

## A Health Plan Experience Rivaling that of a Four-Star Hotel?

By Joan Denoncour

Growth in the commercial health plan market has stagnated over the past decade, and the current trend toward consumerism, accompanied by out-of-control health care costs, has forced health plans to entirely rethink the way they do business. To differentiate themselves in the marketplace, many health plans now place the *Consumer Experience* among their top strategic initiatives, not far behind improving health care outcomes, controlling medical loss ratios, controlling administrative costs and growing their membership. However, health plans must realize that the consumer experience is not separate from these other strategic goals; rather, it is inextricably intertwined.

Since the year 2000, when many national health plans announced that they were organizing and driving their companies with the consumer at the heart of health care, consumer experience initiatives have taken on many shapes and forms. Although these initiatives commonly focus on call center and member portal optimization, the consumer experience is much more than the effect of these self-service options on the bottom line. It is about aligning the entire enterprise around product design, incentives, information and services that a consumer needs to maximize their health and minimize their out-of-pocket costs. *In other words, the consumer experience is about delivering value directly to the consumer.*

This article examines what consumers want and expect from their health plans and what payers can do to provide the best consumer experience possible.

### Background

Currently, a little more than half the U.S. population receives their health care benefits through an employer group plan:

Insurance Source	Number of Americans	% of Total Population
Employer	157,194,100	52.3%
Individual/Family Plans	13,995,800	4.7%
Medicaid	42,326,300	14.1%
Medicare	37,183,500	12.4%
Other Public	3,505,000	1.2%
Uninsured	46,339,500	15.4%
Total	300,544,200	100.0%

*Note: Percentages do not sum to 100% due to rounding.*

Source: Statehealthfacts.org, United States: Health Insurance Status, Health Insurance Coverage of the Total Population. January 14, 2010.  
<http://www.statehealthfacts.org/profileind.jsp?cat=3&sub=39&rqn=1>

ARTICLE | A Health Plan Experience Rivaling that of a Four-Star Hotel?

For more information call 866-223-6738 or visit us at [IngenixConsulting.com](http://IngenixConsulting.com)

[ingenixconsulting.com](http://ingenixconsulting.com)

---

This trend in employer-based coverage began over 50 years ago with the introduction of tax incentives during World War II and was reinforced with changes in the 1954 federal tax code. Health care benefits became available through the government in the 1960s with the introduction of Medicare and Medicaid, and the 2000s saw the introduction of Medicare Part D pharmacy coverage for the Medicare-eligible population.

As both employer and government-based health insurance coverage grew, there was also a growing trend toward consumers paying less and less for their health care expenses. However, as consumers are now finding, that trend is rapidly changing. An increasingly overweight population, the introduction of a plethora of brand drugs and diagnostic medical devices, and a system that encourages the overuse of health care services are all factors that have contributed to unsustainable medical loss ratios. In response, employers and government entities are either passing on more health care costs to the individual or cutting back their benefits. Combining this trend in higher out-of-pocket costs with rising unemployment and the likelihood of health reform around individual mandates and portability, the number of individuals either buying health insurance completely on their own or paying more out-of-pocket costs will only continue to increase beyond 2010.

How does all of this affect the health plan consumer experience? The optimal retail consumer experience does not exist until two conditions are met: a person must be paying for a product or service out of their own pocket, and they must have the information necessary to make informed decisions about the quality and cost of their expenditures. With many health care consumers now paying more out-of-pocket costs, they have started to demand more transparency from payers around cost, quality and options. Payers must realize that they need to be more accountable for providing this information to consumers. Payers must also realize that unless consumers begin to derive more value from their benefits, their health costs will simply become unsustainable. In the long term, consumers will choose payers that can align incentives with outcomes and provide the information necessary to make informed decisions.

#### Consumer Experience Criteria

Several consumer-oriented organizations, including *JD Power and Associates*, *Consumer Reports* and the *American Customer Satisfaction Index*, publish annual survey results ranking customer satisfaction with health plans. JD Power uses a fairly comprehensive set of criteria in determining the best performers, including:

- Coverage and benefits
- Provider choice
- Information and communication
- Claims processing
- Statements
- Customer service
- Approval processes

---

ARTICLE | A Health Plan Experience Rivaling that of a Four-Star Hotel?

