

Health Insurers: Prepare For Survival Of The Fittest

Customer Insights Are Critical To Your Evolution

by Rebecca McAdams and Carlton A. Doty
September 2, 2015

Why Read This Report

Whether or not health insurers are ready, the age of the customer is the new reality and it demands customer obsession. The only successful strategy is to focus your business decisions on consumer knowledge to win, serve, and retain customers. Customer insights (CI) professionals must take charge of delivering the actionable intelligence required to support customer obsession. This report will set the stage for a necessary shift in the culture of health insurers and provide tactical ways to get started on their journey to become more intelligent enterprises fixated on the patient.

Key Takeaways

Customer Insights Are Critical To Differentiating Health Insurers' Success

The only way to ensure you are succeeding in your customer experience (CX) initiatives is to make CX decisions that are steeped in and informed by customer insights and patient data.

Insurers Must Integrate Customer Insights Initiatives Throughout Their BT Agenda

CIOs and CMOs must bring together different parts of their organization to shape their enterprises' ongoing response to age of the customer dynamics in the health insurance marketplace. Without companywide support for CI initiatives, insurers won't succeed.

Insurers Can Start Transforming Their Culture By Following Four Steps

Transforming an organization's culture takes time, but insurers can start by measuring their enterprise's intelligence. From there, they can build a hypothesis-driven culture, establish CI maturity as a strategic goal, and collaborate across business units to develop a business technology (BT) agenda that supports their CI goals.

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Forrester interviewed 12 vendor and user companies: Acxiom, Blue Cross Blue Shield of Massachusetts, HortonWorks, Humana, KBM Group, Mango Health, Merkle, Novu, Optum, UnitedHealthcare, Vitality, and Wellframe.

Related Research Documents

[2014 Website Functionality Benchmark: US Health Insurance Plan Public Sites](#)

[Four Best Practices From National Health Insurance E-Brokers](#)

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It's A Brave New World For Health Insurers

Health insurers don't understand consumer needs the way they know the needs of their longtime customers — professional benefit buyers — but they must start. In an era of new consumer empowerment in healthcare, insurers need to leverage patient data and draw actionable insights to make their outreach efforts more effective. The ability to source, integrate, analyze, and interpret data from a multitude of internal and external data sources represents a profound shift to the healthcare business and has become a requirement for CI professionals in the age of the customer.

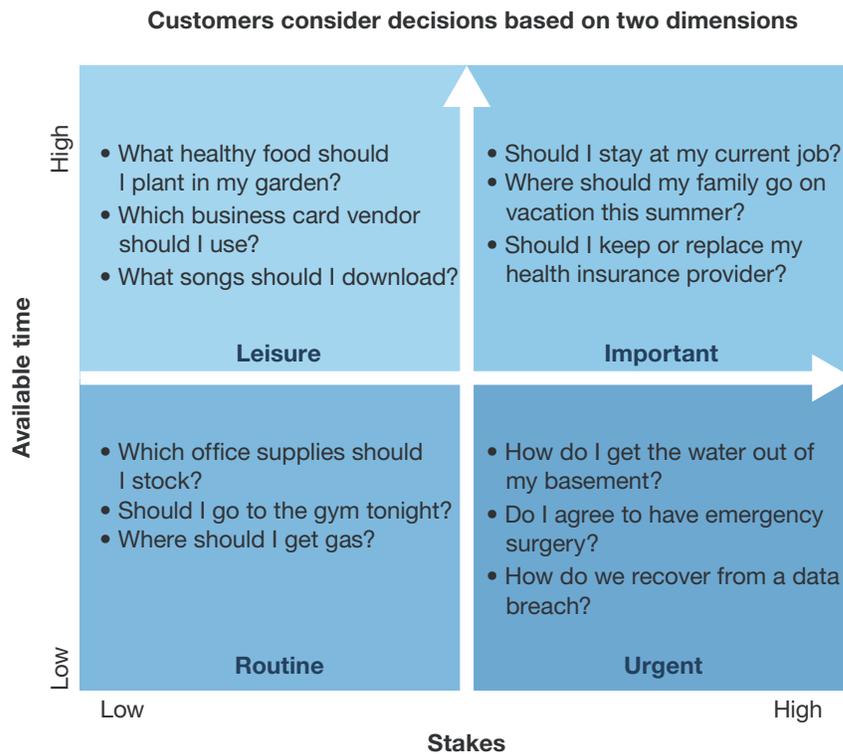
Health Insurers Fall Flat With B2C Marketing

