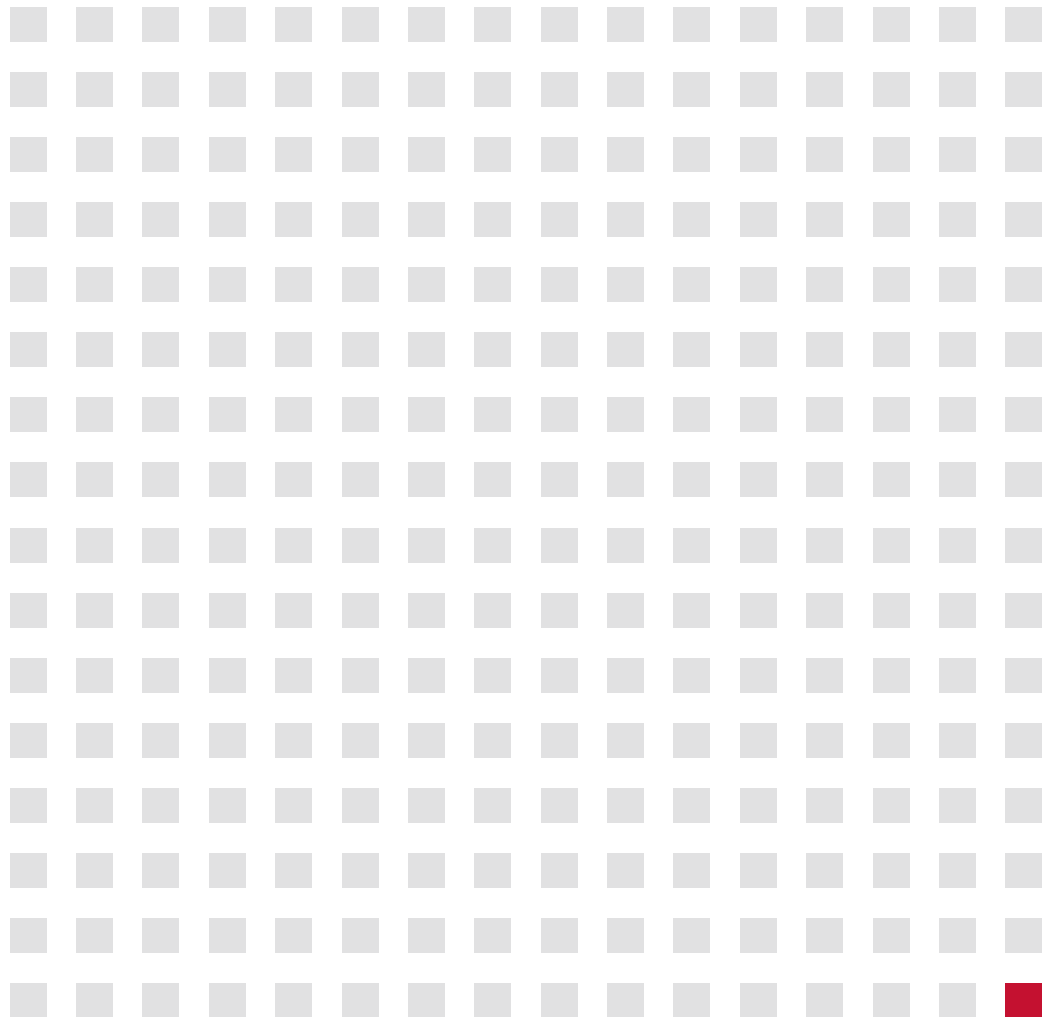




June 2009

Growing the Individual Market

Preparing for the Influx of Opportunities



The Market

The individual market is growing faster than any other segment of the health insurance industry. In fact, a study conducted by Forrester found that the number of individual insurance purchasers has hit 15 percent, and one-fifth of those individual purchasers indicate that they will likely switch health insurance providers in the new year. In 2007, the individual market was sized at roughly \$115 billion per year and growing.

Selling to individuals is significantly different than selling to businesses. To grab a piece of this \$115 billion market, health plans need to target consumers and adopt a business-to-consumer model. Entering into this paradigm shift requires health insurers to focus on building relationships with a diverse group of potential enrollees. Researching their specific needs, planning an individualized sales technique, and preparing methods to reach each individual segment are vital to the successful courting of consumers.

The first task in any sales pitch is to identify your target. So, who are the individual insurance purchasers?



