To Retain Small-Group Members in Shrinking Market, Blues Plans Must Embrace Retail

Last fall, millions of people learned their individual insurance policies would be canceled because they didn’t comply with provisions of the Affordable Care Act (ACA). A similar scenario is likely to play out again at the end of the summer as millions of Americans who now get coverage through a small employer find out their existing coverage will change or end, according to a Jan. 12 article in The Washington Post.

In 2011, 38% of businesses with fewer than 50 workers provided health insurance, down from 47% a decade earlier, according to a study by the Robert Wood Johnson Foundation. Small employers that still offer benefits are now taking a hard look at recent premium increases and calculating whether it makes financial sense to continue. While some may drop health insurance completely, others will move to a defined-contribution strategy or self-insure. Others will counter rate hikes by boosting deductibles and coinsurance or shifting to narrow provider networks. Still others will move to the Small Business Health Options Program (SHOP) exchange or drop coverage and encourage employees to find insurance on the public exchanges.

By the end of 2014, the small-group market will decline by as much as 25%, predicts Joseph Donlan, president of ConnectedHealth, an independent company that works with health insurers to implement private exchanges. Health plans, he warns, need to think about their distribution strategies for selling a diversity of individual products. “In 2014, true success for carriers hinges on using enrollment as the gateway for consumer engagement through the entire customer lifecycle,” he tells The AIS Report.

Matt Fidler, Highmark, Inc.’s vice president of consumerism and retail marketing, is less pessimistic about the small-group market, and expects many small employers will continue to offer coverage. But he suggests some of them may move to a defined-contribution approach. Highmark has had its own private insurance exchange for the past two years.

While the small-group market is likely to shrink, the individual under age-65 market could double over the next few years as a direct result of the ACA, predicts Craig Thomas, senior vice president and chief strategy and marketing officer at Florida Blue. Although many of the new enrollees will be new to health insurance, some enrollment growth will come from those who now have coverage through an employer.

But marketing directly to consumers is much different than marketing to employers, or selling through an employer’s agent, he notes. “This is mass marketing, and such a large part of the [individual] market has never purchased health insurance on their own,” he tells The AIS Report. Along with selling policies, Blues plans need to ensure those new members understand what they’ve purchased. When consumers are in a product that they don’t understand, it’s very difficult for them to be satisfied with it, he adds. To find and support new and potential enrollees, the health plan operator has thousands of independent agents, about 150 telemarketing representatives and partnerships with organizations such as Univision, a Spanish-language television and media company. Florida Blue also conducts seminars in retail places such as CVS/pharmacy stores.

Highmark partnered with a local grocery store chain and held more than 50 educational events in its stores. “You’re meeting folks on their turf. You get people who want to know about Medicare, Medicaid, Obamacare together with a Highmark rep,” Fidler says.

Think Like a Consumer

Blues plans, along with the Blue Cross and Blue Shield Association, should consider rebranding products with consumer-friendly names that aren’t focused exclusively on the word “Blue,” suggests Dustin Eggars, principal at Stonegate Advisors, LLC, a consulting firm that works with Blues plans and other carriers. “If they could break down that barrier and name products based more on the value proposition the product brings to the market, I personally think that would be a major step in the right direction,” he says.

Health insurers need to look outside the industry, such as consumer packaged goods and credit card
firms, for examples of how to effectively market to consumers. Those industries, Eggers says, are “light years” ahead of health insurers in terms of understanding how consumers make decisions.

Fidler agrees and says consumers have been conditioned by the online travel sites, as well as by companies such as Apple and Amazon, “to take ownership of their purchasing experience.” And consumers are becoming increasingly comfortable with that idea in the health care space, he says.

He adds that he closely follows consumer engagement and social media strategies used by financial services and the hospitality industry. Those groups inspired Highmark to add a “click-to-chat” button on its home page, which instantly connects the consumer to a telesales representative. “As people were doing a first purchase, we wanted to have a quick way to get some human help at their convenience.”

