

Survey Says...

Health plans advance retail capabilities

Highlights from Deloitte's 2013

Health plan retail capability survey



“Retail” is a hot topic in the health insurance industry today for good reasons. From the creation of health insurance marketplaces, to the continued growth in Medicaid and Medicare, to the defined contribution movement and the rise of private exchanges, the sale and delivery of health insurance is requiring an increasing focus on the individual consumer. In this context, Deloitte Consulting recently conducted a Health Plan Retail Capability Survey to expand our understanding of the industry’s current capabilities and future investment priorities to serve the most dramatically changing segment of the health insurance market – the commercial individual market.

Forty-six health plans participated in an online survey in late 2013. Respondents represented approximately 60% of the commercial individual marketplace<sup>1</sup> spanning national, regional, Blue Cross and Blue Shield, provider-sponsored, established, and new-entrant plans. Analysis of the survey data reveals three themes:

1. Product, pricing, and consumer experience capabilities top health plans' priority investment lists
2. Near-term investments focus on regulatory requirements and retention capabilities but widen the aperture to consumer insight, consumer experience, and channel excellence in the longer term
3. Technology investments in transparency, mobility, customer relationship management (CRM) and analytics are fundamental to supporting desired business capabilities

## Retail Capabilities Assessment Framework



This summary report provides an overview of the survey and some key findings. It does not provide all the answers, or even all the data, but it should spark a discussion among health plan leaders asking the question, “How do I get my organization ready to retail?”

**“Retail Capabilities” are the discrete competencies health plans can employ to better attract, acquire, serve, and retain the individual consumer**

We asked plans to rate the criticality of investments, current state, and future investments across 100 business and technology capabilities that could be used to better attract, acquire, serve, and retain the individual consumer. These capabilities were grouped into five major categories and related subcategories and spanned market standard, leading and even pioneering capabilities seen in the health insurance and retail industries today.

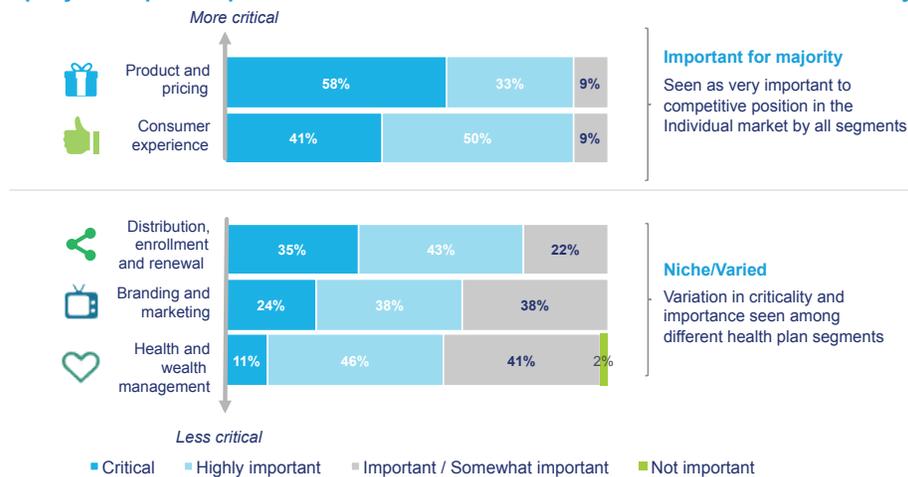
<sup>1</sup> Deloitte analysis of 2012 year end and 2013 Q2 NAIC state filing data via SNL database, December, 2013.

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### Product, Pricing, and Consumer Experience capabilities top health plans' priority investment lists

Across all types of health plans<sup>2</sup>, product, pricing and consumer experience investments were rated as the most critical for improving competitive position in the individual market. Among the other three categories, priorities varied by market segment. National, multiregional and Blues plans more frequently rated distribution, enrollment, and renewal investments as critical or highly important compared to other market segments. Non-Blue regional health plans and provider-sponsored plans rated marketing and branding capabilities more frequently as critical. The only respondents who rated health and wealth management as critical represented Blues plans (data not shown).

### How important are investments in each of the following sets of capabilities to improving your company's competitive position in the commercial individual market over the next three years?

