CHAPTER 16
Marketing and Sales

CHAPTER STUDY REVIEW

1. Key health plan marketing functions include:
   - Brand management
   - External communications
   - Advertising
   - Market research
   - Lead generation
   - Sales campaign support

2. High performing health plan marketing organizations are able to:
   - Measure and grow the value of the health plan’s brand
   - Measure and optimize marketing spend across a portfolio
   - Deliver advanced consumer segmentation
   - Plan and execute targeted consumer campaigns

3. After years of unprecedented merger and acquisition activity as the primary driver of growth in the managed care marketplace, health plans are re-focusing on organic growth.
   a. Inorganic growth may have reached its pinnacle, in terms of fueling managed care growth, and is viewed as having a lower return on investment because of high acquisition costs per member and the hidden reality of higher-than-expected post-merger integration costs.
   b. A shift toward consumerism influenced by the introduction of new consumer-directed products, Medicare reform, and the onset of individual health insurance offerings.

4. Health plan customer segments generally are based on membership size in the commercial space and include individual, small group (2 to 50 member employers), mid-market (51 to approximately 5,000 members), and large case (more than 5,000 members), with some designation within each of these segments to reflect the risk arrangement and the product portfolio purchased. Additionally, many health plans have organizations and products focused on serving the government-sponsored Medicare and Medicaid markets.
5. The employer-sponsored channel is a business-to-business-to-consumer model characterized by heavy reliance on intermediary distribution channels, namely brokers and consultants. The direct markets channel, which includes Medicare and individual commercial offerings, is characterized by a closer relationship with the consumer.

6. More than 85% of employer-sponsored business involves an intermediary, typically a broker or consultant.

- Brokers are typically focused on relatively smaller employers and are compensated based on commissions paid by the health plan.
- Consultants are focused on larger employers and receive fee-based compensation paid by the employer.

7. Key steps in the employer-sponsored sales process include:

- Lead Generation
- Prospecting
- Rating and Underwriting
- Quoting
- First Sale (to the employer)
- Case Installation
- Second Sale (to the employee)
- Enrollment

8. Prevalent sales channels for the Medicare and Individual markets include:

- Direct mail to the consumer
- Field sales executed by internal sales resources or brokers
- Telesales
- Web sales
- Affinity programs with businesses outside of the healthcare space

9. Health plans face several challenges in pursuing sales in the employer-sponsored markets, including:

- Lack of valuable and usable insight around employers, brokers, and members
- Historic underinvestment in sales and account management resources
- Commoditization of products, networks, and services reducing differentiation in the marketplace
- Array of unpredictable influences on health plan purchasing decisions, including input from brokers, consultants, other employers, providers, employees, and governments
- High degree of seasonality in employer healthcare purchasing causing resource fluctuations
10. Under the ACA, new state health insurance exchanges will provide access to coverage for individuals and small businesses.
   - Not required to use exchange
   - Marketing and sales can exist outside of the exchange
   - Navigators and portals will play an important part

11. Despite formidable challenges, some health plans are demonstrating high performance selling in pursuing organic growth:
   - Transformation from a reactive, transactional, service-focused model to a proactive, consultative, strategic model focused on growth
   - Incorporating performance metrics borrowed from retail paradigms, such as share of wallet and cost to sell
   - Reducing the time frame from the time of sale to fulfillment by closing process gaps and eliminating redundancies in the sales process
   - Employing distribution channel loyalty programs to drive higher productivity from distribution partners
   - Creating centralized RFP units to drive efficiencies to the common practice of employer RFP response
   - Investing in customer insight and analytics to drive toward a deeper understanding of health plan membership

12. High performance in direct markets sales is characterized by advanced Web sales, marketing automation, and advanced telesales technology.

13. The advent of new products, particularly in the consumer-directed and Medicare spaces, has demanded a dramatic increase in marketing spend and improvement in health plan marketing capabilities.