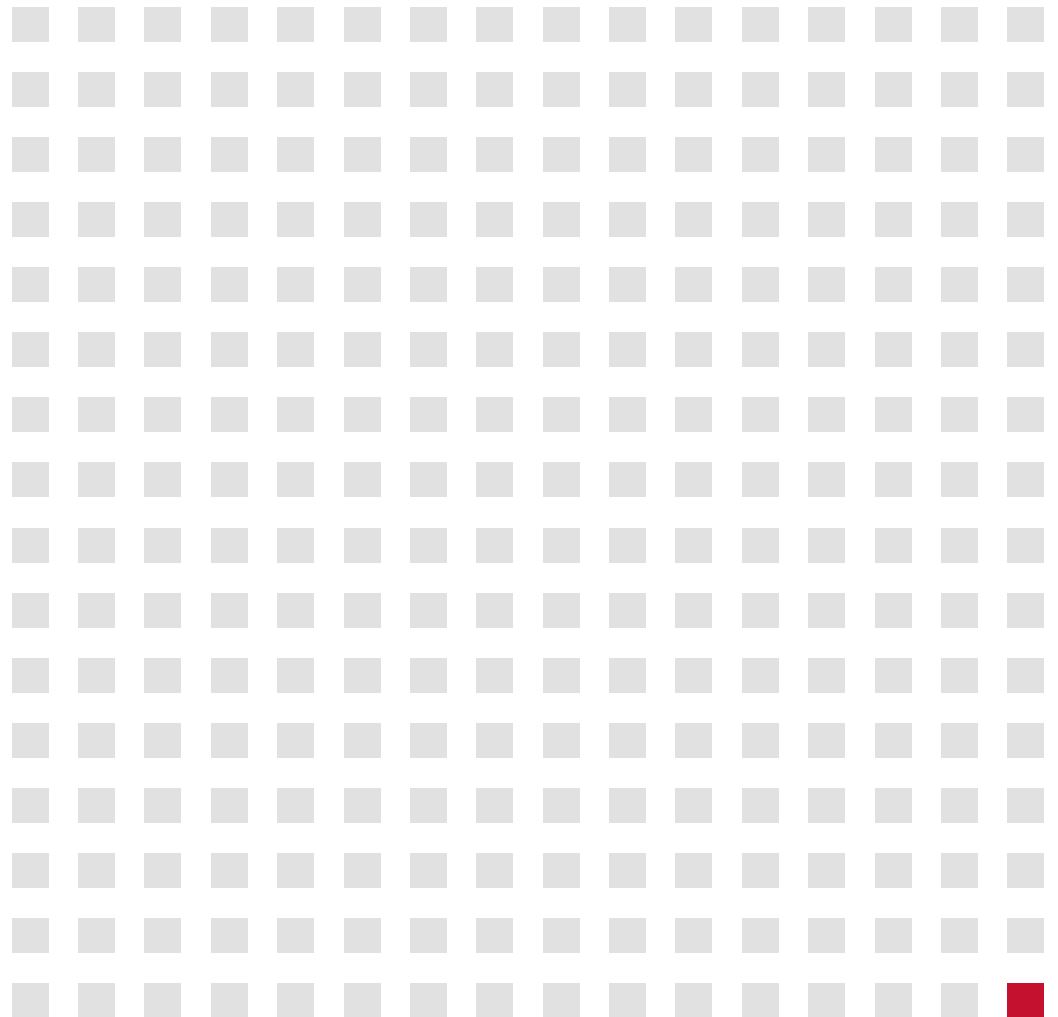




April 2010

# In the Midst of Change

Preparing Carriers for Success in a Post-Reform Environment



One of the best ways to capitalize on the burgeoning individual market segment is direct to consumer retail sales

This paper focuses on what we currently know about health reform, how the changes may impact carriers, and how Internet technology can increase carrier success with closing sales and decreasing administrative costs.

## So What Do We Know

On March 19th, 2010, the House approved, 219 to 212, the Senate bill that had passed in December. This bill will require most Americans to have health insurance coverage, targeting the estimated 30 million people who currently lack it. It will regulate carriers more closely, banning underwriting practices such as denial of care for pre-existing conditions and adding public, state-based exchanges.