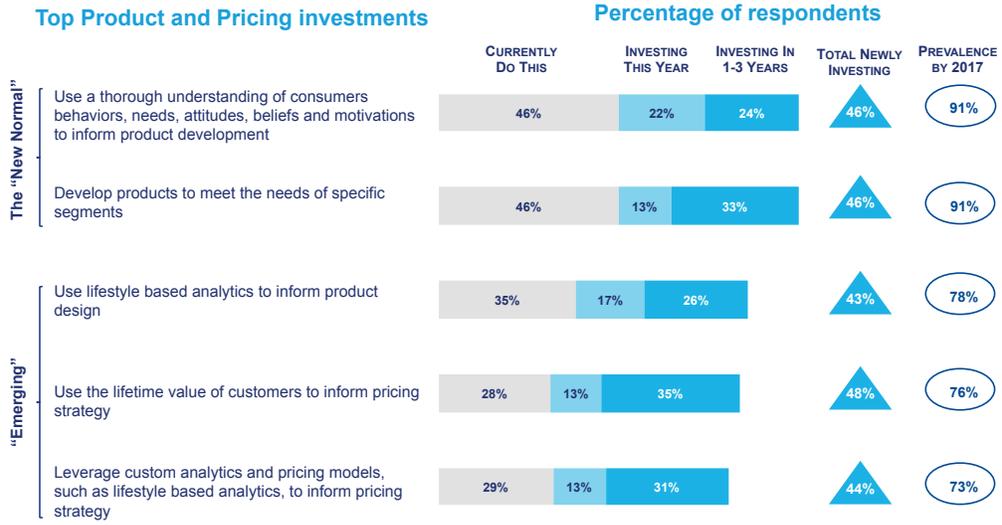


Note: Number of respondents (n) varies between 45 and 46 out of 46 respondents for these questions. Numbers are rounded.

<sup>2</sup> Respondents were segmented as follows: 1.) National / Multiregionals – multistate health plans with services and/or products in 4+ states (n=5), 2.) Blues - Blue Cross Blue Shield licensees (n= 16), 3.) Non-Blue Regionals – single state players not bearing the Blue Cross Blue Shield license (n=15), 4.) Provider-Sponsored Plans – Health plans owned by or owning a provider network (n=7), and 5.) New Entrant – health plans in the commercial individual market <3 years (n=5).

**Within Product and Pricing, respondents identified consumer and market analytics as priority investment areas over the next 36 months**

For all, product and pricing capabilities were rated the most critical investment area for individual market success over the next three years. More than 90 percent of health plans are currently invested or planning to invest in consumer understanding and segmentation to design products, making these capabilities part of “the New Normal”<sup>3</sup> by 2017. Less common capabilities in lifestyle based analytics, lifetime value of consumers and custom analytical models to inform product and pricing, are emerging as significant areas of investment.



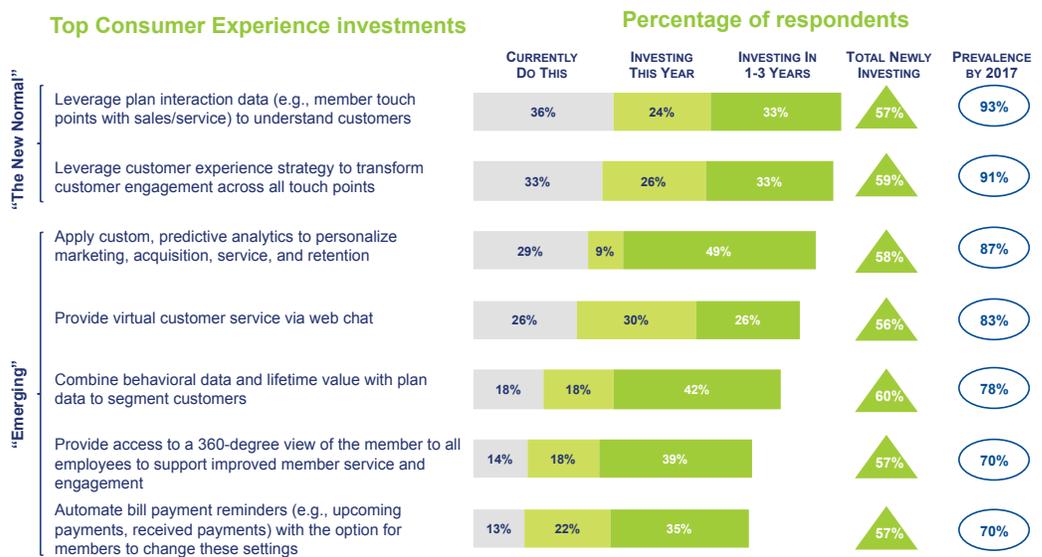
Note: Respondents were asked “for each of the capability areas below, what statements best describe your organization’s current and planned capabilities for the individual market.” Respondents could select from: “we currently do this,” “we plan to do this within the next year,” “we plan to or are strongly considering doing this in the next one to three years,” “we are not planning to do this,” or “I don’t know my company’s plans in this area.” Data not shown for “We are not planning” and “I don’t know.” Number of respondents (n) varies between 45 and 46 out of 46 respondents for these capabilities. Numbers are rounded.



