Health Insurers: The Customer Engagement Imperative

Engaging healthcare customers — to reduce costs and influence behavior
A confluence of forces requires bold responses from health insurance companies to ensure their long-term viability while also reducing the overall cost of healthcare. Their response must begin with engaging more customers and improving the customer experience. Insurers can capitalize on their uniquely rich data to micro-segment customers, offer appropriate incentives, and develop trusted customer relationships—and use these relationships to influence patients’ life choices about healthcare services.

The healthcare industry is at a crossroads. A confluence of economic and regulatory pressures requires bold responses from health insurance companies. Continually rising system-wide costs, coupled with wavering public trust, have culminated in legislation that pressures insurers to carry more risk while capping their margins and mandating that they keep to an 85 percent medical loss ratio (MLR), the portion of premiums spent on medical treatment. To maintain viability in the face of reduced pricing power, insurers must not only lower their internal operational expenses, but also improve patient health and drive change in the healthcare delivery system as a whole.

While insurers have traditionally been intermediaries in a complicated healthcare payment system, now they must take a more active role as influencers of patient behavior. Only by helping patients achieve their health goals through less-costly means—reducing reliance on emergency room services, improving prevention, and better managing chronic conditions such as high blood pressure and diabetes—can America bring down its overall costs of healthcare. Insurers are an essential element in accomplishing this goal because of their unique role at the intersection of all the important healthcare actors, including doctors, hospitals, pharmaceutical companies, payers, distributors and patients, among others.

The current healthcare crisis represents an opportunity for insurers to elevate their role in a sophisticated ecosystem, thereby ensuring their own long-term financial health by improving the physical health of their customers.

Rich in Data…
Insurers have rich data on patients—data that the healthcare system has not yet leveraged in the quest to make them well. Thanks to this data, insurers have a unique opportunity to engage patients in a way that reflects a deep understanding of their medical and experience needs.
They can actively develop these customer relationships and then help patients make smart decisions about medical services. “[T]he best way to lower costs… is to obviate the need for the hospitalization altogether,” Aetna’s chief medical officer, Dr. Lonny Reisman, recently told the Wall Street Journal.1

In short, insurers can reduce costs by *changing customer behaviors*, and change behaviors by *engaging with customers* and their network of healthcare providers to build their trust. These efforts will yield other advantages, such as:

- **Improved profitability through increased customer loyalty.** The post-legislation market is likely to be more competitive, giving the edge to companies that can attract and retain loyal customers.
- **Reduced administrative costs.** Building customer engagement and trust can make administrative efforts more efficient (for example, by conditioning customers to more frequently use self-service options rather than costly phone representatives). Given the 85 percent MLR mandate, reducing future administrative costs may be particularly valuable.

In this paper, we focus primarily on an expanded notion of customer engagement: the idea that you can use effective engagement to influence behaviors that will make the entire system more efficient.

### …Poor on Customer Experience

The task of influencing patient behavior is made more difficult by health insurers’ dismal track record at providing a positive customer experience.2 In a world where leading companies in all sorts of industries are becoming more customer-centric, the health insurance industry ranks last in customer experience *(see figure 1)*. There may be many factors contributing to this ranking, including issues related to the structure of the industry such as the claims process or privacy regulations. (Although it’s troubling to note that the survey finds health insurance customer satisfaction decreases as interactions increase.) Regardless of the source of the problem, the fact is that insurers have struggled to create effective, positive customer experiences—which makes it that much harder to build trust.

The task is particularly difficult because many other industries are driving increasingly high standards for customer experience. For example, when a customer interacts with a retailer, she expects to have a *personalized experience*, such as a website that knows her past buying history and has used that understanding to gain insights into her expected future behavior. She also expects *cross-channel* consistency, being able to switch seamlessly among website, online chat, email, telephone self-service and a customer service representative—without having to start from scratch. Thus, the bad news for insurers is that customers are increasingly evaluating their experiences against an ever-higher benchmark of customer engagement set in other industries. The good news is that these are well-charted waters: companies in those other industries provide examples of how to address these challenges. In our work with retail pharmacies, consumer electronics firms, and large property and casualty insurers (as discussed in the sidebar on page 7), we see how customer contact management strategies have generated distinct results.

