

HIDDEN

OPPORTUNITIES:

HOW HEALTH CARE REFORM IMPACTS MARKETING EFFORTS



1215 4th Avenue, Suite 2100 | Seattle, WA 98161-1018 | 206.805.1500 | hackergroup.com

HIDDEN OPPORTUNITIES:

HOW HEALTH CARE REFORM IMPACTS MARKETING EFFORTS

Health insurance marketing is highly regulated and nuanced with complexities. Success depends upon marketers' ability to exploit knowledge of the regulatory environment as well as very specialized direct/digital practices.

The Patient Protection and Affordable Care Act — better known as health care reform — has already begun transforming America's health care system. On September 23, 2010, the first major wave of health care changes went into effect.¹

As the reform bill's details roll out, it will be important for marketers to consider how knowledgeable their agency partners are. Category expertise will be even more critical.

The face of health care marketing is changing. Now is the time to evaluate all of your health insurance marketing efforts and pilot new ones. The new landscape is ripe with opportunities.

This white paper discusses several important considerations for marketers regarding the new act, particularly concerning Individual and Family coverage, Medicaid and Medicare.

RISKS AND REWARDS OF INDIVIDUAL AND FAMILY INSURANCE CHANGES.

During the recent economic downturn, many employers reduced health benefits to employees.² To recapture lost members, health insurers have stepped up product development for self-insured individuals. Now health care reform will institute guaranteed issue health insurance — so insurers will generally be unable to turn away potential customers due to health risks.

Among these changes, opportunity knocks. To offset the potential for heavy claims from guaranteed issue programs, insurers need to become adept at targeting and engaging individuals the insurers would prefer to underwrite.

Audience optimization should embrace profiling, models and segmentation, as well as data from current in-market results, to enable predictive behavior solutions. This allows you to make more profitable marketing decisions.

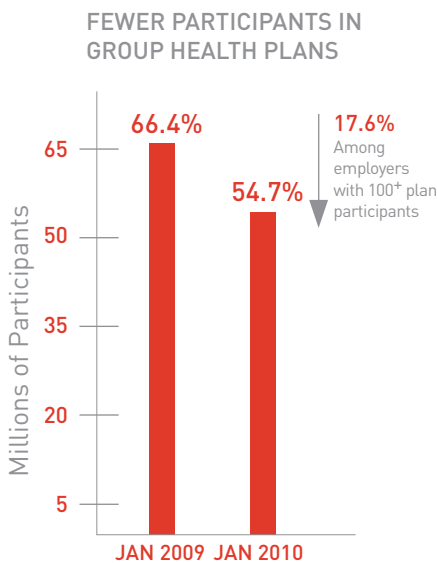
Combining segmentation with response modeling requires a database for maximum leverage, speed and actionable metrics. A marketing history database (MHD) of prospects helps marketers maintain clean and well-organized marketing data. It allows them to track the communications received by individuals and benchmark the results of their marketing test and rollout programs. Benchmarking is the key to developing a reliable and scalable flow of new prospects and new members.

The end game? Over time, marketing costs decrease while marketing efficiency improves.

TIGHTER FOCUS ON WELLNESS AS A WAY TO REDUCE COSTS.

Across the board, health care organizations are focusing on their patients' wellness, as well as their illnesses.³

Marketing can have an impact here. Direct marketers are adept at changing behaviors — by persuasion and by offering incentives. This skill can be applied to fostering healthy behaviors.