<sup>3</sup> The “New Normal” is defined as the most frequently cited investment areas where current + 1+1-3 years >= 90 percent of respondents. “Emerging” is defined as the most frequently cited investment areas where current + 1+1-3 year <90% of respondents.

## Top Consumer Experience investments include segmentation analytics and the use of technology to enhance consumer touch points

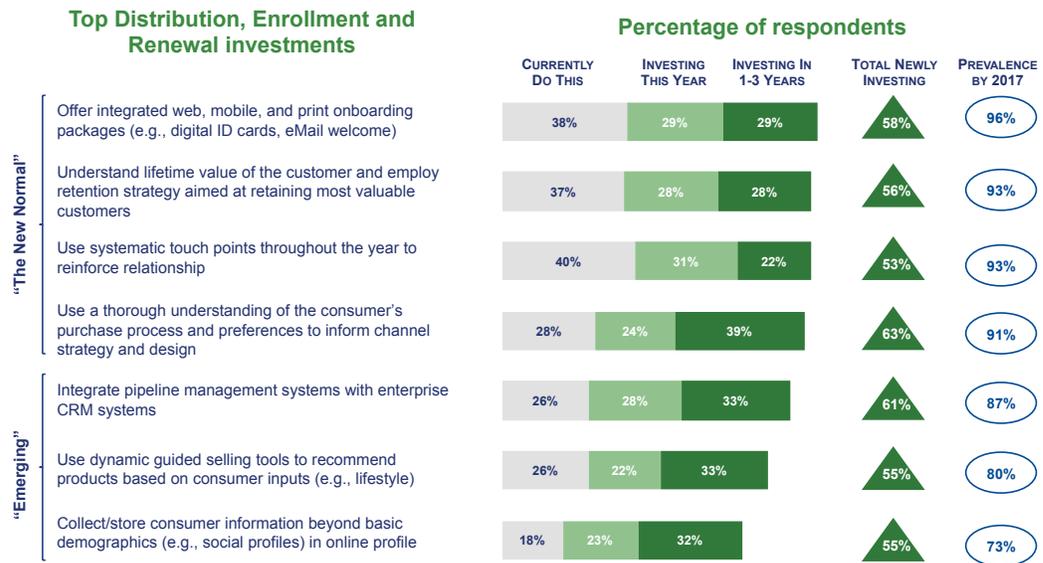
Consumer experience was rated as the second most critical capability category. As in product and pricing, data analytics was a key theme, with the synthesis of consumer data and operational application of more advanced consumer analytics as priorities. In the near-term, respondents identified investments in virtual customer service, such as web chat, leveraging plan interaction data to better understand consumers, and applying consumer experience strategy to transform member engagement. In the longer term, health plans will continue to invest in data integration to better understand and serve consumers, including using segmentation and predictive models to anticipate and proactively address consumer needs.



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**Respondents plan to invest in Distribution, Enrollment, and Renewal capabilities to leverage deeper consumer understanding for channel design and strengthen retention**

