

EXECUTIVE BRIEFING

# Get the Consumer on the Dance Floor

*Consumer-Focused Strategies to Unleash the Economic Value of  
Health Plan-Health System Collaboration*



## *Consumer Engagement Takes Center Stage*

This executive briefing is the final installment of a three-part series that explores how best to build on the collaboration process already being tested in many communities. To build on the concepts discussed in the earlier briefs, this paper presents four points for enabling consumer engagement. Although short-term in their own respective scopes, each element is designed to drive long-term planning and success. Together, they support health plan efforts to enhance overall performance while maintaining a strong commitment to the collaboration model with local health systems.

The common thread between and among all four points of engagement? That's the consumer—the end user who has always been in the picture but rarely takes center stage when it comes to health plan strategic planning and operations. With a new landscape comes a new stage, and with a new stage comes new choreography. To create and sustain a successful health plan-health system collaboration model, it is time to get the consumer on the dance floor.



## Core Building Blocks

### Key Components for a Successful Collaboration Model

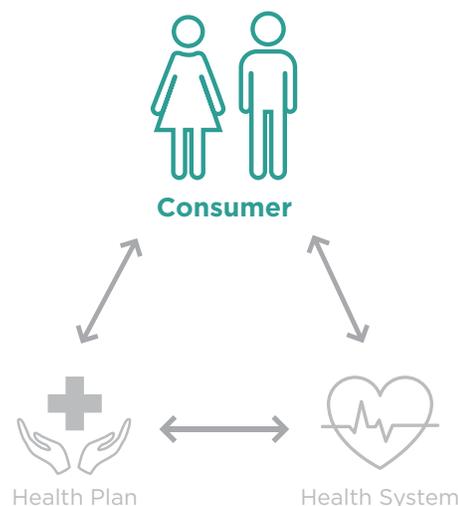
Health plans should gravitate toward strategic partnerships with health systems, particularly on a local basis, sooner rather than later to stay competitive in today's changing healthcare industry.

The two related briefings in this series outlined a conceptual framework for greater collaboration and mutually beneficial partnerships between health plans and health systems. More specifically, the earlier briefs suggested that true collaboration and/or partnership models will be most successful when they are built from two core building blocks:

**1. A comprehensive collaboration model requires three-way engagement of health plans, health systems and consumers.** Both the health plan and the health system need to understand and commit to consumer-based business models. True economic

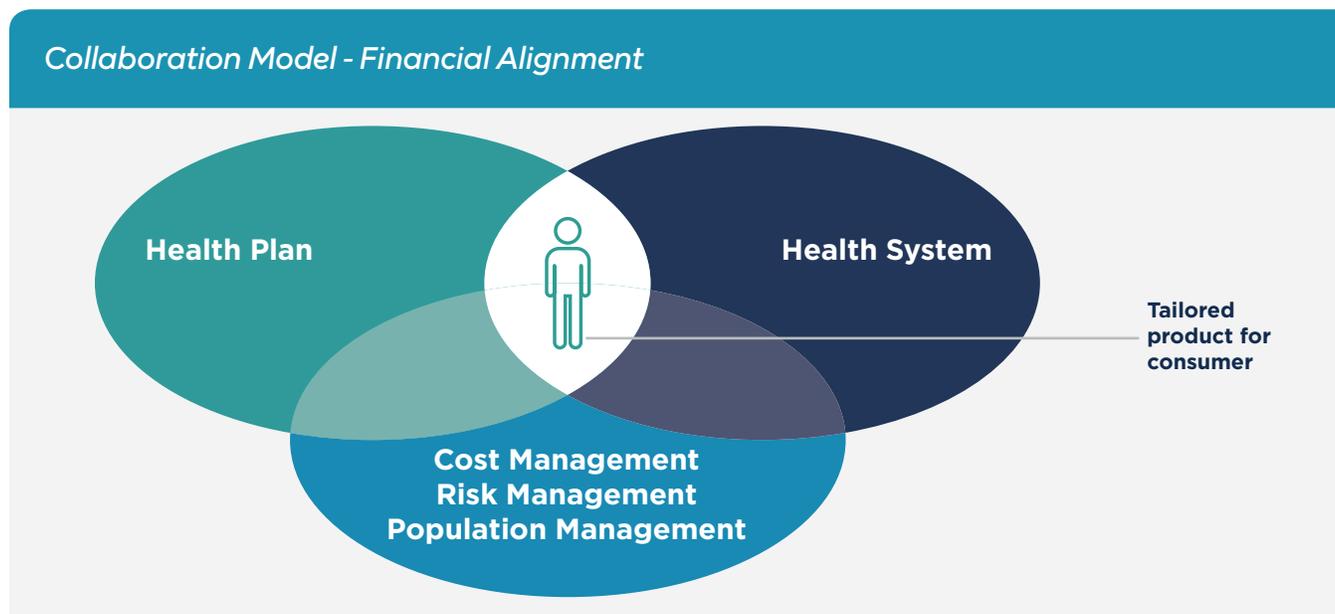
sustainability and improved health outcomes can only be achieved by structurally committing all three participants to a new, integrated operating model. A three-way engagement process is foreign territory for health plan strategies, which will need to be executed against a work plan that is viewed by executive teams as a critical path for success. The first step to engaging the consumer in the collaboration model is through the product structure, which must recognize the unique demands and desires of varying consumer segments. (See our executive briefing called, *It Takes Three to Tango: Structural Collaboration Between Carriers, Providers and Consumers.*)

