



Planning for a New Market

Innovative health plans will win the hearts and minds of consumers.

This is going to be a game-changing year for the health insurance industry. Last June, the Supreme Court upheld the Patient Protection and Affordable Care Act, and with the presidential election behind us the focus now shifts toward execution of health insurance exchanges in January 2014. Health plans are working feverishly to accommodate a radically changing environment that will disrupt their core business and eventually will totally transform what it means to be a health plan.

At the heart of change – driven in part by the individual mandate – is a shift toward the consumer as the customer. Individuals will have more autonomy to choose their health plans and benefits designs, shifting the ori-

entation of health plans to winning the hearts and minds of the individual market. The stakes are high.

In addition to the new federal regulations, market forces are driving transformational change that is putting the focus squarely on the consumer. Employers are simply not interested in funding escalating healthcare costs for employees without commensurate employee participation. The impact is that employees are bearing more expense that is effectively reducing their disposable incomes.

Consumers aren't sitting idly by and playing the victim – not when their pocketbooks are impacted. Technology is making the power shift possible for the consumer driven by access (mobile), interaction (social), and transparency (data).

In order for health plans to attract and retain an increasingly informed customer who has choice, strategic positioning and communication as well as service offering will all need to evolve.

How can health plans best make this transition toward the consumer? We will debunk some core practices by health plans where there are clear opportunities for improvement. By looking at other non-health industries and businesses at transitional moments, we show some strategies that health plans also can use. And lastly, we review the power of mobile and health tracking as the strong equalizer that will give consumers the voices they need to start influencing a system to change.

Batta Batta Swing ... And a Miss

Health plans around the country are struggling to find the right tone and message during these rocky times of change. Appeals to the consumer to stand together against rising health costs and in support of healthy lifestyles may contrast with the reality of plans increasing individual rates because costs are still soaring.

This is a time for a smart strategic communications plan. Health plans will be sending out renewal notifications to many of their members in 2013, passing along rising rates. Here is the gist of the messages that get sent out:

“We are all in this together. Rising healthcare costs are out of control. We don’t like it either, but we need to work together to fix this. In the meantime, we are going to be raising your rates (I know, we don’t want to have to do this) but feel comforted that we are empathetic and stand by you.”

Consumers may perceive this message as disingenuous because of some fundamentally wrong assumptions such as:

1. I actually have an affinity toward my health plan and am empathetic to their plight.
2. We are all just victims of an out-of-control system.
3. We can be conversational with each other because we’re on the same side of the table.
4. I actually accept that this is supposed to be personally impacting me.

I would argue that health plans should not play the role of victim, as public perception would generally not agree. Instead, plans could frame the problem in this way:

“Our healthcare system is going through enormous changes and we are all going to be impacted. As your

health plan we care not only about your well-being, but also about managing down your costs. In 2013, you will see a new [health plan], one that works in partnership with our members to increase healthy lifestyle choices and share the burden of rising healthcare costs. We will incur some of that burden and we will ask you to pay an increased share, as well. We want to work together with consumers and healthcare providers to turn the tide of skyrocketing healthcare costs. What we do together will determine the future of healthcare and its costs for all of us. We are looking forward to earning your trust through this time of transition.”

Health plans must drive a culture that can translate these words into actions. Part of this will include inspiring consumers to take charge of their health. Our company estimates that \$56 billion per year is paid for medical claims that are the result of poor lifestyle decisions. Members can become more empowered through a strong communication campaign followed by action.

How would you like to get this message from your health insurance plan?

“We are so excited to share that your premium this year went down \$200 because of your healthy lifestyle. Based on others like you, your premium is 15 percent lower than average. We are thrilled that together we are sending a message that as partners we are going to win the fight. We will be with you during your good times and be by your side when the unexpected occurs. Together, we win. Keep it up!”

Getting Your Flo

Progressive has built a relationship with the consumer that is enviable and admirable. Every time I see or hear Flo on TV, YouTube, Twitter, Facebook or the radio, I’m impressed with how well Progressive has built its personality and made the act of procuring auto insurance a pretty fun experience. What is it that has made Progressive so successful? There is really one ingredient and that is the concept of Firsts.

Progressive has built a successful company through innovations that allow them to own Firsts. In marketing, companies should strive to either be the First, Only or Best (F-O-B) in their category. If they aren’t one of those three, they won’t endure.

Being the First in an industry of slow moving incumbents is achievable. The obstacle is not the industry, but

most often the company itself that lacks the culture and leadership to be a First kind of company. Firsts are available to those companies that are willing to buck convention, try new things (and possibly fail), and drive innovative thinking all the way down to the front lines of service (where often the most innovative solutions derive). If you want to be a winner, be a First.

There are many parallels between auto insurance and health insurance and there is no better time for health plans to establish their F-O-Bs. Here are some of the innovative ways that Progressive got out in front of the pack and how these strategies might apply to the new model of health plans.