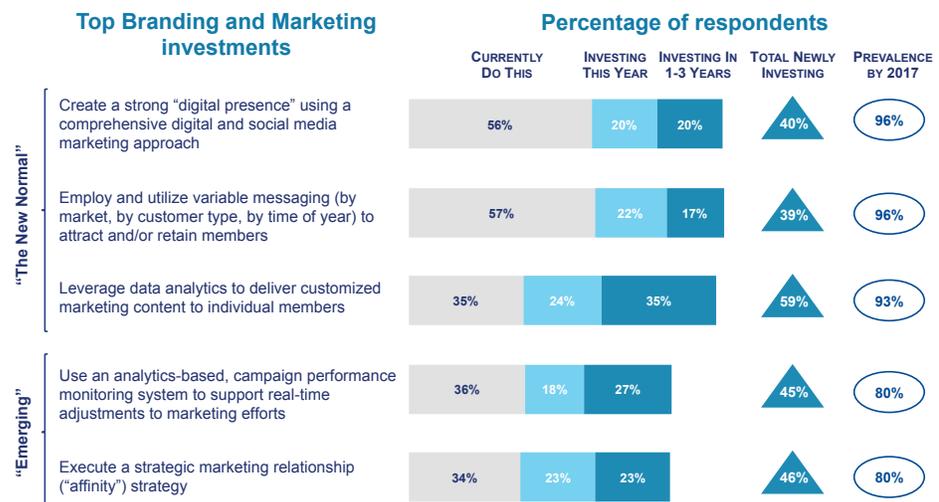
Investments in distribution, enrollment, and renewal capabilities were rated as critical or highly important by 78% of health plans, making it the third most highly rated investment area by survey respondents. Nationals, multi-regionals, and Blues identified this area as a critical investment area at a much higher rate than other segments (data not shown). Regardless of criticality of rating, most plans indicate that they will make future investments in this area. In fact, 63% of plans indicated that they intended to invest in using a thorough understanding of the consumer’s purchase process and preferences (shopping versus purchase, where they go, who influences them, etc.) to inform channel strategy and design, making this the most frequently cited investment area across the 100 business and technology capabilities included in the survey. Other common investments included identifying and designing processes around most valuable consumers and leveraging CRM technologies in a more powerful way to personalize and automate the acquisition and retention experience.



Note: Respondents were asked "for each of the capability areas below, what statements best describe your organization's current and planned capabilities for the individual market." Respondents could select from: "we currently do this," "we plan to do this within the next year," "we plan to or are strongly considering doing this in the next one to three years," "we are not planning to do this," or "I don't know my company's plans in this area." Data not shown for "We are not planning" and "I don't know." Number of respondents (n) varies between 45 and 46 out of 46 respondents for these capabilities. Numbers are rounded.

**Branding and Marketing investments are planned in personalized, analytics-driven marketing, and building a strong digital presence**

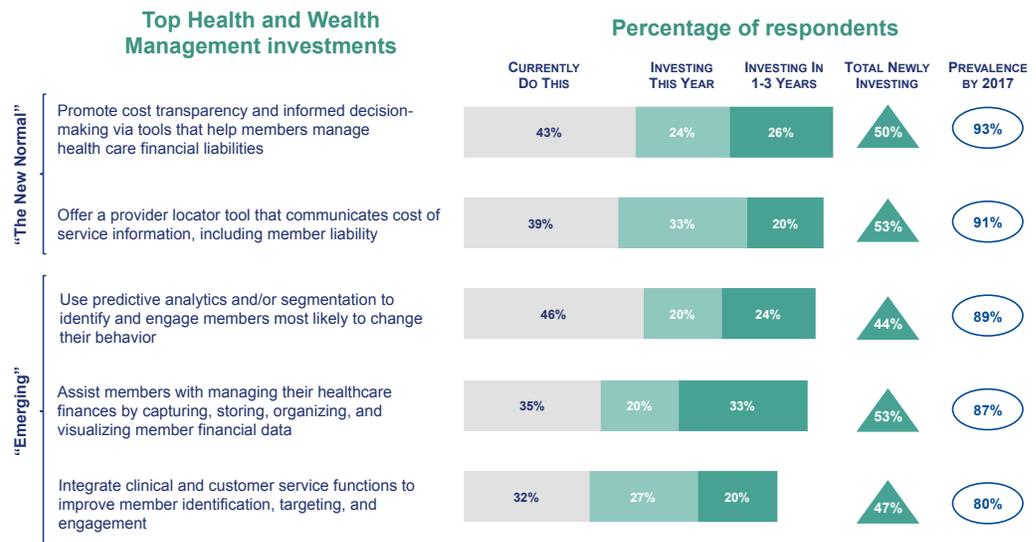
Branding and marketing capabilities were rated as critically important investment areas by fewer than a quarter of all health plans, with a significant divergence of priorities across segments. Very few nationals or Blues considered this as a critical investment area, likely because of their already significant brand strength. However, for nearly 30% of provider-sponsored plans and more than 30% of non-blue regionals, this is a critical area of investment. Nevertheless, by 2017, the “New Normal” branding and marketing for retail plans is expected to be analytics driven, highly customized to the individual, and digital, as nearly all plans intend to build upon their current capabilities in these areas over the next three years.