Long-term success in health plan-health system partnerships requires a meaningful and relevant value proposition to distinct consumer segments.



**2. Committing to an explicit collaboration model as a strategic, short-term objective of the health plan and health system.** The collaboration model will be defined by an integrated partnership designed around economic models that support greater financial alignment between health plans and health systems. A key element enabling partners to align financially is a tailored product, which includes benefit and network design developed to create harmony between

member healthcare decision-making and partnership objectives. The focus of the model should account for cost management, risk management and population health management collectively under the partnership structure. Both parties need to become real partners in all they do to support consumers in accessing the care needed for health and wellness. (See our executive briefing called, *Take the Lead: Unlocking the Potential of Carrier-Provider Partnerships.*)



With these two building blocks as the strategic launch point for collaboration to take shape in local markets, a new partnership journey will likely be on the right track for systemic change. This type of change will

influence how healthcare is managed going forward. Having said that, further exploration is needed in how this integrated partnership will engage the consumer to achieve the “end game design” for long-term success.

OUR POINT OF VIEW

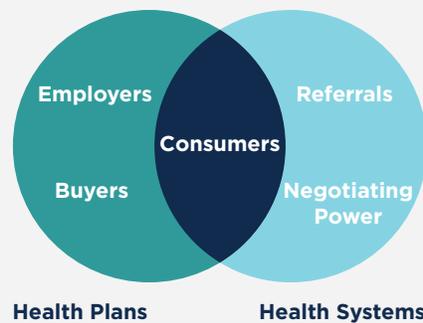
## Saying Farewell to the Status Quo

Consumers are the new lifeline for the future of the industry.

A third building block must focus on understanding and engaging the consumer on multiple levels. Health plans and health systems must enhance the foundation of the collaboration model by engaging the consumer through value propositions that are relevant to the consumer. Whether referred to as patients or plan members, until now consumers have

played a limited role within strategic and operational planning for health plans and health systems. Traditionally, consumers usually take a back seat to other priorities that drive the bottom line. Health plans focus on employers and buyers, while health systems focus on referrals and negotiating power.

### Collaboration Model



In a virtually integrated health plan-health system business model, the consumer relationship must be prioritized and optimized to ensure long-term viability and financial success. The adoption of strategic collaboration structures between health plans and health systems is clearly a departure from maintaining the status quo in local markets. We believe health plans will realize at a relatively early stage that even the most basic collaboration model cannot rely on static design. If it does remain static—that is, to ignore

important market influences—it could negatively affect a key component of strategic alignment, which is attempting to address many flaws within the current healthcare industry.

On the other hand, if health plans work to understand and involve consumers in their collaboration planning, the potential will be there to truly influence the healthcare experience over the long haul. Such influence will focus on offering consumers a more

quality-oriented, cost-effective and highly integrated system. By taking steps that break the traditional mold of maintaining status quo, health plans and health systems could move healthcare toward those goals at a faster pace than ever experienced in the past. We predict that shortly after a collaboration

model comes into play with the basic foundation of a partnership, the parties will realize the need to evolve quickly to the next generation. This is a key step—a step that embraces consumers in a deep and engaging manner.