For more information call 866-223-6738 or visit us at [IngenixConsulting.com](http://IngenixConsulting.com)

[ingenixconsulting.com](http://ingenixconsulting.com)

---

It is interesting to note that JD Power lists “coverage and benefits” first in a laundry list of customer satisfaction criteria with “customer service” listed next to last. Too many payers focus their consumer experience efforts on call center and Web portal optimization while neglecting product design and incentives alignment. In some companies, as little as 20-30% of the membership has any contact with a customer service representative and those calling the service center are usually the ones filing claims. With Web portal and Interactive Voice Response (IVR) self-service eliminating the need to talk to someone directly, the number of people who talk to “a real person” also diminishes. Finally, this interaction is usually not a positive one, stemming from confusion, frustration or anger over not understanding benefits, not having an ID card, or not having a claim paid correctly. This lack of communication, or only communicating when there is a problem, is one of the difficulties health plans face in building customer loyalty.

Some companies, however, have found a way to turn the routine, often frustrating customer service phone call into a *positive* consumer experience. For example, BlueCross BlueShield of Minnesota uses these calls as an opportunity to make their members aware of services designed to improve health and reduce expenditures. As a component of their “Whole Person Health Support” program, customer service representatives have been trained to inquire about the reason for the member’s initial question. For example, if a member asks, “Is this cardiologist in-network for my heart catheter?,” the customer service representative’s response includes mention of free services that the member might not be aware of, such as: smoking cessation programs, free statin drugs to lower cholesterol, a discount to the Jenny Craig weight loss program, or enrollment in a disease management program that lowers the member’s coinsurance. This type of approach can turn what might have been a potentially negative phone call into a positive, value-added consumer experience.

Most consumers rank out-of-pocket costs, benefit coverage and provider access as their top criteria in selecting a health plan. In addition, they want access to simple, consistent, accurate information about cost, quality and plan options along with a choice as to how they receive that information (through the mail, over the phone, or on the Internet). Consumers also want their claims processed in a consistent manner, statements that are easy to understand and the freedom to see a specialist. In short, consumers want their health plan experience to rival that of visiting a four-star hotel.

From a tactical standpoint, health plans should incorporate these consumer experience criteria in the following manner:

- Design proactive products and programs that attract, retain, incent and balance a membership with a risk profile of both healthy and sick members in order to remain profitable and reduce turnover.
- Accurately pay claims the way they promise they will be paid in the Explanation of Coverage (benefits summary).
- Provide sales, service and information that helps members to derive the most value from their health plan, while maximizing their health and eliminating interactions that do not add value.

### Product Design

With individuals incurring more for the cost of their health care, and consequently adopting consumer mindsets, health plans are under pressure to create products that consumers deem valuable. Traditionally,

---

ARTICLE | A Health Plan Experience Rivaling that of a Four-Star Hotel?

For more information call 866-223-6738 or visit us at [IngenixConsulting.com](http://IngenixConsulting.com)

[ingenixconsulting.com](http://ingenixconsulting.com)

---

the health insurance industry has not subscribed to a retail model, but instead has followed a “one size fits all” approach to plan design, with little customization beyond offering Indemnity, HMO, PPO or POS plans. Current products are not delivering the value consumers now demand.

In March 2009, the Business Roundtable published “The Health Care Value Comparability Study.” A summary of the study underscores the fact that despite significant expenditures by the U.S. on health care (approximately 16 percent of GDP) the country is receiving far less value from the money it spends than its global competitors:

“The report combines internationally reported measures covering both spending on, and the performance of, national health care systems to assign a value to the U.S. health care system compared with important global competitors... The results show that U.S. workers and employers receive 23 percent less value from our health care system than the average of five leading economic competitors – Canada, Japan, Germany, the United Kingdom and France – and 46 percent less value than the average of emerging competitors Brazil, India and China...”

The summary also quotes Ivan Seidenberg, chair of the Business Roundtable:

“While, in many respects, the employer-based health care system in the United States is the best in the world – we have groundbreaking scientific advances, cutting-edge medical technology, and exceptional doctors and medical institutions – the business model supporting it doesn’t meet Americans’ needs. When we spend more to get less, we all lose – workers, employers and the government. The study points to a serious need for health care reform that puts customers in the center and uses the power of the market to lower costs, improve quality, create more consumer choice and expand accessibility.”

Traditional plan design neither allows for the customization consumers desire nor delivers the value they demand. If this were the situation in any other retail industry, most payers would be out of business.

### Product Trends

Since 2000, several design trends focusing on the consumer experience have dominated new product rollouts:

- Consumer-Directed Health Plans (CDHPs) and High-Deductible Health Plans (HDHPs), which are the vehicles employers use to pass more health care costs to the consumer.
- Micro-Segmentation Approaches, which attempt to create market-specific benefit designs to niche market segments, such as college students or young adults.
- Value-Based Benefit Design (VBBD), which *encourages* the use of services when the clinical benefits outweigh the costs and *discourages* the use of services when the costs exceed the benefits.