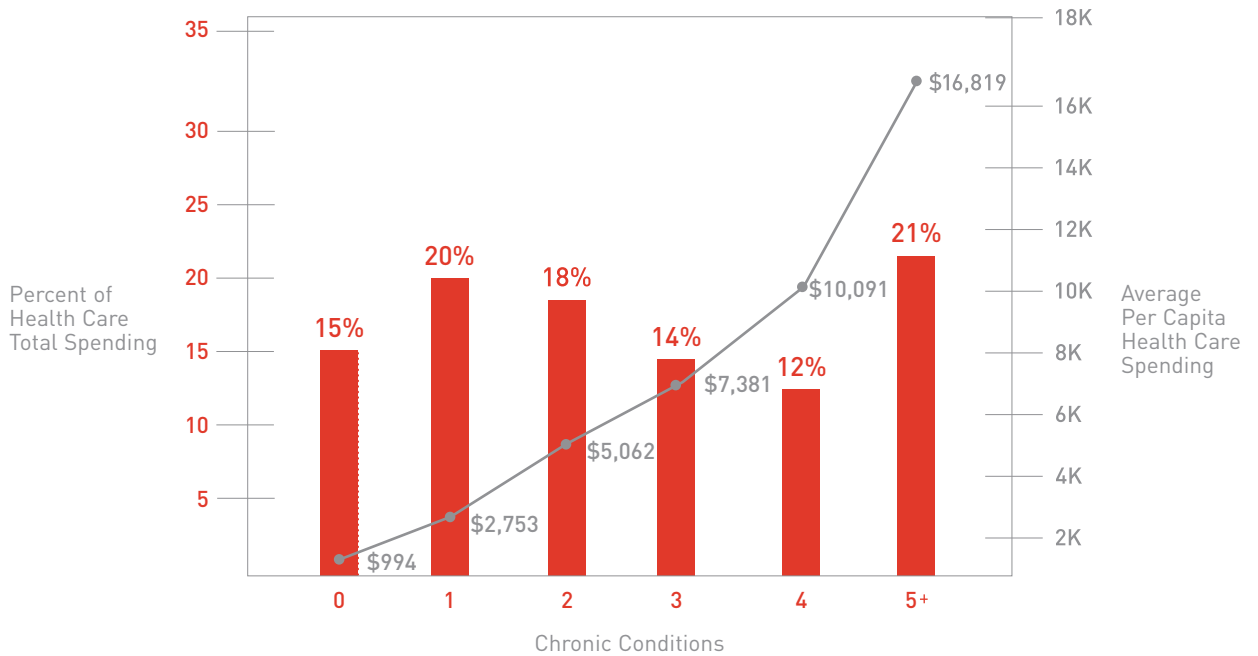
Source: AHIP Center for Policy and Research, 2005-2011 HSA/HDHP Census Reports

Marketing and other communications programs have helped people cope with chronic illnesses, like diabetes. These programs can also help patients build healthy nutritional habits or quit smoking. Helping to change ingrained habits can be a struggle and needs ongoing communication, as well as more immediate incentives. As employers try to curb rising health insurance costs, they will seek out variable health benefit plans that offer reduced costs for employees who follow chronic illness protocols. Insurance marketers need to set up marketing engagement practices — mail, email and interactive websites — to retrieve and maintain employee participation in condition management programs.

INSURERS MUST QUICKLY IMPROVE THEIR SKILLS IN:

- Developing direct-to-consumer relationships
- Engaging consumers to take an active role in their health care decisions
- Driving healthy behaviors for consumers with chronic conditions

65% OF HEALTH CARE SPENDING IS ON PEOPLE WITH MULTIPLE CHRONIC CONDITIONS



Source: US Department of Health and Human Resources Agency for Health Care Research and Quality Medical Expenditure Panel Survey.

For Medicare and Medicaid products, in particular, insurers will get higher reimbursement rates when they can show improvements in members’ health outcomes and healthy behaviors. Winning insurers will be those that use direct marketing best practices: making sure communications are readable and simple to understand, as well as creating appropriate offers for engagement and behavior modification. Trackability and measurability of outcomes will also be critical. Engaging members in their health care generally leads to greater satisfaction with their health plans — another critical element in the federal reimbursement bonus structure.

People who need Medicaid often avoid going to a doctor because they don't feel they can afford it. But with the help of Medicaid, preventive care is usually completely covered. This target audience needs to know their options. They may just need a reminder to see their doctor regularly or to bring their child in for a checkup.

MARKETING MEDICARE WITH MORE PRECISION.

With a shortened Medicare enrollment period, the need to market with precision has increased.

A key impact of paying for health care reform is the planned \$400 billion reduction in Medicare spending over the next 10 years. The federal government is reducing Medicare Advantage reimbursements to health plans and has mandated a higher percentage of premiums be allocated for coverage of claims only. From a marketing and sales perspective, this places increased pressure on becoming as efficient as possible in acquiring new members and retaining existing ones.

This makes database marketing even more attractive — particularly building a database of prospects and members that tracks results of each marketing program. This allows marketing plans to be deployed with precision and with predictable success — as well as to fulfill inquiry requests as soon as possible.

