

Kick Start CDHP Adoption

BY DAVE ORMESHER, CEO, CLOSERLOOK INC.

If Einstein was right that the definition of insanity is doing the same thing over and over again and expecting different results, then those of us involved in the marketing of consumer-direct health plans (CDHP) should be taking some serious medication.

CDHP represents a radical departure from traditional managed-care health plans, and we are foolish to expect that traditional business-as-usual communication strategies will affect widespread adoption.

Most stakeholders in the health care insurance value chain, including insurance providers, health care providers, employers and government payers are counting on consumer-driven health care (CDHC) to change the way health care is utilized and funded in the United States. Yet little is being done to address the two leading barriers—transparency and complexity—that pervade every link in the chain of adoption and utilization.

We interviewed numerous senior executives within the health care insurance industry, including carriers, brokerage firms, benefits consultants and employers to understand what they are doing to increase adoption of CDHPs. In this article we will examine the barriers to adoption and demonstrate how Marketing 2.0 techniques such as relationship marketing and loyalty programs can change the way employers approach marketing CDHPs.

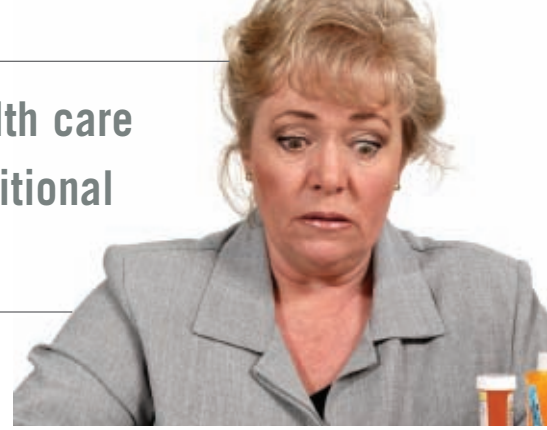
Transparency in Cost and Quality

Consumers naturally expect to know a product's feature set and price before agreeing to make a purchase. To be true consumers of health care goods and services, employees need reliable information about the comparative prices and quality of those goods and services. But such information is only beginning to be available to health care consumers. Until the cost and quality of health care are more transparent, true consumerism cannot take place, and consumer-directed health care will not fulfill its potential to reduce medical costs.

Many carriers offer Web-based cost-estimator tools. These tools produce cost figures based on averages in the member's region. Some carriers, such as Trustmark, have augmented cost-estimation tools with suggestions for alternatives to surgical



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treatments. But no matter how robust the cost-estimation tools become, they cannot deliver end-cost figures, and thus provide only modest capabilities for a member to intelligently shop for his or her health care.

But transparency is not only a matter of cost. Patients with traditional managed-care plans are accustomed to making provider and therapy choices based on quality, not cost. For this reason, price transparency alone will not be enough to facilitate consumerism. According to Kirk Pion, executive director for consumerism initiatives at Blue Cross Blue Shield of Illinois, quality transparency actually may be easier to achieve than price transparency.

Aetna is testing a cost- and quality-transparency tool called Aetna Navigator, which provides both cost and quality comparisons at the hospital level and enables members to manage accounts, view explanations of benefits, and even compare pharmacies. The promise of this tool comes close to delivering the information that members need to make intelligent, consumer-directed decisions about their health care choices. Employers should begin to require this level of service from their carrier at renewal time.

Complexity Barriers

According to industry executives, another important barrier to CDHP adoption that affects employees and employers alike is the sheer complexity of the plans. CDHP enrollees soon learn that managing their own health care involves more personal “overhead” than their traditional managed-care plans did. For example, employees must submit receipts for tax purposes and save their records in the event of an IRS audit.

In addition, health savings accounts (HSA) must be set up, often through a fiduciary partner separate from the insurance carrier. Many executives we interviewed for this study reported that a large percentage of HSA customers

actually fail to set up their savings account and end up with little more than a high-deductible plan.

In other cases, employers are not even giving employees the chance to determine whether CDHPs are appropriate for their situation. Beth Bierbower, vice president of product innovation for Humana, notes that some employers are so concerned about their employees’ ability to navigate the complexity of CDHPs that they decide not to offer the product at all.

For those companies that make the choice to offer CDHPs, the decision involves both a health care and a financial learning curve. It’s not unusual in the CDHP evaluation process for employers and employees to begin to raise questions about the tax implications of certain products—questions, that for liability issues and even due to brokers’ lack of knowledge, their brokers are unable to answer.

Cheryl Lamont, director of growth initiatives for Assurant Health, states that tax questions are often among the first questions that carriers receive, and they often are left with few options besides referring the person to his or her personal tax adviser. This unfortunate void in information undercuts the credibility of the carrier, leads to lower enrollment and results in fewer HSA enrollees who actually set up their accounts.

Finally, employees have been so thoroughly insulated from true medical costs that representatives of several carriers cite the widespread impression among consumers that the cost of their co-pay is the cost of the office visit or medical procedure. An uneducated consumer does not a good CDHP customer make.

