

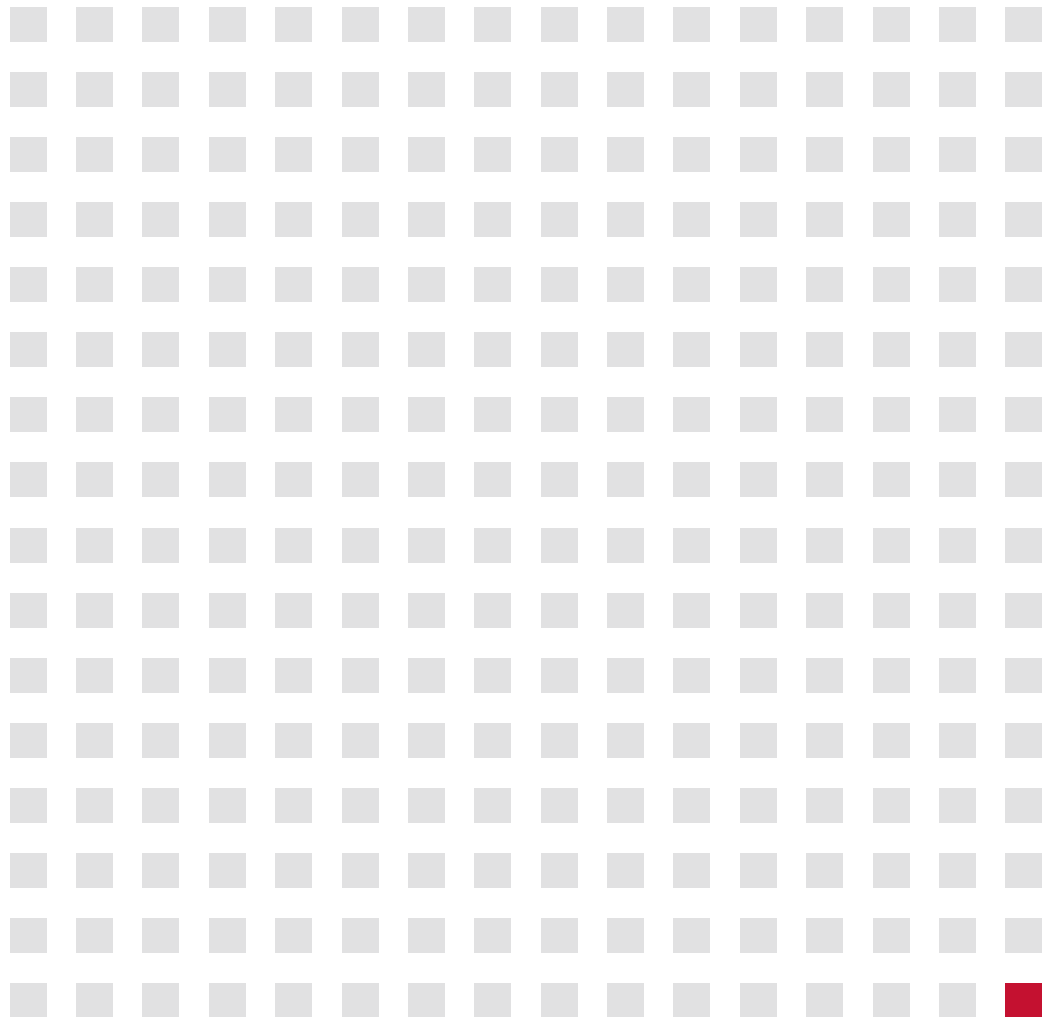


September 2010

Investing in a Growing Senior Market

Cost-effective and compliant:

Keys to success in today's Medicare market



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The Boom

Medicare is swept up in a whirlwind of activity. Recent health reform decisions and CMS regulations have changed the future of the program. At the same time, a never-before-seen influx of Americans is reaching the required age to receive Medicare coverage.

In just 10 years, 16 percent of the American population will be over 65 years old, according to the U.S. Census Bureau. By 2029, this rising tide of seniors known as the Baby Boomers will provide a surge of potential customers that will almost double the Medicare enrollment growth rate.

Meanwhile, Medicare is also at the center of health reform changes. Over the next 10 years, massive cuts in federal payments to health plans for Medicare Advantage will help drive the reduction in federal spending by approximately \$135 billion, according to the Congressional Budget Office combined scoring estimate.

