



LINDSAY
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Beyond Health Reform

A lot of attention and resources are being focused on health reform's implementation as the new Patient Protection and Affordable Care Act (PPACA) regulations are pushed out of the Department of Health and Human Services. No doubt this is time well-spent, since every aspect of a health plan and broker's business will likely change.

It's clear that the future belongs to those able to anticipate, adapt and manage in a new world order of reformed health insurance markets.

With 32 million uninsured individuals set to gain access to health coverage, new rules shaping Medicare and Medicaid, medical loss ratio requirements, and establishment of health benefit exchanges, PPACA is a disruptive force set to transform an industry. *Transformation yields opportunity.*

Big Thinking Precedes Big Achievement

The ability to capitalize on opportunity means getting out from under the weight of health reform's bureaucracy and starting to think about your business in ways that look very different than today's health care and insurance enterprise. Following are critical trends worth watching and incorporating into your business' future vision and strategic planning.

Health Improvement. With 20 percent of Americans still smoking, 73 million adults categorized as obese, and most measures showing diabetes, cancer and heart conditions on the rise, it's time for consumers to change their health behavior.

Topping the list of every employer's benefit priority list, right behind containing health care costs, is improving poor health habits of employees. Smart employers know the result will not only be reduced costs, but lower absenteeism, more energetic employees and better work force retention. With the average deductible topping \$1,000 and consumer-driven account-based designs approaching 15 percent of all benefit plans (PPO at 58 percent and HMO at 20 percent), employees are also motivated to find ways to reduce personal health expenditures. They get it—living longer and less stress due to chronic conditions has its rewards! Wellness programs are gaining traction and rapidly evolving from simplistic incentive programs to high-tech, personalized performance-driven monitoring systems tied to social support networks in which self-improvement is the common goal.

Factoid: Preventive health care can save 2 million lives and \$4 billion annually.

Chronic Care. Tighter financing in a reformed health care landscape puts an inordinate amount of pressure on the health delivery system to better coordinate care for the chronic population. These medical conditions account for \$3 out of every \$4 of the country's \$2.5 trillion health care bill. Eighty percent of seniors have at least one chronic condition; and by 2030, with more than 20 percent of the population being 65 or older, chronic medical conditions will consume even more health care resources.

Management of chronic medical condi-

tions is vital to every health plan's long term survival, and absolutely essential if there's any hope to truly "bend the cost curve." Next generation medical management must be grounded in evidence-based clinical practices, predictive outcomes modeling, patient engagement, and multidisciplinary professional collaboration.

Factoid: Eighty-eight percent of people over age 60 have at least one prescription, as do 48 percent between ages 20 and 59.

Patient Centricity. Health plans and providers are entering a new era of collaboration and accountability in their approach to care delivery—comprehensive services, structured around a primary care physician, that are accessible, continuous and family-centric. This "whole person" orientation calls for coordinating care across all components of the patient's clinical path: community hospitals, specialty physicians, pharmacists, social services, home health, nursing homes and ancillary providers. This approach is true health care consumerism, providing a vision of care for all stages of life, acute and chronic illness, wellness and prevention, and end-of-life.

These patient-centered models, known as medical home and accountable care organizations, represent a vastly different mindset for most health plans. It's not just a reinvention of utilization management and prior authorization, it places the insurer in the role of facilitating—not limiting—providers. The plan becomes a central resource directing communications with the member through the doctor-patient relationship.

Payment incentives (and disincentives) are aligned so payers, physicians and hospitals are all financially "at risk" to meet quality and cost targets. The goal is to foster management of an entire episode of care in an integrated patient-centered structure while everyone has cost/quality "skin in the game."

Factoid: "Patient Centered Medical Home" is mentioned 19 times in PPACA.

Provider Capacity. If only half of health reform's promise of access to care for 32 million uninsured people comes true, we

will see millions of underserved health care consumers with unmanaged chronic illness entering the medical delivery system. When the flood gates open, we will quickly exceed capacity of the existing clinical infrastructure to absorb this pent-up demand.

Today, 65 million Americans live in communities with a shortage of primary care doctors, and nursing and caregiver shortages are expected to reach crisis levels in the next 10 years. To supplement these shortages, expect to see an increase in retail clinics, urgent care centers, telephonic or online physician consultations, and new diagnostic and care monitoring technology that can extend medicine's reach.

At the same time we're hearing predictions of extreme provider shortages, an over-supply of specialists and hospital beds in high-service areas continues to add billions of dollars to the cost of health care, often with little demonstrable return (e.g., two- and threefold variations in use of services with no evidence of improved outcomes in patient health status).

Factoid: Of the nation's 5,800 hospitals, 3,000 changed owners between 1994 and 2009.

Informed Decisions. Caught between changing benefit designs, increased premium contributions and an ever-broadening choice of where medicine is delivered, navigating health care is challenging every consumer. More than ever, consumers need guidance in structuring their benefit and health care choices based on family budgets, employment and life stage.

At the same time, people are hungry for practical, credible information to sort through today's health care and financing maze. Add to the mix the "black box" of health reform and there's a huge opportunity for health plans, brokers and third parties to step up and be the navigation resource consumers are desperately seeking.