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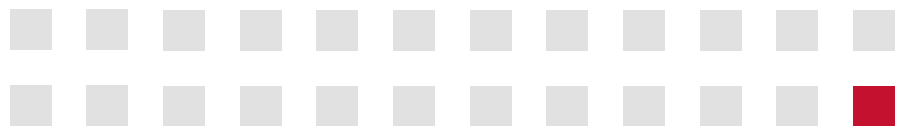
Who are the Individuals?

Individual insurance purchasers are made up of different age groups and economic backgrounds and have different reasons for purchasing health care individually. This paper focuses on the three groups defined below:

Baby Boomers

In 2011, millions of people will begin turning 65 and will be looking for insurance to supplement Medicare. By 2029, the Baby Boomer surge ends with the number of Medicare-eligible having increased by more than 32 million people.

Currently, of the 40 million members covered under Medicare, 22 million have additional coverage in private insurance such as individual Medicare Supplemental (Medigap) or individual Medicare Advantage. By the time all Baby Boomers become Medicare eligible, the number of seniors searching for individual supplemental insurance will have easily doubled.



Small Groups could become good partners in selling individual health insurance to their employees

The Uninsured

In 2007, more than 45 million Americans lacked health insurance. With the current recession and the rising unemployment figures, this number is increasing at an alarming rate.

The state of the current economy is directly reflected in the number of people insured. According to the Kaiser Commission on Medicaid, a one percent increase in unemployment leads to a 1.1 million increase of uninsured Americans. Since the unemployment rate in the United States has increased by nearly four percentage points since the recession began in 2007, the estimated increase of uninsured Americans between 2007 and 2009 is around four million people.

Health reform is imminent; however, officials disagree on the best way to address the rising numbers of Americans without insurance. No matter the solution, they all have the same objective: to improve the availability of coverage so more people become insured. It is certain that the changes will turn a whole group of potential new enrollees into individual insurance consumers.

Small Groups

The small group market is not usually considered part of the individual market, but that is changing. Recent studies show that less than half of all small firms (< 50 employees) offer health insurance benefits and that 15.9 million Americans are employed by companies with less than 10 employees.

In the current economic downturn, fewer employers are providing health insurance to their employees. In fact, some employers are offering incentives to their employees to purchase individual health insurance. Therefore, small groups who can no longer afford to provide insurance as a benefit, or decide not to, could become good partners in selling individual health insurance to their employees.

Big Opportunities

Combined, these three groups represent a significant and quickly increasing opportunity for health plans in growing this market.

Gallop reports that six in every 10 Americans say that they worry “a great deal” about the availability and affordability of health care.



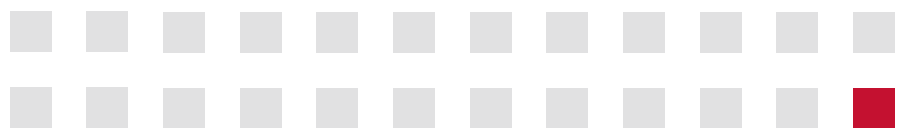
Buying constituents in the individual health insurance market are likely to become more engaged in their own health care decisions. This paper will demonstrate that by carefully designing plans and providing value-driven health management tools, by adopting easy-to-do business with sales automation platforms, health care plans can engage each of these segments of the growing individual market and benefit from the significant financial growth opportunity.

Innovative Plan Design

It is not easy to target the individual market. While traditional plan designs such as PPOs and HMOs still constitute 52 percent of the plans that are selling today, the High Deductible Health Plan (HDHP) design has become a popular selection due to its low monthly premiums. Forrester indicates that one in every five consumers who purchase individual insurance selects some form of high-deductible plan.

But, consumers are a diverse group, and it is difficult to know what will appeal to each and every one of them. However, there are some characteristics in plan design that are increasing in popularity:

- Pricing based on well-being, combined with offering insurance premium discounts based on lifestyle choices, has been offered in Europe since 2006, and many carriers have started to implement similar plans in the U.S. This category of plans has been called “Pay-As-You-Use”, and the consumer response has been very positive. Forrester research cites transparency and fairness of the pricing model as one reason for the positive reaction. Consumers realize that they can control their health insurance costs by becoming healthier.
- One carrier is experimenting with a pilot program allowing consumers to “buy-up” options after a health diagnosis. These plans are designed to provide consumers with the peace of mind to receive a major medical level of coverage at a known premium, without worrying about how they might protect themselves against serious illness. As this is such a new idea, the success of this plan design is yet to be determined.



