

MANAGED CARE

OUTLOOK

The Insider's Business Briefing on Managed Healthcare

The Tide May Be Turning When It Comes to Individual Health Coverage, but What Exactly Does that Mean?

In a recent report titled "The \$115 Billion Individual Health Insurance Opportunity," Forrester Research, an independent research provider, takes a look at the growing market for individual health insurance and zeroes in on some of the key issues that are driving that segment of the health care industry.

Among other things, Forrester senior analyst Carlton A. Doty addresses the "erosion of employer-sponsored coverage, the rising population of uninsured, and a government that continues its efforts to expand coverage to all citizens." The report adds, "to grab a piece of this \$115 billion market, health plan eBusiness, channel, and product management professionals need

The Tide May be Turning ...

to continue performing in the B2B space while transforming to support a new B2C model."

One company that is cited in the Forrester report is Orlando-based Connexions, Inc., a technology-based business process integration firm that designs solutions aimed at helping health insurance plans increase their

participation in the individual health coverage market.

Connexions' primary focus as it works with the health care industry is to incorporate core competencies that the firm has developed for its retail-oriented clients such as Federal Express, Mercedes-Benz, and Sprint. The goal is to develop a similar capability for health care organizations; to facilitate a proactive and personalized experience at the individual consumer level.

"Health care is in the midst of a major transformation, moving from a B2B wholesale model to a B2C retail model," explains Rob Tazioli, head of development at Connexions. "Whether it involves an organization introducing more individual products or providing a more user-friendly consumer experience or simply offering higher deductibles and copays, the reality is that the individual member increasingly is going to become more involved in health care decision-making."

Historically, the industry has not viewed the individual member as the "customer" because it was primarily a government and employer-based system, notes Tazioli. There are more than 180 million people covered through group offerings, but this is a trend that is beginning to change.

"The reality is that the individual marketplace is really the only one that is growing right now," notes Tazioli. "We believe there will be continued acceleration of that market dynamic, and that will drive the need for health plans to develop retail expertise, which doesn't exist within the industry right now."

Connexions currently partners with 15 well-known health plans that are developing solutions to address the growth of the individual market. One common element of this new distribution approach involves building out interactive Web capabilities that lay out plan designs, provide actual pricing, and feature online chat and co-browsing capabilities, as well as e-signature and e-underwriting.

"The goal of health plans is to not just facilitate a more seamless experience at the individual consumer level but also have their actual expense line reduced through lower cost distribution channels," says Tazioli. "The savings involved in using consumer-direct channels run anywhere from 50 to 70 percent less than what they pay for traditional feet-on-the-street channels. When you look at that difference on a national scale, the savings are substantial. Those are dollars that can be invested in more attractive pricing or invested in additional service offerings or invested in a proactive outbound retention program."

The idea is to integrate data and facilitate a better understanding of the individual marketplace and to help create a more proactive relationship with consumers that gets at the heart of the trust issue involving health plans.

"Most people don't think the health plan has their best interest at heart," says Tazioli. "Health plans have historically been perceived as the bad guys. Everyone from providers to employers believe health plans are a big part of the problem. The reality, however, is that health plans are in the best position through their access to data and through their customer reach — in terms of touching every part of the system — to facilitate not just a much better experience at the individual consumer level but also to change the dynamics of the customer relationship to where the member says, 'I believe they have my best interest at heart.'"

The goal is for consumers to be involved in every aspect of their health care, from plan selection to management of their clinical care and expenditures, and to take a greater level of responsibility in their personal wellness.

That does not mean employers won't be involved, says Tazioli. "We see the employer continuing to play an important role. Our viewpoint is that employers are not going to want to extract themselves completely. Health care plays a pretty significant role in the quality of life and productivity for their employees.

Employers have also been the central force in terms of the way health care has been delivered to date in our country. They aren't just going to go away."

The way employers are involved, however, will change, says Tazioli. A growing number will allocate funds for employee health care and allow the employees to choose their own plan.

"At the end of the day, we believe there is going to be a new marketplace dynamic where employers help to facilitate consumer-directed health care by allowing choice and allowing the financial ramifications of those decisions to be tied directly to the individual," says Tazioli. "It is going to be a decision similar to other lines of insurance, such as auto insurance. There isn't an expectation when somebody joins a

company that the employer is going to pick up the cost of auto insurance. We see the same dynamic occurring in the individual health insurance marketplace, but with a transition that involves the employer playing a role in that transition."

There is still the challenge of getting consumers involved, admits Tazioli. "The reality is, to date, the individual market has not been administered as well as it needs to be. That retail orientation is going to happen, but there are a number of things that still need to happen to make that a reality. The industry has to get to a point where, on an individual user basis, information and transactions become much easier to navigate and easier to apply, and it's just not there yet — but it will get there," he adds. ■