Consumer Engagement Improves Consumer Experience, Member Retention, and Risk Adjustment

Abstract

The health care insurance market is evolving rapidly, with consumers becoming ever more responsible for making decisions and carrying a larger financial burden for their health care. The result is a consumer-driven market, with consumers demanding a level of service from their health plans that they've come to expect from consumer-centric companies in other markets. Visionaries in the health care industry recognize this as an opportunity to build a customer engagement model that exceeds member expectations and builds trust and loyalty, while also helping to optimize risk adjustment performance and improve payer margins.

Background

Industry changes have affected the consumer's role

Changes in the health care industry have transformed the relationship between health care insurers and consumers. The Affordable Care Act (ACA) obliges all Americans to have health insurance or face tax penalties. To make the purchasing process easier, the Affordable Care Act legislated the creation of health insurance exchanges, which allow individuals and businesses to assess and compare standardized coverage options. These exchanges have shifted power to health care consumers, who are making decisions based on value and cost. At the same time, additional ACA provisions such as Guaranteed Issue and Community Rating have made it more challenging for insurers to manage risk through traditional means.

Given these and other industry changes, members in commercial, Medicaid, and Medicare plans are responsible for more health care decision making than ever before when it comes to selecting, utilizing, and evaluating their coverage options. They must now pick from a variety of health plans, weigh the cost and value of providers and payers, and process complex medical and financial information about services and treatments. They are expected to understand copayments, deductibles, co-insurance, out-of-pocket

maximums, in- and out-of-network, metal levels, and other complicated information. Unfortunately, the process becomes even more difficult once the member has to engage the plan for claims, pre-authorization, prior approval, etc.

> *"The challenge of affordability, the rise of the empowered health care consumer and the shift from volume to value are top issues impacting health plans in 2016," says Greg Scott, U.S. Health Plans leader and vice chairman, Deloitte LLP.*
> -2016 Health Plans Industry Outlook

Consumers are also required to carry much more of the financial burden for their medical care. Premium contributions for employees, individuals, and Medicare users have all risen rapidly. Furthermore, most consumers are now enrolled in high deductible health plans and are responsible for much more than a simple, inexpensive copayment. In 2015, the ACA health exchanges' bronze-level plans had an average deductible of $5,181 for individuals, and Silver plans, the exchanges' most popular plans, had an average deductible of $2,927 for individuals and $6,010 for families.[1] Those insured under employer-sponsored insurance found themselves in a similar situation. In 2015, more than 35 million—24% of the 147 million people covered by employer-sponsored insurance—were covered by a high-deductible health plan.[2] According to a September 2014 survey, the average deductible for employees who receive health coverage from their employer has risen 47% to $1,217 from $826 since 2009.[3]

Moreover, there is every indication that the health care industry will continue along this trajectory with consumers paying for more health care services directly and exercising increased control over how they spend their money and where they choose to spend it.[4]

The altered landscape has led to a focus on consumers

As consumers become more involved in managing their insurance coverage, as they are required to pay more and are asked to do more, they have begun to expect more in return. In a national survey of over 11,000 people regarding health care needs and desires,

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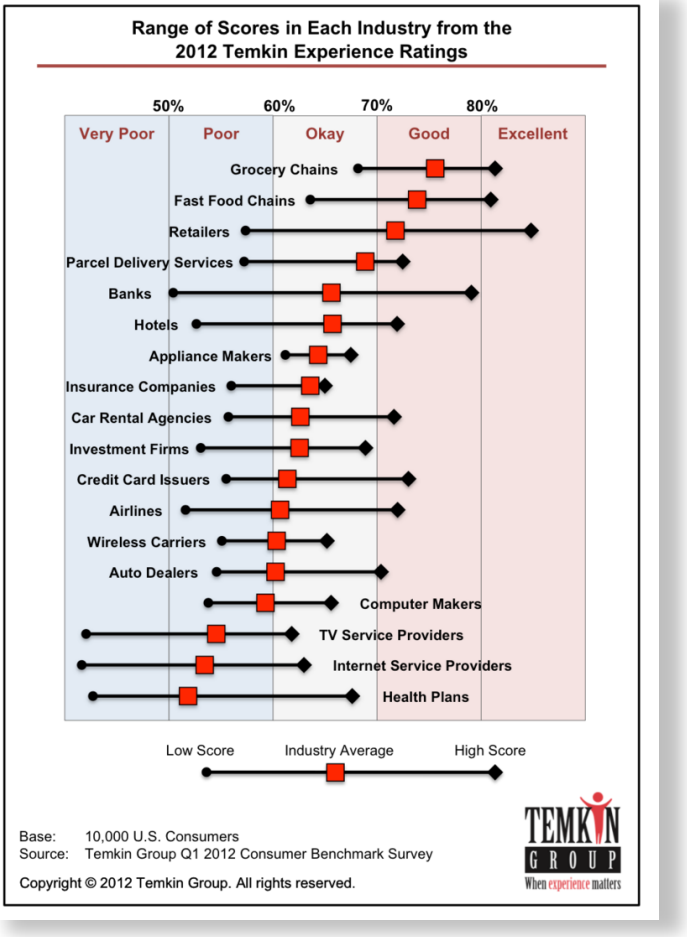
[1] Stephanie Armour, "More Cost of Health Care Shifts to Consumers," December 3, 2014, The Wall Street Journal. http://www.wsj.com/articles/more-cost-of-health-care-shifts-to-consumers-1417640559

