IMPROVING MEMBER EXPERIENCE TO GROW REVENUE & MARKET SHARE

How healthcare payers become market leaders with more strategic, member-centric investment approaches

Most healthcare payers invest up to 30% of their health IT spend on member service, including contact centers, member portals, and mobile apps.[1] Despite this investment, seven in ten consumers say their engagement experience has not improved[2], with 45% indicating contact center interaction a major influence on likelihood to recommend the payer (NPS).[3]

Given the level of investment and clear improvement in contact center capabilities, why the discrepancy? Because member experience transcends member service, and what really drives positive business outcomes and member satisfaction is member experience – such as understanding costs and improving access to care.

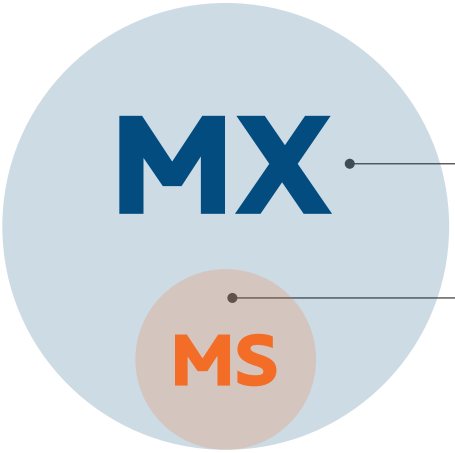
By investing more strategically across five core experiences with the greatest impact on overall member experience, payers can drive higher revenue and market share through improved member growth and reduced churn.

In this whitepaper we will:

1. Demonstrate how member experience improvements drive revenue.
2. Identify five core experiences that most closely correlate to improvements in member experience.
3. Describe an evidence-based methodology that will more effectively leverage and sequence member experience investments.
4. Show how payers are uniquely capable of hyper-personalization at scale – the key to member experience.

72% of customers say their engagement experience hasn't improved or has [declined].[4]

Member Experience Transcends Member Service*



There is a clear distinction between the two:

Member experience (MX) is the sum of a member's experience across the entire operating model of offering and purchase to use of healthcare services.

Member service* (MS) focuses on directly supporting a member through human touchpoints, contact centers, member portals and apps.

*For ease of understanding and consistency, we are using member service to also mean customer service.

Member Experience Reduces Churn and Drives Revenue

The Chief Marketing Officer for a top 10 Payer estimated member churn at "upwards of 50%" in their individual plans. That was a guesstimate, but a shocking one.

Member churn is a significant drag on growth. While some churn is beyond a payer's direct control, poor MX is a primary driver of payer-influenced churn. Churn caused by poor MX directly impacts individual-choice plans and also indirectly affects employer-sponsored and government segments. Member churn varies by market segment, region, and other factors. Our survey of available research indicates churn rates between 5% and 15%[5] and reaching 49.2% for Medicare Advantage by the fifth year in enrollment.[6]

Cost to Replace Revenue Loss to Churn

3.5M MEMBERS x

15% CHURN RATE x

$550/Member ACQUISITION COST =

$289M

Add additional hard and soft costs associated with identifying members likely to churn and the retention incentives to those members.

The cost of churn includes the acquisition costs to replace lost members and the cost of providing incentives to members likely to churn. The average cost per acquisition for retail insurance carriers is among the highest across industries and is typically in the $300-$800 range.[7]

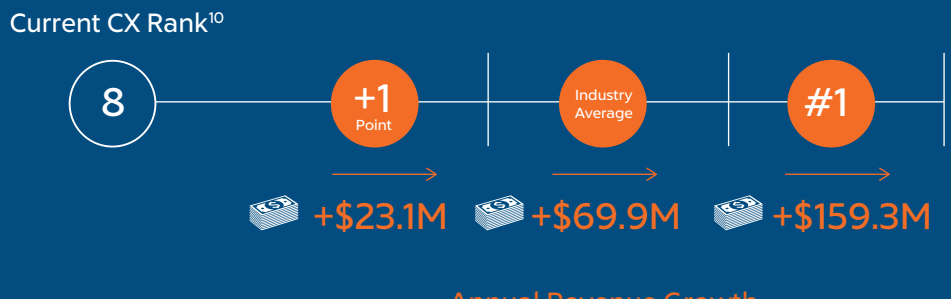
Due to the various factors driving member churn, it is difficult to quantify the impact of improved member experience. However, given that 45% of consumers report contact center interaction as a significant influence on NPS[8], it follows that improving member experience would directly improve churn.

