

**+ HEALTH INSURANCE UNDER 65 INTELLIGENCE SERVICE**

**2011 Benefit Design & Market Dynamics  
Study Preview**

February 2011  
Property of Deft Research, LLC.



# Deft Research: Managed Care Market Research

## Principals

- Rich Hamer
- Dan Freier
- Randy Herman

## VP of Client Services

- George Dippel

## Deft Provides

- Custom Research
- Syndicated Research
- Customer Data Analysis

## Partners

### ❖ **Nielsen-Claritas**

Prizm® Lifestyle  
Segmentation System

### ❖ **Market Solutions Group**

- Project management
- Telephone and internet research
- Focus Groups
- One-on-one interviews



# Market Overview

- Percentages of MAPD and MS shoppers, non-shoppers, switchers, and those who switched within the same carrier during AEP
- Four year comparison of Deft's Loyalty Index and how that compares to Medicare members' switch intent and actual switching
- Four year description of the percentage of the MA and MS markets that shops and what percentage of shoppers actually switch by plan type
- Comparison for top 8 plans regarding churn into and out of plans for 2011
- 3-year shopping and switching patterns: The likelihood of shoppers becoming more active the next year and during the next 3 year cycle.



# Switching Patterns...

- The primary reasons members shopped for different plans as it relates to “economic” reasons or “value” reasons
- Likelihood that 2010 switchers and shoppers will also switch again within the next three years
- Relative importance of both premium and benefit level for 2010 switchers who moved to a new carrier
- The percentage of the market that churned to a \$0
- Top reasons for shopping or switching last year
- Effect of increasing premium, max OOP, brand Rx copay, and generic drug copay as it relates to switching
- Shift of MAPD market by premium level
- Likelihood to shop and switch by number of chronic conditions and overall health rating



# Reasons For Consumer Activity

- Consumer and agents: What value do consumers see? Which segments use agents the most?
- Effectiveness of various insurance promotions: Which spur the most shopping and switching?
- Advertising triggers
- Shoppers usage of the internet
- Enrollment channel preference and multi year trends
- Switching tendencies for both MAPD and MS by reason: dropped PFFS, premium and cost shares, benefits and coverage, etc.
- How consumer's understanding of coverage is linked to the confidence in brands.



# Consumer Segments

- Definition and explanation of “Information Seekers,” “Let’s Others Decide,” and “Human Contact”
- What percentage of consumers make up each segment?
- How do the segments differ in terms of:
  - Shopping and switching tendencies
  - MAPD Premium/ MS premium preference
  - Shopping activities (read mail, study on the internet, etc.)
  - Consideration of multiple plans
  - Preference for extended Medicare Benefits
  - Education level
  - HH income
  - Health status



# Forward Looking Responses

- Member preferences of 8 Medicare plan styles from Original Medicare through Plan F with analysis of design preference by:
  - Household Income
  - Switcher/ non switcher proclivity
- Price Sensitivity by:
  - Premium increase by plan design
  - Generic Drug copay increase
  - Primary care copay increase
  - Specialty MD copay increase



# Concept Questions

- More attractive Brand drug copays versus generic copays by household wealth
- Pre-treatment cost estimates versus MD rating by household income and education level
- Dental coverage versus eyeglass coverage by demographics
- Access to hospitals by location versus reputation
- Preference for electronic medical health records by income level and health status
- Willingness to keep vision benefit based on ascending premium increases
- Willingness to stay with plan if brand tier drug copayment increases by various amounts
- Willingness to pay more if dental were to be added



# Customer Profiles

- Relationship between MAPD and MS brands as it relates to premium increases and switching
- Relationship between MAPD and MS brands as it relates to trust and value
- Relationship between brands as it relates to exercising and self reported health status
- Relationship between brands as it relates to reading direct mail and shopping on-line
- Relationship between brands as it relates to household income and switching

