

## EXECUTIVE BRIEFING

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### **Savvier Shoppers Make Medicare Advantage / Part D Sales a Tougher Environment in 2006**

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### ***Lessons Learned and Practical Guidelines For Plans to Enhance Open Enrollment Results***



By

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## **Summary**

Connexions Health currently manages Medicare Advantage and Medicare Part D enrollment and field support for six major health plans. Connexions Health responds to approximately 5,000 telephone calls a day; serving as the first line of response for Medicare Advantage / Part D (MAPD) customer inquiries for most of those health plan clients. The observations and recommendations in this briefing are based on that experience.

All plans involved in MAPD sales have experienced significantly different market conditions compared with the last month of enrollment in May 2006, and are now analyzing those changes in an effort to design effective short- and long-term sales strategies.

Toward that end, we offer the following observations:

- The overall dynamics of the sales process has changed dramatically, largely as a result of the demographic composition and technological sophistication of the current age-ins, compared with the prior group of enrollees. In short, this enrollment period's customers are better informed, far more internet-savvy, and well-accustomed to using multiple channels to gather information and to conduct transactions. We expect this trend to continue in future years.
- This season's MAPD prospects are using the full range of tools available to them to gather, review and analyze data across multiple plans. They are accessing the internet for plan comparison, and are pro-actively seeking plans that demonstrate a competitive advantage on price and / or benefits.
- This year, more Medicare beneficiaries are leery of moving from their current plan, where they are familiar with its benefits. The complexity of the Part D program changes has also made seniors reluctant to switch from their existing plan.
- The shortened Annual Election Period has not reduced the sales cycle. Seniors are eager for information, but despite their sophistication and access to multiple channels, many remain confused by the complexities and differences in the product offerings. As a result, they are requiring multiple touch points across multiple sales channels.

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- Not surprisingly – and consistent with the traditional behavior with this senior demographic segment – consumers require that they maintain control over their buying decision, as well as the methods they use to select a plan.
- If “decision-making” is the common factor with this group, decision methodology is the variable. While many prospects demand to see agents face-to-face to sign their enrollment, others want no personal contact. Of those not seeking face-to-face interaction, prospects often will attend a group meeting or have a sales kit sent to their home. After attending a meeting and having their questions answered, they may enroll telephonically or by mail.
- As this season’s sales experience demonstrates, as the number of independent-minded, internet-savvy consumers continues to grow, and as they continue to exhibit a diverse range of buying behaviors, MAPD providers will need to build and maintain a fully integrated sales channel.
- Increasingly, consumers will seek the flexibility of using the channel of their choice, either alone or in combination. To succeed in this sales environment, plans must not only be adept in all channels, but also must understand how to effectively manage their overall channel portfolio in order to re-gain greater control over the sales process.
- Within this fully integrated channel portfolio, the telephone remains the central element in a plan’s enrollment strategy. The 2006 changes in the Part D enrollment process – allowing consumers for the first time to enroll telephonically – has drastically altered the manner in which plans must market and respond to consumers through the sales cycle.
- Many plans are adapting quickly to the new MAPD sales environment. For those plans, the “pay-off” for working harder to win MAPD sales this season is that these well-informed customers are more likely to remain in the plan they ultimately select. We expect to see customer loyalty levels rise steadily.

## **Key Findings**

- Initial customer response shows increased interest in community-based meetings. Compared to last May, requests for community based meetings, as a percentage of calls answered, increased to 22.7 percent from 4.9 percent of total calls answered.
- Conversely, there is lesser support for one-on-one sales appointments. During the same time period, requests for one-on-one appointments increased by a relatively smaller margin – to 15 percent from 11.3 percent, as a percentage of total calls answered.
- In May of 2006, applications to calls answered produced a 13 percent conversion rate. Through mid-December of this season, conversion rates were approximately 8 percent for applications to calls answered. However, this decline in telephone-based conversions during the initial weeks of open enrollment now appears to be reversing; with conversion rates more consistent with last May's level.
- Anecdotal feedback from multiple partner health plans supports similar findings in the field: lower conversion rates at community meetings, and lengthened sales cycles requiring multiple touch points.

## **Recommendations**

- Now is the time to sell aggressively; as many consumers who have been mulling over plan selection now appear ready to buy. Use the urgency of the impending deadline to drive decisions. Move every “responder-non-buyer” lead into outbound campaigns and contact as many leads as possible with a “buy now or miss out” sales proposition.
- Do not force consumers to select a specific channel. Instead, provide and enroll them in their channel of choice, but offer channel choices in a hierarchy that will expedite the sale, such as telephone / internet, followed by an in-home meeting. Plans that attempt to drive customers to enroll in a particular channel will experience significant roadblocks now and in the future.
- Look for multiple-touch opportunities with consumers, and determine what, if any, channel has not been attempted. Drive those leads into a new sales channel – such as driving telephonic leads into the field, or field-based leads into telephonic campaigns. Flexibility and creativity in the sales process are essential.