The House and Senate also passed a reconciliation bill which modifies the original Senate bill. The reconciliation bill removes the special deals in the Senate bill, closes the Medicare part D donut hole, changes the Medicare tax to apply to capital gains, interest and dividends, adds insurance reform restrictions to grandfathered plans, increases the government subsidy for purchase of coverage, reduces the Cadillac plan tax penalty, and increases the fees levied on drug companies.

Even with the pivotal passing of the Senate and reconciliation bills, the never-ending discussions continue as everyone sorts through how their business operations will change over the coming years as health reform is phased in. The bills are complex, and many nuances will come to light over the coming months. Many parts of the legislation focus on the individual and small group market segments, and the changes to those markets will be extensive. While some health plans have taken a wait-and-see approach, forward-thinking health plans are taking action now to proactively position themselves to be competitive in the post-reform environment.

To prepare, a health plan's greatest attribute is the ability to remain flexible. Health plans that have stable, flexible technology in place will be perfectly positioned to respond quickly to new regulations and to get new products and rates to market quickly, proactively selling to the exploding individual market.

One of the best ways to capitalize on this burgeoning market is direct to consumer retail sales. However, the shift in focus to the retail-based market of individual health insurance can be difficult. There are many challenges that carriers must overcome before true success can be achieved.



One obstacle to success is demonstrated by the findings of Forrester's recent customer experience study. Forrester interviewed 4,500 consumers about 12 different industries. Their findings indicate that health insurance providers earn the lowest rating in customer experience satisfaction by consumers. 1 This is clearly an area requiring focus and improvement.

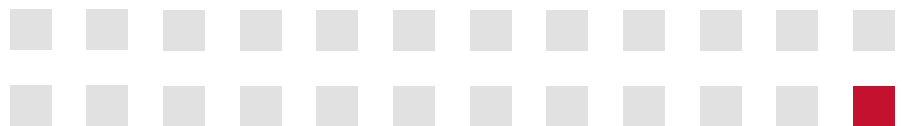
But, perhaps the biggest obstacle for carriers is the diverse nature of the individual market itself. Individual insurance purchasers are a large, undefined group made up of different ages and economic backgrounds. Meeting their expectations for very high levels of customer service is further complicated by the current atmosphere of uncertainty brought on by health reform. For many carriers, finding ways to successfully target and engage the individual market sometimes seems an almost insurmountable task.

## Reaching Consumers Through eCommerce

All signs point to growth in the individual market with or without health reform. It is not easy to effectively target this market, but we know that the most direct route is through the Internet. It's clear that today's American consumer uses the Internet for purchases in every aspect of their lives. They see the Internet as a convenient place to research and comparison shop from their home or office at any time of day or night.

Traditionally, insurance has been viewed as complicated and for consumers to be comfortable with their health insurance purchasing decision, health plans must provide a simplified, personalized online experience that engages, educates, and empowers their customers. However, health plans have some work ahead of them. Forrester's 2010 study of seven leading health plans shows that most health plans aren't providing eCommerce functionality such as comparing plans, saving quotes and offering guided selling. Only one offered the value-added functionality of emailing quotes to prospects. 2

Comparing plans, saving quotes, and emailing quotes are simple enough to understand. Though guided selling tools are not common yet across industries, they can be very beneficial to the health insurance shopper.



Since interaction methods vary, along with consumer preferences, carriers may prefer to offer customers more than one way to ask for help

A guided selling tool assists prospects through the plan selection process, helping them select the plan that best meets their needs. Not only does it entertain them and keep them interested, but a guided selling tool also allows carriers to educate buyers on plan benefits and to lead them to a clear plan choice, where they walk away satisfied and informed.

After plan selection, the next critical step in the purchasing process is persuading that customer to start and complete their online application. It is during this process that health plans risk losing an applicant. When selling direct to the consumer, without broker assistance, carriers can leverage online technology to provide customer support.

Some of the current online support technologies include email me, click-to-chat, click-to-call, and co-browsing. The objective of each is the same: To assist the consumer with the online application process and to get them “unstuck” so that they can complete and submit their application. Since interaction methods vary, along with consumer preferences, carriers may prefer to offer customers more than one way to ask for help.