Our extensive research and consultative work with several top U.S. health insurers has demonstrated that every one-point improvement in MX score delivers 0.5% to 0.9% member growth. To illustrate in dollars, using the median of 0.7%:

Payer Example:
$10B annual revenue
3.5M members
$2,857 in annual revenue/member

MX REVENUE GROWTH FORMULA:

MEMBERS X (REVENUE/MEMBER) X .007[9] = REVENUE GROWTH



For the smallest firm in a representative sampling of 10 large U.S. health payers (from a starting place of $10B annual revenue and 3.5M members), a one-point improvement in member experience can deliver 8,100 new members and an additional **$23.1M** in annual revenue not accounting for reduction in churn (see figure above).

The largest firm in the same sampling (starting at $200B annual revenue, 48.4M members) can acquire 339,000 new members and an additional **$1.4B** in annual revenue again not accounting for reduction in churn.

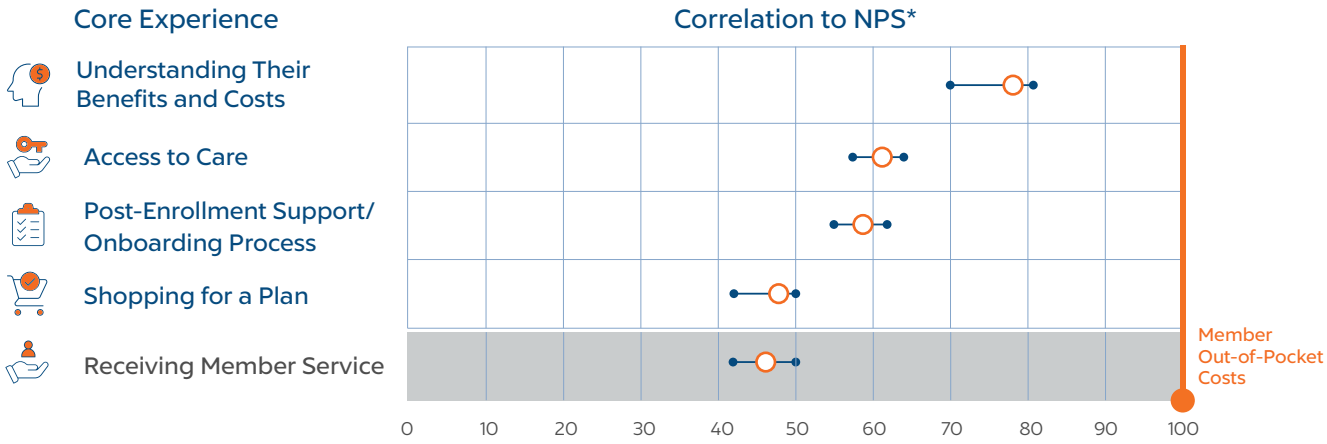
These results show how a one-point improvement drives significant revenue. The more payers improve beyond one point, the more payers stand to gain – because chosing to invest appropriately in areas of high impact, ultimately delivering a more accessible, satisfying, engaging and member-centric experience.

Individual choice plans (exchanges, Medicare, Medicaid) can see even better results. While consumer choice markets represent a smaller share of most payers' revenue today, these markets are expected to produce 50–75% of future [payer] growth[11]. Beyond reducing churn and member growth, superior member experience during annual renewals and life stage transitions result in higher retention.

Not All Experiences Are Created Equal

Key Healthcare Experiences That Drive Net Promoter Score (NPS)*

For payers, there are five core member experiences with the greatest correlation to NPS, the 'likelihood to recommend' metric that measures customer loyalty as it relates to a company's brand, product or services.



Understanding Their Benefits and Costs – Only 14% of people understand their benefits and the most basic insurance terms.[12]

Access to Care - People with a [regular] source of care have better health outcomes, fewer disparities and lower costs.[13] they see higher value from their health plans and report higher satisfaction.

Post-Enrollment Support/Onboarding Process - Onboarding and ongoing learning are closely tied to brand loyalty and affinity[14], which means higher member retention/lower churn.

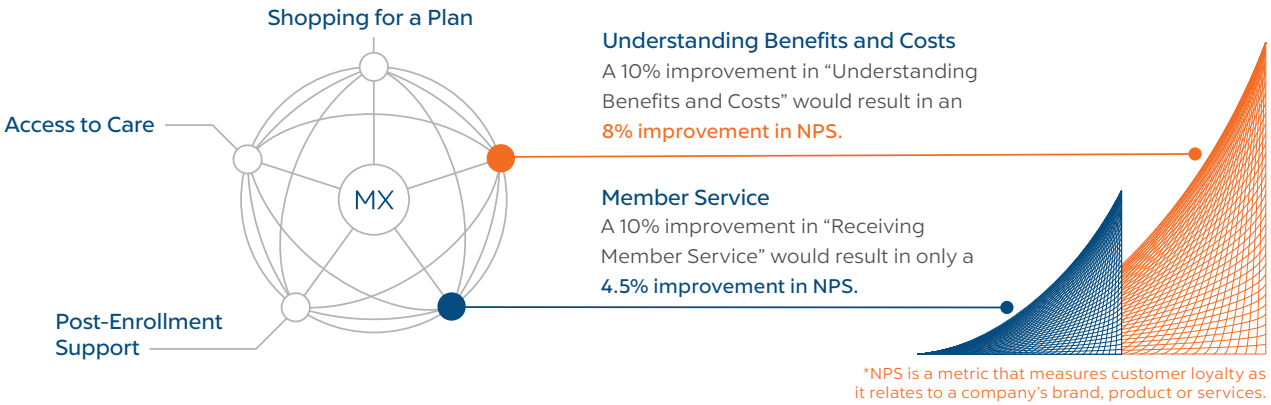
Shopping for a Plan - Research shows that just 4% of Americans are able to determine how much they would personally have to pay for medical services they receive under their health insurance plans.[15]