[2] Deloitte Insights, "2016 Health Plans Industry Outlook," Risk and Compliance Journal. http://deloitte.wsj.com/riskandcompliance/2016/01/28/2016-health-plans-industry-outlook/. See also, Health Care Current: December 22, 2015, "Consumerism and Affordability: Two Sides of the Same Coin," Deloitte. http://www2.deloitte.com/us/en/pages/life-sciences-and-health-care/articles/health-care-current-december22-2015.html

[3] Armour, "More Cost of Health Care Shifts." See also, Health Care Current, "Consumerism and Affordability."

[4] Deloitte Insights, "Health Care Current—January 26, 2016," CFO Journal. http://deloitte.wsj.com/cfo/2016/01/26/health-care-current-january-26-2016/

The result of the level of service typically provided by health insurance companies: some of the lowest customer-service ratings across all industries. In a 2014 Tempkin survey of 10,000 U.S. consumers inquiring into their experiences with 268 national and regional companies, those who ranked lowest were either in the Cable Television, Internet, or Health Insurance industries. "These three industries have had a hard time focusing on customers," said survey analysts. "And, even the best of these companies have scores so mediocre [compared to other businesses] that there's not a lot of competitive motivation to improve customer service."[9]



The same survey found that the top-rated health plan only received an "okay" rating and ranked 87 out of 268 overall. Seven plans received "poor" ratings, and another four received "very poor" ratings and ranked in the bottom seven across all 18 industries.[10]

Consumers don't trust their health plans

Consumers need assistance making key health care decisions. Indeed, in spite of their new role as active consumers of health care products, consumers are confused by their insurance coverage and options. Only 14% of Americans who have health insurance can explain deductibles, copayments, coinsurance, and out-of-pocket maximums. Only 11%

[9] Caroline Mayer, "Best and Worst Customer Service in America," Forbes, July 2014. http://www.forbes.com/sites/nextavenue/2014/07/23/best-and-worst-customer-service-in-america/#31e440f7466d

[10] Customer Experience Matters, "Health Plans Deliver the Worst Customer Experience," February 2012. https://experiencematters.wordpress.com/2012/02/20/health-plans-deliver-the-worst-customer-experience/

can calculate the cost of a four-day hospital stay to within $1,000 when provided with all of the necessary information.[11]

While consumers need a partner to navigate the complex health care landscape, their experience with the health care industry has taught them to turn elsewhere when they need assistance. According to a survey about what consumers need, expect, and receive from health insurers, carriers rank low as the source people turn to for assistance. The following are the rankings of the resources used in each category investigated:

- Researching symptoms: health insurers placed last, with a ranking of 5 out of 5.
- Finding a doctor: health insurers ranked second out of 4.
- Accessing medical information: health insurers ranked 3 out of 5.
- Estimating medical costs: health insurers fell near the bottom, ranking 5 out of 6.[12]

This reluctance to use health plans as a means to obtain assistance with health care decision making is seen even when health plans provide significant tools for attaining desired information. Though many insurers have introduced tools to help consumers, they have not seen an increase in consumer engagement with those tools.[13]

The Opportunity

In the current health care environment, payers have the chance to redefine the health care user's experience. They have the opportunity to deliver individualized outreach and consumer engagement, to create a holistic brand experience in which customers feel they are more than an ID number and a claim.

