Payer Healthcare Reform Pain Points

Health Insurance Industry Special Report

This special report, published by Gantry Group and sponsored by HealthPlan Services (HPS) is based on a survey, conducted in May of 2010, of senior health plan executives.

Payer executives share their perceptions of the most acute pain points resulting from the recently passed Patient Protection & Affordable Care Act.

Operating executives representing health plans with at least 50,000 individual and/or small group members offered their insights to this study. Over 78% of the study response was derived from CEOs, COOs, and CFOs.

This report provides a quantitative analysis of the survey results and examines how executives ranked a pre-defined list of “pain points” along with their view on ancillary product development, distribution cost reductions, and the targeted actions they are taking over the next 12 months to respond to the lengthy provisions of PPACA.

Additional reports and analysis by HealthPlan Services will be published as part of our ongoing InSight series of white papers and related research. We hope you find the results and this preliminary report useful as part of your own organization’s review, discussion and response to Healthcare reform.

To sign up to receive future updates through our InSight series, please email solutions@healthplan.com

Thank you!
Study Results Summary: Payer Healthcare Reform Pain Points

Aggregated Analysis

In early 2010, the U.S. government passed some of the most sweeping healthcare reform since the creation of Medicaid & Medicare. The Gantry Group recently completed a study during May 2010 that explored U.S. payers’ perceptions of their most acute pain points resulting from this recently enacted healthcare reform bill. Operational executives representing 26 health plans with a commercial product line and with at least 50,000 members enrolled in individual/small group products offered their insights to this study. Over 78% of the study response was derived from CEOs, COOs, and CFOs.

Payer executives were asked to consider and prioritize a set of six reform implementation considerations. Over 92% of payers indicated that acquiring and retaining the best risk while complying with reform provisions is among their top three priorities in response to healthcare reform.

Source: Gantry Group 2010, Top #1, #2, #3 Reform Initiatives
While 58% of participating payers are still considering agent commissions in light of healthcare reform, 27% have already decided to reduce agent commissions in order to meet the MLR (Medical Loss Ratio) floor.

Similarly, 62% of payers are undecided as to whether to introduce new non-medical products to be sold alongside medical products; however 15% of payer participants have already decided to expand their product lines.

Cross Tabulation Analysis
As noted above, over 78% of the study response was derived from CEOs, COOs, and CFOs. In order to perform a cross tab analysis with roughly equivalent numbers of respondents in the various role groups, the “Sales & Strategic” role group represents a consolidation of the following four titles:

- VP Sales/CSO
- VP Marketing/CMO
- VP Strategy
- VP Corporate Development
- VP Business Development
Due to the small sample size, these results do not represent statistically valid conclusions for each role group:

CEOs - 7
COOs - 4
CFOs - 10
Sales & Strategic - 5

**Reform Implementation Priorities by Role Group**

Payer executives were asked to consider and prioritize a set of six reform implementation considerations.

The aggregate of all role groups showed that 92% of all respondents considered that acquisition and retention were the best risk while complying with reform provisions. Break out of the top #1, #2 and #3 priorities by role group shows that, indeed, the top consideration for all role groups is the focus on the best risk while maintaining compliance.

However, for both CFOs and COOs two other implementations were just as important. In the case of CFOs, creation of cost effective distribution channels was a statistical tie for the #1 priority. In the case of COOs, meeting the 80% MLR for individual and small groups was a statistical tie for the #1 priority.

Respondents in Sales & Strategic role groups have less interest in new sales commission levels, and would rather work with an exchange or simply live with the 80% MLR. Based on the very small samples less can be concluded about CEOs’ second priorities except to say that they are less interested in returning premiums.
Reform Implementation – Plans to Reduce Agent Commissions

Those in Sales & Strategic role groups are undecided on whether to reduce agent commissions, probably considering the impact on meeting their sales expectations. CEOs and CFOs were more aligned with each other, with 54% of CEOs and 60% of CFOs at least considering commission reductions. CEOs were also the least undecided of all the role groups with none in the “I don’t know” category. COOs are unaccountably polarized between being undecided and very decided to reduce agent commissions – however this is most likely an artifact of the small sample size.

Reform Implementation – Introduction of Non-Medical Products

Most role groups are considering introducing new, non-medical products to the offering line up. However the data suggest that CEOs may be less interested in doing so than those in Sales & Strategic role groups who naturally are looking to new top line opportunities while CEOs are being more conservative.
Qualitative Analysis

Reform Implementation - Top 3 Actions in Response to Reform

Study respondents were asked to list the top three actions they are taking in response to healthcare reform. Regarding their top actions in response to reform, all role groups are focused on:

- Analysis/understanding of reform impact, (development of committees to assess, analyze and recommend initiatives)
- Adoption and implementation (systems modifications, product changes)
- Exploration of new markets/products and expansion of current
- Management of exposure and risk mitigation (development of compliance teams, cost reductions)
- Strategic assessment of longer term and future scenarios (implication for existing markets/products over time).
- Evaluating options and impact of MLR changes

Although the sample sizes were too small to draw representative conclusions, respondents in Sales/Strategic and Operations roles were much more focused on taking tactical action to implement the necessary product changes to conform to requirements. CEOs and CFOs were more strategically focused on assessment/analysis of impact (near and long term), cost reductions, profitability, and MLR considerations.

Reform Implementation - Top 3 Pain Points

Study respondents were also asked to list their top 3 pain points that are driven by the new healthcare reform bill. The top three pain points for the sample as a whole are: 1) uncertainty/ambiguity, 2) the complexities & profit impact of meeting compliance requirements, and 3) the need to assess the viability of existing products and potential new products.

All role groups reported great concern over uncertainty within the new regulations, the impact of uncertainty on business and lack of clarity (further fueling uncertainty). As might be expected COOs were focused on technology impact (required to meet new regulations); CFOs called out concerns about tax implications; CEOs expressed the need to understand how to achieve compliance (assessing what it will take); Sales/Strategic respondents’ concerns centered around expected business shifts and those implications. In nearly all cases the pain points listed were driven by the lack of certainty and control that has resulted from reform passage.

About Gantry Group

Gantry Group is a strategic marketing firm that guides technology-based solution providers to build offerings that capitalize on the healthcare sector’s urgent needs and challenges. For the past decade, Gantry Group’s customized market research and consulting services have armed the world’s leading healthcare organizations with targeted market intelligence to support their strategic business planning process. For more information about Gantry Group, visit www.gantrygroup.com/healthcare or call 978-371-7557.

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2010 STUDY RESULTS SUMMARY
The Gantry Group Survey