Receiving Member Service - 81% of members are unsatisfied with their healthcare experience.[16] Effective contact centers are a competitive necessity. However, incremental improvements in this area are least effective at improving MX score and member growth.

Half of American adults say they avoided going to the doctor due to costs. For 13% of that group, their condition got worse as a result.[17]

Member out-of-pocket costs should not be ignored or underestimated when considering the member experience. Even small cost differences drive member behavior, and member expenses are the single most impactful driver of NPS and plan loyalty.

What would a 10% improvement in member experience vs. member service look like?

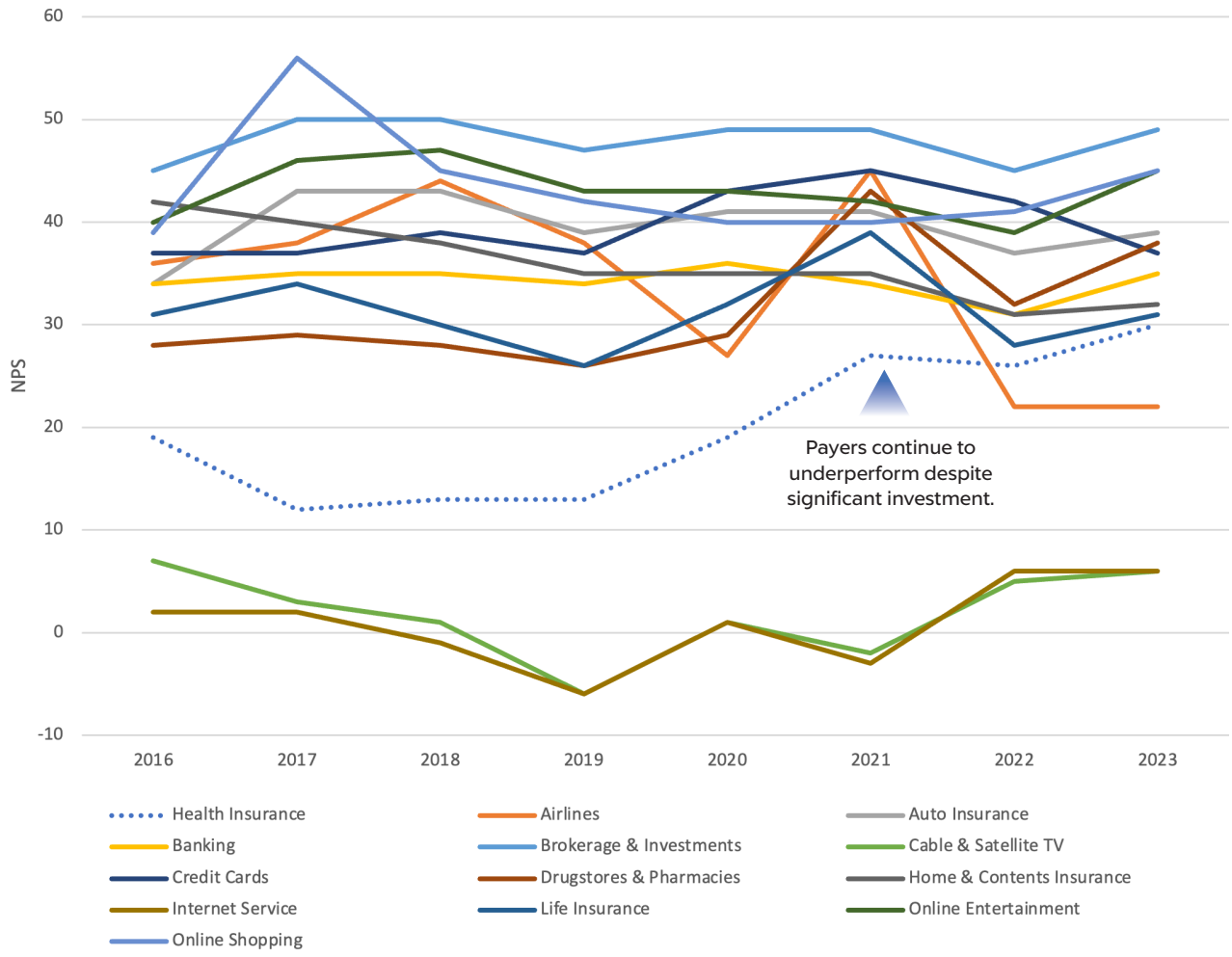


*NPS is a metric that measures customer loyalty as it relates to a company's brand, product or services.

