



Health Insurers Focus More On Consumers In Changing Market

By Dinah Wisenberg Brin of DOW JONES NEWSWIRES

Health insurer Humana Inc. (HUM) rewards members who record their exercise workouts on computerized pedometers, while Aetna Inc. (AET) offers online tips ranging from soup recipes to hospital-comparison data, and Cigna Corp. (CI) employs nurses as one-on-one health coaches.

Health insurers, which long have focused on employers as their primary clients, are pouring significant resources into retail-style marketing and service to win the loyalty of rank-and-file consumers and open a direct link to them. This shift in focus goes beyond stepped-up efforts to sell health insurance and health savings accounts to individuals, and is taking place as the highly competitive market evolves and powerful players outside the industry venture into the health-care arena.

As individuals pay a greater share of medical costs, and in some cases buy their own coverage, some industry players and consultants anticipate a new era of competition. Insurers are increasingly putting on a consumer-friendly face as enrollment growth in their lucrative employer-sponsored market slows, and as financial-services and technology companies aim to provide information, manage medical data, act as brokers and sell other health-care services to consumers.

"There's a battle in health care for the hearts and minds of the individual consumer and patient," said Rob Tazioli, chief development officer for Connexions, a business process outsourcing firm whose health-plan clients include UnitedHealth Group Inc. (UNH) and Assurant Inc.'s (AIZ) Assurant Health. Its licensed insurance agents staff phones and work online with consumers under client brands.

While employer-sponsored plans cover roughly 60% of the U.S. population, managed-care providers see a greater role for consumers as individuals pay more out-of-pocket costs and some employers drop coverage. Big health plans also are selling coverage directly to consumers by rolling out new offerings and acquiring companies that focus on the individual market.

"The reality now is that, more and more, they're viewing the individual member as their ultimate customer," Tazioli said.

Health Coaching

In recent years, Cigna has increased staff to focus on such areas as consumer-directed health plans, health advocacy, health coaching and behavior modification, said David Cordani, president of its Cigna HealthCare segment.

"We went out and brought the human capital in," Cordani said. The company, which sees itself as a "health-services company," employs 3,000 clinical professionals, mostly nurses, to give advice on health or handle acute cases.

In December, Cigna acquired vielife, the private, U.K.-based health-coaching business. Among other services, vielife offers a personalized online portal with health assessments and information.

Aetna offers online health, medical and fitness information, including recipes and exercises, as well as personal records, expense calculators and data that can help members choose a hospital.

Humana recently said it aimed to "revolutionize" the way it engages consumers, using game technology to encourage healthy behavior, including developing fitness programs for older adults and obese children.

"We have strategies to reach consumers at many levels," Jonathan Lord, Humana's chief innovation officer, said in an interview. Since 2000, he said, the company has taken a holistic approach, personalizing clinical guidance and financial information for members. One Humana program rewards members for physical activity, using pedometers they can plug into home computers to track progress.

Humana focuses much of its clinical guidance, financial forecasting and consumer engagement efforts in its "SmartSuite" plans, which have higher retention rates than its other plans, Humana spokesman Tom Noland said. Medical costs for SmartSuite employers grow at roughly 4% a year, lower than health-cost inflation and the rate in Humana's other commercial plans, he said.

Protecting Turf

While health plans say they are improving members' health and saving on medical costs, the companies are also trying to protect their turf from each other and, potentially, from those outside the industry.

"As the insurance marketplace becomes more retail, consumer expectations will be set by what they experience in other retail-focused industries," said Vishal Agrawal, associate director in the health-care practice of management consulting firm McKinsey & Co. "We believe this will lead to greater cross-industry competition for consumer share of mind and wallet."

Agrawal predicts successful individual-insurance carriers will have a multi-channel approach, including Internet and direct sales, "that will resemble any other consumer-oriented sectors of our economy."

Connexions' Tazioli sees more companies entering the fray, such as Revolution Health Group LLC, formed by AOL co-founder Steve Case, which builds online stores where consumers can find health information, purchase premium services, discuss health concerns on forums, compare health plans and buy insurance. Consumers can apply for policies from Aetna and UnitedHealth, among other carriers, on revolutionhealth.com, and through such online brokerages as esurance.com.

Also eyeing health care are financial institutions offering health savings accounts, and such companies as search engine Google Inc. (GOOG) and software giant Microsoft Corp. (MSFT), which aim to make inroads in medical records management and online information.

While health plans work with online brokerages, they are concerned they may lose the ability to deal directly with consumers if intermediaries capture customer loyalty and become too powerful, according to Connexions spokesman Gordon Andrew.

"Our objective in no uncertain terms is to have longstanding relationships with our customers," whether employers or individuals, Cigna's Cordani said.

Cigna sees the environment changing significantly as the traditional components of health insurance become more commoditized, Cordani said.

To develop its own relationships with patients, Cigna is trying to cut down on using the employer as intermediary, said Joseph Mondy, assistant vice president of information-technology.

"Increasingly, carriers are focusing in on the end customer, the member, as the sale that needs to be made. Otherwise you don't get enough critical mass with an employer," Mondy said. "Also, you can get member loyalty," he added, so that those retiring, for example, choose the company for their interim health insurance.

Insurers have seen a slowing in the market for employer-sponsored insurance while more Americans - an estimated 47 million - are uninsured.

Paul Ginsburg, president of the Center for Studying Health System Change, sees the slumping employer market as the real impetus for insurers' increased focus on consumers.

"Health plans realize that their core market isn't growing, (and) may be eroding a little bit," he said. But individual plans, he added, aren't as good as the coverage people get through employers, they are aimed at the healthy, and they won't solve the problem of the uninsured.

"There's no way," Ginsburg said, "that this country would ever depend on today's individual-insurance market as our main way of financing health care."