Health insurers are seriously behind in their customer insights maturity relative to industries like retail and financial services. Jordan Mauer, executive vice president of marketing and operations at Novu, told us that the biggest technical challenge that arises when companies move from B2B to B2C marketing is that they use fragmented point solutions targeted at individual painful issues.¹ Point solutions that aren't integrated and part of a larger strategy don't necessarily help the user experience. But technology isn't the only barrier. Here's why insurers can't get on board:

- › **Insurers are adrift in the disruption brought on by US legislation.** The Affordable Care Act (ACA) has transformed how customers interact with health insurance. While expanding coverage to millions of Americans, new regulations have also disrupted coverage for many individuals and beneficiaries (e.g., mandatory coverage, tax credits to low-income families). Only 48% of US adults 18 or older have insurance provided through their employer.² The remaining population is getting their insurance elsewhere (e.g., through government exchanges, Medicare, Medicaid) in ways that require more consumer choice with not enough education or knowledge, and insurers aren't helping to inform or educate them adequately.
- › **Insurers have never been B2C marketers.** From a relationship-building perspective, B2C is new territory. Health insurers are no longer selling exclusively to an audience of professional benefit buyers but instead to an audience that has grown to include individual consumers as well. Based on Forrester's customer choice chart, the healthcare buying decision is high stakes, and customers have ample time to make it (see Figure 1). Plan providers need to mimic other industries in similar positions (such as auto) and focus on driving an ongoing relationship through relationship marketing strategies that generate loyalty.
- › **Insurers are late to the game of getting the right skills and people.** Health insurers don't have the internal ecosystem to immediately act upon customer data and insights, and often they find themselves manually reviewing trends and recommending adjustments days, weeks, or even months after events occur. John Bowen of Acxiom said that insurers' biggest barrier is they don't have the efficient best practices or similar skills in place as B2C marketing veterans have. For

example, retailers often use a customer’s past transactions and browsing history to customize dynamic content when she next visits the retailer’s website. Insurers can emulate these best practices by showing patients content tailored to their recent doctor’s visits or offerings based on lifestyle needs.

FIGURE 1 Choosing A Health Plan Is An Important Decision — And Consumers Have Ample Time To Think It Over



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Transform Your Enterprise Culture To Embody Customer Insights

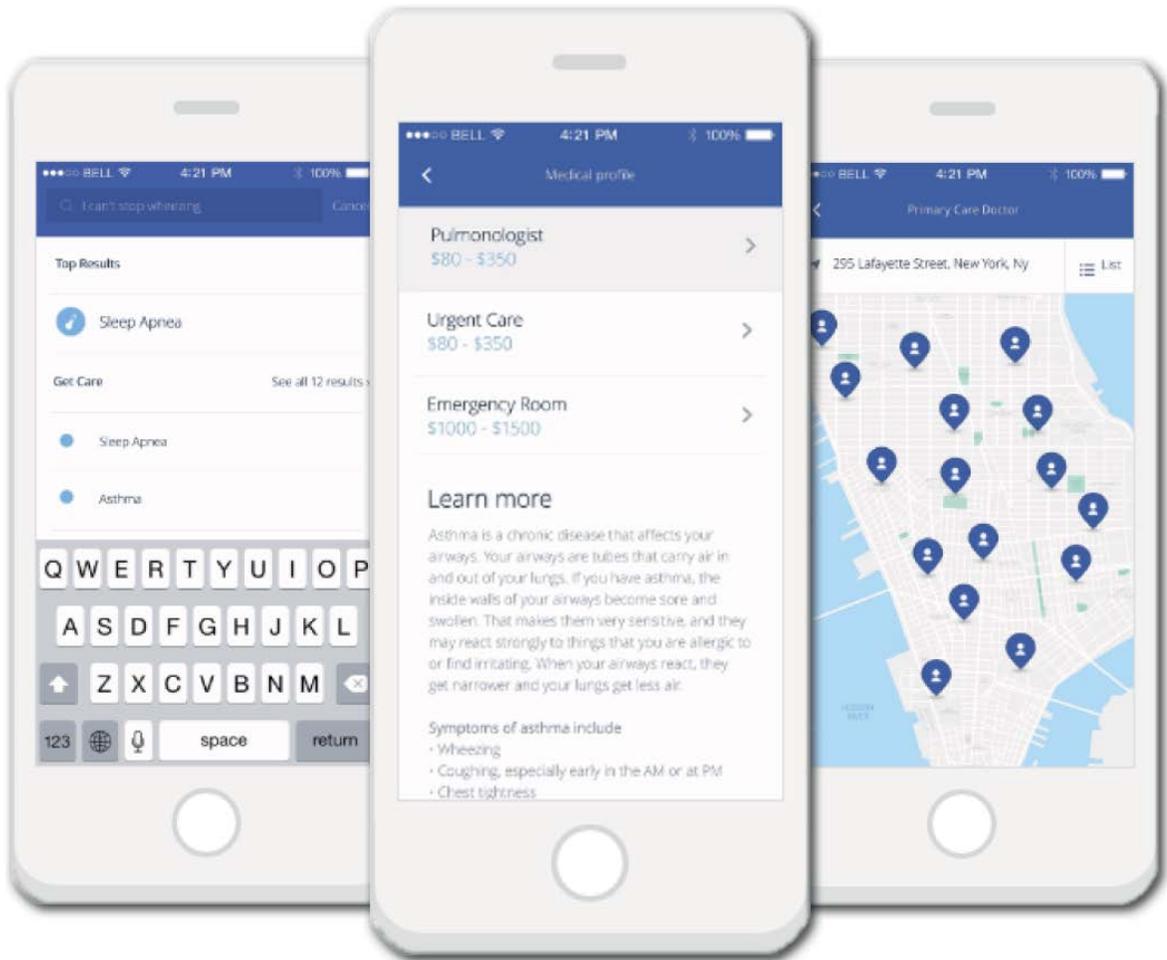
Health insurers need to establish a new culture where insights are woven into the very fabric of their organizations. It's not the lack of data; it's the legacy drag that is holding health insurers back from realizing the potential of actionable customer insights. A senior vice president of innovation and marketing at Vitality told us that insurers' biggest hindrance is their mindset. Insurers think the data they collect exists to serve them, while their customers want data to be used to improve their overall patient experience. It's time for health insurers to transform their culture to become customer obsessed, and to adopt an operating model that demands a sea change in process, culture, and technology.³