Growth and Retention Depend on MX

Compared to other industries, payers have a clear advantage in terms of data and scale – and yet, across 23 large consumer industries, health insurance receives the fourth lowest NPS ranking overall (see below). From 2016-2023, health insurance outperformed only internet, airlines, and cable service provider industries well-known for poor customer experience.

Industry Average NPS Comparison 2016-2023[18]

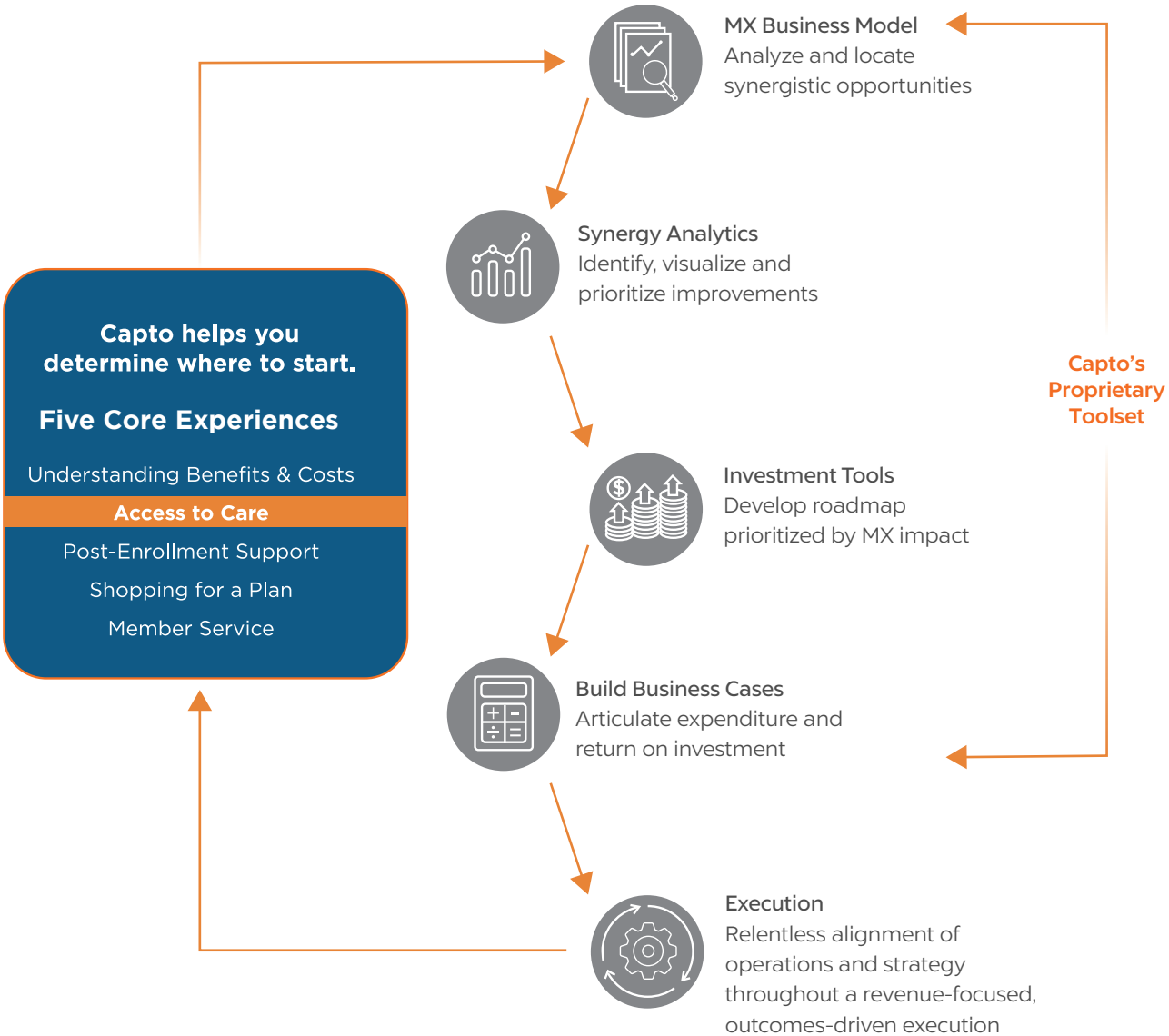


The payer industry is brimming with opportunities to invest more strategically in member experience. With the right dollars in the right places at the right times, payers deliver better experiences that drive growth and reduce churn. New challengers with deep expertise in personalization and member experience are entering the market. To stay competitive, increase market share, and grow revenue, payers must reimagine their MX investment strategies.