Evidence of consumers' lust for information is the rapid growth of online resource centers. In addition to the vast libraries of clinical content (sometimes resulting in web-induced medical anxiety, aka *cyber-*

chondria), almost half of all adults under age 65 have used decision support services such as surgery expectation setting videos, disease-specific social networking sites, provider rating services, and treatment cost calculators.

Factoid: Since 2005, employee contributions to premiums are up 47 percent, far outpacing their 18 percent increase in wages.

Booming Boomers. The nation's 78 million baby boomers have \$2.5 trillion and control 75 percent of total household net worth. And 3.6 million are turning 65 every year. Get ready, their tremendous buying power is grounded in online purchasing habits and a trust in friends versus brand names—their confidence in advertising and news media has been eroded to an all-time low.

The boomer segment is expected to live longer than any generation this country has ever seen. They are educated, tech-savvy and convenience-driven. And as consumers, they're smart cynics. Boomers represent a treasure trove of opportunity for health care and insurance services. Health is their most important asset, with financial security a close second.

Products for early retirees, empty-nesters and senior living need to strike the right balance between flexible care alternatives and asset protection. However, marketing health care and insurance products to boomers requires new skills. This is not a throw-it-up-against-the-wall audience. Successfully penetrating and motivating this group to take action requires rigorous data analytics allowing marketers to adjust to this generation's values, decision criteria and concept of self.

Factoid: Boomers retiring at 65 need enough money and protection for 20 to 25 more years (as much as \$2 to \$4 million).

Actionable Intelligence. As health care markets gravitate toward direct-to-consumer retailing, the capacity to gather, analyze and interpret consumer data is a game changer. It allows payers (and providers) to understand variations among audience segments to develop a complete snapshot

of their most desirable customers.

Upfront customer data mining helps diversify product portfolios and refine marketplace outreach. A detailed, predictive understanding of characteristic prospect purchasing habits, lifestyle or life stage attributes, and psychographic profiles creates tighter, better managed sales cycles. At the back end, the more known about existing customers—*what's important to them, where they go for information, who's at risk, who are most loyal*—the more customers you will keep. Retention equals customer lifetime value, which translates into sustainable profitability.

Let's face it, on a good day health care is a confusing, often bureaucratic mess. As wellness and care management programs take center stage and health reform introduces new market rules, how do you create and keep happy customers?

Much of the answer lies in the use of data to figure out how to connect with consumers and keep them involved with practical, user-appropriate guidance. The result will be empowered, compliant and loyal customers, which—not surprisingly—are often customers for life.

Factoid: *The cost of acquiring new customers can be three to six times that of retaining existing ones.*

Engagement Marketing. The marketing mix as we knew it—*product, price, place and promotion*—has changed forever. Determining where consumers go for their information and getting their attention is no longer as easy as a newspaper ad, billboard

or 30-second television spot. Marketing has moved from brand monologue to customer dialogue, with low-engagement traditional marketing overtaken by “tradigital,” interactive social engagement. It's a new marketology!

With 206 million Americans online an average of 18 hours every week, and 2.5 billion text messages sent every day, telling customers what you stand for, why you are different, and what value you deliver compared to competitors is a challenge extraordinaire. Yet it's particularly difficult when tough economic conditions and corporate belt-tightening are shrinking marketing budgets.

Sustainable growth means carefully balancing costs associated with lead generation, member acquisition and customer retention. The mantra going forward is: Marketing must deliver sales; sales must deliver profitable revenue; and always be working to spend less for both.

Factoid: *With 550 million users, the social media giant “Facebook” would be the third largest country in the world.*

What's the future of health insurance sales distribution? First, agents and brokers should expect stifling new PPACA regulations under the label of consumer protection aimed at restricting selling practices, strict commission parameters, secret shopping and severe penalties. In this environment, survival depends not only on being compliant, but also on becoming an expert health care and insurance resource through value-based solution selling.

The challenge is to fight through the incredible amount of apathy in today's market with an approach that focuses on customers' pain points, then connecting with them logically and emotionally with relevant, personalized solutions. Health reform makes health care and insurance even more frustrating for consumers. The future of insurance sales depends on being a trusted, knowledgeable go-to resource.

Factoid: *Travel web portals or exchanges have 90-plus million visitors annually.*

Out of Ashes Will Rise the Phoenix

Agree or disagree with PPACA's politics and policies, we've reached the crossroads of change. Dealing with health reform's directives is a daunting task. However, there's payoff in proactively dealing with change. Decision paralysis, intolerance of new ideas, or “but that's the way we've always done it” corporate cultures mean certain demise. Sustainability in a transforming insurance market that is intertwined with major consumer and health care delivery shifts means survivors must anticipate change, make data driven decisions, and react with deliberate speed.

Tomorrow's winners are asking and answering tough questions that focus an organization on where it wants to be. Then it's up to leadership to prepare a road map on how to get there—identify factors for success and failure, validate or retool business assumptions, create a strategic and tactical framework for the future, and champion a plan of execution to support an ongoing, viable enterprise model. 🌱