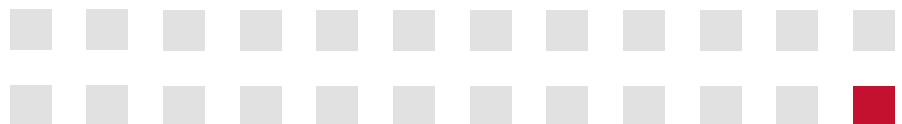
On One Hand

In 2011, as stated in the Medicare Trustees Annual Report, millions of people will begin turning 65, adding to the 46.7 million people already enrolled in Medicare. By 2029, the Baby Boomer surge ends with numbers of Medicare enrollees reaching 78.6 million people.

These staggering numbers of Medicare enrollees present an enormous opportunity to address the senior market and drive sustainable and profitable member growth for insurance carriers.

And On the Other

The mandates from health reform are finally making their way from Capitol Hill to the rules and regulations covering the health insurance market. The scope of health insurance changes is beginning to take effect in all aspects of the industry including the many products of Medicare. There are three major challenges insurance carriers must address through operational efficiencies:



1. Federal funding cuts

The federal government has passed a series of drastic funding cuts with the goal of saving the country money and decreasing the large number of uninsured Americans. The targeted reductions are mainly in Medicare's payment rates in the fee-for-service sector and include reining in the popular Medicare Advantage program.

2. Changes in the annual enrollment period (AEP) and open enrollment period

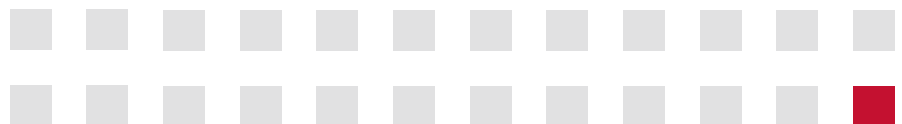
Currently, beneficiaries may elect to enroll in a Medicare Advantage plan between November 15 and December 31 of each year. The AEP will be changed to October 15 to December 7 of each year, beginning in 2011 for plan year 2012.

Also for plan year 2012, the Open Enrollment Period will be shortened to 45 days. Currently, beneficiaries enrolled in a Medicare Advantage plan as of January 1 can switch Medicare Advantage plans or return to traditional Medicare for 90 days after the beginning of the calendar year. Starting January 2012, beneficiaries enrolled in a Medicare Advantage plan will be allowed 45 days after the beginning of the calendar year to disenroll from the plan and return to traditional fee-for-service Medicare. In addition, enrollees will no longer be allowed to switch from one Medicare Advantage plan to another during the open enrollment period.

3. CMS regulation changes

Not long ago, the Centers for Medicare & Medicaid Services (CMS) introduced new policies and procedures to protect the growing number of potential senior customers. The CMS regulations placed strong restrictions on the methods that insurance carriers use when marketing to Medicare-eligible seniors. Notable policies include:

- The rules broadly prohibit unsolicited contact by insurance carriers.
- Insurance carriers must make available an electronic user interface that is designed to provide reasonable accommodations for individuals with disabilities.



These regulations, coupled with enrollment period changes, create a need to operate in an optimal, cost-efficient manner and will encourage health plans to re-examine their marketing practices.

As the federal government continues to scrutinize the healthcare industry, it is almost certain that additional changes will be made to the insurance market whether through additional funding cuts or through changes in the product offerings. The ability to remain flexible is a key to successfully carry health plans through the next generation of changes.

Although there are challenges, this paper will illuminate online tactics and marketing opportunities that offer strong member acquisition and retention. The paper will also examine the benefits of integrating the right technology solution to aid in effective outreach efforts to seniors while insuring compliance, operational efficiency, and cost management by health plans and their representatives.



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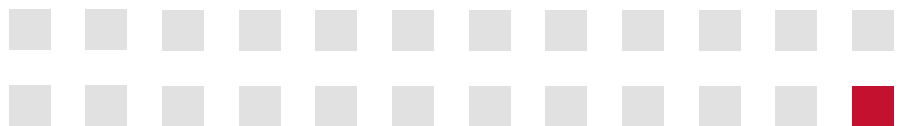
Attract and Sign Potential Enrollees

Technology is fast becoming the most efficient method to market products and services to American consumers. Medicare products are no different. The Internet is the primary marketing tool, sales tool, and customer service tool of today's health insurance marketplace.

The notion that seniors do not utilize technology is a thing of the past. More and more seniors are online and as the Baby Boomers reach 64, that trend will only grow. In fact, a 2009 article published by Forrester entitled "How Online Seniors Purchase Products" demonstrates that 64 percent of seniors research products online. And not only do they research the products, but the study reveals that 67 percent of seniors also actually purchase products online.