These product designs came about from the “retail-ization” of health insurance. The following includes a description of these products, with a focus on VBBDs.

---

## ARTICLE | A Health Plan Experience Rivaling that of a Four-Star Hotel?

For more information call 866-223-6738 or visit us at [IngenixConsulting.com](http://IngenixConsulting.com)

[ingenixconsulting.com](http://ingenixconsulting.com)

---

CDHPs are literally the banking mechanism through which employers can pass along more financial responsibility to the consumer. Lacking in the rollout of most CDHP plans is appropriate education to both employers and members on how to maximize the value of these plans. Payers are also hard pressed to seamlessly administer these somewhat complex financial products.

Micro-Segmentation Approaches are successful when purchased by the appropriate market segments. However, when salespeople and brokers market these products to segments for which they were not designed, adverse selection can result, causing plans to lose money. These types of plans do not customize benefits within their membership, and all members receive the same benefits regardless of age, gender and health state.

VBBD, sometimes referred to as Value-Based Insurance Design (VBID), is a strategy that encourages the use of services and pharmacy (by reducing or eliminating copayments) when the clinical benefits outweigh the costs and discourages the use of services and pharmacy when the costs exceed the benefits. VBBD reduces cost barriers and provides education and incentives to make it more likely that the member will take good care of their health. The ideal VBBD marries clinical sophistication, effective incentives and appropriate technology to enhance the consumer experience.

In a perfect world, every person's health plan would be customized to achieve maximum health at a minimum cost. However, some VBBD experts, including Michael Chernew, Professor of Health Care Policy at Harvard Medical School and a thought-leader in the field, agree that such an approach is unrealistic:

"Although the theory of VBID argues for cost sharing that varies by individual, the administrative costs of implementing such a system, communication issues, and current information requirements make such a system impractical for widespread adoption."

In other words, a purely value-based approach is unrealistic; however, large employer groups, academic institutions and health plans have been piloting VBBD variations for approximately 10 years as part of their consumer experience initiatives. These pilots, which are aimed at the general population or at populations with specific disease states (such as diabetes, asthma, or cardiac disease), utilize varying degrees of VBBD strategies, including:

- Communication and education
- Indiscriminate service and prescription copayments (regardless of diagnosis or disease state)
- Participant compliance (based on specific disease state)
- Outcomes-based (strategy is based on disease state, and mandates specific clinical, behavioral or biometric outcomes)

Many national and regional health plans have already piloted various degrees of VBBD plan designs with some success. Cyndy Nayer, President of the Center for Health Value Innovation, cited the following examples in testimony she delivered to the State of Michigan in 2009:

---

ARTICLE | A Health Plan Experience Rivaling that of a Four-Star Hotel?

For more information call 866-223-6738 or visit us at [IngenixConsulting.com](http://IngenixConsulting.com)

[ingenixconsulting.com](http://ingenixconsulting.com)

- 
- “Gulfstream in Savannah GA linked improved quality at the health system-physician levels with co-pay reductions for using the improved system, onsite services for flu shots, improved engagement in diabetes management, and more: they have seen a 21% reduction in average medical cost per diabetic, a 43.3% increase in average drug cost per diabetic, a 4-year health cost trend that was only 4.3% (less than half the national trend), and an annual health care cost avoidance of \$5-6 million—which they reinvest in the health and safety of their employees. But they were also instrumental in changing the expectations of shared risks and rewards across the community.
  - The State of Maine, in the State Health Benefits Plan for their employees, was averaging an annual cost of \$10,000 per diabetic, 33-55% more than the national average for appropriate care. They reduced copays for drugs and supplies, but the employees had to be engaged in the diabetes education, and they drove their costs down by \$1300 per year over the control group—in just 12 months.”

Additional VBBD pilots include both UnitedHealthcare’s “Vital Measures” and the Blue Care Network (BCN) of Michigan’s “Healthy Blue Living” program. Both programs target their entire constituencies and encourage them to meet or exceed biometric benchmarks to earn credits toward reducing their deductibles. In the case of “Vital Measures”:

“In order to qualify for a deductible credit, the participating employee takes an online health assessment...and is then screened to determine if benchmarks are met for body mass index, blood pressure, LDL (“bad”) cholesterol and non-nicotine use. If the benchmarks are met or exceeded, the employee receives credits toward his or her deductible for that plan year...”

BCN’s Healthy Blue Living product has been immensely popular with its constituent populations. This 650,000+ member health plan now boasts an enrollment of 100,000+ members in just three years since its launch. BCN reports that 70 percent of respondents have made a major health-impacting lifestyle change since enrolling in the program.