A marketing database can grow to include:

- **Automated dialog with newly eligible prospects.** A database can support highly targeted monthly communications based on prospect age, planned retirement date and participation in a group retirement plan in order to insert them into the program at the correct point in a dialog stream designed to drive Age-In enrollment.
- **Medicare seminars.** To maximize prospect attendance at local sales events, marketers can use their database to tightly target near seminar locations to personalize direct mail, newspaper inserts and fulfillment kit flyers. To reduce costs, marketers may advertise only the most relevant upcoming meetings to each prospect — those that will be close to their home within a few weeks. To ensure optimal meeting locations, senior population densities can be mapped by county, city and even ZIP Code to see where venues should be changed or added.
- **Sales and broker territory planning.** Success in the senior market often requires personal, face-to-face interaction. To ensure that representatives can cover the available population, sales and broker territories may be mapped by county, city and ZIP Code, according to the available population of seniors. Marketers can then visualize where territory adjustments need to be made.
- **Salesforce automation.** Contact management tools are vital to ensure that representatives follow up on their sales leads. While these systems can support lead assignment, distribution and follow-up reporting, they often fall into disuse over time due to mounting issues with duplicate leads and poor data quality. The database can play a pivotal role in feeding, maintaining and managing the lead-to-member conversion process. By synchronizing data with the salesforce automation system on a nightly basis — loading new leads, de-duplicating and cleaning new sales entries, attributing responses to campaigns and converting leads to members — the sales team can then focus on selling rather than data quality.

THE HIGH IMPACT OF STAR RATINGS.

Beginning January 2012, quality bonus payments will be linked to star ratings⁴ based on:

1. CMS data on care quality and member satisfaction
2. Consumer Assessment of Health care Providers and Systems (CAHPS) survey scores
3. Health care Effectiveness Data and Information Set (HEDIS) scores
4. Health Outcomes Survey (HOS)

Each of these sources uses multiple measures — many of which can be improved using direct marketing methods. As of this writing, only three Medicare Advantage plans in the nation qualify for the top bonus payments.⁵ This is a huge opportunity for all Medicare providers.

Here are just a few ideas to pursue — from a marketing perspective — that can improve ratings:

1. Member engagement and retention requires developing a dialog with your members to help increase their satisfaction with your company. Consumer experience with your brand shapes their opinions. Educate members about how to make the most of their health plan and their health care network. Remind them why they chose you.
2. You must change your Medicare marketing plans to align with the new restricted timing. However, with current members, you have no restrictions on courting them after the sale.
3. Tighten your focus on wellness in your messaging. While this can help decrease costs (see above) and ought to help health outcomes, it can also have an enormous impact on how your members feel about you.
4. Consider ALL messages sent to your members to be marketing messages. How can you improve your “explanation of benefits” and other operational communications?
5. To get more data about what your members want and need, survey them regularly. However, be careful to do this only if you’re willing to act on the information you receive.

Star ratings will certainly become even more important to Medicare marketers over time — and these thoughts are meant to be only the beginning.

Overall, health care reform will have an impact across the board for insurance marketers. With the right tools in place, the impact can be very positive not just for marketing efficiency, but for the welfare of customers and patients.

WHO WE ARE.

At Hacker Group, we're driven by results and on reaching the specific audience where they live, work and play with relevant messages that will drive them to act. Whatever the industry, we are biased toward response. This drives all our recommendations and actions.

Hacker Group has become a leader in the complex and specialized insurance marketing arena. In January 2010 we established HeathHG, a dedicated insurance marketing practice. We've developed proven best practices and strategies that align what works with the rigorous regulations and audience needs of the category. And we don't stop. With every new challenge, we've evolved our approach and found ongoing success.

For more information about Hacker Group, please visit hackergroup.com or call 206.805.1500.

1. Provisions of the Affordable Care Act. www.healthcare.gov/law/provisions/index.html
2. Economic Policy Institute. www.epi.org/publications/entry/health_picture_20090910/
3. "Highmark Inc., the Pittsburgh-based insurer, found that for every dollar spent on wellness programs, employers saved \$1.65 in health-care expenses."
Read more: www.post-gazette.com/pg/08132/880660-28.stm
4. www.kff.org/medicare/upload/8025.pdf
5. www.comparehealthrates.com/blog/2011/05/medicare-plans-new-ratings-based-partly-on-health-insurance-rates/