## ***One-Contact Sales No More***

Last year, many prospective enrollees were ready to make a decision on the day they were contacted. That's not the case this year. Instead, consumers are requesting more information, asking to set up a meeting or a comparison of benefits, but many are not ready to enroll.

In-home visits last year often included a brief presentation and frequently culminated with the agent leaving with a completed application. Our plan clients tell us that sales process has been replaced by lengthy benefits comparison sessions. Now, consumers often are not ready to enroll, and plan to seek similar meetings with other health plans before making a decision; making it a much longer and more competitive sale process.

This MAPD season, plans are spending about the same on marketing but with lower response, poorer conversion rates and a lengthier sales cycle.

## ***Savvier Shoppers***

Age-ins, or those just turning 65, are more technically sophisticated than last year's enrollees – which included a great number of consumers in the 70s, 80s and 90s; who tend to be far less familiar with computers. As a result, this year's group is requesting a greater amount of information and performing considerably more comparison shopping, relative to last year's enrollees.

Many consumers feel they were rushed or forced into choosing a particular plan last year, which has made it more difficult for agents to enroll potential enrollees in a single contact this year. Because conversions this year have required a higher degree of personalized contact – often involving multiple contacts – telephone-based sales have proven to be one of the most effective channels.

Randy Ricker, Director of Medicare Programs for OptimaHealth, a service of Sentara, notes that one substantial difference this season has been the tougher questions that potential customers are asking agents – many so challenging that they can sometimes go beyond the agent's knowledge of the process. Consumers are also asking very detailed questions regarding formularies, and which drugs are covered at each tier.

There is good news. In many respects, this more rigorous method of choosing a health provider and a plan suggests that these hard-earned consumers may be infinitely more retainable.

### ***Longer Appointments Now the Norm***

Some plans are reporting that the average in-home appointment now lasts about two hours. Seniors were under the gun to quickly make a selection last year, whereas many feel they can more leisurely make an informed decision this year. But in reality, this is the shorter sales cycle, and plans are giving seniors less time to make a decision.

In addition to comparison shopping by phone and through in-home appointments, a growing number of potential customers are attending seminars or community meetings.

Plans report that seminars have become a top avenue for fact finding. While it can be difficult to predict how many will attend, and despite the fact that often less than half of the enrollees show up, a sufficient number of attendees leave with a sales kit in hand. Well-timed telephonic outreach to these prospects shows a very promising conversion rate.

### ***What's in Store for First Quarter 2007?***

Many plans may interpret the end of the Annual Election Period as the end of Open Enrollment and as a result, will slow down their marketing engine and reduce their sales force after the beginning of the year. We believe this is a strategic miscalculation. Plans with greater foresight into the opportunity in the First Quarter of 2007 will reap the greater rewards.

Consumers' enhanced knowledge and understanding of plan design may prove to be a unique challenge, as well as an opportunity between January and March 2007. During that period, plans with initiative will find that the early months of the year are ripe with prospects. Consumers who are currently in a plan or chose a new plan during the AEP for 2007 have the opportunity to make one change before the end of March; thereby locking that prospect into their final choice throughout the remainder of 2007.

Consumers have spent much of November and December gathering and analyzing plan information. Plans with a competitive advantage either globally or benefit-based will have an opportunity to "surgically target" those consumers based on that advantage and to expose the "weakness" of their competitors. Needs analysis information gathered during the initial contact will be helpful in

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segmenting those consumers with the highest propensity to change plans. Plans should time their telesales campaigns to these prospects in mid-late January with the intent of allowing the prospect to have their first interaction with their new plan.

In addition to “surgical strike” campaigning, plans should focus outbound telesales efforts on contacting early responders that may have chosen another health plan based on speed to market. Our experience shows that plans who were first to provide enrollment packets and 2007 benefit information in writing often won the sale with early adopters. A multi-touch telephonic outreach to these prospects over their first few months of enrollment with their new plan will likely result in a respectable conversion rate.

Conversely, plans hoping to maintain their membership should also target retention based campaigns to keep their prospects from responding to this type of campaign.

It is reasonable to consider that the time spent marketing, responding and educating plan prospects during November and December will result in higher receptivity to changing plans than prospects who have not already engaged a plan.

It is Connexions' belief that the plans with the most aggressive, contact rich, marketing and outreach plans in the first quarter will see escalating conversion rates through the end of March.

It is clear that:

- Consistency will remain a critical element in retaining existing customers and converting new enrollees in the face of such a competitive market.
- Agents must continue to establish a strong rapport with potential clients before suggesting plans customized to their individual client needs.
- Agents must accept that the sales cycle has lengthened as seniors are becoming better informed and utilizing more tools to comparison shop before purchasing a product. But that doesn't mean there are not sales to be achieved.

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- Courteously providing the requested information and personally following up with potential customers will remain paramount as seniors look toward companies that can answer their questions and provide them with a customized product coupled with top-notch customer service.
- Longer sales cycles with less response and a lower conversion rate have become this year's norm, but with repeated personalized contacts those potential enrollees will become loyal customers.

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