## The Four Points of Consumer Engagement

The integrated partnership will be optimized through a unified view of the Four Points of Consumer Engagement. Our four points are built on a continuously evolving consumer lifecycle. As the

visual below indicates, the lifecycle is focused on four critical opportunities the partnership has for engaging the consumer in the collaboration model.



## *Get the Consumer on the Dance Floor*

The purpose of engaging the consumer across these points is to enhance the value proposition to the consumer while maintaining a strong commitment to the collaboration model. We believe it is these four points that unlock the value of the collaboration by bringing all three stakeholders to the dance floor. To bring the four points of consumer engagement to life,

the partnership will need robust, consumer-focused segmentation built on an analytics capability, which in turn will inform strategies and drive tactics. It is imperative that consumer-level analytics are utilized by both the health plan and the health system to align resources and optimize consumer engagement across the lifecycle.

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### 1. Point of Health Status Segmentation

Prior to collaboration and engagement with the consumer, a fundamental understanding of the consumer must be cultivated. This understanding should be developed through deep and focused data analysis that segments consumers based on their health needs and preferences.

This approach is distinct from traditional health plan consumer segmentation, which is often focused on the health plan's view of consumer purchasing segments. Rather, this new approach to segmentation focuses on understanding how consumers engage in the overall healthcare system and how product selection reflects the consumer's perceived needs of the health system. Ultimately, this leads to integrated partnerships that have distinct value propositions by health status, expected healthcare utilization patterns and compelling product design features for each segment. This type of segmentation should be incorporated into the consumer experience from the selection of a product to how the consumer navigates for care, and into the care delivery experience.

Health status segmentation ultimately informs who (i.e., the health plan or the health system) is responsible for engaging the consumer. Stakeholder responsibility in consumer engagement means optimizing the integrated partnership by identifying

whether the health plan or the health system has primary or secondary responsibility for engagement, and what form the engagement takes. The health plan's historical competencies uniquely position it to manage and analyze the data (including health plan transaction data, health system EMR data, supplemental consumer behavior data, etc.).

While health plans will play a substantial role in managing the segmentation development, this task will clearly need to be done in consultation with their health system partners. Collectively, their unique segmentation processing will be used to engage consumers, whether led by the health system or the health plan. The health plan and health system should jointly utilize the segmentation to deliver on their competencies of enrollment, education, navigation, access to care, delivering care and supporting post-care situations.

We believe segmentation processing must be a joint process determined collectively by the partnership. It will likely produce familiar population segments such as chronic, acute and at-risk population segments, but it is equally as likely to produce a multitude of new segments. These heretofore have not been part of the product structures considered by health plans and/or the traditional health system handling of these new

healthcare needs segments. As new segments are defined, so too are the product structures to support consumers in their health experiences.

For illustration purposes, the chronic segment will likely comprise a broad spectrum of health statuses, ranging from those with traditional, well-managed and well-understood conditions (e.g., diabetes and

asthma) to more complex cases involving high severity and/or multiple conditions (again, the health plan and the health system will jointly determine the most appropriate granularity of segmentation). As a result, the partnership will need the ability to engage with the distinct sub-segments of chronic consumers to maximize the effectiveness of the model.

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## 2. Point of Product Design

Point of Product Design refers to the partnership's efforts to engineer a consumer-first product portfolio that optimizes the collaboration model and engages all consumers in the partnership. This means building products for health status segments (as previously defined). Equally important as targeting the health status segments, the product design process must reinforce the competencies of the health plan and health system through both incentive-based and targeted benefit designs for those identified segments. The key design questions now focus on the consumer and are no longer part of the status quo approach to benefit designs.

### Key Benefit Design Questions

- Does the product attract the appropriate consumer segment based on its design?
- Does the product benefit structure incentivize the right kinds of behavior, including prioritizing utilization with the integrated health system?
- Does the product provide a valuable and differentiated experience for the consumer?

The output of a product portfolio designed for consumer health status segments should produce a clear alignment of consumers to products. As the visual on page 10 demonstrates, a portfolio that is aligned will have a limited overlap of products and reduced consumer confusion. The key to enabling this consumer-first portfolio will be a data-driven approach that informs the design of consumer segment differentiated products, which address the key benefit design questions while anticipating local market realities. Product adjustments and pilot products for each segment can be designed under a hypothesis-driven model that identifies and aligns consumer segments with product design features.