Health plans have the chance to work closely with their members and deliver highly personalized education, information, transparency, and access to the tools they need and want to manage their health successfully. They can perform outreach for medication adherence, preventive exams, in-between visit communications, and more. They can help their customers understand their health plan and the confusing acronyms and concepts (e.g., co-payments, deductibles, co-insurance, etc.) and use them efficiently. They can also assist consumers in selecting the coverage that's right for them and their families and help

[11] George Loewenstein, Economist, Carnegie Mellon University.
[12] Accenture, "Building Trust Using Patient Engagement and the Wisdom of the Crowd," pp. 2-3. https://www.accenture.com/_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Dualpub_9/Accenture-Building-Trust-Using-Patient-Engagement.pdf
[13] Cicero, "How to Engage," p. 2.

allay fears that they won't be covered when a health issue arises. When implemented correctly, health plans' consumer engagement strategy can change consumers' perceptions of the health care industry and their heath plan and build a loyal, trusting customer base.[14]

What Kind of Engagement?

Not all consumer engagement is effective consumer engagement. It's important to know what works and what does not, and what technology tools are most useful for building a robust consumer engagement program.

Interactions that meet brand promises

For customer engagement to have a positive impact on consumer experience, brand promises must align with consumers' actual experience of the company. Companies that promise they'll be there when they're needed but, in times of trouble, fail to provide the support required, will fall short when it comes to customer satisfaction.[15] A message that doesn't coincide with the actual experiences of customers will reflect in payers' satisfaction rankings and consumers' perceptions of them. On the other hand, when messaging and experience align, the pay off is notable. USAA's brand promise, "For those who stood tall for this country and for their families, we stand ready to return the favor," is similar in sentiment to that of other insurance companies; however, this company delivers on its promises. As a result, in 2011 and 2015, KPMG Nunwood's Customer Experience Excellence survey ranking the top brands, named USAA the number one brand for customer experience in America.[16]

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[14] "The more consumers access and act on health plan information, the more they will come to trust it as a source of information" (Accenture, "Building Trust," p. 4); "As carriers seek to improve their growth rates, they rely on three main methods: acquisition, retention and, related to retention, cross-selling. Performance in each of these areas can be substantially improved by a systematic program to earn customers' goodwill, creating more promoters and eliminating detractors in the customer base" (David Whelan and Sean O'Neill, "Customer loyalty in P&C insurance: US edition 2014," Bain & Company, p. 3. http://www.bain.com/Images/BAIN_BRIEF_Customer_loyalty_in_PC_insurance_US_edition_2014.pdf); "…when members receive more frequent communication, they are more likely to use the tools. And with tool usage something profound happens: members experience an elevated level of trust and a deeper level of satisfaction with their health insurance provider" (Cicero Group, "How to Engage," pp. 2-3).

[15] J.D. Power, "Auto Insurance Customer Satisfaction Reaches an All-Time High, Driven by Satisfaction with Policy Offerings," Press Release, June 2012. http://www.jdpower.com/press-releases/2012-us-auto-insurance-study

[16] KPMG Nunwood, "Customer Experience Excellence Centre: 2015 USA Top 20." http://www.nunwood.com/?portfolio=1-usaa-us-customer-experience-excellence-report-2015; Sheila Shayon "USAA Gets Top Marks for Customer Experience," May 2011. http://brandchannel.com/2011/05/19/usaa-gets-top-marks-for-customer-experience/

Frequent communications

As noted above, consumers would like to receive updates and information from their health insurers frequently—at least once a month. When this happens, members are more satisfied. Indeed, in the Cicero Group's survey, over 90% of members who receive at least monthly communication from their insurer are satisfied with their health plan. The correlation between customer satisfaction and frequency of contact is as follows:

- More than once a month communication: 94% health plan satisfaction.
- Monthly communication: 93% health plan satisfaction.
- Several communications per year: 82% health plan satisfaction.
- Annual communication: 66% health plan satisfaction.[20]

As part of this same study, members were asked about trust with respect to their health plan. When they integrated this feedback with their findings about frequency of communication, researchers found that members who received the most communication also had the greatest level of trust in the information received. Their conclusion was that "frequent communication leads to trust."[21]

Traditionally, payers have relatively few opportunities to engage with members—this makes the endeavor to build a loyal, satisfied customer base that much more difficult. Thus, it is critical for them to create opportunities to engage with customers and build a relationship whenever contact occurs, whether it be during enrollment, on-boarding, health-plan education, claim adjudication, or change-of-life events.[22]

> *"In a recent survey, 85% of those asked indicated that they want to receive communications that are tailored to their specific situation."*
> -Cicero, "How to Engage," p. 7

Personalized communications

These days, health care consumers are looking for much more than renewal and policy change notices from their health plan. They are searching for a partner they can trust, who will help them understand and negotiate the complex world of health care. Likewise, they are looking for a seamless experience across multiple channels in which companies know

[20] Cicero, "How to Engage," p. 6.
[21] Cicero, "How to Engage," pp. 3-5.
[22] Anand Natampalli and Mark Poling, "The Uberification of Health Insurance: Digital Transformation for Improved Member Experience and Operational Efficiency," Colibrium, p. 3. http://www.colibrium.com/knowledge-center/downloads/Uber_whitepaper.pdf

- A unified communications strategy that utilizes numerous touchpoints.
- Proactive, personalized outreach and communications capabilities.