With the number of specialized plans offered, it is even more difficult to reach the individual consumers to educate them

- Other, more common options, include:
 - Pairing high-deductible plans with tax-free savings accounts, which is the basis for today's consumer-driven health plans,
 - Short-term coverage to fill in gaps between coverage,
 - Mini-med coverage to supplement high-deductible plans, and
 - Critical illness or dread disease coverage.

These are just a few health plan characteristics that are appearing on the market. All of these options certainly have potential and so far have appealed to different groups of individuals. There are many health plans that are beginning to offer other unique options in plan design, and many more will appear in the coming years. Through technology and automation, carriers have the ability to garner significant information from the marketplace and are now able to make changes in real time, as well as to expand the plan choices offered.

It's Time to Sell

With the number of specialized plans offered, it is even more difficult to educate the individual consumers on all of the options available. Today, there are two primary paths to take when selling in the individual market: through the producer community or direct to the consumer.

In both sales channels, technology saves time and money while encouraging the personalized experience individual consumers need, whether through the one-on-one relationship with the producer or through instant access to information and applications through the Internet.

Producer Distribution Channel

When selling to the individual, a producer's relationship with his or her customers is critical to the sale. According to an IBM survey of nearly 17,000 consumers, more than half of consumers who purchase health insurance said they will continue to work with their agents. Producers want to continue to spend time with their customers building this type of loyalty and to spend as little time as possible working on time-intensive administrative tasks.



By leveraging technology, health plans can reduce administrative burdens on their producers. Providing tools like real-time creation and customization of proposals, online product information and forms, and online tracking of their book of business, allows producers to spend more time with their customers. Equipping producers with the tools they need to sell to individuals increases profitability, producer loyalty, and, ultimately, market share in the individual segment.

Direct-to-Consumer Distribution Channel

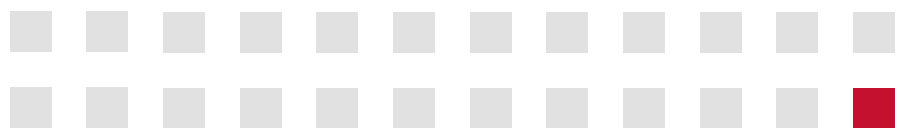
The most direct route to today's consumer is the Internet. Just as the retail world has found a home on the Internet, so has healthcare. A 2008 Forrester study found that 15 percent of US online consumers are individual purchasers of health insurance and 23 percent of those purchasers bought their insurance online, which is up from 14 percent only two years ago.

In today's health plan marketplace, consumers are finding that they need to use the Internet in their health plan decisions. Recently unemployed people are finding themselves shopping for individual plans for the very first time. The increasing complexity of coverage options and the strengthened regulations of policies are guaranteed to cause confusion among the public.

Consumers see the Internet as a convenient and irresistible place to comparison shop from their home or office. Questions can be answered and purchases can be made at any time of day or night.

The Internet is not only convenient to the consumer, but the automation can also reduce administrative costs by eliminating application errors and omissions. In addition, when the consumer enters the application information online, there is no need to repeat the process internally, saving health plans both time and money.

Online applications also take advantage of auto-decisioning tools. Auto-decisioning tools analyze the application and medical questionnaire in real time, and based on the health plan's rules, can automatically approve or decline applicants. This allows health plans to maximize the time and efforts of their underwriters.



Target Your Market

By providing targeted marketing campaigns, insurers can focus their attention on growing specific groups such as the increasing numbers in the young, uninsured market and the senior market. Though these are two of the fastest growing individual insurance purchasing groups, their needs are completely different. Seniors are typically more concerned about prescription and hospitalization coverage in addition to basic medical coverage. The uninsured consumer is primarily younger and healthier.

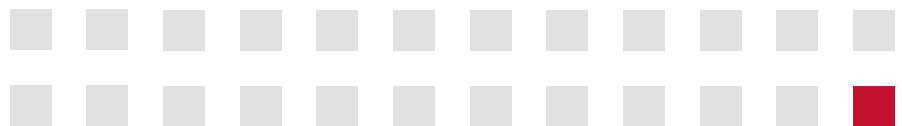
A recent report by Consumer Union noted that consumers overall find purchasing insurance to be overwhelming and confusing. They find it difficult to determine what their costs will be and have trouble navigating through the health-risk assessments.

The young, uninsured market does not require as much assistance navigating websites, nor do they require an in-depth health-risk assessment. However, that group does require the ability to get through the insurance enrolling process quickly and with less assistance. Also, they often need to be educated on the need for insurance.