1. 1-800-Progressive and comparison pricing. Progressive created a catchy call-line where consumers can get quotes from Progressive and competitors in one call. Once you get the quote you can buy from Progressive immediately and you get the benefit of transparency to make a decision. Let me explain why this is awesome:

What's brilliant about this strategy is that Progressive is publicly de-commoditizing its commodity. What they are saying to the consumer is: "We know you want to shop on price so we are going to help you do that. However, we want to win you over on the things that make us really great so let's get the price issue taken care of upfront. If you are that price-sensitive you might not be the right customer for us, anyway."

I would argue that Progressive's culture has changed dramatically because of this pricing comparison service. It forces the organization to work relentlessly to find other ways to differentiate. If they can get people to their site, they will get a first swing at the bat to make that person a customer, but by no means is that assured.

2. Immediate response vehicles. Progressive has a branded vehicle that will travel to the scene of an accident. They use the incident/claim process to reinforce their brand proposition and build a better relationship with the consumer. There is no better time to build a strong consumer bond than when you are actually helping them.

3. Concierge claims process. Now this is cool. Why not create a higher tier of customer service for people who want to pay for it? Progressive will take care of everything in the claims process, including servicing the vehicle. They will reduce the time to deal with claims from four

days to 15 minutes. In healthcare that might mean helping to schedule patients quickly with the best doctors, having a special hotline to answer questions, etc.

4. Talk to me. Progressive uses a VOIP (voice over IP) feature on its website through which a consumer can click to talk to a customer service representative 24 hours/day.

5. Personalize the quotes. Instead of telling the consumer, "This is the cost of insurance, live with it," Progressive allows consumers to modify their products to fit their budgets and needs.

Start with the person first and fit them with a product rather than the other way around.

6. Dynamic pricing. Snapshot is Progressive's usage-based insurance program. It is a voluntary discount program where drivers can save money on their car insurance by sharing their driving habits with Progressive. Drivers plug a device the size of a garage door opener into their car that records and sends their driving data to Progressive. Progressive uses that information to calculate the rate. It can only be a win for the customer: drivers' rates can't go up with Snapshot.

As health plans think about their F-O-Bs, Progressive is a great model to look at in an adjacent industry where quite a few parallels exist.

Unlocking Consumer Motivation

Retail companies that perform best are ones that watch the behaviors of their consumers and adapt their services and products to accommodate. A great example is Amazon and how it personalizes product suggestions based on a customer's activities and others like them. This creates a highly personalized and valuable experience for the consumer.

Health tracking via mobile apps and devices is enabling this capability for healthcare. If a health plan knows that a member is active, likes to run, has two children and





lives in a particular area, it might build a product that covers two to three events per year that promote the member's health.

There are hundreds of tracking services that allow people to more easily capture their lifestyles. These include member management software when you check into your gym, devices such as Fitbit and Body Media, apps such as RunKeeper and WeightWatchers.com, and video games like Dance Central on the Xbox Kinect. Tying healthy actions into a health plan relationship can have an extremely positive impact so long as consumers are motivated to make it happen.

The key here is motivation for health plan members to track their activities and see the benefit of doing so. Daniel Pink, author of "Drive: The Surprising Truth About What Motivates Us," breaks the science of motivation down well. According to Pink, motivation is driven by mastery, autonomy and purpose.

Mastery. Create a feedback loop in which members can see if their actions are consistent with a desired outcome. Celebrating success when things are going well has not traditionally been in the wheelhouse of expertise for health plans, but may go a long way toward differentiating them.

Autonomy. Give members an end point, but let them figure out how to get there. We recommend that health

plans move away from an overly prescriptive approach to all but the most expensive members. Given the proliferation of technology services for data tracking, it reasons that consumers have a lot of choice and health plans should be OK with letting members decide what works for them.

Purpose. Promote the idea that individual healthy behaviors are part of a collective movement of change where even a small contribution will make an impact. If health plans can show that members' actions are driving outcomes that will benefit not only them but also their communities, then a higher likelihood exists that motivation will endure.

Here are a few recommendations to consider as health plans support member motivation for healthy actions through health tracking apps/devices:

1. **Don't bet on a single one-size-fits-all solution.** There are many apps and devices out there that will meet the needs of different people. Let members figure out what works for them and become more of a resource/peer than a teacher/dictator.
2. **Make the data actionable.** Research shows that adding a financial incentive to a health-tracking app would increase adoption to 87 percent. Consider making the data have real out-of-pocket benefits for the member.
3. **Embed into members' lives via mobile and social.** Health plans are well-positioned to be an enabler of two major technology trends that drive adoption and influence behavior. What makes mobile/social so powerful is that these technologies and applications are made to embed into the fabric of how consumers already engage. Plugging into existing behaviors of engagement will lower the barriers to adoption.

If health plans can create core values that capture the science of motivation, there is a greater likelihood that they will be more successful in engaging their members to exercise, lose weight and stay healthy. +

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