While the return-on-investment for these specific VBBD programs is not yet public knowledge, the programs are clearly showing significant upticks in activation and engagement. While most health plans are just starting to experiment with these types of plan designs, the preliminary results show promise.

#### Operational Excellence

Approximately five percent of all health care expenditures are associated with the administration of health insurance. A large part of these administrative expenditures are due to operational inefficiencies and mistakes made in claims processing. Operational inefficiencies often include large numbers of claims denials, a significant number of which are overturned on appeal due to improper benefit implementation and/or determinations. Payers are also seeing higher member contact rates for the administration of their CDHP products compared to non-CDHP

---

ARTICLE | A Health Plan Experience Rivaling that of a Four-Star Hotel?

For more information call 866-223-6738 or visit us at [IngenixConsulting.com](http://IngenixConsulting.com)

[ingenixconsulting.com](http://ingenixconsulting.com)

---

products. Another disturbing trend is that inaccurate information is often found in online directories and tools. These administrative inefficiencies and mistakes are epidemic across all health plans.

Clearly, lowering the number of payer system defects will improve the consumer experience. In addition, the entire health care industry should strive to achieve operational excellence in order to provide the best care possible while maximizing the value consumers derive from their health plans.

#### Sales, Service, and Information

It is the responsibility of the health plan to not only develop products that deliver true value to the consumer, but to also demonstrate excellence in their execution and operation while providing information and service that allows the member to choose the plan that best fits their needs. Members should be able to easily understand a plan's benefits, their responsibility in maintaining their own health and how to find the best quality care at the lowest cost. All of a member's interactions with their health plan should underscore these guiding principles. Any interaction that does not add value should be re-engineered or completely eliminated.

Before undertaking any service or sales-related consumer experience initiative, a health plan needs to understand the entire lifecycle of potential member interactions. The best way to reach this understanding is to map out all member interactions from "soup to nuts" in a Touchpoint Model.

#### Consumer Experience Touchpoint Model

A Consumer Experience Touchpoint Model illustrates every interaction and communication that a potential customer or member has with a health plan, from the moment they decide to buy health insurance to the day they make their last premium payment. To ensure personalization, accuracy, consistency, ease of use and availability across multiple channels, the Consumer Experience Touchpoint Model should vary by the health plan's line of business and should assess all aspects of the member's experience. The following is an example of a Consumer Experience Touchpoint Model that describes the enrollment process:



	Pre-enrollment	Enrollment	Post Enrollment
Description	Period of time following group sale up to the period of time the initial open enrollment period begins	Period of time communicated as the start and stop date of the initial medical benefits' open enrollment period	Period begins first day of plan effective date through last day of plan year unless disenrolled from plan prior
Touchpoints	<ul style="list-style-type: none"> <li>Pre-enrollment marketing collateral (brochures, e-mails, etc.)</li> <li>Enrollment kit</li> <li>Enrollment specialist support</li> <li>Open enrollment education portal</li> </ul>	<ul style="list-style-type: none"> <li>Online enrollment tools</li> <li>Paper enrollment tools</li> <li>Enrollment specialist</li> <li>E-mail reminders</li> <li>Open enrollment collateral</li> </ul>	<ul style="list-style-type: none"> <li>Plan welcome kit / collateral</li> <li>ID card</li> <li>Member contract</li> <li>Online member portal</li> <li>Member customer service</li> <li>Health coach</li> <li>EOB's/health statements</li> </ul>
Purpose	<ul style="list-style-type: none"> <li>Provide plan details</li> <li>Enrollment process review</li> <li>Address consumer questions</li> </ul>	<ul style="list-style-type: none"> <li>Provide instructions on how to enroll</li> <li>Address consumer questions</li> <li>Facilitate enrollment process</li> </ul>	<ul style="list-style-type: none"> <li>Explanation of plan benefits</li> </ul>
Method	<ul style="list-style-type: none"> <li>Collateral distributed via postal service and/or online pre-enrollment portal</li> </ul>	<ul style="list-style-type: none"> <li>Employer outreach and campaigns</li> <li>Online enrollment portal</li> <li>Paper enrollment forms received in enrollment kit</li> </ul>	<ul style="list-style-type: none"> <li>Collateral distributed via postal service and/or online pre-enrollment portal</li> <li>Member call center</li> <li>Telephonic health coach (inbound/outbound)</li> </ul>
Desired Consumer Actions	<ul style="list-style-type: none"> <li>Review marketing/communication materials</li> <li>Gain understanding of health plan</li> </ul>	<ul style="list-style-type: none"> <li>Assess eligibility for enrollment into plan</li> <li>Address any remaining questions on plan details</li> <li>Enroll in plan</li> </ul>	<ul style="list-style-type: none"> <li>Confirm plan benefits</li> <li>Register for wellness program</li> </ul>
Timing	30-75 days pre-effective date	15-45 days pre-effective date	Plan effective date through plan end date (unless disenroll prior to end date)

ARTICLE | A Health Plan Experience Rivaling that of a Four-Star Hotel?