There are three "musts" to keep in mind when marketing online to seniors:

1. Design a site to create an environment that they are comfortable with that also meets the CMS regulations.
2. Make plan information and the application easy to find.
3. Offer several ways to request additional info including attending seminars, requesting free information kits, scheduling an appointment, or requesting a call.



When approaching the online senior population, there are unique considerations. By following regulations, health plans will design a site with a user interface that is compatible with screen-reading applications. Allowing the audience to choose a high-contrast view and the desired font size addresses specific concerns and creates a comfortable environment by being conscious of the user's needs.

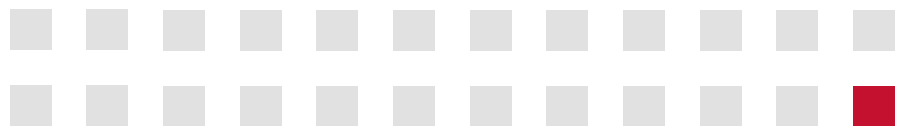
Easy-to-find plan information is vital to online success. The amount of information on the Internet can easily cause information overload. The right technology can offer tools to help seniors compare plans and determine which plan best meets their needs. On an easy-to-navigate site, once a senior selects their desired plan, they are taken directly to the online application for real-time, straight-through processing. Additional user interface tools such as needs analyzers/plan finders, drug formularies or online chats can assist seniors and add to a successful online experience.

To comply with CMS regulations, health plans need to capture potential customer information through every possible means. By giving seniors the option to request additional information, they are able to give their electronic consent for health plan representatives to contact them to present their plan options, allowing the health plan to remain in compliance.

Once a health plan receives interest through their website, they can again utilize the technology solution to upload potential customers into sales process software and assign them to the appropriate sales representatives. The software tracks the transactions, ensuring structure and compliance and providing the carrier with a less expensive way to conduct business.

Transition and Retain Your Customers

Retention is more important than ever to health plans. With funding cuts, it is important for health plans to focus their attention on the efforts that will give them the largest return on investment. Customer retention is much less expensive than acquiring new customers. The research group Gartner estimates that the costs to attract and acquire a new member are five to ten times greater than the costs to retain an established one. Gartner estimated that a 20 percent increase in average member retention can yield \$900 in policy contribution margin for Medicare members and more than \$250 per policy for under-65 members.



Of the \$25 billion opportunity in Medicare, only \$6 billion has been achieved. There is still \$19 billion worth of new business just waiting to be acquired.

Current members present enormous untapped potential, and although CMS regulations prohibit unsolicited contact, that does not pertain to current enrollees. A CMS November 2008 Guidance memo states: “plans continue to be allowed to call their current members for any reason.” This includes members of group and individual segments that are aging into Medicare. In addition, health plans can market to existing Medicaid enrollees that may be dual eligible.

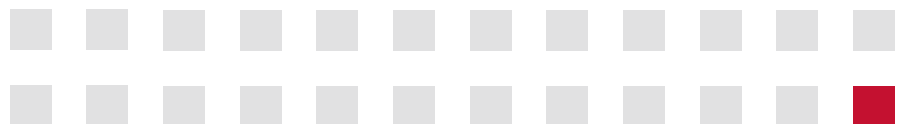
A 2007 McKinsey survey of retail health care consumers found that only 33 percent of all Medicare-eligible seniors knew that their insurance carriers offered Medicare products. And, 68 percent of those aged 64 and above had never been approached by their insurance carriers regarding a change to an existing Medicare product. The study also found that of the \$25 billion opportunity in Medicare, only \$6 billion had been achieved. There is still \$19 billion worth of new business just waiting to be acquired.

So how do you capture and convert these current customers? The right technology solution makes that step much easier.

Since you have already identified a target audience of current clients ages 64 and 65, you can utilize available technology to extract contact information for those individuals from your membership database and upload them into a sales process software.

Leads can then be qualified and automatically assigned to the appropriate sales representatives based on your business rules. Once the leads are assigned, representatives can work from the “approved” list of customers and offer their assistance with plan selection and the enrollment process. At each step, the software tracks all necessary appointments, communications, and other transactions to ensure compliance with CMS regulations.

Utilizing lead management and sales process software not only enforces structure, but it also creates an accessible archive and proof of compliance while lowering costs in the back-office. The health plan’s job is made easier and the customer receives guidance to make an informed choice all while staying within the CMS standards and guidelines. The added cost savings for the carrier increases the return on investment of this type of software solution.



Reduce Back-Office Costs

Health insurance carriers are finding themselves taking part in the difficult act of balancing efficiency and substantial growth. Insurance carriers are loaded with back-office costs; however, integrating technology into everyday business practices allows for a reduction in administrative costs in many areas.