Aware of the benefits of driving changes in patient behavior, many insurers have incorporated behavioral tools into their websites. However, only 51 percent of adults have visited their health insurer’s website in the past year—with a dismal 14 percent using the health assessment tools (quizzes, calculators) and only 3 percent using a disease

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2 Note: “customer” and “patient” are used interchangeably throughout to refer to the healthcare end-consumer.
management program. Why? Because the patient-insurer relationship has not yet built the trust necessary to drive such activities. Why? Because insurers have not yet sufficiently engaged with their customers. In short, engaging the customer leads to trust, which leads to influencing customer behavior.

Customer engagement will not solve all of insurers’ problems. Many steps toward future profitability will require collaboration with providers and other parties (for example, addressing misaligned incentives in the provider ecosystem). However, to the degree that these other initiatives will also involve urging customers to change their behaviors, improved customer engagement is a useful prerequisite.

Engage the Customer and Combat Disease

Most insurers already have the data and the information technology to drive better customer engagement; they simply need to improve how they operationalize these capabilities to influence customer behavior. They can convert data to insights as other industries do: to meet the customer on her terms, on her turf, through her preferred channels, providing information that meets her needs and with messaging that speaks to her aspirations. They can then go one step

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Figure 1

Health insurers rank last among industries in customer experience

Customer experience by industry (Q4 2009)
(% of respondents)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Very poor</th>
<th>Poor</th>
<th>Okay</th>
<th>Good</th>
<th>Excellent</th>
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</thead>
<tbody>
<tr>
<td>Retailers (82%)</td>
<td>29%</td>
<td>38%</td>
<td>66%</td>
<td>60%</td>
<td>57%</td>
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<tr>
<td>Hotels (80%)</td>
<td>73%</td>
<td>69%</td>
<td>80%</td>
<td>83%</td>
<td>91%</td>
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<tr>
<td>Parcel delivery/shipping firms (78%)</td>
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<td>63%</td>
<td>82%</td>
<td>83%</td>
<td>68%</td>
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<tr>
<td>Investment firms (73%)</td>
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<td>61%</td>
<td>78%</td>
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<td>91%</td>
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<tr>
<td>Insurance providers (72%)</td>
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<td>60%</td>
<td>67%</td>
<td>69%</td>
<td>78%</td>
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<tr>
<td>Airlines (68%)</td>
<td>29%</td>
<td>38%</td>
<td>66%</td>
<td>60%</td>
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<tr>
<td>Banks (66%)</td>
<td>69%</td>
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<td>PC manufacturers (66%)</td>
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<tr>
<td>TV service providers (57%)</td>
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<td>38%</td>
<td>66%</td>
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<tr>
<td>Health insurance plans (51%)</td>
<td>41%</td>
<td>67%</td>
<td>68%</td>
<td>60%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Base: Online U.S. consumers who have interacted with firms in these industries (numbers have been rounded)
Source: Forrester, U.S. Customer Experience Index, Q4 2009

3 Forrester U.S. Customer Experience Index, fourth quarter 2009.
Behaviorally-oriented disease management programs, often with special attention to changing the environment in which patients care for themselves, have been proven consistently more successful at improving the clinical course of chronic disease. Because insurers now have a paramount interest in that cost reduction, they need to participate in the efforts to educate and train patients to use these inexpensive self-directed treatment options rather than drugs. And because insurers have a uniquely rich data source for those patients, they have a unique opportunity to make a difference.

Chronic diseases account for $3 of every $4 spent on healthcare. That’s nearly $7,900 for every American with a chronic disease. Behavior plays a key role in all of them—by some estimates, 70 percent of all health-care costs are the direct result of behavior. Take diabetes, for example, which drives $174 billion in annual healthcare costs. Type 2 diabetes afflicts 10 percent of the U.S. population, a figure that could more than triple by 2050. The disease can be extremely expensive to manage, but the most effective treatments are exercise and diet. So the best way to manage diabetes—which is also the best way to reduce costs—is to teach patients basic diabetes management skills, including weight control, regular physical activity and self-monitoring of blood glucose.

