

## Retail consumerism

### Price wins customers. The consumer experience keeps them.

The new retail market for health insurance makes competing a two-stage proposition—win consumers on your health plan’s value proposition, but keep them based on the right consumer experience. Because products will become more standardized and consumers are becoming more discerning and informed, price and innovation are the keys to getting them in the door. But because those consumers will have more choices—in many cases, choices unconstrained by ties to their employers—health plans also have the opportunity to win them as customers for life.

---

As consumers make trade-offs and prices stabilize, understanding consumer behaviors, needs, and preferences will make your offerings “sticky.”

The question is: Can you? That’s where the right consumer experience can make the long-term difference. Over time, as consumers make trade-offs and prices stabilize, understanding consumer behaviors, needs, and preferences will make your offerings “sticky.” These preferences, as well as your ability to execute flawlessly at each customer touch point, can drive retention, growth, and profitability over the longer term.

Before reform, employers selected plans for their employees, and fewer individuals purchased their own policies. Now, exchanges, defined contribution plans, and other factors are increasing the number of individuals who will be able to shop for coverage. Individuals will have more plans to choose from, and the Affordable Care Act (ACA) health plan design provisions will make those plans more similar. Doctor choice and product innovation will stay on the radar, but commoditization will make price and brand important drivers in the decision-making process.

Retaining a member longer is now a strategic imperative—one that contributes to the ability to maintain a competitive price—as maximizing the lifetime customer value becomes the goal. A health plan’s investment in promoting wellness and preventing chronic problems takes time, perhaps years, to generate real results. By retaining a customer for life, the health plan and the member can share in the rewards of those healthy habits and health management programs.

#### What makes your customers tick?

**Do what it takes to price competitively and serve customer needs.**

Health plans can’t forge long-term customer relationships without first winning the short-term appeal. Plans should attack premiums from all angles to target price points that will earn consumers’ attention. To control price, identify the building blocks that go into determining cost—like channel effectiveness, medical cost management, and operational excellence—and take nothing for granted. Plans may need to find more efficient contracts and care delivery structures, as well as configure provider networks to deliver the price point consumers will choose. Plans may also control price by removing products and features that employers desired, but that added to consumers’ costs with little value in return.

Meanwhile, health plans may need to overhaul offerings to keep customers. As plans attract and gain individual customers, it is important to consider how to keep them—especially since existing structures were built to serve groups. For example, plans should look at defining—and, if necessary, building or buying—the capabilities needed to track and serve individuals as they experience different life events, change jobs, and move through life stages. And since being “sticky” in the individual market starts with having insight into what the customer values, the next step is determining if you have the people, processes, and technology to anticipate and serve their needs. Your focus areas are likely to include data and analytics capabilities that let you personalize service and heighten engagement.



## **Beyond the industry's traditional boundaries**

**Acting like a retailer starts with thinking like one.**

To not only win a person's business but keep it for life, health plans need to know their customers—then adapt the purchase, product, and service experiences. To better serve their specific needs, it's important to assess new members early, to know their risks and direct them to smart choices. In order to understand how to improve member relationships, health plans may want to perform an analysis, looking at and evaluating the points of interaction with each member.

In this new individual-focused market, health plans will want to think through what it means to be retail. You will need to determine the types of customers you want to attract and how to reach them. Other consumer-oriented service businesses, such as financial services, may offer good parallels. For example, you may want to consider investing in affinity relationships, tapping the power of an outside brand consumers trust.

### **Offer innovative services**

Adjacent products such as dental, vision, life, and wellness services can offer new market opportunities. Plans can even look beyond the traditional health field and use capabilities to offer marketing or analytics support to different areas in the health care value chain—such as wellness products and nutraceuticals.

## **Capabilities that keep up with innovation**

**Serving consumers will take a different talent culture.**

What used to be just customer service is now a point of sale. Service focuses on moments that matter—instead of managing group populations, plans will have to consistently attract, enroll, satisfy, and retain members. Winning and keeping individual business may require your organization to show a new face.

Making customers happy may require a cross-trained staff that can satisfy current expectations, meet new regulatory requirements, and deliver new products and services. Workforce models should factor in retention strategies and training programs, so those new skills are there when they are needed.

Education will likely be part of the talent challenge too. The choices members make (such as between an emergency room and a clinic) are significant drivers in the cost of health care. As your organization evolves to serve individuals, you will need people who can help members learn about those choices, and people who can manage incentive programs that drive sensible choices and help keep costs down.

### **If sales and service are a balancing act, technology is the fulcrum.**

Technology infuses a plan's efforts to remain price-competitive. Functions like actuarial analytics, population health management, and core administration have to step up their game to maintain price competitiveness. A single view of each customer, a strong analytics program, predictive modeling, self-service, and automation will be important levers in delivering the lowest price. Plans will also need instant access to information to support the accessible, personalized, and anticipatory customer service that retail customers expect.

The retail model requires a single, lifetime view of a customer that most plans customer service models probably weren't built to support. Tracking interactions, billing charges, implementing products, and anticipating needs change when switching from serving groups to serving individuals. With better Customer Relationship Management, your organization will be better able to integrate sales data across a multi-channel distribution system and make member interactions more effective. Since many plan systems were designed to limit access to information within the organization, plans may need to determine ways to promote information sharing so customer service can provide a better experience.

Remember that technology doesn't only help with member interactions—members interact with the technology. A rich customer desktop can help customers enjoy a consistent experience no matter where and when they interact with your plan.

## Bottom line

An aggressive approach to delivering a competitive price can help you win customers as plans become more commoditized. It's also consistent with the efficiency that will be required for profitability given the new medical loss ratio requirements. In parallel, the rise of individual buying makes lifetime relationships possible—but the way to actually enjoy the benefits of those relationships is by learning to provide customers with a rewarding experience. The benefits of competitive pricing and an improved consumer experience may include:

- Affordable products that attract more new customers
- Engaging service that induces consumers to stick with you
- Long-term return on present-day investments in wellness
- Improved profitability

To learn more, including steps you may take right now, please contact us.

## Contact us

Paul Lambdin  
Director  
Deloitte Consulting LLP  
[plambdin@deloitte.com](mailto:plambdin@deloitte.com)

Susan Novak  
Senior Manager  
Deloitte Consulting LLP  
[snovak@deloitte.com](mailto:snovak@deloitte.com)

This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

### About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.