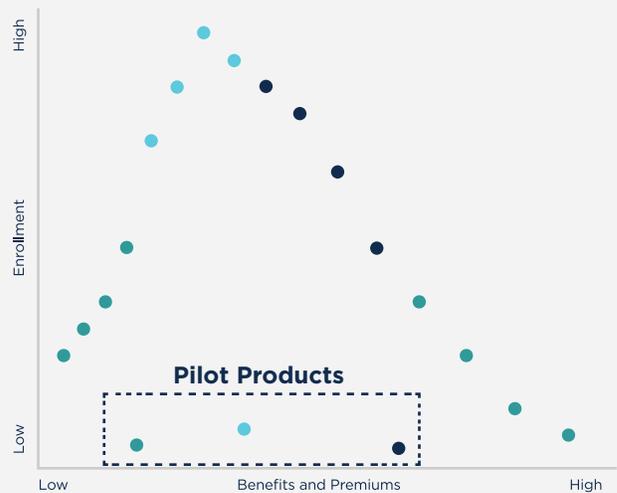
Underlying the differentiated portfolio of products is the value proposition for each health status segment—in other words, how individual consumers see value in what they are considering as their access points to coverage and care. As noted previously, health status segmentation identifies differing needs, and in turn, benefit designs and related consumer services should be tailored to each segment. For example, chronic segment consumers will likely pay a higher premium in exchange for lower out-of-pocket costs

## Aligning the Product Portfolio with Consumer Health Status

### Undifferentiated Product Offerings Today



### Clear Separation to Enhance Alignment and Performance



and condition support programs. Additionally, acute/at-risk consumers should be influenced by lower primary care copays that incentivize them to visit their PCPs and appropriate specialists for the current episode. For healthy consumers (who are not utilizing the services), value comes not from medical benefits but from value-added services or reward programs and dynamic product designs that respond to consumer behaviors, such as credits or premium reductions for certain behaviors. In all scenarios, final partnership products will need to respond to the local market product competitive forces, but this process should not erode the strategic value to the consumer segments.

Many lessons learned can be garnered from other industry experiences with segmentation and commensurate product designs. One familiar reference that has a common thread is the various driver discount product structures utilized by Allstate Insurance Company. Clearly the healthcare industry is evolving toward new structural processes similar to other industries, but it will take a joint commitment from the collaboration partnership to build such capabilities and deliver on them collectively.

One important and unique characteristic that must evolve is the product selection process, which is required to enable the economics of the collaboration partnership. The cornerstone of the economic model

is “member self-selection” to the partner health system (which in turn reduces reliance on “contact-based attribution modeling”). Requiring and capturing this selection upon enrollment is critical and must be combined with consumer financial incentives to drive appropriate consumer utilization to the health system. These incentives can take the form of elimination

of copays, limited out-of-network benefits or other discounts for seeking care with the partner health system. Finally, once the product is launched, market experience tells us it cannot be a “set it and forget it” product portfolio. Rather, the continuous evolution of the product and benefit becomes the new reality and competency of the partnership.

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### 3. Point of Consumer Navigation

To optimize the consumer experience prior to accessing care, the integrated partnership must have the right capabilities in place to effectively navigate and educate consumers on how and where to access that care. Again, this should be informed by the health status segmentation, as the navigation needs will vary by consumer segment. These capabilities should begin with education and awareness of the purchased product, its benefit design, and cost-sharing implications. This will occur both through mass marketing educational materials and personal consultation by benefit advisors (deployed by the partnership) to consumers.

While consumer engagement and the underlying financial model of the integrated partnership will be intrinsic to the product design, consumers must also understand how they should access care given their health statuses and the products they purchase. The health plan can leverage existing resources ranging from repurposing sales teams to creating new accountabilities for distribution partners (e.g., brokers, call centers, etc.), all with the intention of bringing value-added opportunities to connect with consumers from the outset. This will require an information exchange different from the traditional methods used in today’s distribution and sales processes.

Building a navigation capacity and the ongoing interaction with consumers represents a keen opportunity for health plans to support consumers before, during and after access to care. To achieve the consumer engagement and alignment noted previously, navigation processes should also include an “Outbound Consumer Engagement Competency”—that is, a sophisticated and non-traditional approach to connect to consumers—which will be a key differentiator going forward.