Rather than having a couple health plan executives work out a marketing strategy, Blues plans should conduct in-depth focus groups with consumers or use market research to test messaging strategies. Stonegate has a tool that simulates an online purchasing model that allows carriers to stack products against one another in a competitive marketplace and test them with consumers.

Eggers agrees and suggests that Blues plans ensure that consumers understand the value of certain product features. Explaining the potential of narrow networks to hold down coverage costs and improve the quality of care could make such products more attractive. But he warns that carriers must keep the message simple.

“It’s one thing to educate consumers, but it would be counterproductive to overwhelm them,” says Eggers.

Blues Plans Dominate Exchanges

Blue Cross and Blue Shield plans are participating in most of the federally facilitated, state-partnership and state-run exchanges. And with nearly 40,000 product options they are positioned to capture significant enrollment. While they now dominate the public exchange world, they’re also facing new competition.

Over the next 12 to 18 months, Blues plans will need “a robust post-enrollment learning agenda to understand not only the 80 new competitors that entered through [public insurance exchanges] but more importantly, which customers came into the market, who stayed out, how they shopped and what their mix of risk looks like,” says Lindsay Resnick, chief marketing officer at marketing firm KBM Group Health Services.

Through the exchanges, Blues plans are expected to take on a majority of the new, previously insured members — many of whom will have an unmanaged illness, Resnick notes. The elimination of pre-existing condition exclusions, combined with tighter pricing parameters, could threaten their profitability. “We’ll see actuaries reach panic mode to re-engineer their pricing and risk management toolkits.”

KBM Group CEO Peter Rodes adds that enrollment through the SHOP exchanges will need to go much more smoothly than did the launch of the individual exchanges. “Blues need to leverage local presence to defend current position and capture new entrants,” he says. While large national carriers have largely been sitting on the sidelines of public exchanges, he suggests Blues plans take advantage of their “first-mover” advantage.

Linda Tiano, a member of the health care and life sciences practice at the law firm Epstein Becker and Green, notes that there was virtually no attention to the SHOP, and the federal marketplace ultimately put it off until this year. She predicts more “vigorous activity” in SHOP ahead of the 2015 plan year.

Go to Where the Consumers Are

Carriers should “workplace market” to help retain existing small-group enrollees and attract new ones — using employers as a distribution point for individual products, suggests Fred Karutz, senior vice president of business development at ConnectedHealth. These organized marketplaces, he explains, will provide a seamless way for employers to contribute funds through payroll deductions, payroll contributions and tax advantaged accounts for some non-medical products. “The irony for 2014 is that small group will begin to look a lot more like retail, and traditional individual markets will start looking a lot more like small group,” he explains. “Uninsured and defecting small group employers still want to have skin in the game.”

Another strategy is to reach consumers outside of work. A growing number of Blues plans have opened retail stores that are either free standing or located within an existing retail environment. In December, BlueCross BlueShield of South Carolina opened its first retail store — The South Carolina BLUE Retail Center — to help members and potential members better understand the ACA. A few months earlier, Rhode Island Blue Cross & Blue Shield opened its first retail store, dubbed The Blue Advantage Center.

Florida Blue has opened 18 retail stores since 2005 — two of the centers are located within a Wal-Mart Stores, Inc. facility. Along with helping consumers enroll in coverage, the stores also offer educational seminars and conduct health assessments. Over the past few months, Florida Blue has conducted more than 4,000
seminars — on Medicare and public insurance exchanges — many of which have been held in the retail centers.

Highmark Direct launched its chain of retail stores in 2009 and now has 10 locations. The outlets tend to be located in strip malls near coffee shops and drug stores. “Insurance is not a frequent purchase, so we open stores where people do make frequent purchases such as coffee shops and drug stores,” Fidler says.

“This is all part of the effort to get out to where consumers are already and to provide them with information,” Thomas says.

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