However, healthcare is an unusually challenging industry because every patient has so many different variables. Patients have different diseases, prognoses, conditions and stages; different wellness goals; different demo-, psycho- and technographics; different observed and predicted behaviors. Thus patients have different sets of levers that could influence behavior. In the most obvious example, if you had two patients with Type 2 diabetes—one 55 years old and the other 16 years old—you would approach each one differently about how to manage the condition. Now consider a set of 55-year-olds: some just diagnosed, others longer term sufferers; some who like to cook their own healthy meals, others who prefer fast food; some who like playing tennis, others with injuries that prevent such activities. Male, female, rich, poor, urban, rural… these and many other permutations represent life cycles in the patient-insurer-wellness relationship. (Each lifecycle has unique pain points and moments of truth.) Providing the right message in the right way at the right time requires a deep understanding of the customer and the disease, fueled by a wealth of data.

This sort of micro-segmentation has unlocked riches for companies in other industries, because these companies have built a supporting infrastructure of processes and workflows to maximize effectiveness with each segment, leading to customer loyalty, repeat business and a good reputation that attracts new business. For health insurers, however, the goal is not merely to improve customer experience in the traditional sense, but also to use that positive customer experience to influence healthy behavior choices.

The Strategy: Customer Contact Management
To influence customer behavior effectively requires improved channel capabilities (for example, tighter Web and mobile interfaces, new online features and more skilled call center representatives) and a seamless multi-channel experience. At the same time, data must be translated into “actionable” insights and used to articulate incentives and behavioral drivers.

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4. Diabetes information is from widely accepted Web sources.
Such complex goals cannot be achieved piecemeal. Rather, they can be developed as part of a customer contact management (CCM) strategy. The CCM strategy aligns all customer-driven operational and transactional activities to the overall business strategy. As figure 2 demonstrates, CCM implements a top-down strategy with specific objectives, defined initiatives and business cases that quantify benefits. The strategy then ripples through customer segmentation activities that generate insights to improve the customer experience across all channels. All activities must be supported by an infrastructure, including information systems and business processes that can deliver results.

For health insurers, implementing a comprehensive CCM strategy is different from other industries because the customer life cycle differs so dramatically. The sales funnel is not merely a process of acquisition (awareness, consideration, quote), ownership (fulfillment, policy serving, claims handling, renewal, referrals) and attrition. Instead, the unique goals of health insurers—to influence patient behavior to select more-appropriate medical services—requires deep understanding of a wider universe of customer-related events. Health insurers must micro-segment customers based not only on customer life cycles, but also on wellness and disease life cycles. As such, the messaging, supporting infrastructure and segmentation variables are all necessarily more complex (see figure 3 on page 6). For example, with the 55-year-old diabetes patients, the insurer would use the framework in figure 3 to achieve insights about the proper messaging, timing and channel for each micro-segment of the population. It would then use those insights not only to create a positive customer experience,
but also to identify certain specific desirable behaviors—and then encourage them.

As we see it, insurers possess three key levers that can drive those health-improving, cost-lowering behaviors:

Provide appropriate communication. Reaching out to patients at appropriate moments is a task that doctors and hospitals have traditionally struggled with. Doctors frequently bemoan the fact that they see a patient only when the patient comes to them—at home, the patient is beyond their influence. But if the insurer can build a trusted relationship with the patient, the insurer is in a unique position to complement the doctor’s voice using its integrated and enhanced multiple channels, and even to provide continuous feedback on patient performance.

Make it easy to do the right thing. When patients do the wrong thing—such as failing to take medications—it’s rarely because they don’t understand. They know they should take a certain action to improve their health, and they want to do so, but they are stymied by roadblocks that somehow make that action too difficult. Insurers can leverage their customer relationships and contact management infrastructure to help customers overcome those roadblocks, for example, by sending emails or text messages or providing other prompts for the patient to take the medication. (Indeed, data analysis may yield insights that help insurers predict which types of roadblocks are most likely to confound which types of patients, thus getting one step ahead of the game.)