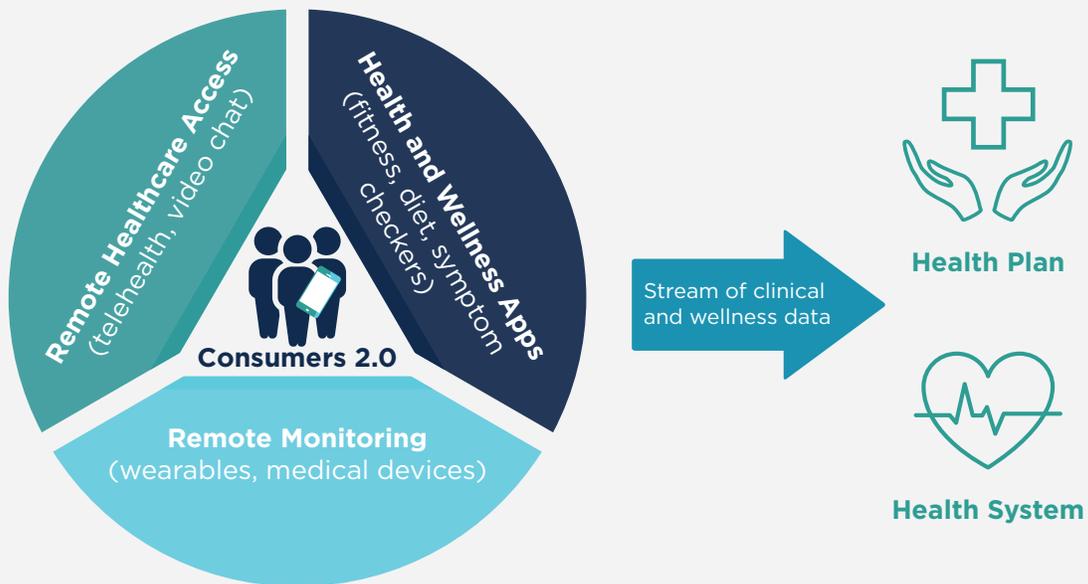
From the health system’s perspective, navigation revolves around the education and awareness opportunities that exist during face time with consumers. This will require a new approach for internal staff to support the collaboration process and their engagement in understanding the intrinsic benefits of the products selected by consumers. Health systems will need to become highly proficient with all consumer segments as demonstrated through guiding and supporting a consumer’s knowledge of and access to the entire service continuum. Equally important, health systems must evolve their care models to align with the fee-for-value economics of a collaborative partnership.

## Get the Consumer on the Dance Floor

Across all consumer segments, the point of navigation will require greater and steady financial and operational commitment to consumer-based navigation technology. Whether that is through greater transparency of the cost of services or through remote healthcare access, the collaborative partnership must be committed to technology

advances to deliver on its value proposition to consumers. For the consumer, it makes care more convenient outside of the traditional care setting. More importantly, the data collected from new technologies must feed an improved consumer experience when the member is at the point of care.

