



# Transforming Healthcare and Voluntary Benefits: Insurance Marketplaces Pose Both Opportunities and Challenges

July 2013



## Introduction

On the brink of major transformation and sweeping regulatory reform, the U.S. healthcare industry is approaching a critical crossroad. On October 1, 2013, new public Health Insurance Marketplaces must be ready to enroll millions of previously uninsured consumers into coverage. These regulated public marketplaces (formerly known as Health Insurance Exchanges or HIXs) — which will be operated by individual states, the federal government or a partnership between the two — must provide coverage effective January 1, 2014, under the Affordable Care Act (ACA).

In addition to the public marketplaces, many health insurers are planning private exchanges to sell employer-subsidized insurance. Modeled after the successful Massachusetts Connector public exchange launched in 2006 (as part of the state's healthcare reform), new public and private marketplaces present both substantial opportunities and unprecedented challenges to health insurers nationwide.

New public marketplaces will allow individuals and families with low to moderate income to purchase insurance eligible for government subsidies. They are a crucial linchpin in healthcare reform — along with an expansion of Medicaid — designed to provide health insurance to as many as 40 million of the estimated 50 million people in the U.S. currently uninsured. They will attract 33 million new insurance customers within 10 years, according to Congressional Budget Office estimates, as well as 3 to 5 million individuals who were previously insured through employer plans but are expected to join the expanded pool of individual health insurance shoppers for various reasons.<sup>i</sup> By some estimates, up to 69 million people will be enrolled in health insurance marketplaces within 10 years.<sup>ii</sup>

These new customers represent a substantial growth opportunity for an industry that relies on scale to spread risk and build profitability. Yet the heightened competition and demands of these new consumer-centric marketplaces will require a major overhaul of business processes and operations for the health insurance industry.

The launch of new Health Insurance Marketplaces in all 50 states on October 1, 2013, accelerates an ongoing transition from the employer-driven payer model of U.S. healthcare toward a new era of consumerism. Even in advance of healthcare reform, private health insurance exchanges have been gaining momentum with employers as a means to contain spiraling healthcare costs.

Once a consumer has selected a qualified health plan (QHP) and completed enrollment, the web broker may offer the consumer the ability to search for additional products or services if desired. CMS expects that such offers will be made in a section of the web broker's website that is separate from the QHP display.<sup>iii</sup>

Private exchanges can help cap current expenses and future liabilities for employers by replacing the traditional defined benefit plans with a defined contribution approach. Like the public marketplaces set to launch across all 50 states and the District of Columbia, these exchanges put decision-making in the hands of individual consumers rather than human resources professionals or benefits consultants. Whether public or private, these new marketplaces are poised to shift the traditional business-to-business model of the health insurance industry toward a consumer-driven electronic mall that will transform health insurance much like online shopping revolutionized the retail industry.

#### **Emulating Amazon**

Retailing, travel, banking and other industries, including insurance, have reinvented themselves in recent years to adapt to the digital consumer. Examples of retail innovation abound in auto insurance —where Progressive's name-your-price rate quotes and Nationwide's smartphone app are widely recognized as groundbreaking — and banking, where customers can deposit checks just by using an image snapped on their smartphones. The impending launch of public health insurance marketplaces nationwide will push health insurers to follow suit.

To compete in this market primed to expand with millions of new customers — many of whom have never had insurance coverage — payers and marketplaces will have to develop high-performance, consumer-facing operations, complete with new marketing, sales, customer service and billing functions aimed at attracting, retaining and servicing individual consumers. They must provide anytime, anywhere access to a full range of products and services through channels that consumers have grown accustomed to using — from physical storefronts to web portals to smartphone apps.