The Solution

With the right expertise, methodology and technology, payer organizations can pinpoint how much to strategically invest in improving MX scores, as well as how soon and how quickly. Capto's SYNAPTIC MX Strategy model and evidence-based methodology create project investment roadmaps that bring meaningful NPS improvement.

Focused on the economics of the business and specific business cases, the best way forward involves prioritizing one core member experience at a time. Based on our expertise, we identify MX improvement opportunities sequenced into optimized, data-driven investment roadmaps.



SYNAPTIC MX Strategy Model

Capto's SYNAPTIC MX strategy model was born from extensive experience formulating and executing investment strategies for private equity firms. This model applies the right degree of accuracy to evaluate opportunities and go deeper into areas that really matter.

SYNAPTIC combines an adaptable methodology and toolset with the skill and experience of Capto's healthcare and technology team. This combination unlocks innovation and accelerates the delivery of meaningful results for clients across the healthcare, telecom, consumer product and entertainment industries.

SYNAPTIC MX Strategy Model

Framework for Developing MX Strategy, Investment Priorities and Execution Roadmap

LANDSCAPE

Where will we be active (and how much emphasis)?

- Which markets (Commercial, Government, Individual)
- Service other payers and with which offerings

VEHICLES

How will we get there?

- Acquisitions
- BPO or insourcing
- Platforms and data
- Digital and analytics
- Advanced technology (predictive analytics, active decisioning, AI, ML)

DIFFERENTIATORS

How will we win?

- Member-first experience
- Hyper-personalization at scale
- Effective engagement across generations and stakeholders (brokers, providers)
- Data partnerships
- Speed of execution

ECONOMICS

How will returns be obtained?

- Member/revenue growth
- Churn reduction
- Upsell/cross-sell improvements
- Productivity improvement

ROADMAP

What will be our velocity and sequence of moves?

- Synergistic investment priorities
- Speed of implementation
- Workforce optimization
- Change management

EXECUTION

Relentless alignment of operations and strategic plans

- Guided and fully supported implementation
- Outcomes-driven

How It Works: The Path to Investments With Bigger Impact

Capto's approach to strategy and execution includes Process Mapping, Scoring Methodology and tools to develop a roadmap of project investments to improve member experience – ultimately driving revenue growth and member retention.

Process Mapping

We begin with APQC's Process Classification Framework (PCF) for Health Insurance [Payers]. The PCF is a hierarchical framework of business processes. It includes 13 Level 1 Categories. These are the most high-level, general groupings in the PCF.[19] These 13 Categories break down into increasingly granular levels:

Level 1 - Category

Represents the highest level of process in the enterprise, such as managing customer service, supply chain, financial organization and human resources

- 1.0 Develop Vision and Strategy
- 2.0 Develop and Manage Product and/or Services
- 3.0 Market and Sell Products and/or Services
- 4.0 Deliver Physical Products
- 5.0 Deliver Services
- 6.0 Manage Customer Service
- 7.0 Develop and Manage Human Capital
- 8.0 Manage Information Technology
- 9.0 Manage Financial Resources
- 10.0 Acquire, Construct, and Manage Assets
- 11.0 Manage Enterprise Risk, Compliance, Remediation, and Resiliency
- 12.0 Manage External Relationships
- 13.0 Develop and Manage Business Capabilities

