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Government programs
Meet your new biggest customer

Doing business with the government is nothing new for many health plans. But even for the most government-oriented insurers, the game has changed. Medicaid has expanded. Medicare's population continues to grow. And health insurance exchanges have gone live. More government money in the system means more government influence as well—and as the government changes its purchase expectations and interactions with plans, plans will likely change not just the amount of business done, but also how it is done.

There is more to the government's new influence than the simple law of supply and demand applied to a huge and growing customer base. Reform brings plenty of explicit new rules about rating, breadth of coverage, actuarial models, and medical loss ratios. More government influence can mean less room to maneuver in plan design, ratings, and risk selection. The challenge for you, as a health plan, is to find other ways to differentiate yourself in an increasingly competitive market.

Plans may have to look to publicly funded business for ways to remain profitable as growth opportunities in the commercial market wane. Getting to a lower-cost structure through synergies, mergers & acquisitions (M&A), improving member experience and retention, increased physician collaboration and value-based contracting, and innovative and effective health care management programs may be part of the answer.

The long game

Plans that find new ways to compete may be able to win customers for life.

Changing jobs used to mean changing health plans. It was always important to invest in a person's health, but often it was some other plan that realized the long-term savings. The portability inherent in government-funded coverage can give a plan the opportunity to serve a member for life—and to reap the rewards of its investment.

To have that chance, plans may need to reimagine roles in the market. First, decide where you want to play. Not every plan can excel in covering every population and in every market. Next, seek out new levers for growth and revenue. As more people move to government sponsorship, traditional margin opportunities will shrink. Levers outside traditional insurance—like wellness and prevention services, risk adjustment, quality bonus payments, helping providers with population management, or even participating in the delivery of care—may help preserve revenue. Finally, plans should be proactive to guide their consumers through new choices. The average Medicare beneficiary typically has many plan options, and exchanges will give consumers new flexibility. You may be able to win business by reaching out to consumers with helpful information and ways to manage costs to help curb premiums.

Manage cost and enhance service and collaboration

Develop new member outreach and provider support capabilities.

With guaranteed issue on one hand and new government restrictions on plan design on the other hand, plans are in the middle looking for another way to mitigate long-term health costs. To do that, understanding and assessing each member's risks and engaging them in programs that mitigate those risks is likely to become even more of a priority. That may necessitate a new familiarity with network management, program development, collaboration, member outreach and engagement, and strategic alliances.

Consumers expect engagement from their doctors, not so much so from their insurers. You can bridge that divide and lay the foundations of long-term loyalty. Meanwhile, providers are struggling to make their own adjustments to a government-payer world, and you may be able to help by collaborating on technology, processes, and even participation in directing value-based care. M&A may help some plans gain new muscles, achieve cost synergies, and add critical populations. And cost control remains central, as plans that excel at managing both administrative and medical costs are likely to gain and keep more customers.

Right people, right technology, streamlined communication

Members are choosing plans in ways they have not before. Customer interaction is important because government-sponsored business depends upon winning customers one at a time. That is true under existing models like Medicare and Medicaid, and it is central to the operation of the new exchange model. Serving people one at a time means helping people through different needs. Helping a member who is on the phone is not the same as helping a professional benefits manager. Consumer-based interactions involve a different knowledge level and a higher emotional stake. Your customer service corps may need a different subset of people and capabilities. As your business evolves, your tech tools may need to be updated as well. Older legacy systems may not be sufficient to serve your customers today. With government's larger role, simple upgrades are not the only requirement. As plans adopt more of a service mentality toward members, and take a more collaborative stance with care providers, it may become necessary to build or buy the tools that will support those new functions.

Potential bottom-line benefits

At a time of rapid change, it is not easy to go beyond what is required and embrace even deeper change as a long-term strategy. But plans should consider making fundamental changes to remain relevant. Recognizing the new reality of government business may help align a plan with the new sources of revenue and growth, such as:

- Long-term profit on the individual consumer level
- Access to new populations and payment avenues
- Diversification
- Collaboration with providers and other third parties

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

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