Some Insurers Are Making Progress Through Small Wins

Health insurers are hindered by their mindset of being more internally than externally focused. David Magrini from Merkle said: "A cultural shift needs to happen. There is a constant struggle between IT and marketing and who owns what." Insurers must use cooperation and collaboration to promote the importance of customer insights in their BT agenda.⁴ Some insurers have started to see success in small efforts for which they:

- › **Have C-level support.** The most progressive insurers have C-level support for their customer-centric approach. Mike Houlihan of Acxiom shared that he sees the most success when health insurers focus on the patient and integrate the use of customer insights into their goals, mission statement, and cultural DNA. Where C-level buy-in exists, insurers can shift their thinking from being purely actuarial and oriented to provider networks to incorporating statistical analysis that focuses on the patient as well.⁵ C-level executives can effectively push the boundaries of business units to foster a customer-centric rather than a product-centric culture.
- › **Become transparent.** Customer-obsessed insurers share important information with their members. Blue Cross Blue Shield (BCBS) aggregates and standardizes provider fees for various procedures in a new cost comparison tool. This tool allows patients to see that a colonoscopy with a biopsy costs \$8,489 at one clinic in Chapel Hill, North Carolina, but just \$928 at another provider in Greensboro, only 50 miles away.⁶ Consumers crave this transparency and the ability to make more informed decisions about their care.
- › **Engage consumers through useful technology.** Oscar has drawn fans by upending the traditional insurer model with an approach built on technology and friendlier customer service. Oscar innovates with an intuitive website, phone consultations with doctors, and more price transparency. This form of modern healthcare takes into account the patient's wants and needs, and it frames its offerings in response. Consumers can search for a symptom, find a doctor in their network, get a cost quote, and find directions all within minutes (see Figure 2).

FIGURE 2 Use Your Phone To Find A Doctor Based On Symptoms, Compare Prices, And Go Get Help



Source: Oscar

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Successful Insurers Will Transform To Strategically Intelligent Enterprises

Today CI pros have the ability to identify new connections between populations and their lifestyles, allowing insurers to develop and offer specialized programs, communication strategies, and plan options that better serve their current and potential members. But most insurers have a long way to go. What could they look like? In the future, insurers will:

- › **Put their eggs in both the customer experience (CX) and CI baskets.** Insurers will stop confusing CI with CX and will understand that they are different but linked.⁷ To succeed at CX, insurers need to go beyond voice-of-the-customer programs and derive actionable insights from customer data that can be linked directly to outcomes. BCBS of MA has targeted opted-in patients who are tracking fertility cycles and pregnancy milestones on the Ovuline app, and it sends personalized messages with their health plan's benefits and information about diet, exercise, or other factors that affect maternal health.⁸
- › **Build teams of CI professionals steeped in actionable customer data.** Insurers must have someone acting as a customer data steward — providing constant reminders that all new initiatives should be made with patient data and experience in mind.⁹ Jordan Mauer explained, “Novu’s clients that are thinking most about B2C marketing have put a leader in the organization in charge of both customer experience and insights.”¹⁰ Whether this is the chief medical officer, chief of strategy, or vice president of insights, the leader must be the voice of the patient, pushing everyone in the firm to think about their data and decisions with the customer in mind.
- › **Provide personalized benefits based on individual consumer needs.** Consumers want options that specifically fit their families’ and their own needs. And health insurers need to fulfill these needs with profitable plans. So insurers will better define their target audience (pre-enrollment) so that they can create plans that not only fit the needs of segmented populations like Medicare and Medicaid, but take it a step further to create personalized plans at the individual level. Using data and insights to drive product development decisions is a hallmark of a mature CI organization — and insurers need to push harder to redirect their actuarial sophistication at customer needs, rather than just designing and pricing plans to optimize their own internal needs.
- › **Reduce consumer decision anxiety.** Forrester’s customer choice chart, above, indicates that choosing a health plan is a high-stakes decision, but due to the long amount of time to compute the value of their options, consumers appreciate guidance.¹¹ Insurers must frame their offerings based on this knowledge, create an environment where choosing a plan does not generate unnecessary stress, and educate consumers on how to select the best plan option. For example, when an individual moves to a new city, an easy-to-follow app with search features, cost information, and map availability is supportive and comforting.

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How To Start Transforming Your Culture

Health plan leaders say they want to be more customer-focused, but most have not overcome their internal operational and actuarial legacies. There are many places to start a cultural transformation, but building an organization that consistently delivers patients a great experience takes years.

Use These Four Steps To Mature Into A Customer-Focused Intelligent Enterprise

To be effective B2C marketers, health insurers must transform into an intelligent enterprise, which Forrester defines as:

A company in which customer knowledge is drawn from everywhere, created centrally, and shared across the entire enterprise, so all stakeholders can act upon it and measure the results.

An intelligent enterprise helps firms effectively turn data into action. As a result, they start building systems of insight embedded in CI teams, marketing technology software, and insight activation processes. To achieve this, insurers must:

- › **Measure their enterprise maturity.** Complete Forrester's self-assessment to help your organization better understand where it falls in its journey to become an intelligent enterprise.¹² Take the test, ask other teams and representatives throughout your organization to take the test as well, and then share your responses (see Figure 3). Use the results to benchmark where you are starting from, and begin strategic initiatives in your weakest areas first.
- › **Build a hypothesis-driven culture.** Insurers need to ask themselves, as well as their vendors, "What question are we trying to answer, and what data do we need to answer it?" Firms tend to get lost in the overabundance of siloed data, instead of parsing out what pieces they specifically need for the problem at hand. When BCBS of Massachusetts noticed it wasn't able to provide early intervention in its patients' pregnancies because it didn't know when they conceived, it determined the best way to gain insight was to collect data from apps that patients used, then use that data to provide personalized information on maternal health.¹³
- › **Establish CI maturity as a strategic goal.** When determining what strategic initiatives to begin with, give equal attention to people, process, and technology. A vice president of customer insights at a data, analytics, and technology vendor told us that the companies successfully marketing in this new B2C healthcare world have cross-functional teams (from the CIO's organization, marketing, and human resources, all the way up to the C-suite) working on major initiatives such as customer insights.
- › **Collaborate across business units to develop a BT agenda that supports your CI goals.** Competing agendas between the CIO's organization and the marketing team create a major roadblock to organizations trying to bring in new technologies to better market to consumers.¹⁴ The BT agenda is for the whole business; therefore the whole business must set and manage it.¹⁵ Health

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insurers can look to examples like USAA’s disruption of the banking market with the introduction of the mobile check deposit, which came from its research into consumer pain points. USAA set out to solve this specific customer challenge through a joint IT and business innovation program.¹⁶

FIGURE 3 Take Forrester’s Self-Assessment To Evaluate Your Enterprise Intelligence

Rating your firm: “How much do you agree with each statement?”