Level 2 - Process Group

A group of processes that are part of executing a category

Level 3 - Process

A single process

Level 4 - Activity

A key step performed to execute a process

Level 5 - Task

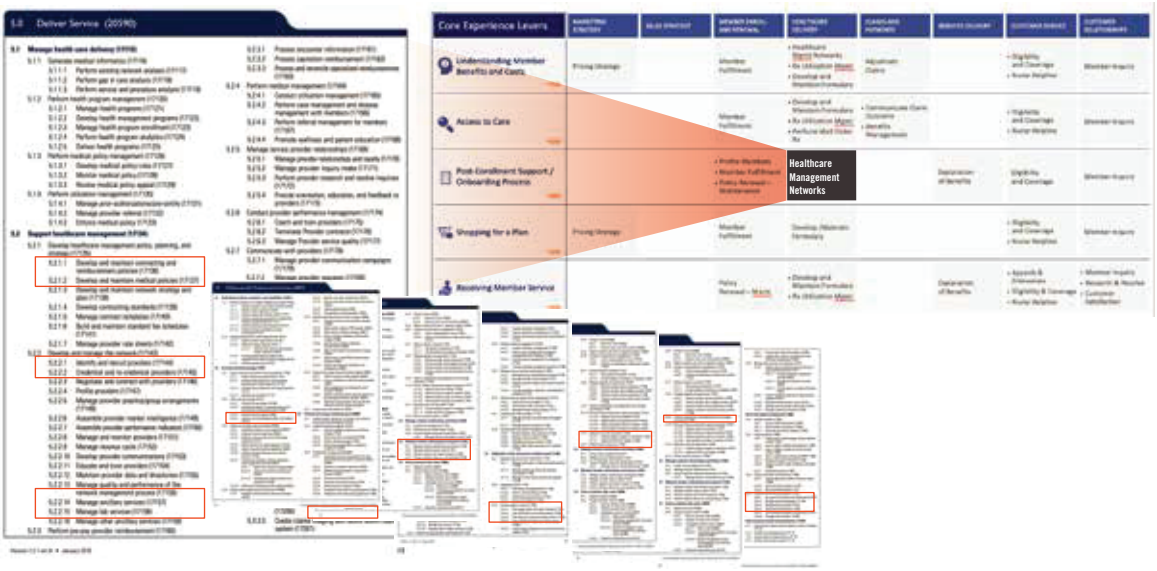
An element of work that goes into executing an activity

Capto has mapped processes, activities and tasks at all levels of the Health Insurance Payer PCF that impact the five Core Experiences most correlated to improvements in member experience.

This mapping is the source of insight where automation, data and analytics can most effectively deliver meaningful results.

Our process dives deep into the payer organization to accurately identify and skillfully optimize the payer's investment strategy without being intrusive or disruptive. The following example demonstrates a small subset of potential areas for improvement across the payer operating model – improvements that impact a member's post-enrollment onboarding experience.

Process Mapping Example



Scoring Methodology

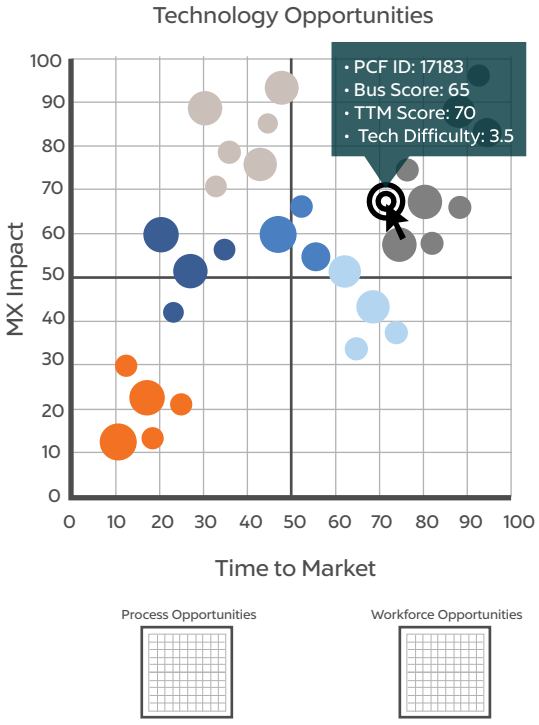
Working with our clients, Capto has developed a proprietary, continuously evolving method to score capabilities and opportunities across technology, process and workforce for each component of the Health Insurance PCF that is mapped to one or more of the five core experiences. Capto's scoring methodology considers several elements of technology, including accessibility, quality and timeliness of data, system APIs, age and capabilities, process maturity, variability, adherence and automation, workforce capability, capacity, and flexibility, among other factors.

Access to Care Technology Scoring Framework

PCF ID	Hierarchy ID	Name	Understand Benefits and Costs	Access to Care	Post-Enrollment Support/ Onboarding	Shopping for a Plan	Receiving Member Service	Member out-of-pocket	Overall Tech Score	Overall Workforce Score	Overall Process Score
17169	5.2.5	Manage service provider relationships							4.2	2.1	1.8
17170	5.2.5.1	Manage provider relationships and loyalty							4.2	2.5	2.7
17171	5.2.5.2	Manage provider inquiry intake							3.1	2.1	1.8
17172	5.2.5.3	Perform provider research and resolve inquiries							4.2	2.1	1.8
17173	5.2.5.4	Provide orientation, education and feedback to providers							3.1	2.1	1.8
17174	5.2.6	Conduct provider performance management							3.1	1.8	1.2
17175	5.2.6.1	Coach and train providers							1.4	1.3	1.2
17176	5.2.6.2	Terminate provider contracts							3.1	2.1	1.8
17177	5.2.6.3	Manage provider service quality							3.1	1.8	1.2
17178	5.2.7	Communicate with providers							3.8	2.1	1.8
17179	5.2.7.1	Manage provider communication campaigns							3.8	2.1	1.8
17180	5.2.7.2	Manage provider requests							4.2	1.3	1.2