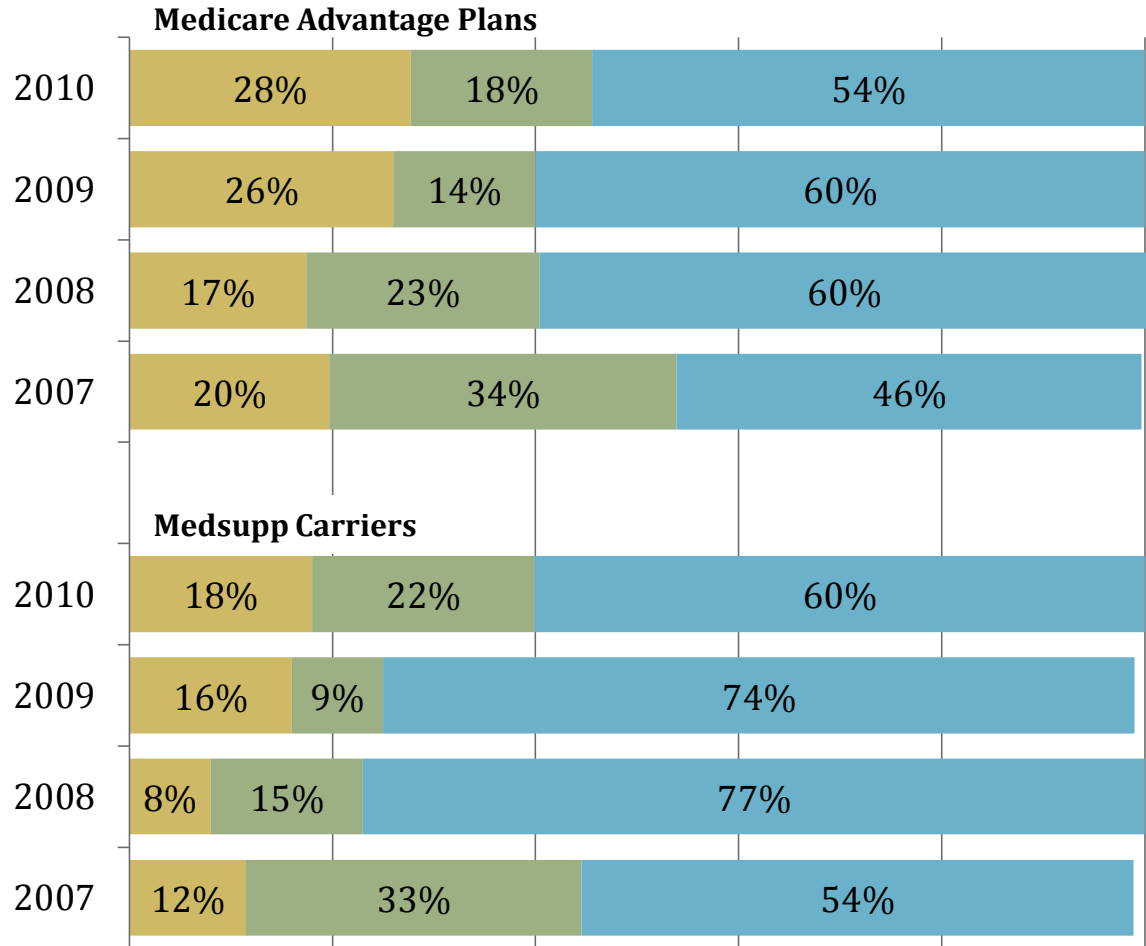


# The increasing switch rates apply to both Medicare Advantage and Medsupp lines of business.

■ Switchers ■ Shoppers ■ Non-shoppers

For Medicare Advantage plans, an increasing percent of customers switch.

For Medsupp carriers, both switchers and shoppers have risen as a percent of all consumers.