-2	-1	+1	+2
Completely disagree	Somewhat disagree	Somewhat agree	Completely agree

Technology			
Area of focus	Capability	Score	
11 Marketing technology strategy	My firm has a marketing technology strategy and a clearly defined road map to ensure progress toward using technology to activate insights.		
People			
Area of focus	Capability	Score	
12 19 Executive Data	My firm has a C-level evangelist or champion for customer insights who		
Data			
Area of focus	Capability	Score	
14 20 27 Marketing analytics	Unified view My firm integrates customer data from multiple sources to achieve a		
Analytics and measurement			
Area of focus	Capability	Score	
15 21 28 Marketing technology			
Process			
Area of focus	Capability	Score	
16 22 29 36 Marketing analytics			
Culture			
Area of focus	Capability	Score	
17 23 30 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60	1 Vision My firm believes in and executes on a customer-obsessed vision. 2 Strategy My firm translates the vision of customer-obsession into actionable strategies with measurable objectives. 3 Asset My firm considers customer insights a strategic asset. 4 Planning My firm ensures that customer insights are an integral part of the annual planning process by providing critical insights about target markets and future business opportunities. 5 Insight workflow My firm generates customer insights proactively and minimizes ad hoc creation and consumption of insight. 6 Velocity My firm has a culture and the technology to act immediately on insights gained. We believe that speed from data-to-insights and insights-to-action is a competitive advantage. 7 Organization My firm has a customer insights function or a cross-functional insights center of excellence that services the entire company. 8 Motivation My firm incentivizes based on the impact satisfaction, Net Promoter Score, and customer retention. 9 Scope In my firm, customer activities — e.g., corp. service, and product development — are driven by customer insights. 10 Experimentation My firm encourages insights to continuous		

Scoring your firm:
Interpret the total score as:
 Strategic intelligence: +34 to +104
 Marketing intelligence: -33 to +33
 Functional intelligence: -34 to -104

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Leverage Innovative Vendors As Partners

To become fully intelligent enterprises, insurers must learn to walk before they can run. Through strategic partnerships with inventive vendors, insurers can learn how to successfully engage with customers by drawing insights from collected data. Insurers can look to these data, agency, and technology partners for tips on how to get running:

- › **Technology helps you boost capacity of resources to reach members more effectively.** Health insurers' existing care management models rely on costly, human-resource-intensive phone calls and in-person visits. Technology vendors are emerging to help streamline these processes. Wellframe, for example, offers a mobile platform that supports patients and care managers by allowing insurers to reach more patients, more frequently, with increased context.¹⁷ As patients interact with the app, their data and relevant analyses are shared in real time with care managers to help prioritize which patients are at higher risk for a condition. This level of insight provides more personalized guidance for consumers and delivers more value and insights to health insurers.¹⁸
- › **Data insights enable action based on better understanding of valuable customers.** Analytics vendors can bring in data about customers and also assist insurers in migrating from siloed clinical data to shared, usable data. Vendors such as Acxiom build models to help insurers understand who their most valuable members are and how they can retain those customers. As Kirk Kuli of Acxiom explains, the vendor helps insurers by analyzing patient data and building predictive models from consumer activity that correlate to different disease states. Acxiom's clients can then target individuals with a particular disease and engage appropriately.
- › **CI services providers help you focus on the customer.** Consumer preferences and needs are constantly evolving, and device proliferation will continue to alter these preferences. Jennifer Kallery of KBM Group stated that insurance companies must shift their perspective from focusing on risk to concentrating on health and a personal, human connection. Agencies have been helping other industries become more customer-focused for years. They help firms understand consumer behavior, optimize communications for the desired outcome, and measure the success of these programs.

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What It Means

Regional Insurers Are An Endangered Species

The insurance marketplace is in motion, with merger and acquisition (M&A) deals like Aetna's acquisition of Humana for \$37 billion and Anthem's acquisition of Cigna for \$54 billion.¹⁹ This M&A activity means that:

- › **There is security in size.** These mergers and acquisitions suggest the importance of scale and are evidence that there is security in size for these insurers. Regional insurers will be outplayed by the scale and deep pockets of these national giants, and they won't have the scale or money to acquire the skills and competencies to differentiate themselves in time.
- › **Digital innovation will only delay extinction.** Regional insurers can try to extend their life through digital innovation, but extinction is inevitable. For consumers, this means less choice, higher prices, and the continuation of their fractured relationship with their insurance. Newcomers into the space like New York's Oscar will become purely digital, establishing direct relationships with consumers and outsourcing claims administration and administrator costs to the bigger insurer conglomerates.