Forrester’s 2010 research shows that customers who buy insurance online (across all categories) are almost twice as likely to use online self-service tools to service their accounts.<sup>3</sup> Therefore, it is important for health plans to continue their online conversation with their customers by providing member online self-service tools to handle policy changes, address changes, policy renewals, and bill payment. Offering self-service tools throughout the year strengthens customer relationships and increases the likelihood of a renewal.

Because there are so many options available to customers, a carrier must understand the who, what, why and where of their online visitors. So, the technology behind analytics is a growing necessity. Trend and performance metrics can measure system performance, collect data on consumer website experiences, analyze which pages have more impact, which marketing campaigns are more effective, and where potential sales are being lost. Specifically, data can show who is shopping, what type of plans they are interested in, why they may request help from a person, and where they abandon the website.



Analytics allows health plans to discover what makes their online experience exceptional. Analytics pinpoints areas for improvement and allows carriers to implement targeted changes to improve the online experience and to convert shoppers to customers.

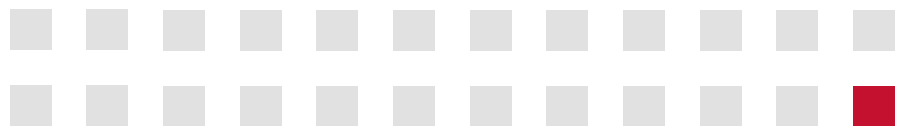
In the coming months, many people will find themselves shopping for individual plans via the Internet for the very first time. The increasing complexity of coverage options and the strengthened regulations of policies are guaranteed to cause confusion among the public. Now more than ever it will be important for health plans to improve the usability and usefulness of their eCommerce sites and to offer online self-service tools. Providing a superior customer experience builds trust between a health plan and the customer and reinforces loyalty.

## The Rise and Fall of Administrative Costs

With health reform, the government will closely review increases in health plan premiums and an eighty percent minimum loss ratio will be required for individual and small group markets. Even so, health plans are not powerless. They can do something to help their bottom line that will benefit them regardless of what reform brings. That something is having a self-administered, robust technology platform in place to smooth out the ride on the administrative cost roller coaster.

Potential, costly challenges insurers face with reform include integration with exchanges, the elimination of underwriting, potential industry surcharges, minimum loss ratio requirements and rebate administration, development of new products and rating schemas, and disease and care management initiatives to decrease the need for medical care. These are in addition to the historical challenge of reducing the cost of sales, marketing and underwriting.

Under the new bill, more states will establish exchanges similar to innovative states such as Massachusetts and Utah. Insurance carriers are already loaded with back-office costs, and the introduction of exchanges will only add to those administrative burdens. Exchanges will not only need to be integrated into health plan operations but will also require ongoing management.



Regardless of reform, self-service tools and straight-through connectivity are key sales tools that aid in reducing administrative costs while engaging potential and current enrollees

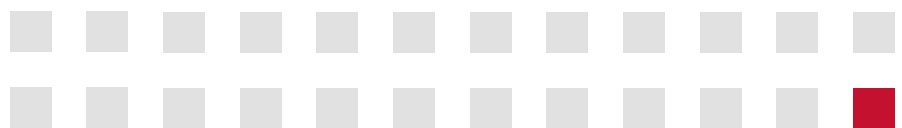
Sales technology simplifies integration to and management of exchanges. Exchanges can potentially lessen the costly task of marketing and attracting potential customers; however, there is the additional effort of connecting to the exchange. Technology can manage rates and products in one solution and automatically push the updates to all channels.

Additionally, reform will eliminate the allowance of underwriting. Fifty-seven percent of current administrative costs are in the sales, marketing and underwriting processes, according to McKinsey Global Institute analysis.<sup>4</sup> With underwriting gone, streamlining and automating back-office tasks with sales technology offers the best opportunity to decrease administrative spending.

Automation can reduce administrative costs further by eliminating application errors and omissions and reducing customer service calls. Forrester estimates that for every 20,000 calls deflected to online self-service, an insurance carrier could realize \$100,000 to \$200,000 in cost savings.<sup>3</sup> Also, integrated marketing campaigns, coupled with web analytics, will offer insight into marketing and sales decisions with the ability to track and improve the close rate.