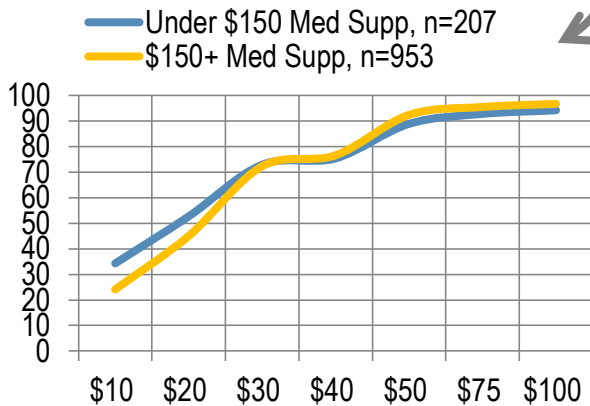
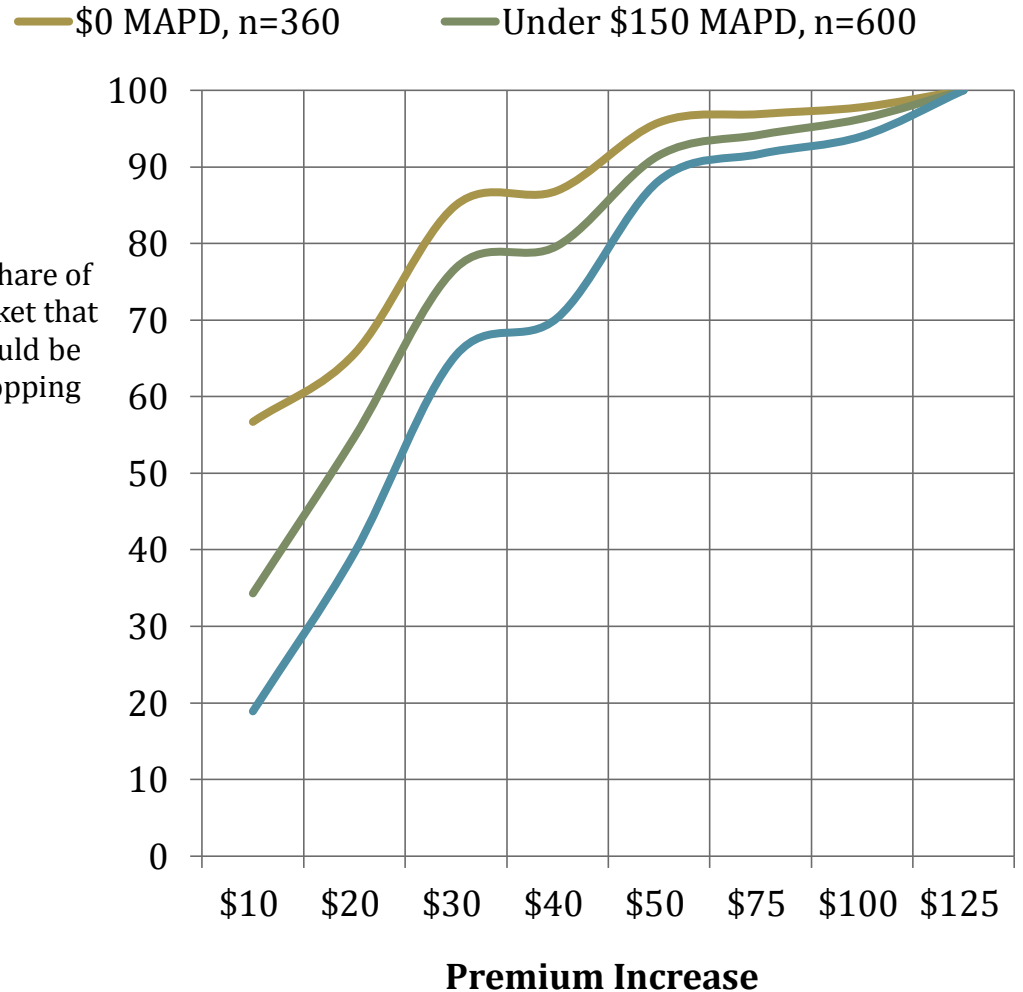


# Premium increases will mobilize \$0 customers first. Premium paying customers tolerate higher increases before shopping.

*“Thinking about your 2011 coverage, how much of a monthly premium increase would you tolerate before you would start looking for a different health insurance plan?”*

About 11% of the Medicare Advantage sample reports a \$0 premium. This group, compared to those who pay a premium, is much more sensitive to premium increases. An increase from \$0 to \$10 would mobilize 57% to shop; an increase from \$0 to \$30 would cause 85% to shop. Medicare Advantage Consumers paying higher premiums are correspondingly more likely to accept a premium hike.

