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Marketing Consumerism

The Future Of Healthcare

For more than 35 years, Americans have tried to contain spiraling healthcare costs. We have seen Medicare, Medicaid, ERISA, COBRA, HIPAA, and endless state-specific reform initiatives. Insurance companies and their producers have marketed many solutions: HMOs, PPOs, POS and every combination of deductible, co-insurance, and co-pay imaginable. All of these efforts worked—for a while.

Now, we are seeing today's managed care system, organized around the insurer, undergo a dramatic change. A new solution is on the horizon and it is built around consumerism.

Insurer Centric: The Old Way

Managed care helped stem the increase in healthcare costs and provide relief throughout the 1990s, but these rules-based cost controls are no longer working effectively, as evidenced by nagging double digit price increases. Employers and employees alike have little choice or control over where, when, or from whom they receive their healthcare. Also, providers feel frustrated about a system that dictates the type of care they can provide, as well as when and where they can provide it.

In a managed care marketplace, "forced decision-making" dominates customer thinking. Strict sets of rules

guide healthcare decisions. Health plan members are coerced into using a select network of providers, or suffer penalties. Insureds are forced to pre-certify care and use certain physicians as gatekeepers before they can proceed with needed specialist visits or consultations.

The problem is exacerbated by dependence on a payment system based on \$10 co-pays. For a generation, health plans desensitized the consumer to a mentality that believed the cost of visiting a doctor was the same as a visit to the movies with a small popcorn! Consumers are now isolated from the actual cost of care. These low co-payments for office visits, tests, and medical procedures have given people a false impression of how much healthcare really costs. As a result, patients have no idea how expensive the healthcare services they receive really are.

Because there is no clear understanding of what healthcare really costs, consumers need help understanding what they should be asking about the cost and quality of healthcare services.

Consumer Centric: The New Way

Here comes the backlash—we're not going to take it anymore. Too many rules and one too many hikes in insurance premiums. Health insurance cus-

Marketing Tip One

Consultative selling works! Test your client's knowledge of healthcare costs. A simple test is an effective sales tool for earning credibility and demonstrating the gap between perceived cost and real cost. It's a great door opener for introducing new concepts, changing benefits, and motivating action at managed care renewal time. An inability to answer a basic healthcare cost survey will provide a context and motivation for clients to consider a consumer-based approach.

tomers are clamoring for more choice, lower rates, and less intervention in personal healthcare decisions by faceless managed care bureaucrats.

As insureds ask for more control, employers are looking for new health plan options that deliver quality care to their employees while reducing premium inflation. Left unchecked, the reality seems clear—healthcare costs will continue to escalate due to aging baby boomers, expensive new technology, and rising drug costs. With managed care's effectiveness all but evaporated, employers are more willing than ever to accept change.

The result is a new movement in healthcare—consumerism—health insurance plans that put consumers and their physicians at the center of healthcare decision-making, giving them greater discretion and control over their benefit dollars and medical care choices. Consumer-driven health plans (CDHP) empower consumers to seek real-time information about price and quality of care.

Consumer-driven health plans, also known as self-directed health plans, are the next generation of healthcare. As a viable alternative to managed care, these plans provide employers with the ability to offer comprehensive

Marketing Tip Two

Liberate employers. You will get quick buy-in with a consumer-driven health plan. Every employer is looking for answers to rising costs. Marketing consumerism represents the innovation decision-makers have been looking for—a way of empowering employees to take responsibility and control of their healthcare benefits. As entrepreneurs it makes sense to them too—treat healthcare purchasing like any other sound business decision.

benefits at a competitive price, while stimulating employee responsibility for managing benefits.

With a new future ahead for healthcare, several basic marketing themes emerge in a marketplace built on consumerism: knowledge, choice, and accountability.

**Knowledge:
Americans Value Information**

Consumers need to know the cost of healthcare, the quality of their providers, and the value of their benefits. To achieve these aims, consumer-driven health plans rely on patient education and advanced decision-making tools to facilitate knowledge transfer. Through technology and customer service outlets, plan members can obtain quality information about physicians and hospitals, along with comparative cost information. The result is a new level of consumer understanding of treatment options, benefit choices, and provider selection.