Much of current administrative costs are in the sales and marketing processes. Streamlining and automating back-office tasks with sales technology offers the best opportunity to decrease administrative spending.

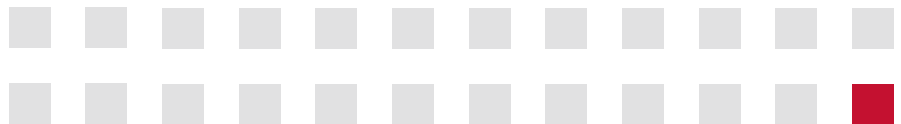
Bottom-line benefits are quickly evident when adopting a technology platform:

- Automation can reduce administrative costs by eliminating data-entry errors and omissions
- Because the consumer enters their information online, there is no need to re-key the process internally, saving both time and money
- Online processing provides the flexibility to release products quickly to the market and to facilitate necessary product changes potentially required by future health reform

Integrated marketing campaigns and web analytics offer insight into marketing and sales decisions with the ability to track and improve conversion rates with minimal investments. Self-service tools and straight-through connectivity are key sales tools that aid in reducing administrative costs while engaging potential and current enrollees.

Giving more control to customers not only improves their satisfaction, but when paired with full integration to back-end systems, it also reduces a health plan's administrative burden. Virtually instantaneous case installation, fewer errors, and reduced resource requirements are just some of the benefits that an integrated sales technology solution offers.

Additionally, health plans that have stable, flexible technology in place when and if additional changes are made to Medicare offerings will be perfectly positioned not only to respond to new regulations and get new products and rates to market quickly but also to proactively sell to the exploding senior market.



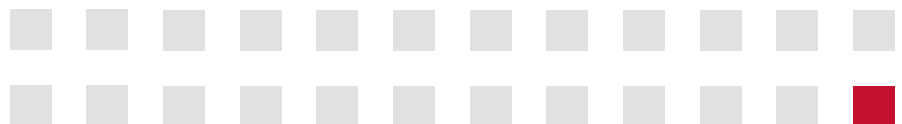
Conclusion

The year 2011 brings incredible opportunities as well as challenges for insurance carriers. As Baby Boomers age into Medicare eligibility, the opportunity for sustainable and profitable member growth is enormous.

By leveraging their Internet presence and focusing on the unique needs of the senior market, health plans can attract new customers. And, by marketing to their current customers that are reaching 64 and 65, health plans can convert current commercial customers.

Connecture's MedicareEdge product suite assists carriers in automating the entire new business and renewal process. No matter where carriers are in the bidding process, health plans can leverage technology to reduce administrative costs and gain processing efficiency. Operating costs are lowered due to a streamlined process, and compliance is tracked to ensure that representatives are operating within CMS regulations.

In order to realize the full potential that the aging Baby Boomers present, carriers must become prepared, become educated, and become organized. At the same time, insurance carriers must be smart about where to focus their attention. As they address government regulations and funding cutbacks, carriers must reduce costs in some areas while capitalizing on the immense senior market opportunity.



About Connecture

Can a single company improve the health insurance market experience for every buyer and seller it touches? Connecture can.

We have products and services that are tailored to serve the perspective and interests of every player, and so our own perspective spans them all. We truly see big picture, which helps us deliver best-in-class technology in every market we serve.

It's a perspective of depth as well as breadth. The health insurance world has been our sole focus for more than a decade, and in that time, we've developed a deep understanding of all aspects of insurance distribution. We track regulatory shifts, adjust our technologies to ensure compliance, and consult our customers through the changes. This helps us to see around corners for our current clients, and find new ways to help tomorrow's customers in evolving markets.

All of this is supported by a proven track record of large-scale, on-time, within-budget implementations at over 80 health plans, including more than half of the top 20 in the nation. It's made us the nation's leading provider of sales, service, and process automation solutions for the health and benefits insurance industry.

About the Author



Curt Schumacher, Senior Vice President of Product Management

Curt has more than 20 years of experience working with insurance information systems. The breadth of his experience on the vendor side at an employee benefits insurance carrier gives him a unique perspective, which helps him understand both the technical and business challenges health plans face. Curt has managed carrier systems, including coordinating conversions and migrations of administration and claims systems. He also led design and development efforts for core carrier insurance administrative systems that process rating, renewals, billing, commissions, agent licensing, fulfillment, and claims as well as solutions for sales automation, experience analysis, and data warehousing. Curt earned his Bachelor of Business Administration degree from the University of Wisconsin-Milwaukee.



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