multishore methodology enable organizations to address their critical customer-facing issues and achieve an integrated view of all customer information. With an exclusive focus on customer management since 1998, Innoveer has worked with more than 300 organizations to increase their overall business growth, improve internal efficiency, and enhance the customer experience.

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