The goal is to uncomplicate the information process. With today's customer friendly technology, accessing information is easy. For example, in most consumer-centric plan models, members receive a private, secure personal Internet homepage to access provider selection information, manage

their benefits, and receive special healthcare e-mail alerts. Consumers can search for hospital and physician providers based on location, type of service, and cost and quality measures (even patient feedback). They gain an ability to track and evaluate their healthcare as never before—research conditions, symptoms, treatments, and therapies from a vast library of easy-to-understand medical information. Most important, information is focused around a plan member's personal level of benefits such as plan limits, claim detail, and estimated out-of-pocket expenses (if any).

The Internet generation already turns to the web for information on the health issues that matter to them. At the rate of six million web users every day, the Internet has become the healthcare information resource of choice. Empowered with knowledge, consumers will find it easy to learn about and compare available choices.

Choice: Free Market Principles

Consumer-driven plans require an active role by consumers in the healthcare marketplace. Armed with information, consumers can evaluate providers and make decisions that are right for them. They know in advance how one doctor compares to another, what their care will cost, and if there will be any out-of-pocket responsibility. Consumer-driven plans finally give patients the opportunity to say how their healthcare dollars are spent.

Outside of healthcare, people are aware of the price and quality of services, and they use this knowledge when making their purchasing decisions. Because information is easily available, consumers can shop for the best price and expect the best outcome based on quality—just as they do now

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Take A Simple Healthcare Cost Quiz

Step up and try your skill at what you know about the average cost of healthcare...and the answer isn't a \$10 co-pay!

	East	South	Midwest	West
<i>How much is an office visit at an internist's office for a checkup?</i>	\$72	\$73	\$71	\$75
<i>What is the total cost of a normal delivery, from pre-natal office visits to hospital delivery to follow-up care?</i>	\$8,200	\$7,300	\$7,300	\$9,900
<i>How much is a chest x-ray in a doctor's office?</i>	\$108	\$99	\$101	\$108
<i>What is the total cost of an arthroscopic knee repair performed as an inpatient with an overnight stay, including the pre-op workup, professional services, and physical therapy?</i>	\$16,200	\$13,500	\$13,200	\$22,400
<i>How much is a routine outpatient tonsillectomy for a five year old, including the ambulatory surgical center, surgeon, anesthesiologist, and pre-operative tests?</i>	\$4,700	\$4,100	\$4,000	\$6,800

Information represents averages taken from a national healthcare claims database.

Marketing Tip Three

Don't work under the misconception that your customers won't use the Internet. People are curious. If information is out there, they will go after it. Over 75 percent of Americans are online savvy, and over half have purchased something on the web. Your clients will go online to access price, quality/medical information, and manage their health benefits. More important, all well-designed consumer driven health plans offer the same information available on-line through traditional toll-free telephone customer service. So either way, information is easily accessible.

when buying cars, choosing schools, selecting a baby stroller or buying food. Applying free market principles to healthcare encourages members to comparison shop *before* making their healthcare decisions.

The consumer-driven business model suggests that when consumers become more involved in decision-making, they will be more likely to shop wisely and ultimately reduce unnecessary spending. Until recently, most Americans have passively let employers dictate their health insurance choices—provider networks, benefit features, and cost structure. Healthcare consumerism means a much more active roll in choosing how to allocate healthcare dollars and where to get treatment.

Marketing Tip Four

Never underestimate your clients' willingness to comparison shop if it means they can save money out of their pocketbook. Shopping for healthcare may not be like shopping for other necessities, but for most Americans it's the most important purchasing decision they will ever make. Terms such as "cost-effective consumption" and "value-based purchasing" strike the right chord with customers fed up with the restrictions of managed care.

Accountability: Reward Good Consumers

Consumers spend their own money differently than they spend someone else's money. Or put another way, employees will watch how they buy with their benefit dollars a lot more closely than how they spend an employer's benefit dollars.

Consumer-driven plans blend the best of the old and the new. They eliminate the restrictions of managed care, such as pre-certifications or referrals, while returning choice and control to

patients and physicians. A typical plan provides comprehensive coverage, from routine and preventive care through to catastrophic coverage.

Under some consumer models, members have a payment allowance, or schedule of benefits, that identifies the total fee their plan will pay a provider for a given healthcare service. They can access negotiated wholesale contracts with a group of providers and price shop by comparing their benefit to the negotiated rate, rewarding them with significant discounts.

