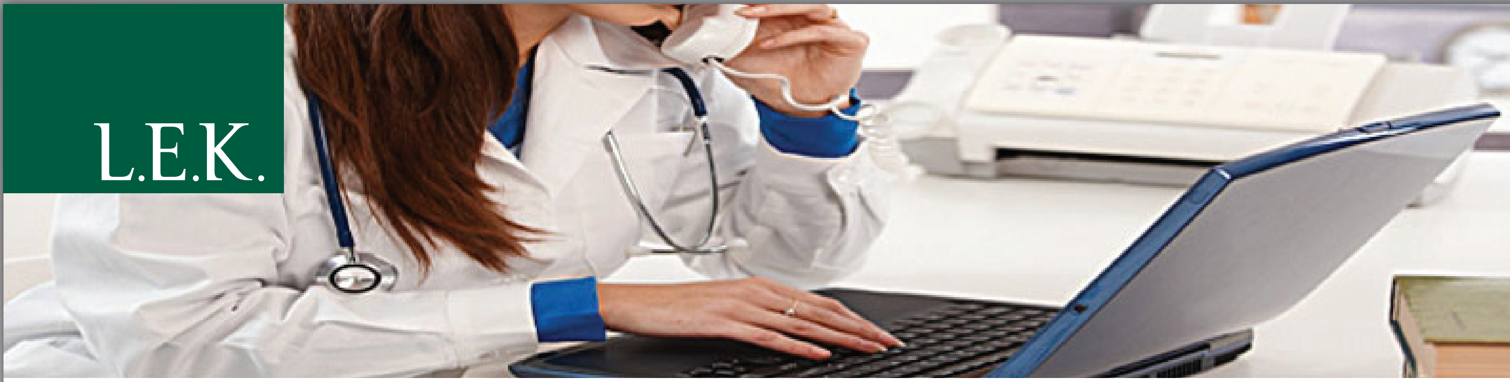

EXECUTIVE INSIGHTS

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Disenrollment: How to Solve the Health-Plan Retention Puzzle

Coming up with ad campaigns to sell to new customers is glitzy. Figuring out how to retain existing ones typically isn't. But for health insurance plans, stopping customers from defecting to competitors is, in economic terms, a big deal. Based on L.E.K.'s research, a typical Medicare plan may be able to increase revenues by 12% in two years by reducing annual disenrollment from 18% to a best-in-class rate of 10%. Non-Medicare plans in the individual market are likely to see similar payoffs.

Improved retention rates have additional benefits beyond the direct – and dramatic – financial ones. Higher retention rates are central to successful care management since a plan can only influence its members' health over the long term. Improved retention rates also may result in members who are more satisfied with their existing insurance and thus more likely to recommend the plan to other prospects, which in turn reduces the costs of bringing in new customers. Finally, higher retention has a direct impact on Medicare's Star Quality Ratings through improved results on two important member surveys – the Health Outcomes Survey (HOS) and the Consumer Assessment of Healthcare Providers and Systems (CAHPS).

Despite the critical importance of retention, however, many health plans treat the issue anecdotally and fail to get to the root causes of why people leave. Perhaps that's not a surprise. After all, it's easier to get sales and marketing right than it is to fix a problem that spans multiple functions within an organization and may have different causes in different geographic markets. The result of not having a methodical strategy, however, is that health plans may end up spending time and money on retention efforts that don't work. In fact, health plans may try to get retention right repeatedly, and fail repeatedly, because they don't know the complex factors that are actually causing members to leave.

In an earlier *Executive Insights* we focused on pinpointing the root causes of disenrollment and discussed a method for strategically assessing these root causes and the way that they combine to impact retention.[1] But that's just the first step. The next is implementation: How can health-plan executives come up with initiatives to increase retention? And how should those initiatives be prioritized for the most impact given the real-world constraints of limited budgets, people and time? In this piece, we will look at implementation in detail.

The Complexities Of Retention

Retention might sound like a simple topic, but it is extremely complex. The issue crosses numerous functions within any health plan, from customer service to medical care, and there's often more than one reason a member chooses to disenroll. Too often, health plans don't really know why their consumers depart because they have not drilled down deep enough into the reasons. Thus they may spend time and money fixing non-existent problems, while failing to recognize the root causes of their customers' unhappiness.

[1]See: Bill Frack, "Pinpointing the Drivers of Health Plan Member Disenrollment," *Executive Insights*, Volume XIV, Issue 8, available at www.lek.com

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That's why L.E.K. came up with a methodology for identifying the root causes of disenrollment. As an initial step to reversing disenrollment, health plans need to identify the root cause hierarchy to understand why consumers are leaving, and to categorize those reasons by how often they occur. Figure 1 shows a high-level example of the results of a root-cause analysis.