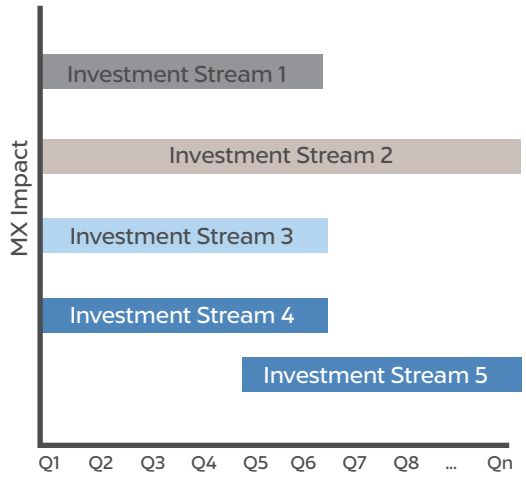
Project Investment Roadmap

Synergy Identification



Using the results of the process, technology and workforce scoring, Capto's toolset aids the analysis of this data within and across the five core experiences. Our tools allow us to plot discrete improvements measured by member experience, time-to-market, difficulty and cost. From there, we group synergistic improvements into projects, which are sequenced into an investment roadmap with associated business cases.

Investment Roadmap



This analysis, viewed in conjunction with other priorities and constraints of the payer, results in a project roadmap that guides investment streams and timelines for payers to drive member experience improvements and revenue.

The entire process, from strategy through execution, is investment-focused and outcomes-driven. The Capto approach goes well beyond high-level guidance and/or solutions based on predetermined strategy. It is a data-driven, end-to-end process that brings new thinking, direction and technology to pave the way to market share gains and investment returns payers need.

Case Study: Access to Care

A large payer engaged Capto to develop a member experience roadmap for technology investments. The payer was consolidating recent acquisitions and had not yet decided if or how to consolidate multiple contact centers and their underlying technology, or even which markets should drive these consolidations (commercial, government or individual).

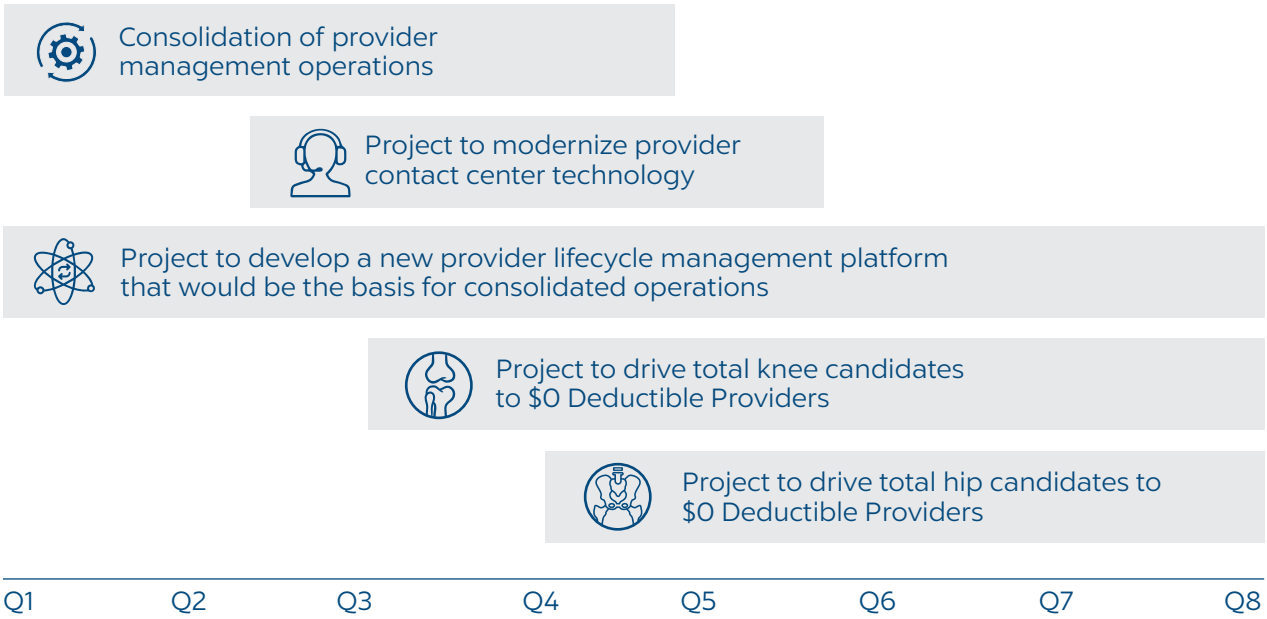
Furthermore, as a result of the acquisitions – and their lack of a clear provider lifecycle management platform – the payer acknowledged they did not have a good understanding of the data sources necessary to complete the scoring methodology.