#### **Role of agents, brokers and web brokers in Health Insurance Marketplaces**

Where permitted under state law, the Centers for Medicare and Medicaid Services (CMS) will work with agents and brokers to help consumers complete the eligibility application, compare and select qualified health plans (QHPs) and enroll through the marketplace.<sup>iii</sup>

Consumers who access health insurance coverage through public marketplaces will be able to receive assistance in a variety of ways, including in person, online and through telephone support. Agents and brokers (including web brokers) will help educate consumers about marketplaces and insurance affordability programs. They will also help consumers obtain eligibility determinations, compare plans and enroll in coverage.<sup>iii</sup>



Agents and brokers who want to work with consumers in federally-facilitated and State Partnership Marketplaces will be able to assist consumers in two ways:

- (a) an issuer-based pathway, through which an agent or broker uses an issuer's website to assist the consumer; or
- (b) a marketplace pathway, through which an agent or broker assists the consumer using the marketplace's website.<sup>iii</sup>

#### **Engagement/educational tools for voluntary benefits**

Demographics will drive the enrollment strategy for voluntary benefits in the new marketplaces. Educational tools that empower consumers to make good decisions about coverage will be increasingly important as additional products are added to the marketplace mix. Video tools, avatars and a streamlined enrollment process will all help educate and guide consumers without overwhelming them during online enrollment.

#### **Sales and marketing**

Attracting and selling to both consumers and businesses requires new channels, as well as innovative products and services that differentiate insurers from their competitors. Online portals, in particular, will have to be much more retail oriented, providing a rewarding shopping experience.

#### **Customer service**

Both insurers and marketplaces will need to build consumer-centric customer service operations to meet the needs of new insurance consumers. Multilingual call centers, self-service web portals,

live chat capability, mobile applications and paper-based processing systems should all link to back-office enrollment and information systems to provide full service to consumers.

#### **Streamlined enrollment**

To attract consumers and maximize enrollment, public and private marketplaces must provide enrollment processes that are fast, efficient, exceptionally well designed and easy to navigate. Insurers need to adopt standardized data formats (likely to be consolidated among the state and federal marketplaces over time) to facilitate comparative shopping for rates and benefits. At the same time, public exchanges must simplify the process of determining eligibility for subsidies and consumer enrollment.

#### **Billing**

Healthcare reform is expected to further expand the individual market segment and with an increase in the number of policies, comes an increase in billing volume. Not only will volumes increase, but the growing individual market represents opportunities and requirements for new products which must be billed in new ways. These new policies will require billing solutions that provide more customer-friendly bills, allowing potential multiple carriers' products per consumer.

#### **Broker management and commissions**

Because it's important to make it easy for brokers to do business within the marketplace, a consolidated approach for multi-carrier marketplaces to handle broker licensing, appointments and commission management will be needed.

To provide a richer consumer shopping experience using the new marketplaces, insurance carriers will need to develop new features (besides lower prices) to help distinguish their offerings from others in the marketplace. They will also need to effectively market those products and services to consumers through multiple channels that enhance the shopping experience.

## Lessons from the Massachusetts Connector

The Massachusetts Connector Authority was part of the landmark law passed by the commonwealth in 2006, requiring that nearly every resident have health insurance. In order to identify, educate and enroll Massachusetts's uninsured citizens, the Connector needed to create a public insurance marketplace under tight timelines — not unlike what 18 states and the District of Columbia are doing now to prepare to enroll consumers on October 1, 2013. Dell operates the IT infrastructure for Massachusetts and provides call center and customer support in four languages supporting more than 35,000 member calls per month. Dell also provides multiple language support with onsite staff and translation services, sends 80,000 customized member mailings per month and processes thousands of enrollment transactions and 60,000 member invoices per month.

As a pioneer in public marketplaces, the Massachusetts Connector offers several key insights for stakeholders in the exchanges that will begin enrolling members nationwide on October 1, 2013. Among the lessons learned with the greatest impact are:

### **Members will use available technology to compare costs and coverage options.**

In Massachusetts about 200,000 low-income members — up to 300 percent of the federal poverty level (FPL) — actively use the Connector portal, which is

designed to allow consumers to shop for the best rates, compare plan coverage and access self-service features. In fact, the exchange model that's about to expand to all 50 states under the ACA is designed to encourage consumers to compare coverage on the basis of price. Market research conducted by management consulting firm Oliver Wyman suggests that price — specifically premium cost after subsidies, taken as a percentage of household income — is the single best predictor of whether consumers will buy on the marketplaces, and what they will choose.<sup>iv</sup>

**Members will seek information from all available channels.** Regardless of specific questions or issues (most of which concern enrollment and billing), members will seek out information from the most convenient source. In other words, they will call the number or click the link they see first. Members are apt to seek the same type of information from their healthcare provider, their insurance company, the Medicaid Help Desk or the Health Insurance Marketplace itself.