Med Supp customers appear to have attached a very specific value to their plan benefits, regardless of what the plan cost. An increase in price results in shopping behavior at an almost equal rate for higher and lower cost Med Supp plans.

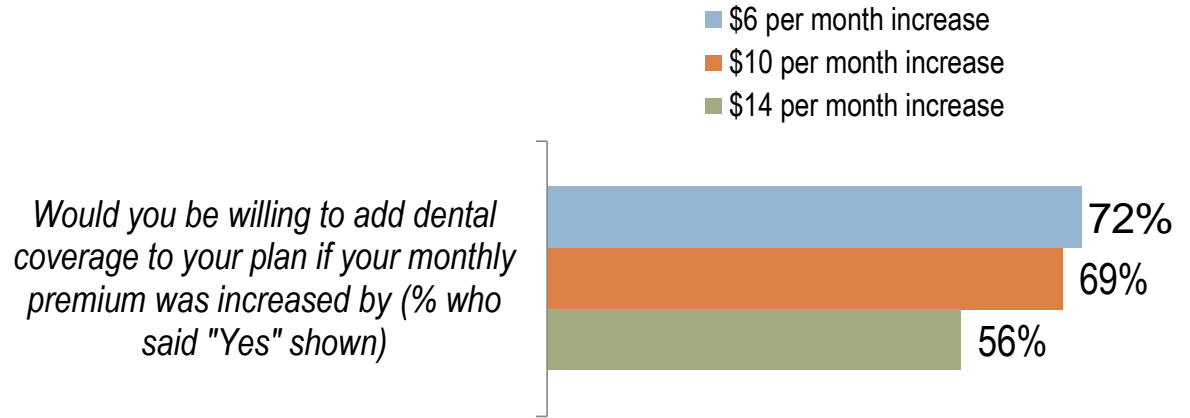




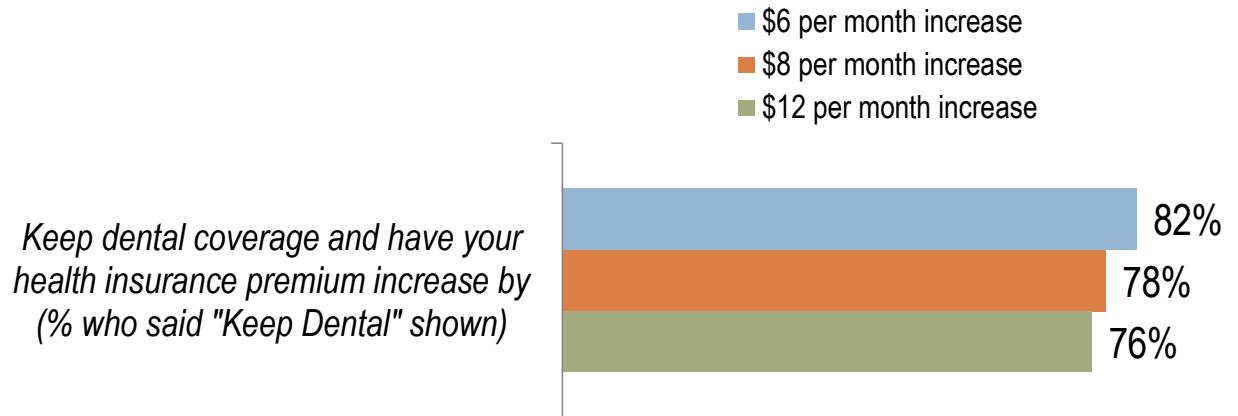
# Dental coverage

*"Would you be willing to add dental coverage to your plan, if your monthly premium was increased by ..."*

1,794 Respondents who purchased individual coverage and did not have dental coverage where randomly asked one of 3 different versions of this question.



808 Respondents who purchased individual coverage that included dental coverage where randomly asked one of 3 different versions of this question.



Those who currently have dental coverage strongly prefer keeping it.