The senior market has very different needs, some of which are regulated by Centers for Medicare and Medicaid Services. When approaching the online senior population, there are unique considerations such as a website with a user interface that is compatible with screen-reading applications, high-contrast view, and the ability to choose a desired font size. Seniors also might require additional support and a more in-depth health-risk assessment.

By utilizing a target marketing approach, health plans are able to provide an extraordinary, personalized online experience that engages and empowers target consumers, which ultimately drives revenue from an untapped and profitable source.

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A Connecture Path to Individual Market Success

As health care evolves to handle new regulations, new customers, and new technologies, it is vital for insurance carriers to find a partner that can help them streamline end-to-end member acquisition.

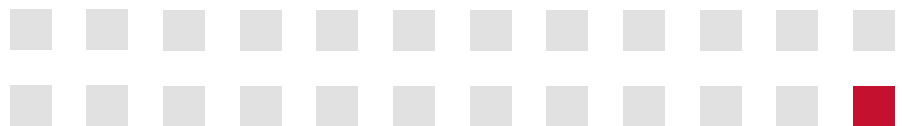
One of Connecture's clients is a national plan with approximately 28 million members. Their selling process was largely manual and paper-based, and the administrative burden was quite high.

Their key objectives were to:

- Leverage technology to gain a competitive advantage in the individual market segment, particularly among the senior population
- Drive a sustainable increase to their e-commerce book of business, introducing consumer-driven plans as an component to their wide variety of plan options
- Lower operating costs and increase productivity,
- Decrease the processing time required to insure individuals, and
- Maximize their investment so that it could be used to reach both the individual market segment as a whole and give specific focus to their target senior market.

The solution was to implement Connecture's InsureConnect Quoting and InsureConnect Enrollment and Installation software for the individual market, and then to expand their solution to offer consumer-driven health plan options, as well as Senior and Medicare products. They also utilized online tools to streamline back-end home office processes such as data entry, underwriting, and change of coverage, and equip field and in-house producers with online tools to assist individuals throughout the application process.

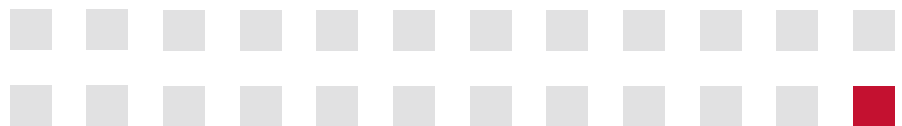
Their InsureConnect solution was live within 12 weeks, and results have been impressive. The senior target market saw enrollment of nearly 5,000 seniors within the first three weeks after launch. And, approximately 250 thousand online applications across the entire individual market were processed in just the first year. Currently, the system processes about 1,000 applications each day, and the overall process is quicker, cheaper, easier, and more accurate.



Conclusion

Simply put, the individual health insurance market is an opportunity for health insurance companies to increase revenues and profits. Three growing demographics of the American population – seniors, the uninsured, and those employed by small companies – are or soon will be in the market for individual insurance. The potential is huge, but without a strategy, the opportunity can pass right by.

InsureConnect technology assists carriers in implementing tools and automation to expand product offerings, equip producers with the right tools, reduce administrative burden and operating costs, and leverage online sales distribution channels to target niche consumer markets. Connecture has taken the steps to build a solid and flexible technology platform for their customers that not only drives member growth and retention today but will also carry Connecture's customers through the next generation of health insurance purchasers.



About Connecture

Connecture is solely focused on delivering integrated Web-based sales, service and process automation solutions to the health insurance industry. Connecture has automated elements of the insurance sales and service process for more than 80 health plans and insurers, and its InsureConnect suite of solutions currently supports the sales and servicing of 11 of the 20 largest health plans and insurers in the country. Its industry-proven solutions encompass the entire spectrum of multi-channel insurance sales and services for small group, large group and individual markets. Connecture offers an end-to-end business process transaction platform consisting of focused modular applications that fully integrate with existing systems. Connecture's solutions have proven to deliver increased sales, enhanced broker loyalty, improved back-office efficiencies, lower customer-acquisition costs, and decrease overall operating expenses.

About the Author



Lorrie Imes, VP of Business Development and Marketing

Lorrie has 23 years of insurance industry experience, which includes 14 years at Geico, where she managed many facets of the insurance business. She began her career as a licensed agent and went on to manage many divisions throughout the company. Lorrie has extensive call center and broker management experience, and also directed the underwriting functions at Geico. Her extensive knowledge of insurance carrier processes and operations gives her a unique view into the challenges insurers face as the next generation of health insurance begins to take form.



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