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### Most common Health and Wealth Management investments focus on financial transparency

Health and wealth management is considered to be a critical investment area by very few plans, yet more than half of all health plans are planning investments in tools that help consumers identify and manage health care costs. By 2017, the “New Normal” for plans will likely include sophisticated health system navigation and cost transparency tools. Emerging areas of investment are in health management capabilities, such as employing predictive modeling to identify and engage appropriate members and greater integration of clinical functions to improve targeting and intervention.



Note: Respondents were asked “for each of the capability areas below, what statements best describe your organization’s current and planned capabilities for the individual market.” Respondents could select from: “we currently do this,” “we plan to do this within the next year,” “we plan to or are strongly considering doing this in the next one to three years,” “we are not planning to do this,” or “I don’t know my company’s plans in this area.” Data not shown for “We are not planning” and “I don’t know.” Number of respondents (n) varies between 44 and 46 out of 46 respondents for these capabilities. Numbers are rounded.

**Tactical investments dominate short-term strategies; longer term priorities are consumer experience and channel excellence**

In terms of growing retail capabilities, in 2014, most plans are focused on making tactical, regulatory-driven, and retention and renewal focused investments. This shifts to consumer insight and experience investments in the two to three year time horizon. Consistent across short- and long-term time frames are developing distribution capabilities and creating a more consumer-centric and consistent channel experience.

**Top 10 most frequently cited new capability investments**

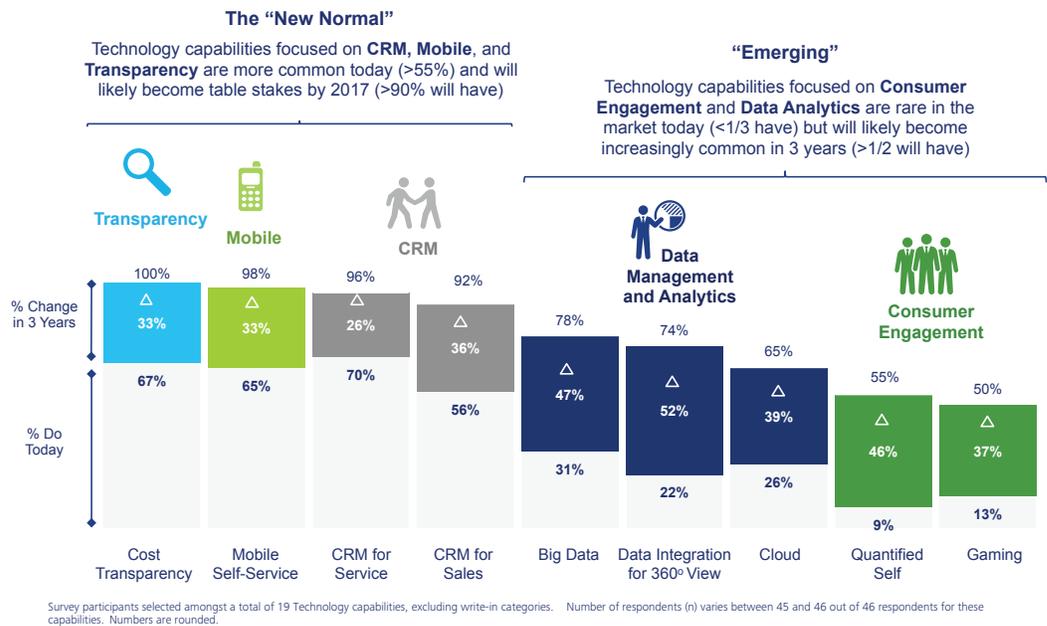
This Year		One to Three Years	
 <b>Health care navigation</b>	Provider locator tool that communicates cost of service, member liability	 <b>Customer segment analytics</b>	Customer segmentation that combines behavioral and lifetime value data with plan data
	Systematic touch points to reinforce relationship		Plan interaction data leveraged to understand customers
 <b>Member retention and renewal</b>	Retention strategy aimed at retaining most valuable customers based on customer lifetime value	 <b>Customer service</b>	Custom predictive analytics to personalize marketing, acquisition, service, retention
	Simplified member renewal with personal or web assistance		360 degree member view to all employees to improve service and engagement
 <b>Enrollment</b>	Integrated web, mobile, and print onboarding packages	 <b>Claims admin and billing</b>	Automated bill payment reminders
 <b>Lead generation</b>	Integrated pipeline management with CRM systems		Thorough understanding of consumer preferences for channel strategy
 <b>Claims admin and billing</b>	New payment methods (e.g., online payment)	 <b>Channel management</b>	Allow customer sales "cross-channels" process
 <b>Customer service</b>	Virtual customer service via web chat	 <b>Lead generation</b>	Integrated pipeline management/CRM
 <b>Customer experience</b>	Customer Experience strategy focused on point in time customer needs	 <b>Marketing operations</b>	Data analytics leveraged to deliver customized marketing content
 <b>Marketing operations</b>	Monitor marketing campaign return on investment	 <b>Pricing</b>	Lifetime value of customer leveraged to inform pricing strategy

