

# The Insurance Industry's Need for Direct to Consumer Marketing



On March 23, 2010, President Obama signed the Affordable Care Act, which will create a competitive private health insurance market through the creation of Affordable Insurance Exchanges. These State-based, competitive marketplaces, which launch in 2014, will provide millions of Americans and small businesses with “one-stop shopping” for affordable coverage. The plan is promoted as comprehensive health insurance reforms that will hold insurance companies more accountable, lower health care costs, guarantee more health care choices, and enhance the quality of health care for all Americans. Some important benefits of the new plan include granting cost savings for seniors, families and small and large businesses, and providing coverage options for those who have been locked out of the insurance market because of a pre-existing condition.

This plan, which is slated for full implementation in 2014, is forcing health-insurance companies outside their comfort zone of traditional business-to-business marketing. The law will guarantee healthcare coverage while providing consumers the power to pick and choose their own plans. Because of this drastic change, healthcare insurance companies must adopt direct to consumer marketing tactics and explore customer-facing strategies rather than the agent-driven models employed for so long. On this very issue, I've had a number of conversations with health insurance companies to help them acquire senior level marketing talent who can guide their company through this dramatic change in how health insurance companies go to market.

These newly created insurance exchanges will allow consumers to craft their healthcare plans as one would build a meal from an all-you-can-eat buffet, compiling and comparing need into value-based packages.

In order to be successful at this 'consumerization' of healthcare products and services, insurance executives must transform the insurance health-care system into something less prodigious and complex. The industry as a whole must transition away from their b-to-b marketing strategies towards straight-forward, consumer-friendly messages that do not overwhelm the customer with complexities. According to Lindsay Resnick, CMO of KBM Group Health Services, "The insurance industry, as is typical to any bureaucratic industry, is probably two to three years behind the curve on DTC marketing". Because of this, insurance companies are turning to technology in order to transcend this gap in marketing and advertising directly to the consumer. By partnering with technology companies, many insurance companies are able to jumpstart time to market with the development of DTC apps and tools that can quickly provide consumers the information necessary to make truly informed healthcare decisions.

Customer information will also flow the other way; insurance companies that have historically only received claims-related information are now able to obtain real-time, personalized, and highly-detailed data on their customers' health-related habits. Healthcare companies will need to derive direct marketing campaigns to consumers that will educate and enable them to discriminate among carriers based on price, benefits, cost-sharing, and customer service. The provisions in the Affordable Care Act are intended to give consumers information about cost, quality, and physician and hospital networks, enabling the customer to construct an incisive and cost effective healthcare plan.

Additionally, small businesses are offered access to tax credits for eligible employers for the cost of coverage. The ability of healthcare providers to convey their individual value-proposition to the consumer will play considerably into its ultimate success or failure.

This change is pushing our health insurance clients outside of their comfort zone and requiring them to look at non-traditional insurance talent from industries such as consumer packaged goods or technology companies.

While this change will bring unprecedented opportunity to the healthcare industry, it also means intensified competition – an opportunity to tap into 50 million uninsured people, and a three-year window to implement bigger budgets to develop more direct-to-consumer effort. Similar to the efforts of car and home insurance providers, the healthcare market will soon employ similar channels and strategies to win consumers' business. Flooding the market with detailed healthcare plan information and empirical data will increase competition among private insurance plans and encourage comparative shopping. Additionally, the increased competition in the Exchanges - combined with provisions in the law to streamline administrative costs by standardizing forms and reducing the amount of paperwork doctors are forced to complete - will reduce average premiums by 7 to 10%, according to the Congressional Budget Office. Provisions in the law that prohibit insurance companies from discriminating against Americans with pre-existing conditions will force insurance companies to provide high-quality benefits at a competitive price.

For Slayton's clients, the overarching goal is how do we improve medical outcomes for our members while reducing costs?

With the development of the exchanges, comprehensive risk providers, such as Zurich North America, may be able to utilize existing channels to bundle healthcare services with auto and home. With the recent market saturation of auto and home insurance providers vying for policy holder dollars, utilizing these existing channels to sell healthcare policies directly to current customers will reduce time to market drastically.

Understanding the changing nature of the insurance market and the specific details of the Affordable Care Act are crucial when making hiring decisions in the insurance industry. Strategic changes in marketing and sales will make the effective insurance executive even more difficult to identify, qualify and ultimately hire. Being aware of the politics and the changing dynamic of the healthcare insurance industry is imperative when recruiting the insurance executive.

There is a demand in the health insurance industry for great talent that has not been seen for a while and the companies that are able to attract and retain this valuable talent will thrive in this complex market environment.