Consumer analytics
Spinning straw into gold

Using consumer data to enhance member lifetime value
What’s at stake?

The individual commercial market has fundamentally changed over the past year, radically reshaping the value drivers for health plans. Many of the analytical capabilities health plans developed to support the old model — especially the pricing and underwriting of risk — are either obsolete or have become table-stakes.

The next few years present a rare and powerful opportunity for health plans to rapidly take share in a completely new market. But making growth profitable in this low-margin retail business is expected to require a radically different approach to customer strategy across the member lifecycle. Health plans need to ask the right questions and act quickly to develop the right analytical tools for answering them.

Key customer strategy questions health plans are asking (or should be)

<table>
<thead>
<tr>
<th>Customer lifecycle</th>
<th>Attract</th>
<th>Acquire</th>
<th>Serve</th>
<th>Engage</th>
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<tr>
<td>Who are our more profitable members over time and how can we attract more like them?</td>
<td>How do we guide members toward the product that is more suited to their health and financial needs?</td>
<td>What are the key triggers of disenrollment and how do we address these in a cost-effective manner?</td>
<td>How can we identify new members who need management before they have costly acute events?</td>
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<td>How do we strike the right balance between attracting price-sensitive members and creating an attractive network that satisfies and retains customers?</td>
<td>How do we manage our channel mix to lower cost of acquisition while meeting members where they are?</td>
<td>How can we lower service costs while maintaining or improving consumer experience in order to build trusting and ‘sticky’ relationships?</td>
<td>How can we target wellness and clinical programs to members who will benefit the most and who are most likely to engage?</td>
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<td>Which renewing members will tolerate rate increases and which will not?</td>
<td>How do we configure products to best meet our members’ needs?</td>
<td>How do we know whether these programs are generating the targeted results for us and them?</td>
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Growing area of competition

Answering these questions accurately will give health plans a considerable edge in the individual commercial market, particularly as they navigate the expiration of the risk corridor and reinsurance programs. And they are investing accordingly. In Deloitte’s most recent Retail Capability Survey of health plans, consumer analytics applications were consistently at the top of the priority list for investment.

Scale will make it more feasible for large nationals to invest broadly in these specialized capabilities, disadvantaging smaller regional plans over the long run. However, the complexities of data integration and execution across many markets may mean that regional plans will be better situated to take action on the insights generated.

Deloitte’s 2013 Retail Capability survey reveals that customer analytics will be a top investment areas for health plans:

- **87%** of those surveyed/respondents plan to apply custom predictive analytics to personalize marketing, acquisition, service, and retention.
- **Nearly 8 in 10** of respondents want to combine behavioral data and lifetime value with plan data to segment customers.
- **78%** and **73%** of respondents, intend to use lifestyle-based analytics to inform product design and pricing, respectively.

Health plans have been slow to adopt retail approaches to customer analytics, but change is coming. **Fast.**

**Case study**

**Using predictive modeling to target high-touch preventive programs**

Prevention of lifestyle-based conditions is a key goal of population health management, yet the most effective behavior change programs tend to be high-touch and expensive. To deploy such programs while maintaining a positive ROI, one major health plan worked with Deloitte to use predictive modeling of health risk and consumer behavior to focus a high-touch prevention program on the members most likely to benefit from it.

Supplementing internal member/applicant data with external consumer data (e.g., purchasing behavior, location data), Deloitte helped to create two interlocking models that allowed effective targeting even across members with limited claims data:

- A set of clinical predictive models to better define members’ health risks across 15 major conditions
- A change-motivation predictive model to calculate a member’s propensity to engage in and complete a change management program

These two models enabled an integrated targeting strategy to focus preventive programs on members who had the highest risk and were most likely to engage. This focus allowed the plan to invest in higher-touch programs that would not have met their ROI hurdles in a broader population.
Our take

Health plans are years behind other industries in taking a systematic approach to consumer strategy and analytics... and it shows: Health plans consistently rank at or near the bottom of consumer satisfaction surveys. The good news is that consumer analytical techniques deployed successfully in other industries can be adapted and applied rapidly to health plans to answer the strategic questions outlined on the previous page.

While the analytical tools of the trade vary from issue to issue, the underlying goal is the same — use consumer and clinical data to make decisions at the individual member level that increase the value created for them and for the plan. Here are four examples of how next-generation consumer analytics can help create “a segmentation of one”:

Use lifestyle-based analytics to improve early targeting of clinical interventions

Develop predictive models to identify health risks immediately after HIX enrollment by supplementing limited initial data with non-traditional external individual, household level data

Match members and providers based on style and preferences

Use content-based filtering analytics (like those used in online dating services) to match members with PCPs whose approach and bedside manner is likely to be a good match for their preferences

Use customer lifetime value analysis to target members for acquisition

Create an actionable prospect segmentation, that combines detailed analysis of customer lifetime value, in order to create focused marketing and acquisition strategies aimed at attracting the most valuable members

Create trigger-based interventions to address sources of dissatisfaction

Assess drivers of dissatisfaction and use real-time analytics to create trigger-based interventions to address proactively (e.g., respond to out-of-network claims) by sending a customized video explaining how to avoid in the future
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This is part three of a five part series focused on the “Five Consumer Experience Trends Health Plans Can’t Ignore.” For more information, please visit www.deloitte.com/us/Consumerism

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