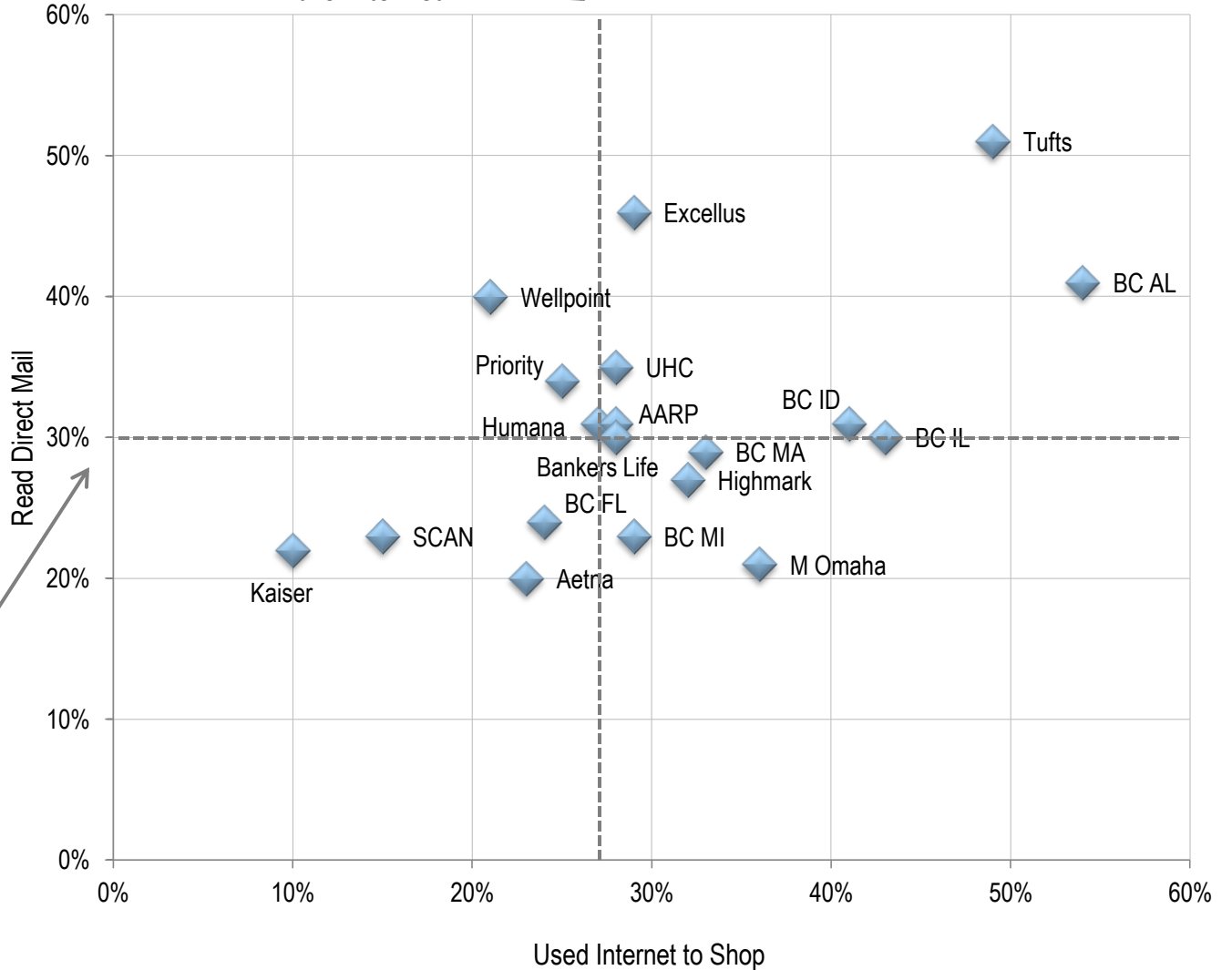


# Shopping

Base: Purchased individual coverage

These scores are for current customers. The median per plan number of responses shown here is 50, with a minimum of 24 responses.

Overall, 27% of seniors who purchased individual coverage shopped on the internet



30% of seniors who purchase individual coverage read their direct mail