 Health and wealth management  Distribution, enrollment and renewal  Consumer experience  Branding and marketing  Product and pricing

Note: Data represents most frequently cited new capability investment areas across the 100 business and technology capabilities surveyed based on respondents selecting "we plan to do this within the next year" for the "This Year" list and "we plan to or are strongly considering doing this in the next 1-3 years" for the "One to Three Years" list. Capabilities are grouped by capability area, not necessarily listed in order of highest to lowest percentages. Number of respondents (n) varies between 44 and 46 out of 46 respondents for these capabilities.

**Technology investments in cost transparency, mobility, and CRM will likely become table stakes in the future; however, data analytics and consumer engagement tools are emerging differentiators**

Survey results are clear — health plans are setting their sights on business capabilities that will require significant technology investment to realize. According to the survey, the 9 technology capabilities expected to grow fastest over the next three years are related to 1) Transparency, 2) Mobile, 3) CRM, 4) Data and Analytics, and 5) Consumer Engagement.<sup>4</sup> Technologies focused on CRM for sales and service, mobility and transparency are possessed by more than 55% of plans today and will become “The New Normal” by 2017 with more than 90% already having or making plans to invest in these technologies. Data analytics and consumer engagement technologies, such as bio-monitoring and gaming are less common today, but are some of the most frequently cited areas of investment by 2017.



<sup>4</sup> Survey participants selected among a total of 19 Technology capabilities

**What does it all mean? Several big takeaways for the market, but interpretation and implications will be unique to each health plan's current position and strategy**

At the macro level, survey results indicate several big takeaways:



**Current Priorities**

"Table-stakes" in today's health plan retail market

- Health plans believe that investments in **product, pricing, and consumer experience** are most important to improving their competitive position.
- **Retention and Renewal** capabilities are a short term focus. Now that plans have new individual members in the door, they are looking for ways to keep them.



**Future Investments**

"Must-haves" to serve the retail customer of tomorrow

- **Channel** investments in creating a more consumer-centric, intelligent and consistent experience will be a multi-year effort.
- **Consumer Insight and Experience** capability investments will spread out over three years, with strategy development and foundational elements being prioritized in 2014, and more robust capabilities in years two and three.



**Technology Imperative**

"Enablers" to build retail capabilities

- Investments in **analytics** are crucial. Analytics across a consumer life cycle (to attract, acquire, serve and retain) will likely emerge as a new foundational capability.
- **CRM, self-service tools** to become table-stakes. CRM and self-service tools, currently having relatively high-adoption, will likely see even higher investments in future.

At an individual health plan level, data from this survey can help to assess the plan's capability position relative to competition in the marketplace. By looking at current capabilities and future investment priorities versus those of others, health plans can identify fundamental gaps, as well as potential differentiating strengths. The plan for closing those gaps and capitalizing on those strengths are, of course, dependent on the health plan's broader business strategy and available resources. However, this survey can serve as a key tool to better understand the market, evaluate current position, and align leadership around future priorities.



To schedule a conversation to learn more about survey findings, how to interpret results for your organization, and Deloitte marketplace experience, contact:

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