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Supplemental Material

Companies Interviewed For This Report

Acxiom	Merkle
Blue Cross Blue Shield of Massachusetts	Novu
HortonWorks	Optum
Humana	UnitedHealthcare
KBM Group	Vitality
Mango Health	Wellframe

Endnotes

- ¹ Novu offers a platform that helps insurers deliver tailored health content, programs, and incentives to consumers.
- ² Source: Kaiser Family Foundation (<http://kff.org>).
- ³ Source: Michael Facemire, “Customer-Obsessed Technology Platforms: If You Don’t Know, You’re Doing IT Wrong,” Michael Facemire’s Blog, June 1, 2015 (http://blogs.forrester.com/michael_facemire/15-06-01-customer_obsessed_technology_platforms_if_you_dont_know_youre_doing_it_wrong).
- ⁴ Given the trends in technology, business models, and customer market power, all enterprises must undertake a BT agenda that applies technology, systems, and processes to win, serve, and retain customers. See the “[Applying Technology, Systems, And Processes To Win, Serve, And Retain Customers](#)” Forrester report.
- ⁵ Looking at data from an actuarial standpoint means determining how likely an event is to occur and the costs associated with it. Looking at data from a statistical standpoint means collecting data that measures the occurrences of certain factors to formulate conclusions.
- ⁶ Source: “Shock Treatment,” The Economist, March 7, 2015 (<http://www.economist.com/news/business/21645741-wasteful-and-inefficient-industry-throes-great-disruption-shock-treatment>).
- ⁷ Throughout our many interviews, we continually heard that insurers tend to confuse CI and CX.
- ⁸ For more information on BCBS of MA’s new initiative, please read the following article. Source: John Tozzi, “Your Health Insurer Wants to Know Exactly When You Get Pregnant,” Bloomberg Business, May 27, 2015 (<http://www.bloomberg.com/news/articles/2015-05-26/your-health-insurer-wants-to-know-exactly-when-you-get-pregnant>).
- ⁹ For more information on data stewardship, see the “[Building Data Stewardship Is A New Customer Insights Imperative](#)” Forrester report.
- ¹⁰ Organizations differ — some have CI and CX managed together, others separate them into different groups. The important piece is that someone is policing the organization to ensure that all decisions are made not only with the customer in mind, but also with customer data backing their decisions.
- ¹¹ For more information on how people choose, see the “[How People Choose](#)” Forrester report.
- ¹² To take Forrester’s Enterprise Intelligence Self-Assessment, see the “[Evaluate Your Enterprise Intelligence](#)” Forrester report.

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¹³ Source: John Tozzi, “Your Health Insurer Wants to Know Exactly When You Get Pregnant,” Bloomberg Business, May 27, 2015 (<http://www.bloomberg.com/news/articles/2015-05-26/your-health-insurer-wants-to-know-exactly-when-you-get-pregnant>).

¹⁴ CIOs and CMOs must bring together different parts of their organization to identify and shape their enterprise’s ongoing response to age of the customer dynamics. This must be done with respect to technology, systems, and processes. This will provide the type of integrated plan offering that today’s consumers demand.

¹⁵ For more information on the BT agenda, see the “[Applying Technology, Systems, And Processes To Win, Serve, And Retain Customers](#)” Forrester report.

¹⁶ For more information on USAA and its connection to the BT agenda, see the “[Emerging Business Technology Priorities](#)” Forrester report.

¹⁷ Wellframe delivers a care plan on mobile with services ranging from reminders for medication to guidance and recommendations around what they should be doing. They track behaviors, quality of life, level of activation, and psychosocial risks and barriers.

Care managers are professionals who work with individuals to identify goals and find support services that enhance well-being.

¹⁸ Source: “Welltok Acquires Leading Healthcare Analytics Company Predilytics,” Welltok press release, May 19, 2015 (http://welltok.com/release_detail.html?ix=1ASI5tuLUAYeCe0usEye6Y&name=welltok-acquires-leading-healthcare-analytics-company-predilytics).

¹⁹ Source: “Aetna to Acquire Humana for \$37 Billion, Combined Entity to Drive Consumer-Focused, High-Value Health Care” Aetna news release, July 3, 2015 (<https://news.aetna.com//news-releases/aetna-to-acquire-humana-for-37-billion-combined-entity-to-drive-consumer-focused-high-value-health-care/>) and Aaron Smith, “Anthem to acquire Cigna, leaving only 3 big insurance companies,” CNN Money, July 24, 2015 (<http://money.cnn.com/2015/07/24/news/companies/anthem-cigna-merger/>).

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