



Make your mark.

Tips for selling health insurance in a truly consumer-driven market.

After the votes are tallied

It looks more certain every day that the United States will have some form of healthcare reform this year. And whether or not the reform includes a federally-funded public option, the rules governing the sale of health insurance are about to undergo a significant overhaul.

Today, health insurers screen out potentially bad customers before they are allowed to become customers—a process known as medical underwriting—and, to a lesser degree, screen out definitely bad customers after they have become customers—a process known as rescission. It looks like both of these practices will be gone or severely restricted in the near future.

That will have an immediate and powerful impact on the individual health-insurance market. And it will put millions of new customers in the market for health insurance.

The bad news is that, because of existing medical-underwriting practices, a significant percentage of these folks are not going to be particularly healthy. They don't have insurance today because they couldn't buy it at any price. And they are definitely going to buy it as soon as they can. They know what healthcare costs, and they are motivated buyers.

There will also be a good number of young, healthy folks who want to know if they are getting a good deal from their employer or if they could get cheaper health insurance on their own. They don't really know what healthcare costs, just what their payroll deduction is. They are more curious than motivated.

Many small employers are likely to eliminate their employer-sponsored health insurance plans, which will force millions more people from both of the above groups into the marketplace for individual insurance.

Although employer-sponsored health insurance will continue to be the dominant form of health insurance, at least in the near-term, I believe that the main effect of healthcare reform will be a vibrant new market for individual health insurance, which will grow from low single digits today to represent as much as thirty percent of all insurance contracts over the next few years.

A new individual market

Americans are about to become consumers with options, and I believe that will be the biggest impact of healthcare reform on insurance companies. Moving from medical to community underwriting will be a snap compared to adjusting to a world where your customers can leave you if they don't like the service you provide.

This is the real shift to consumerism in health insurance.

So what will this individual health-insurance market look like? Will it be run by online brokers such as e-healthinsurance.com, or will it look more like the Massachusetts "connector" model? Will insurance companies improve their direct-to-consumer online-sales channels, or will they double-down on the broker-sales channel?

Regardless, the big question for health-insurance executives is, “Are you prepared to make significant investments to improve the way you communicate with your customers?”

Not just in your marketing or sales processes, but in everything you do with, and for, your customers. In your customer service, in every piece of mail you send, in your benefit descriptions, your EOBs and even your ID cards.

In an earlier article titled “Stop Confusing Your Customers,” I gave some very specific suggestions on how to get started. But I think the first step is to truly understand the implication of a significant change in the availability of consumer choice.

CASE STUDY:

A study in consumer choice

The cell-phone industry provides an interesting corollary to consider. Not too long ago, there was a significant obstacle to changing your cell-phone service; you had to be willing to get a new phone number in order to change carriers. This was a huge barrier to change, and it kept customers locked into a particular carrier no matter how they felt about the service or the price.

Then came phone-number portability, which was violently opposed by the carriers because it dramatically lessened the pain of switching. Over the objection of the entire industry, number portability became law, and, within a year, millions of people had changed cell-phone carriers.

Most carriers adapted, not by making their service better, but by creating new ways of locking people in. Want an iPhone, you have to be an AT&T customer, period. What do you think is going to happen when people have the option to keep their iPhone but switch to a new carrier with better service?

In today’s health-insurance market, consumers rarely choose to change insurance plans. Either the change is forced upon them because they change employers, lose their job or their employer decides to change coverage, or they are discouraged from considering a change because the twin barriers of cost and individual medical underwriting keep them locked in.

In tomorrow’s health-insurance market, customer retention is going to go down, no matter how good your customer service is or how low your current turnover rates are. There is a huge, pent-up demand in the system of people who feel locked in and are ready to switch. And the barriers to switching will be dramatically lowered in the new individual health-insurance market.

So where do you start?

I believe you should start by shoring up your relationships with existing customers.

01 Segment, target and profile your customers.

How do you define a good customer? Who are your best customers? What makes them your best customers? What do they respond to and, most importantly, why?

02 Rethink how you talk to your customers.

Conduct a top-to-bottom review of every single touchpoint you have with your customers. Look at every single word on your website and in your marketing materials. Look especially hard at how you describe benefits, and how you explain what was paid and why something wasn’t paid.

03 Invest in market research.

Triple your budget for market research; it will still be a small number. Test everything with focus groups. Be sure to talk to both existing customers and people with other coverage. Focus on improving your understanding of how they evaluate their options and determining what they value.

04 Hire professional writers.

Get professional writers working on all your communications—not just the marketing pieces. Communicate clearly, avoid insider terms and legalese. If your Mom doesn’t understand it, start over.

05 Energize your online sales.

If you haven’t already started, I would quickly assemble a budget and team to completely revamp your online-sales tool. Most of your customers are online—meeting them where they are will only accelerate your place in the individual market.

In my next article, I explore the thought process and emotions of people purchasing individual health-insurance coverage.

Want to continue this discussion? Get in touch with TOM RILEY at triley@closerlook.com