Instead of undertaking the effort to analyze all five core experience levers, Capto helped the payer make a data-driven decision to start with Access to Care. This area was chosen for its high correlation to NPS improvement and its alignment with the payer's competitively disadvantaged provider management capabilities in some markets. None of the payer's acquired or legacy capabilities were a solid foundation moving forward.

At the outset of the engagement, Capto worked with the payer's team and used the APQC Health Insurance PCF to document the processes, activities and tasks associated with a go-forward provider lifecycle management capability. Once 80% complete, the team proceeded with scoring the remainder of the PCF that impacted Access to Care for the government markets.

The resulting analysis produced a prioritized set of technology, process and workforce initiatives that were then injected into the annual planning cycle. Given some of the constraints imposed by other priorities, the first-year MX roadmap was limited but accelerated in year two of the plan.

Priorities for technology, process and workforce integrated into the annual planning cycle.



Capitalizing on Member Data

Payers have intimate and extensive data about their members, and the technological abilities to manage the complexity and scale that few industries can match. This sets the foundation for a sophisticated hyper-personalization strategy.

Think Disney. From consumer viewing habits at home to consumer engagement and choices with theme park attractions, resorts, cruises, merchandise and food service, Disney delivers individualized consumer experiences across a diverse and sprawling global operating model – all with less intimate consumer data than payers have.

More importantly, new players with in-depth capabilities in consumer personalization at scale are entering the healthcare market. Payers must use their advantages to urgently embrace consumerism.

The Payer Advantage.

Payers have all the necessary components as ***the*** hub for extensive, intimate and exclusive data about their members. Payers are technologically adept and have experience with complexity and scale.

Understanding Member Benefits and Costs:
Harris Family Renewal

Mom, 38 yrs old

- Subscriber
- Professional, Caucasian
- Good health, complicated previous childbirth
- Non-smoker, appropriate weight
- Dental good, regular OBGYN visits

Dad, 40 yrs old

- Member
- Gig economy worker, African American
- Crohn's disease, treating with drugs, surgery possible, requires frequent monitoring and cancer screening
- Non-smoker, 20 lbs overweight
- Dental good, regular PCP visits

Daughter, 4 yrs old

- Member
- Preschool, Biracial
- Asthma
- Regular pediatrician visits

Other Information

- Considering adoption
- Use gym membership benefit
- Home: Brooklyn, NY

Hello Harris Family,

Based on your confidential health records, other profile data, and our knowledge of other people like you, the best plan to cover your healthcare needs is:

- Gold Plan Plus
- Key Features: x, y and z
- Plan Cost: $xxx/year
- You should budget $2,640 for drug costs for Dad's Crohn's disease treatment
- Tips for staying healthy and lowering costs, including mental health services to support Dad

You may also want to consider:

- Silver HSA
- Platinum Plan

The MX:ROI

Every payer is unique. Capto's approach is designed to meet payers where they are and elevate the MX from that point.

Many payers will continue investing in contact centers and omnichannel "digital front door" projects to improve member service. Understanding this reality, Capto helps focus those member service investments, while shifting spending to programs that improve the overall member experience. Savvy payers will quickly course correct to outperform the competition.

Payers have comprehensive member data, experience navigating complex systems and regulations, and the talent to become member experience leaders.

Capto helps payers understand member experience across the entire operating model to choose the right core experiences and invest appropriately.

Delivering an end-to-end solution, from strategy through execution over time, Capto stays with our clients as a partner to ensure operational imperatives and financial outcomes are met. When payers partner with Capto, their members will notice a much better experience, leading to reduced churn and higher revenue growth.

Sources

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18 B2C Net Promoter Benchmarks, NICE Satmetrix, 2016 - 2023. Note: Chart excludes the following Sectors for readability and applicability: Cell Phone Service, Department & Specialty Stores, Grocery & Supermarkets, Hotels, Laptop Computers, Smartphones, Shipping Services, Software & Apps, Tablet Computers, Travel Websites.

19 About APQC. APQC helps organizations work smarter, faster, and with greater confidence. It is the world's foremost authority in benchmarking, best practices, process and performance improvement, and knowledge management. APQC's Process Classification Framework (PCF)® creates a common language to discuss, benchmark, and organize the work that businesses perform. The PCF is a hierarchical list of business processes. It includes 13 high-level Categories of work, each of which breaks down that work into increasingly granular units or levels called Process Group, Process, Activity, and Task.

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