If health plan executives look at retention only at the highest level (what we call "tier one"), they may miss the real, specific issues (at "tier two" or "tier three") that are actually causing people to leave the plan. Misunderstanding the causes of disenrollment may result in spending valuable resources on issues that aren't really a problem – or, worse, unintentionally creating problems where none previously existed. So, for example, in the root-cause analysis shown in Figure 1, the "tier one" retention issue is broken into a common "tier two" complaint, which is "service issues." That, in turn, is separated into numerous tier three" components, such as customer service conduct and enrollment or eligibility issues. This disaggregation reveals that the biggest reason for disenrollment is member communication issues.

Only after a health plan's executives identify the root causes of dissatisfaction at all three tier levels can they begin to develop initiatives to attack the problems. Coming up with the right cross-functional strategy is difficult, and there are numerous potential pitfalls they may face along the way, from conflicting goals within the organization to a top-down approach that fails to involve service-center employees or other front-line workers. The most common pitfalls, according to L.E.K.'s research, are:

Lack of senior leadership involvement. While most senior leaders are involved in branding or marketing, many overlook retention. Without senior leadership involvement, however, the organization won't be able to work together across functions.

Conflicting performance goals and incentives for different functions. The reasons that people disenroll don't fit neatly into organizational functions, so different parts of the organization may end up working at cross-purposes because of conflicting performance goals and incentives. For example, customer service may have set time goals (e.g., four minutes talk time per call) that leave members feeling dissatisfied with their ability to

Figure 1

Finding the Root Causes of Disenrollment

		2012				2013			
		Rapid		Regular		Rapid		Regular	
Tier Two Reasons	Tier Three Reasons	Implied N	% of Subtotal	Implied N	% of Subtotal	Implied N	% of Subtotal	Implied N	% of Subtotal
Service Issues	Customer service conduct	58	13.5%	74	9.2%	75	27.8%	136	20.0%
Service Issues	Customer communication issues	171	39.9%	215	26.6%	100	37.0%	83	12.2%
Service Issues	Operational issues – sales floor staffing	-	0.0%	62	7.7%	-	0.0%	81	11.9%
Service Issues	Customer service gave confusing/ unclear info	-	0.0%	19	2.4%	34	12.6%	120	17.6%
Service Issues	Customer service could not address questions about service	7	1.6%	47	5.8%	6	2.2%	104	15.3%
Service Issues	Customer service could not explain network details	55	12.8%	-	0.0%	-	0.0%	47	8.4%
Service Issues	Operational issues – online plan changes	40	9.3%	120	14.9%	17	6.3%	40	5.9%
Service Issues	Billing transparency at point of sale	29	6.8%	231	28.6%	13	4.8%	37	5.4%
Service Issues	Operational issues – incorrect reimbursement	69	16.1%	39	4.0%	9	3.3%	-	0.0%
Service Issues	Operational issues – email assistance	-	0.0%	-	0.0%	16	5.9%	22	3.2%

Source: L.E.K. Consulting

get their questions answered and spur their decision to leave the plan. Any retention initiative must deal with these conflicting goals upfront.

Failure to include all functional areas in the retention initiatives from the start. Functional areas that aren't included in discussions upfront may not buy into the retention push, or may fight it politically. Since the root causes of disenrollment cross functions – and typically members' decisions to leave have more than one cause – initiatives that end up siloed in one function won't work.

Ignoring front-line employees in the initiative. Improving the quality of member "touch points" requires the engagement and empowerment of customer service, medical management and other front-line employees. For traditionally top-down organizations, that's a huge philosophical leap. But by securing their buy-in, management may be able to get their input to create initiatives that work best based on the day-to-day operational realities, and avoid asking for changes that will not succeed.

Working off outdated process documentation. Organizations that do not do a ground-up review of process, procedure, documentation, and training during the initiative-development process run the risk of implementing changes that do not address the existing problems. This can create confusion and breed mistrust in the entire change-management process.

Developing retention initiatives with no direct relationship to root causes. Such a muddled approach may result in an inappropriate prioritization of initiatives – spending time and money on things that may not work. Each retention initiative that is introduced must be tied to a primary root cause so that the program's results can be evaluated over time.

Setting Priorities in the Real World

Once the cross-functional team has developed the list of proposed initiatives, and linked each to a root cause of disenrollment, then it can prioritize those initiatives based on the time, money and people they will require – as well as the possible payoff they might bring. We advocate a rigorous methodology for weighing a variety of factors in order to prioritize the proposed retention initiatives. These factors include the measurable impact on the root causes addressed, the number of members impacted, the immediacy of impact, the initiative's cost and its return on investment (ROI), the implicit cost of management distraction, the complexity of the initiative's cross-functional nature, and the potential for unintended consequences elsewhere in the organization.