For more information call 866-223-6738 or visit us at [IngenixConsulting.com](http://IngenixConsulting.com)

[ingenixconsulting.com](http://ingenixconsulting.com)

---

Source: Created by John Iozzia (reprinted with permission), Associate Director, Ingenix Consulting

This model highlights all of the touchpoints associated with each step in the enrollment process. It describes the purpose and necessity of each interaction, the communication method, desired consumer actions and timing for each step. Additionally, payers should assess the efficacy, ease of use, “stickiness” and accuracy of the touchpoint. While it is hard to put a return-on-investment on the creation of a Touchpoint Model, both the short-term and long-term initiatives derived from such an analysis are extremely valuable.

### Conclusion

As consumers assume more and more financial responsibility for their health care, health plans will need to respond to the accompanying demand for better products, service, information and overall value. In order to differentiate themselves from the competition, health plans will need to lead the trend toward consumerism and transform the way they do business, putting the consumer experience at the center of this transformation.

The focus on the consumer experience is a trend that is here to stay.

---

## References

Blue Care Network of Michigan. "Blue Care Network's Healthy Blue Living<sup>SM</sup> Membership Exceeds 100,000." September 14, 2009. Accessed January 15, 2010 [http://mibcn.com/newsroom/2009/pr\\_09-14-2009\\_37427.shtml](http://mibcn.com/newsroom/2009/pr_09-14-2009_37427.shtml)

Chernew, Michael E., Rosen, Allison B., and Fendrick, A. Mark. "Value-Based Insurance Design." *Health Affairs — Web exclusive*. January 30, 2007. Accessed February 1, 2010 <http://www.sph.umich.edu/vbidcenter/pdfs/w195Chernew.pdf>

J.D. Power and Associates. "Satisfaction with Health Plans is Notably Lower among Individual Purchasers and Small Employer Members." April 2, 2009. Accessed January 14, 2010 <http://www.jdpower.com/corporate/news/releases/pressrelease.aspx?ID=2009053>

Milstein, Arnold, MD, and Monroe, Kirk. "[New Study Shows Health Care Costs Put U.S. Workers at Significant Disadvantage Compared with Global Competitors](http://www.businessroundtable.org/sites/default/files/Health%20Value%20Comparability%20Study%20Press%20Release%20FINAL%20(2).pdf)." Business Roundtable, 2009. Accessed January 14, 2010. [http://www.businessroundtable.org/sites/default/files/Health%20Value%20Comparability%20Study%20Press%20Release%20FINAL%20\(2\).pdf](http://www.businessroundtable.org/sites/default/files/Health%20Value%20Comparability%20Study%20Press%20Release%20FINAL%20(2).pdf)

Nayer, Cyndy. "Value-Based Designs" Presented to the Michigan Legislature." October 22, 2009. Accessed January 14, 2010 <http://www.vbhealth.org/wp-content/uploads/C-Nayer-Testimony-before-Michigan-House-Committee-v1.2.pdf>

UnitedHealthcare. "Vital Measures Helps Reduce Health Care Expenses." July 11, 2007. Accessed January 14, 2010 [http://www.uhc.com/news\\_room/2007\\_news\\_release\\_archive/vital\\_measures\\_helps\\_reduce\\_health\\_care\\_expenses.htm](http://www.uhc.com/news_room/2007_news_release_archive/vital_measures_helps_reduce_health_care_expenses.htm)

Woll, Douglas R. MD, "Rewarding Healthy Behaviors: Blue Care Network of Michigan's Healthy *Blue Living*<sup>SM</sup> Product ." July 14, 2008. Accessed January 14, 2010 <http://www.bcbs.com/news/bluetvradio/workplace-wellness-programs/presentation-douglas-r-woll-blue-care-network-of-michigan.ppt>

---

ARTICLE | A Health Plan Experience Rivaling that of a Four-Star Hotel?

For more information call 866-223-6738 or visit us at [IngenixConsulting.com](http://IngenixConsulting.com)

[ingenixconsulting.com](http://ingenixconsulting.com)