Retaining Customers: It’s Not Just About the Renewal

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With the ongoing economic downturn and uncertainty over the full cost impact of health care reform driving declines in new business acquisition growth, group carriers are seeking ways to strengthen customer relationships to retain existing business. Carriers need to expand their interactions with existing customers beyond just the renewal period and ramp up retention efforts in ways that keep them visible and bring additional value to employers throughout the life of the relationship. For many, this involves a high-touch, analytics-driven approach that identifies and targets at-risk clients for proactive intervention.

Retention Beats Acquisition
Most insurance companies are set up for new customer acquisition. However, recent studies suggest that customer retention plays a bigger role in profitability. According to the Database Marketing Institute, every $1 paid toward customer retention increases profits more than every $5 spent on new customer acquisition. Carriers that differentiate themselves through enhanced customer service interactions and dedicated retention programs are better prepared to assist customers in addressing changing economic pressures and coverage needs. This, in turn, makes them far more likely to secure renewals and improve plan retention.

Unfortunately, many carriers only surface during plan renewal periods to deliver the news of rate increases and/or coverage changes. In contrast to that approach, forward-thinking organizations are deploying targeted retention programs that align all functional areas, maximize personal touch points, and assess product set and membership demographics. These programs address the root causes of customer dissatisfaction, provide market intelligence, and add to the base of data for use in the predictive modeling necessary to offset the historic causes of member lapse rates. These historic causes include tenure, customer experience, utilization, price, distribution, product, and eligibility confusion.

Customer Service Critical
Plan retention can’t begin at renewal. It requires superior customer service and advanced, real-time member data profiling throughout the life of a client relationship. This produces the
quality experiences critical to increasing a plan’s perceived value and subsequent retention rates.

Instead of communicating with customers once a year, companies should systematically ask them about their experience at such times as when the plan’s certificates are delivered, when a billing issue is resolved, or even during status changes such as the termination or addition of an employee. Each of these interactions may impact a customer’s decision to continue or terminate coverage. That’s why the most successful retention programs will engage in a multi-touch, customer-focused process that provides a 360-degree view of the client and business, from on-boarding to renewal. Proactive touch points typically can include on-boarding calls, mid-year checkpoints, contact change request follow ups, first claim calls, past due follow-up calls, term request calls, renewal support calls, and nonrenewal follow-up calls.

A study by J.D. Power and Associates found that satisfaction with overall experience accounts for 45 percent of a customer’s propensity to remain loyal to their auto insurer. Of those customers indicating high satisfaction, 88 percent stated they “definitely would” renew their policy. Quality customer service efforts identify and mitigate challenges that could result in a customer’s early plan termination or nonrenewal. Constant contact ensures that the carrier understands customer questions and concerns and can deliver quick resolution.

**Analytics and Predictive Modeling**
Perhaps one of the most powerful weapons in the retention program arsenal is data analytics. Gathering, assessing, and using real-time customer data such as case size, location, tenure, plan type, revenues, industry classification, and customer experience, can reveal everything from when employers are at risk for defection to when they are loyal prospects open to cross-selling.

However, while banks, telecommunications firms, and even grocery stores have long been capturing customer data to ascertain preferences, tastes, and habits, to establish progressive segmentation plans and strategies, insurers have been slower to adopt this practice — due in large part to the use of a traditionally siloed business approach that doesn’t encourage data sharing or customer segmentation.

Changing that approach is critical to successful retention. Leveraging customer analytics helps carriers clearly understand their client base, maintain customer satisfaction levels, garner high retention rates, and even cross-sell products. And real-time data identifies trends that could put customers at risk for higher rate increases or present opportunities for cross-selling products that may improve a customer’s coverage while maintaining costs. Finally, analytics can also be used as a customer service tool to pinpoint issues that could trigger termination, and then to develop programs that can be measured around improving retention for those at-risk members.

**Outsourcing for Success**
The reality is that many carrier organizations operate in “silos,” which makes it difficult to capture the comprehensive data necessary to conduct effective analytics and predictive modeling. Many also lack the internal expertise necessary to fully understand and leverage key touch points and decision drivers; to ensure success, more carriers are turning to outside firms like HealthPlan Services (HPS), to design and administer their retention program — helping them overcome
many of the internal weaknesses that hinder their ability to increase retention and persistency rates. Outsourcing firms possess domain depth and knowledgeable retention consultants who understand plan specifics, market shifts, and regulatory changes, enabling them to create a “save a life” culture for retention partners. Depth of expertise, coupled with proven analytics, enables a firm to tailor retention strategies and solutions to a carrier’s unique book of business. This creates a strategic advantage by presenting flexible, affordable health insurance options that deliver quality and value to employers, employees, and their families.

In today’s economy, carriers can’t assume that a modest rate increase will result in an automatic renewal. A customer’s good experiences throughout the contract period are critical to retention and can be the most important reasons an employer or individual decides to keep health benefits.

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