Consequently, states and participating health plans should create shared, centralized, wiki-type information resources that will allow all the stakeholders to provide consistent information to all marketplace members.

Marketplace web portals and call centers need real-time connections to all relevant partners on an ongoing basis.



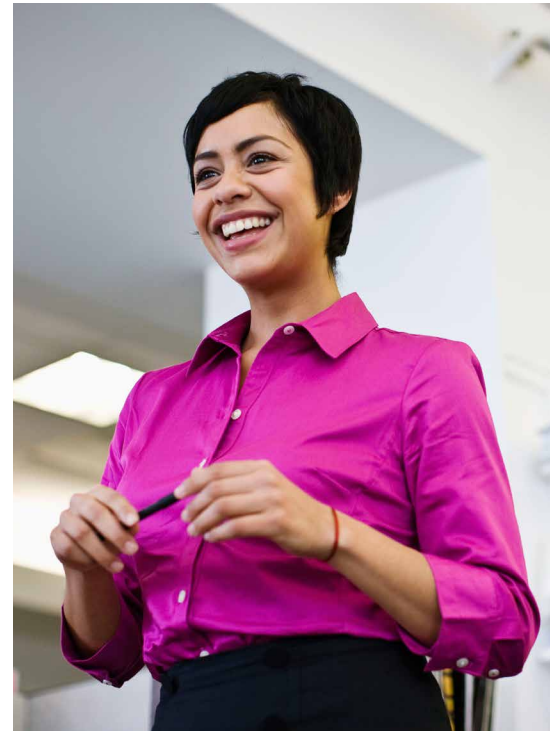
## Conclusion

The coming Health Insurance Marketplaces will be fundamentally different from the employer-oriented insurance market that has dominated healthcare for decades. It will be characterized by unprecedented transparency and fierce price competition. Participants will need to innovate across their full product spectrum, raise their level of operational flexibility and learn how to segment and retain profitable customers. Carriers will benefit from partnerships that can help manage risk and competitively position their marketplace by offering a full suite of products.

Success will require a high level of agility. Consumer-driven markets are more volatile than business-to-business markets and require greater flexibility and scalability. Insurers and

marketplaces alike need to be more proactive and responsive to customers, not just in education, marketing and sales, but in creating operational efficiencies and developing new products and services to meet the needs of consumers. Adopting new tools, such as social media and mobile applications, as well as dynamically scaling operations to meet changing peaks in demand, will help insurers stand out in the new marketplace. Updated technology approaches – including more modular services and scalable tools, like service-oriented architectures (SOA) – will enable the flexibility and efficiencies required in this rapidly evolving environment.

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<sup>1</sup> CBO and JCT's Estimates of the Effects of the Affordable Care Act on the Number of People Obtaining Employment-Based Health Insurance, Congressional Budget Office, March 2012, retrieved at: [http://cbo.gov/sites/default/files/cbofiles/attachments/03-15-ACA\\_and\\_Insurance\\_2.pdf](http://cbo.gov/sites/default/files/cbofiles/attachments/03-15-ACA_and_Insurance_2.pdf)

<sup>2</sup> "Impact of health care reform on insurance coverage: Projection scenarios over 10 years – update 2012," Deloitte Center for Health Solutions, October 2012, retrieved at: [http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us\\_chs\\_2012InsuranceCoverageProjectionScenarios\\_09252012.pdf](http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_chs_2012InsuranceCoverageProjectionScenarios_09252012.pdf)

<sup>3</sup> 050113 CMS Letter to Agents and Brokers

<sup>4</sup> Jim Fields and Howard Lapsley, "Winning on the Health Insurance Exchanges," Oliver Wyman, Health and Life Sciences Practice, 2011. Retrieved at: [http://www.oliverwyman.com/media/OW\\_En\\_HLS\\_PUBL\\_2011\\_WinningontheHealthInsuranceExchanges.pdf](http://www.oliverwyman.com/media/OW_En_HLS_PUBL_2011_WinningontheHealthInsuranceExchanges.pdf)



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