Or they can choose to receive services at any non-discounted provider—the retail shopping approach. This approach is more likely to result in out-of-pocket costs, but the key is that whether consumers buy wholesale or buy retail, their benefits pay the same amount, regardless of which provider is selected. For the employee, this ensures that choice is always available. For the employer, a pre-determined payment allowance brings price stability into the premium equation.

Another popular feature is a healthcare savings account. Sometimes these accounts are structured like a medical savings account, with employee contributions or an external banking component and tax implications. Many times, however, there are simpler mechanisms, funded through insurance premium dollars with no extraordinary tax implications for the employer or employee.

With a healthcare savings account, the consumer draws first dollar coverage from the account for routine and preventive care (with no deductible or co-payment) up to a pre-set limit. The consumer determines how to allocate the account's "virtual benefit dollars" for day-to-day healthcare services (routine office visits, diagnostic and labo-

ratory fees, dental and vision expenses, etc.). If the account limit is reached, coverage continues and the insured pays the applicable deductible or co-insurance. Any amounts remaining in

Marketing Tip Five

A healthcare savings account is a powerful sales tool. It is the hottest trend to hit the group health market in the last 10 years. These accounts allow employees to realize very rich benefits, if they make choices and decisions that go along with managing their account budget. From the employer's perspective, a savings account is a mechanism that for the first time helps contain cost by creating benefit ownership.

the account at the end of the plan year can be rolled over to the next plan year.

With the freedom of choice, it's the patient's responsibility to be a prudent buyer of healthcare services.

Future Model: Don't Be Left Out

In today's healthcare insurance marketplace, everyone is looking for new remedies to cope with escalating medical costs. The reality is that employers and employees are already paying more and getting less under current health plans. Brokers are feeling the pressure to deliver more and better benefit options.

Consumer-driven health plans attempt to change old insurance industry dynamics with choice-based product features that return responsibility to the patient as a customer. Consumers hold the keys to successfully managing their healthcare costs. They are ready to take responsibility for their personal healthcare decisions, something stripped away by decades of managed care.

Consumerism will change buying

habits, creating knowledgeable healthcare consumers, not just spenders. Plan members have access to special negotiated discount rates. They can take advantage of these rates or no. They can see any doctor, anywhere, anytime. Consumerism makes good business sense.

Marketing Tip Six

It is up to you to help your clients understand that the future of healthcare in the United States is on the brink. Uninsureds are pushing 50 million, and over half of today's personal bankruptcies relate to medical expenses. Providers have negotiated themselves into a corner, and the single payer system is surfacing again.

No solution will work unless everyone has a stake in the game. Employers must help facilitate change through education and innovation. Employees must be willing to accept responsibility and become engaged under a new model of healthcare consumerism.

Consumer-driven plans provide incentives for the member to be a cost-conscious consumer at the point-of-benefit—when services are needed and benefit dollars are on the line.

Today's managed care plans provide no incentive to use lower-cost network providers. Consumerism proponents believe premiums will be lower because patients will comparison shop for higher quality providers who charge lower prices, relative to what they are currently being charged. It is anticipated that fewer unnecessary services will be used as consumers become better informed and for the first time have the incentive to manage their healthcare benefits. **As a result, consumer-based plans are expected to achieve lower costs and higher satisfaction than traditional products.**

Marketing Tip Seven

Consumer-driven plans are a trend, not a fad. Don't be left on the sidelines. Brokers are using consumer-driven health plans to help their large employer clients combat a third straight year of double digit premium escalation. Many group health agents have been early adopters as well, using fully insured consumer-driven plans for their small and mid-sized clients as full replacement alternatives to managed care. Blend three persuasive marketing tactics when selling consumer-based products: (1) they provide an alternative to managed care, (2) they return control and choice to the customer and his physician, and (3) they provide premium stability and price predictability.

Consumer-driven health plans represent a new era in healthcare for Americans. Over the next several years, we will witness the emergence of a generation of price sensitive healthcare buyers. Success will come from knowledgeable consumers, empowered with choice and motivated by accountability. A track record of cost savings and customer satisfaction will show the power and value of free market comparison shopping for healthcare. Moving away from managed care won't be easy. However, the future belongs to those who innovate. □