With increased knowledge of each member, health plans are better informed to drive sales, create targeted outreach to improve wellness, and enhance every customer's health plan experience.

The Benefits

A well-executed consumer engagement strategy will benefit not only consumers but also insurers. Consumers benefit by becoming better informed, more actively engaged in their health care, and, ultimately, healthier. For payers, consumer engagement elevates customer experience, satisfaction, and retention and helps optimize risk adjustment—all of these, in turn, improve margins and, in the end, population health.

An elevated consumer experience

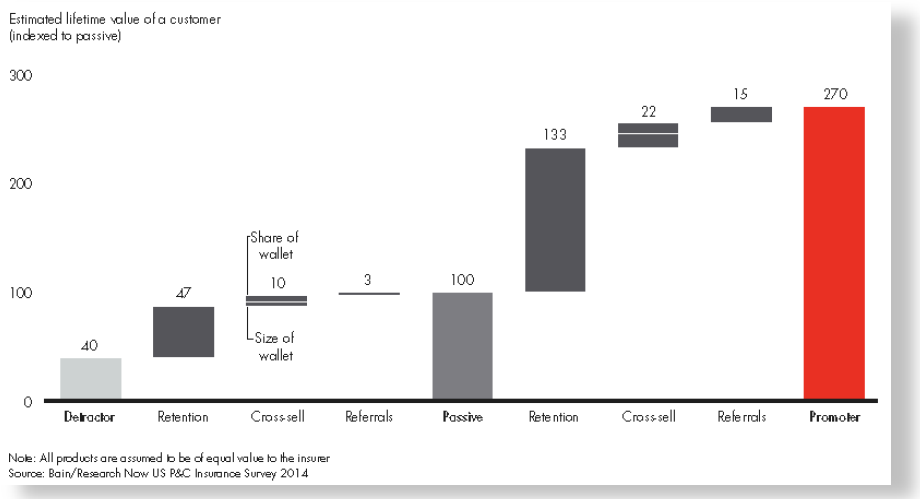
An effective consumer engagement strategy will create a heightened consumer experience, which translates into higher customer satisfaction, loyalty, and retention as well as margin improvement.

In a survey of consumers with individual coverage, those whose satisfaction with their insurer was 75% or higher were roughly 60% more likely to recommend their insurer to others than were those with an average level of satisfaction, and they were 40% more likely to purchase additional products from the company.[24] Moreover, high customer satisfaction levels have been linked to stronger loyalty, sales, and profits in other industries, and evidence suggests that this applies in the new consumer-driven health care industry as well.[25]

While carriers should strive to eliminate factors that cause customer dissatisfaction (82% of consumers have stopped doing business with a company as a result of a negative experience[26]), it is perhaps more important to create opportunities for positive experiences with consumers. Bain & Company's research into customer loyalty in the P&C insurance

[24] Cordina, "Winning with Consumers," p. 2.
[25] Carrus, "Measuring the Patient Experience."
[26] Right Now, "Customer Experience Report North America 2010," p. 2. http://media.stellaservice.com/public/pdf/Customer_Experience_Impact_North_America.pdf

market shows that turning a passive customer into a promoter (one who is most likely to recommend their insurance to a friend) is roughly three times as valuable as convincing a detractor to become a passive. As the below chart shows, promoters bring nearly three times more in lifetime value than passives and roughly seven times more than detractors.[27] The analysts' conclusion is that it is more important to create promoters by delivering positive experiences than just avoid detractors.[28]