Offer additional incentives. There may be certain situations in which patients need an extra boost to get over the barrier blocking them from healthy behaviors. For example, a certain micro-segment of diabetes patients might benefit from
purchasing a blood glucose self-monitoring meter, but data analysis predicts they will hesitate to do so. Why not lower the co-payment, offer a premium discount or provide other incentives for good behavior? This approach, when driven by rich analysis of micro-segmented data and buttressed by targeted, reinforcing programs, could improve both patient health and insurer margins. It’s worked in other industries: For example, auto insurers provide safe-driving incentives. Some states and self-insuring employers are trying such techniques: For example, Safeway reduces employee premiums based on tobacco usage, healthy weight, blood pressure and cholesterol.

Customer Contact Management: Three Case Studies

Every executive knows that capturing micro-segmented customer insights is only the first step. The real trick is executing the insights through a customer contact management (CCM) strategy, which requires building capabilities within channels and coordinating efforts across them. The following illustrate how a CCM strategy helped three A.T. Kearney clients improve their customer insights and thus their customers’ experiences.

Large Retail Pharmacy. This leading pharmacy retailer in North America was struggling to provide a consistent customer experience in its many locations as each was managed according to local approaches and processes. An enterprise-wide CCM strategy allowed the retailer to deliver scripts 50 percent faster. The strategy also helped change customer behavior, including moving people toward auto-replenishment of medications, which reduces the risk of error, improves customer satisfaction, and improves customer health by ensuring that the medication is always on hand. Furthermore, the CCM strategy helped reduce administrative costs. The pharmacy website was upgraded, allowing customers to more easily look up drug information, and an interactive voice response (IVR) system with speech technology enticed customers to use IVR for more than 45 percent of calls.

With more insights into its customers’ behaviors, the retailer was able to improve the customer experience (less waiting in lines, better health) and its own (less-spiky demand, reduced costs). Consumer Electronics Retailer. This consumer electronics retailer was having trouble serving the needs of its customers because its business users often held contradictory views about what they wanted. Insights were uncoordinated, fragmented, poorly communicated and rarely converted into business actions. So the retailer established a Consumer Insights Unit to transform data into clear, relevant and “actionable” insights. The new unit serves business users across the organization, with standardized processes, reports and metrics to ensure clear accountability and alignment. Today, the retailer can demonstrate how these insights have led to measurable bottom-line results.

Property and Casualty Insurer. This large property and casualty insurer was having difficulty offering a high-quality customer experience across its different channels—and, as a result, customer loyalty in its dominant channel was suffering. So the insurer improved each customer contact channel (to better address customer expectations), aligned its assets to most effectively meet the needs of each channel, and developed cases around key “moments of truth” to demonstrate the value of cross-channel integration.

As these examples show, CCM is a common strategy in many industries. Despite the fact that U.S. health insurers may have more at stake than these other companies—because of the unique aspects of the U.S. healthcare delivery system and the current legislation—the path to success can leverage the lessons learned and leadership practices from these and other consumer-focused industries.
Florida implemented its Enhanced Benefits Accounts incentive program in 2006, providing up to $125 in credits for 19 behaviors such as checkups or participation in weight-loss programs. Idaho and West Virginia have implemented similar programs.

In short, by identifying key levers that influence the customer experience, insurers can encourage healthy behaviors. Note that it is customer insight that leads to identifying the key lever. To operationalize customer insights properly, and on an ongoing basis, insurers must have enterprise-wide integrated processes to interpret and systematically act upon these insights. In our experience, one key to maximizing customer insights is establishing clear ownership of these insights throughout the customer life cycle.

A CCM strategy, with the data analysis to achieve customer insights and the capabilities and infrastructure to execute them, is key to improving customers’ experiences and influencing their behaviors.

Taking the Lead

Insurers know they are not the villains portrayed in recent political debates. They know that they are an integral part of a healthcare delivery system that, for all its flaws, has the profoundly noble goal of improving people’s lives. This is fortunate, because insurers now have a great opportunity—indeed, a responsibility—to take the lead in reforming healthcare delivery by harnessing market forces to curb costs without sacrificing quality.

Bringing about this change requires transforming relationships with customers, and encouraging individuals to change their behaviors in ways that will reduce overall costs. It means thinking more strategically about customer engagement and contact management strategies and the incentives they provide. Armed with a sound strategy, insurers will not only improve the customer experience, but also engage with their customers and help improve their health—all while improving their own cost structures and profits.

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