With the elimination of underwriting and the requirement for universal coverage, health plans will focus on reducing the need for care. Tobacco use, alcohol, obesity, and the lack of adherence to prescribed drug regimens are major contributors to healthcare costs. However, these areas can each be influenced and improved. With early identification and intervention through disease and care management, and directing people to wellness information and programs, carriers can effectively influence the overall behavior and wellness of their members. Programs such as these will ultimately improve the bottom line by reducing members need for care.

Regardless of reform, self-service tools and straight-through connectivity are key sales tools that aid in reducing administrative costs while engaging potential and current enrollees. Giving more control to customers not only improves their satisfaction, but when paired with full integration to back-end systems, it also reduces a health plans' administrative burden. Virtually instantaneous case installation, fewer errors, and reduced resource requirements are just some of the benefits that an integrated sales technology solution offers.



# Profitability Through Reform

The United States health insurance system has been under scrutiny by the government and by the American people. This landmark bill is now law. Change is here.

Four key outcomes of health reform include:

1. The individual market will grow dramatically, and the Internet will be a key marketing tool to sell directly to consumers
2. There will be increased pressure on carriers to decrease administrative costs
3. Exchanges may need to be integrated and managed, adding to a carrier's administrative burden
4. Market changes and benefit and rate restrictions will place greater importance on simplifying product and rate maintenance processes

Health plans know that reform will bring some big changes to the way they conduct business. Therefore, the best way to ensure continued profitability is to utilize technology that is flexible but robust enough to handle everything from developing new products, to lead management, quoting, enrollment, retention and even to the administration of programs that health plans have never worked with before, such as exchanges.

Connecture's InsureConnect technology assists carriers in acquiring new business, securing current client renewals, reducing operating costs, and preparing the organization for health reform. Connecture has taken the steps to build a solid and flexible technology platform for their customers that not only drives member growth and retention today but will also carry Connecture's customers through the next generation of health insurance.

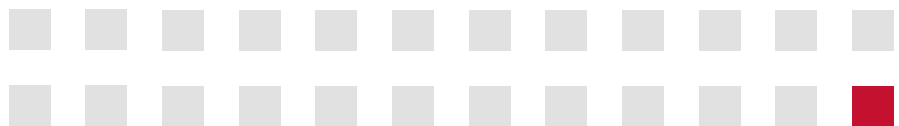
## Resources

<sup>1</sup> Forrester Research, Inc., "Customer Experience Index 2008 Snapshot: Health Plans", June 5, 2009

<sup>2</sup> Forrester Research, Inc., "Web Site User Experience 2010: Health Plans," February 25, 2010

<sup>3</sup> Forrester Research, Inc., "Increasing Online Insurance Self-Service Adoption," February 8, 2010

<sup>4</sup> McKinsey Global Institute, "Accounting for the Cost of US Health care: A New Look at Why Americans Spend More," November 2008



## About Connecture

Connecture is solely focused on delivering integrated Web-based sales, service and process automation solutions to the health insurance industry. Connecture has automated elements of the insurance sales and service process for more than 80 health plans and insurers, and its InsureConnect suite of solutions currently supports the sales and servicing of 11 of the 20 largest health plans and insurers in the country. Its industry-proven solutions encompass the entire spectrum of multi-channel insurance sales and services for small group, large group and individual markets. Connecture offers an end-to-end business process transaction platform consisting of focused modular applications that fully integrate with existing systems. Connecture's solutions have proven to deliver increased sales, enhanced broker loyalty, improved back-office efficiencies, lower customer-acquisition costs, and decrease overall operating expenses.

For more information, please visit the Connecture website at [www.connecture.com](http://www.connecture.com).

## About the Author



**Dan Maynard, President and Chief Executive Officer**

Dan has 20 years of health and life insurance technology experience, including management roles in operations, software development, financial management and corporate business development. As President and CEO of Connecture, Dan determines the goals and objectives for the business and guides overall strategy. Along with his management staff, he ensures Connecture continues to provide premiere solutions to the health insurance industry that help clients improve sales, service, and process efficiencies to compete more effectively and meet growth objectives while improving profitability. Dan earned his Bachelor of Business Administration degree in management information systems from the University of Wisconsin-Milwaukee.



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