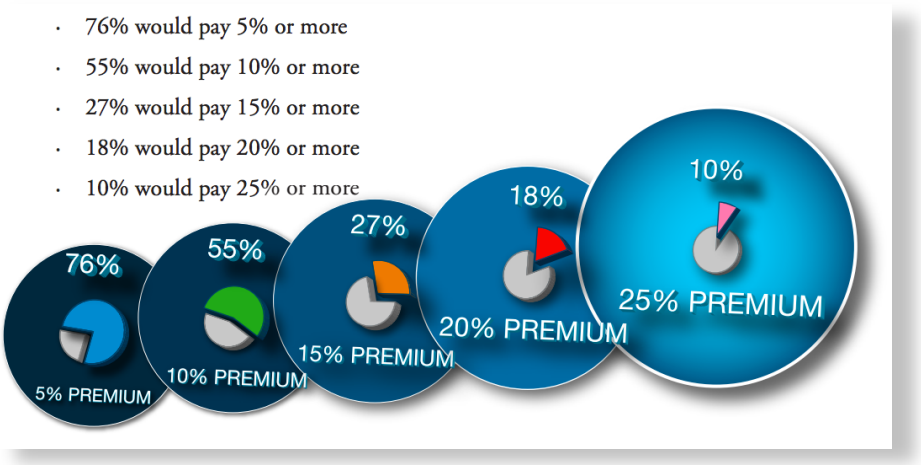


Whelan, "Customer Loyalty," p. 11

Great experiences influence where consumers buy and how much they are willing to spend. Research from the 2010 Customer Experience Impact Report (CEI) reveals the following about the relationship between spending and customer experience:

- 55% purchased from a company because of its reputation for excellent customer service.
- 40% began purchasing from a competitive brand because of its reputation for excellent customer service.
- 85% said they would pay more than the standard price to ensure a superior customer experience.[29]

[27] Whelan, "Customer Loyalty", p. 5.
[28] Whelan, "Customer Loyalty", p. 7.
[29] Right Now, "Customer Experience Report," p. 2. See also, Jenny Cordina, et al., "Winning with Consumers: What Payors Can Learn from 'Consumer' Companies," McKinsey & Company, May 2013. http://healthcare.mckinsey.com/sites/default/files/WinningWithConsumers.pdf.



Right Now, "Customer Experience Report," p. 2

Well designed customer engagement programs create quality consumer experiences and satisfaction, build loyalty and trust, and improve customer spending.

Higher retention rates

Consumer engagement helps elevate customer retention rates and, for various reasons, retention is vital for payers. For one, the longer a member remains with a health plan, the higher the return on investment. According to research conducted by L.E.K., "a typical Medicare plan may be able to increase revenues by 12% in two years by reducing annual disenrollment from 18% to a best-in-class rate of 10%." They continue by extrapolating that non-Medicare plans in the individual market are likely to see similar results.[30]

Secondly, member retention delivers direct financial advantages to insurers. It is far less expensive to retain a member than to acquire a new one. In fact, aside from the mandatory 80% MLR, member acquisition is the single largest payer expense. Additionally, high retention rates indicate a high level of customer satisfaction. And, satisfaction with a payer's service can lead customers to recommend the plan to other prospects, which in turn reduces expenses associated with bringing in new customers.

[30] Tom Rekart, "Disenrollment: How to Solve the Health-Plan Retention Puzzle," L.E.K. Executive Insights, Volume XVI, Issue 8, p. 1. http://www.lek.com/sites/default/files/LEK_HealthcareRetentionEI0214_WEB.pdf

Risk Adjustment

When organizations reframe their business model with a customer-centric focus and incorporate personalized consumer engagement, it reflects customers' intensified role as consumers of health care products. It also reflects payers' new financial reality; in the current milieu, in which risk adjustment and chronic disease interventions help payers manage costs, it has become crucial for payers to engage meaningfully with customers.

Under the risk adjustment arrangement that is integral to the Affordable Care Act, insurers are partially compensated based on the health status of their membership. This approach ensures that risk is shared between carriers, which levels the playing field, and that no single carrier can win or lose completely. This zero-sum game protects payers from losses when they disproportionately enroll individuals with high-cost conditions.

While risk adjustment is one of the tools that makes the new health care system viable, it does introduce some potential challenges. The key concern for payers under this new scheme is that the risk adjustment score may not adequately reflect their enrollee population. For example:

- New members may delay completing their risk assessment. In this situation, the new member's health status may be unknown and would not be factored into the payer's risk score.
- New members may postpone their visit to the doctor when they join, perhaps because they visited their doctor or had their prescription renewed just prior to switching plans. These patients' diagnosis codes would not be recorded, which would negatively impact risk scores—a missed opportunity for the carrier.
- New members—both individuals and groups—may start mid-year. Because risk adjustment is conducted on the calendar year, they may not get to the doctor until the following year—the result would negatively impact risk scores.

One of the primary uses of risk adjustment is to ensure that each health plan's revenue adequately reflects the expected risk of providing coverage for its members. If health plans' risk scores fail to reflect their enrollees' aggregate health, the plans may have to pay into the risk adjustment pool, which would negatively affect their margins.