For these reasons, the CDHC product requires a greater commitment to education and communication than traditional products. In addition, the small number of CDHP enrollees at medium to large employers can make a serious educational effort cost-prohibitive for carriers and brokers.

It is becoming increasingly apparent that the role of employee communication and education must be assumed by the employer if it is to succeed.

Marketing 2.0 – Relationship Marketing

One of the most profound evolutions in marketing strategy over the past seven years has been the rise of relationship, or dialogue marketing. In many ways, relationship marketing reflects a return to the role the 19th-century corner general store proprietor enjoyed with his customers. He knew all his customers by name and product preference, and could anticipate their unique needs. Relationship marketing (RM) is a turn away from big brand mass marketing and its generic message to a faceless mass-market customer. RM develops targeted messages and interactive dialogue based on individual customer profiles.

The principles of RM are as valuable for internal communication as they are for external marketing, and employers looking to take responsibility for communicating with employees around the benefits and challenges of CDHP would do well to consider an internal campaign strategy. RM starts with a strategic phase. The phase involves a three-stage process of:

- Segmentation
- Targeting
- Positioning

Segmentation

Segmentation is based on the assumption that not all employees are created equal. In fact, employees can be grouped based on several types of characteristics, such as demographic (pay grade, company tenure, educational level), attitudinal (confident, suspicious, fearful) or psychographic (early adopter, pragmatist, conservative, laggard). Some of the data needed to develop

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appropriate segments can be determined from internal HR sources; other data can be gathered through surveys. The goal is to develop several fairly homogeneous groupings of employees that will respond similarly to message stimuli.

Targeting

Based on the segmentation exercise, the second step is to pick which segments will be the most important to enroll early in the process and which segments can wait. This step is called targeting, and it forces the employer to be disciplined in how the internal communication budget is allocated. Targeting involves clearly articulating the unique profiles and characteristics of these priority segments, including strengths, needs and fears.

Positioning

Once the target segments are selected, then the employer can focus on the creative aspects of positioning. Positioning is the process of creating key messages that are designed specifically for each employee segment. Employers create customized messages that are relevant and compelling for employees based on the unique segment profiles. These messages are tested with a representative sample from each segment and revised as necessary before being handed to the creative team.

Design Phase

The design phase of an internal communication campaign is when the key messages are transformed into creative collateral that is delivered to employees based on their segmentation profile. For example, young single employees may receive a brochure with different content than a middle-aged employee with children, and a risk-taking sales executive may be motivated by a different value proposition than an inside customer service representative.

Digital printing technology now allows for cost-effective production of personal-

ized letters and brochures. This enables employers to deliver compelling and insightful employee education that is targeted at the needs and concerns of each individual.

Evaluate and Evolve the Process

Finally, after the communication plan is executed, it's important to track, measure, evaluate and evolve the process. This involves evaluating the success of the program by looking at quantitative data (number of enrollees, utilization levels, renewals, etc.) and qualitative (survey data, referrals, etc.).

In 2002, as Kodak was in the midst of its transition from film to digital, Paula Dumas, Kodak's vice president of advertising, realized the importance of getting internal buy-in on the need to change the direction of the company. She started by segmenting the employee work force into unique role definitions and identifying specific characteristics common to these segments. By carefully picking the most influential group as her initial target, she was able to quickly get to the key employee influencers and provide them with the tools and information they needed to support the corporate decision to "burn their ships" and embrace digital technology.

Marketing 2.0 – Loyalty Programs

Each year around Labor Day I prepare a spreadsheet with my current United Airlines Mileage Plus balance and my anticipated travel through the end of the year. I look at the difference between my projected mileage balance and the next elite status level and try to figure out if I can make it or not. I've been known to make a weekend "mileage run" to London in December to push me over the next tier. Hence the power of loyalty programs on consumer behavior.

The goal of CDHP is to modify employee behavior, but employers are beginning to experiment with loyalty reward programs to affect real change. According to an article published in *Colloquy*, Virgin Life

Care's HealthMiles is an example of a wellness incentive program that rewards activities such as taking a health assessment, logging physical activities, losing weight, or lowering cholesterol. HealthMiles can be redeemed for gift certificates at major retailers.

A loyalty program sponsored by Anthem Inc. has demonstrated a direct impact on weight loss and exercise, and Vitality, a wellness program developed by Discovery Health based in South Africa, offers a consumer-based wellness program with redeemable rewards for a range of items from airline miles to entertainment. It includes tiered membership levels based on earning Vitality points.

Employers in the Driver's Seat

Progressive employers looking at CDHP products to reduce health care costs and enhance employee retention need to take a proactive leadership role in educating and communicating with employees about wellness programs and the use of other health care resources. Because CDHPs reflect a radical change in the way employers and employees address health care, however, traditional ways of employee education will never be as effective as new interactive forms of communication.

By using new marketing techniques such as RM and loyalty programs, employers can dramatically improve their ability to increase enrollment and utilization of CDHC products among their employees. The results ultimately will lead to lower medical costs and increased productivity for the employer, and a better quality of life for employees. **CDHC**

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