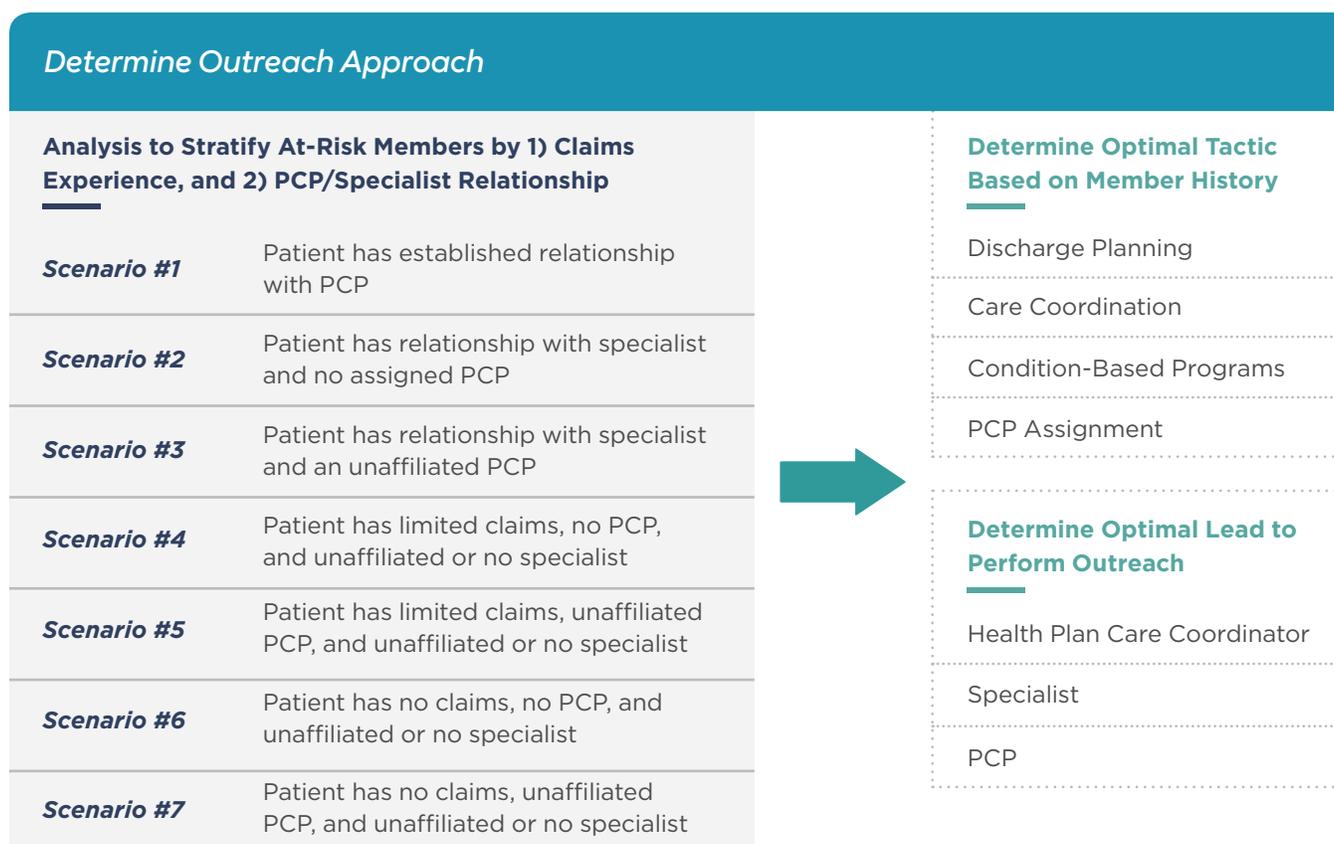
### Plan for a Virtual Model



## 4. Point of Care

Point of Care engagement will be the distinguishing element of the health plan-health system partnership and will require the greatest coordination between the partners. While Point of Care engagement is common for both parties, for an integrated partnership to succeed, Point of Care engagement must broaden beyond traditional engagement with chronic, acute, and/or at-risk consumers. In the next generation of consumer engagement, Point of Care engagement will have differentiated value propositions for ALL health status segments.

As the Point of Care engagement processes evolve beyond today’s models, there will be greater demand for new or enhanced capabilities that address “advanced care coordination mapping” and knowing how to optimize outreach to consumers using existing vertical relationships within the partnership. Depending on which vertical is used, the approach and actual outreach could be performed by a different party through a different channel (see sample mapping in the graphic below).



## *Get the Consumer on the Dance Floor*

The greater challenge in the integrated partnership model is making a connection when care is not an explicit need for a consumer. This Point of Care engagement does not happen in a traditional health system care setting or in traditional health plan programming. This in turn leaves an obvious engagement gap for a sizable cohort. NON-Point of Care engagement techniques designed to address this gap are evolving and generally revolve around opportunity benefits, such as wellness programs, nutritionist and dietary resources, exercise tracking wearables, and of course new smartphone apps. In other words, the partnership must deliver “total

health” solutions through a platform or channel of resources beyond traditional expectations.

As the partnership evolves, so must the vision of the way these channels will present themselves. Ultimately, identifying the best strategies to collaborate with healthy consumers through these channels can provide a consumer connection point that may not have existed in the past. Most importantly, the partnership will deliver value to the healthy consumer and increase retention within the integrated partnership product.

## *Next Generation Efforts*

**As health plans and health systems become more proficient in supporting a consumer vis-à-vis the four points of consumer engagement outlined in this briefing, they must also contemplate how the work therein will eventually become insufficient for ensuring long-term success.**

At HealthScape Advisors, we refer to this as planning for the “next generation efforts.” In reality, the steps required for looking and planning long term are still undefined. However, today’s health plan performance clearly points to a growing and immediate need for greater effectiveness across the health plan and health system spectrum. As such, health plans should be thinking of future consumers in relative terms along the lines of a virtual concept—namely, “Consumers 2.0” (see illustration on page 12).

