

+ SENIOR MARKET INTELLIGENCE SERVICE

2011 Senior Loyalty

November 2011

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Introduction and Loyalty Overview

This is the 6th annual National Senior Loyalty Study, and with 5,395 participants, it is the largest and most comprehensive study of its kind. Using a sample of people aged 65 or older, Deft Research is able to track loyalty, switch intention, and market differentiation of different health insurers. Data collection took place in September, 2011.

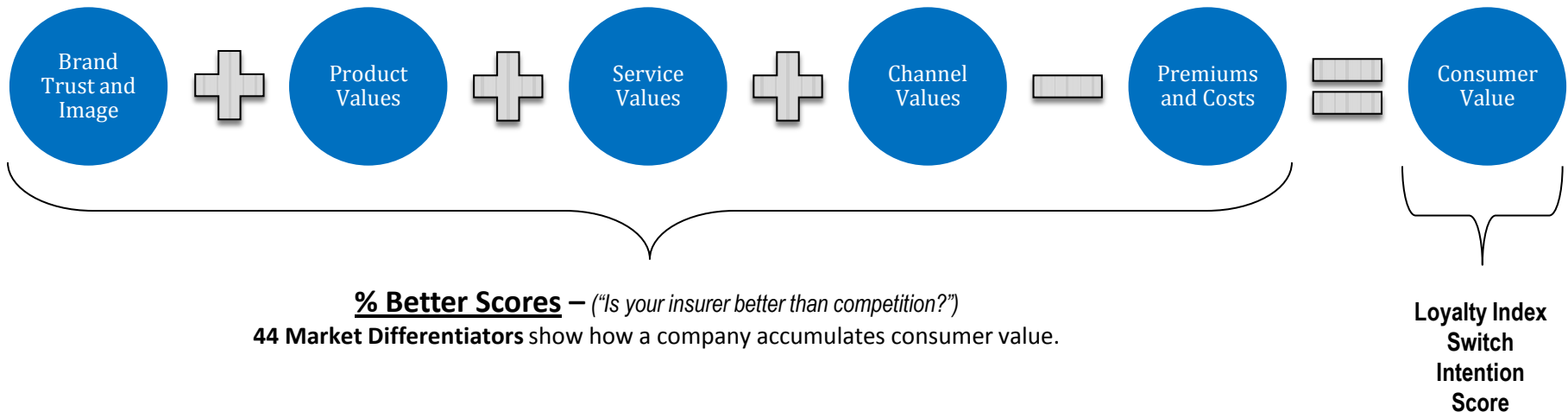
The goal of this study is to help clients measure, compare, and explain. First, the report measures and tracks loyalty and switch intention; second, it provides comparisons across larger health insurance competitors for Medicare Advantage

(MAPD), Supplemental Care (MedSupp), and Prescription Drug Plan (PDP) lines of business; and third, loyalty is explained in terms of consumer perceptions of relative performance.

The study suggests root causes of differences, as well as providing direction that will help guide health plans' strategies for improving customer loyalty and retention rates.



The Study Model Illustrates Where Health Insurers have Created or Destroyed Consumer Value



- Interactions between customers and insurers cause consumer value to be created or destroyed.
- **% Better Scores** show how a company is differentiated and how consumer value has accumulated. They help explain Loyalty Index and Switch Intention values.
- The **Loyalty Index** and **Switch Intention** values are indicators of company brand value. The accumulation of value leads to loyal customers with less intention to switch. Companies with higher customer value can expect to retain a higher proportion of their customers from one year to the next, and have brighter prospects for net growth.



Key Indicators of Accumulated Customer Value

Explained by %Better Scores (market differentiation).

LOYALTY INDEX Question

“On a scale from 0 to 10, with 0 being very unlikely and 10 being very likely, how likely is it that you would recommend your health insurer to your friends or colleagues?”

- 0 – 6 categorized as unlikely to recommend their insurer and are called Detractors.
- 7 – 8 categorized as Passively Satisfied with their insurer.
- 9 – 10 categorized as very likely to recommend their insurer and are called Promoters.

Note: *The scoring of this question produces a score known as the Net Promoter Score or Loyalty Index. Net Promoter Score and Loyalty Index are trademarks of Satmetrix Systems, Inc., Bain & Company, Inc., and Fred Reichheld.*

SWITCH INTENTION Question

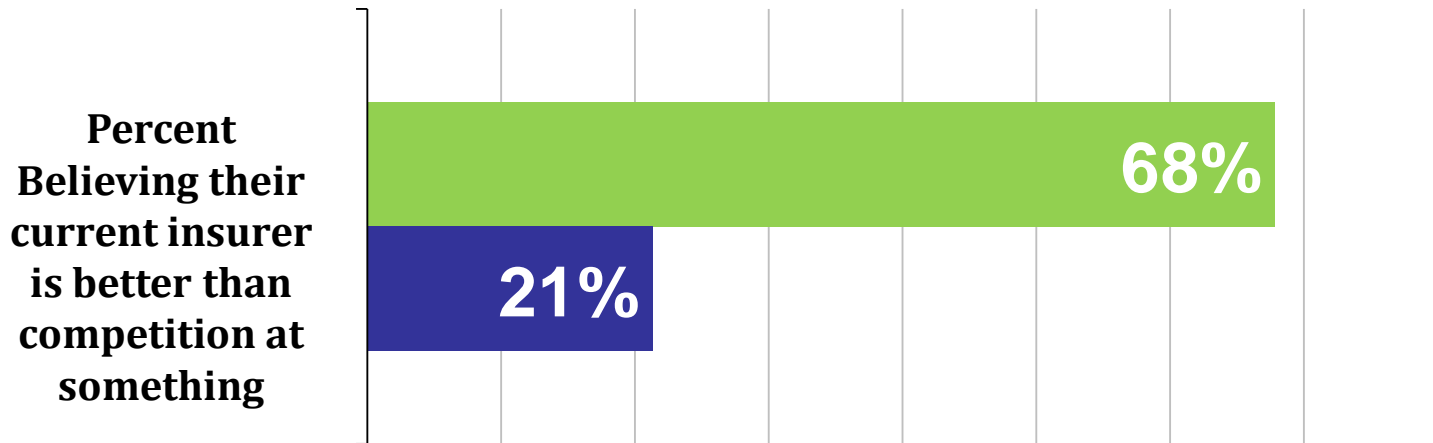
“Which of the following best describes your current health insurance situation?”