Getting the mix of initiatives right is crucial to their success. The best lineup will include a mix of shorter-term initiatives with lower costs, which can yield results quickly and keep the momentum going, and longer-term ones, which may show substantial payoffs over time.

In Figure 2, for example, a variety of initiatives in four different functional areas are assigned priority levels based on their expected impact (on both the root causes and on the overall disenrollment) and their duration. Four initiatives, marked in blue, are considered "priority" initiatives, based on their ability to impact the root causes of disenrollment. Six others, marked in green, are "enabling" initiatives, required as tools for the priority initiatives to succeed. The final group, labeled in gray, are "tactical" initiatives, which are expected to have a limited impact, but are relatively easy to implement.

No organization has the bandwidth to do everything at once. That's why it is crucial to figure out which initiatives to roll out first, and which must wait for a later day. Focus is key, as is seeing progress in the short term. In L.E.K.'s experience, the following are the characteristics of a successful retention implementation effort:

Tactical prioritization. Health-plan executives must prioritize the potential initiatives and then weigh them against the organization's resource constraints. Setting priorities upfront allows for greater payoffs in the long run.

Figure 2
Prioritizing Disenrollment Initiatives

Initiatives by Functional Area			Est. % of Root Causes Addressed	Est. % of Disenrollment Causes Addressed	Initiative Duration	Priority
Customer service	1.1	Initiative 1	~59%	~54%	< 3 mos	1
	1.2	Initiative 2	~46%	~44%	3-6 mos	2
	1.3	Initiative 3	~14%	~13%	< 3 mos	6
Selling process issues	2.1	Initiative 1	~75%	~17%	6-12 mos	3
	2.2	Initiative 2	~52%	~15%	3-6 mos	4
	2.3	Initiative 3	~13%	~12%	12-24 mos	5
Network issues	3.1	Initiative 5	9%	~6%	< 3 mos	10
	3.2	Initiative 6	~10%	~9%	3-6 mos	9
Selling agent service issues	4.1	Initiative 7	~31%	~26%	6-12 mos	6
	4.2	Initiative 8	~30%	~26%	3-6 mos	7
	4.3	Initiative 9	~27%	~24%	12-24 mos	8
	4.4	Initiative 10	TBD	TBD	TBD	TBD

Tier 1: Priority Initiatives   Tier 2: Enabling Initiatives   Tier 3: Tactical Initiatives

Source: L.E.K. Consulting

Focus. Management should start a few critical initiatives immediately, but resist the desire to do everything at once. If a health plan attempts to roll out too many initiatives simultaneously, with too few resources (whether funding or personnel), the effort is likely to be ineffective. Ideally, some initiatives should be shorter and easier, while others may be more in-depth with big potential payoffs.

Ongoing monitoring. Disenrollment trends and the performance of each initiative should be monitored closely on dashboards, with metrics reports distributed weekly. Without proper measurement, the organization may lose focus on the retention problem and allow the resources allocated to shift to other, lower-value projects. The data also gives the organization feedback so that it can shift focus during the course of a lengthier initiative if need be.

Senior management involvement. Senior managers should track the initiative's progress on a monthly basis. The ongoing focus helps solidify the importance of retention and efforts to improve it, and senior management's attention keeps it top of mind.

Cross-functional leadership. A senior leader should be assigned responsibility for the cross-functional success of retention efforts. This sends a message to the entire organization about retention's importance and helps to manage cross-functional roadblocks as they arise.

Transparency. Senior management must communicate to the entire organization, including the front line employees, retention statistics, retention goals and retention initiatives so that keeping customers from disenrolling becomes everyone's job.

Financial incentives. Health plans should align financial incentives, such as bonuses, with retention goals across all business divisions. Getting the financial incentives right aligns the organization around a problem that requires the involvement of the entire company.

Retention is not simply a customer-service problem, but an issue that permeates the entire organization. As such, it needs to be managed strategically. Doing so requires understanding the true drivers of disenrollment, identifying the organizational performance gaps associated with these drivers, and prioritizing initiatives to eliminate or shrink those gaps. We believe that this strategic approach will provide health plans with sustainable improvements in retention rates.

A final point: In a dynamic and changing business environment, this root-cause analysis and prioritization of initiatives must be ongoing. It is not enough to increase retention today, and then step back, creating space for some other problem to bubble up elsewhere in the organization. L.E.K.'s next *Executive Insights* on this topic will examine best practices on how to sustain high retention rates once they have been achieved.

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