A look at the collaboration landscape in play today shows there have been some relatively small-scale yet creative responses to gaining control over the fluid state within many health plan business lines and market segments. Unfortunately, these responses tend to be intentionally designed for a short-term management timeline.

The operational strategic investments detailed in this briefing are very important—where they are not already in place, they should be pursued aggressively. Such efforts must be deployed alongside a clear and visible commitment by health plan and health system executive leadership teams to embrace the next generation efforts of planning for long-term alignment with consumers.

There is now growing evidence that the healthcare industry has reached a turning point. Some would argue that “innovative disruption” in the healthcare industry could rule the strategic framework of many

entities going forward (and we would generally acknowledge such potential does exist). These types of advances have yet to be found in any demonstrable manner at this point, but more and more disruptive strategies are starting to target and enter the healthcare market. The way health plans and health systems compete in the future may be driven by how much traction these new entrants gain in the marketplace, and at what pace.

Having said that, for health plans embarking on collaboration models with local health systems, it is more important right now to have a strong operational assessment of the current and prospective consumer base. The future designs and next generation efforts to connect with consumers will clearly evolve over time. If the infrastructure is not built along that continuum, which includes how consumers play a role in all aspects of plan operations, the result could be very problematic going forward.

The bottom line for health plans: To protect the future, health plans must now build the infrastructure of collaboration-based partnerships and incorporate consumers into every operational analysis and market-based strategy deployed in the short term. Additionally, health plans must become adept at anticipating and accounting for what might evolve into the next generation of consumer-based requirements.

CEO'S PERSPECTIVE

## *A Note from Senior Advisor, David Gentile*

After reading this executive brief and recalling the two earlier briefs revolving around the common theme of collaboration, I couldn't help but contemplate how collaboration models will succeed over the long haul. It seems to me the most critically important thing to recognize is that the end user of the services provided by health plans (and, for that matter, by health systems) has finally started coming into focus. In other words, the consumer now has both feet planted on the proverbial dance floor. This is especially evident by taking a deeper look at the current influences in markets across the country. A few observations:

1. The 2016 presidential election has made even the most ardent supporters of repealing and replacing the Affordable Care Act worried about how the new landscape will evolve. That said, the ACA framework was already operating on shaky ground. Its evolution and impact on markets has been rocky at best with very uneven performance results. At its core, it is about managing risk and understanding the market segmentation elements.

2. The evolution of health systems in their pursuit of vertical integration to capture patient revenue has been more visible and prevalent than ever before, which in turn is ripe for building collaboration models going forward.

3. Factors like the expanded lifetime expectancy of an aging population, the baby boomer explosion and the demand from millennials for greater technology capacity have the industry scratching its head on how to keep pace. The technology support and expectations of both cohorts are similar but different.

4. Signs are appearing that suggest employers are beginning to wane in their commitments to providing group benefit coverage to employees. We shall see if that pans out over time.

Clearly, these and many other market influences will force new ways of thinking about how best to serve local markets and remain successful.

The healthcare industry has been relatively insulated so far from the traditional requirements of being concerned about and/or aligned with the consumer, the end buyer of services being rendered. However, as consumerism continues its rise inside the industry—whether it stems from new collaboration models or as a result of new disruptor marketplace entrants—there is a new sense of immediacy beginning to surface.

The potential for a fundamental transformation of the industry is clear. I predict that health plans will be competing more directly, more exclusively and more aggressively for consumers in the not-too-distant future. (The same is true for health systems to a similar extent, but within a different context.)

*David Gentile, HealthScape Advisors' Senior Advisor, is the former (retired) President and Chief Executive Officer of Blue Cross Blue Shield of Kansas City.*

I do not think many health plan executives, boards and teams see the evolution differently across the industry. I do believe, however, that many are moving at different paces to build the operating infrastructure referenced throughout this brief. The telling point of that statement is that while those strategies are foundational to success today and tomorrow, they are simply launch points for what health plan executive teams need to be thinking about once those short-term strategies are in place. The long-term view needs deeper and more robust exploration as consumerism takes shape.

To any readers who feel my commentary conveys a plausible theory—a likely and foreseeable future for the industry—my question to you is this: *Are you all in?*

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