- You have no intention of switching insurance companies in the foreseeable future.
- You stay on the look out for alternatives to your current insurers.
- You are wondering if you should actively look into other insurers this year.
- You are actively considering other insurers now.
- You have definitely decided to switch to a different insurer.



The Implications of Measuring and Explaining Loyalty

- Loyal Customers
- Not Loyal



- ▶ There are stark contrasts between loyal and not-loyal perceptions.
- ▶ Certain market differentiators are most associated with loyalty.
- ▶ Knowing what drives loyalty helps us prioritize messages and capacities ...
- ▶ ... and avoid the strengths of our competitors.



Senior Health Insurance Consumer Loyalty and Switching

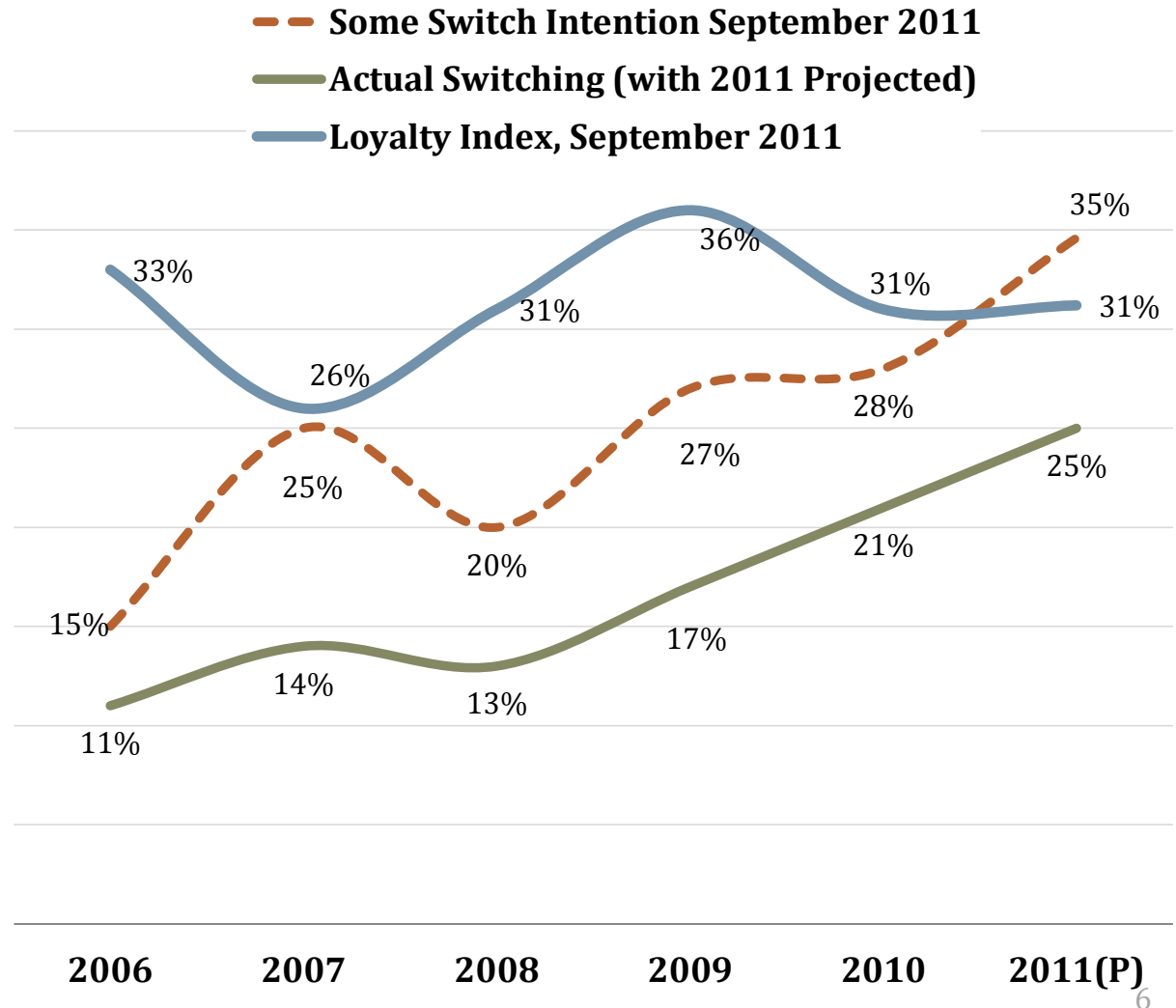
35% of seniors will engage in some degree of active shopping. Our projection is that this will lead to 25% switching of either plans or companies.

Loyalty Index ranging from -100 to +100 where higher means greater loyalty.

Switch Intent: Percent with some intention to switch their health plan.

Actual Switching: Percent reporting switching during fall enrollment.

(Source: Deft Research 2006-2011 Market Dynamics Studies)

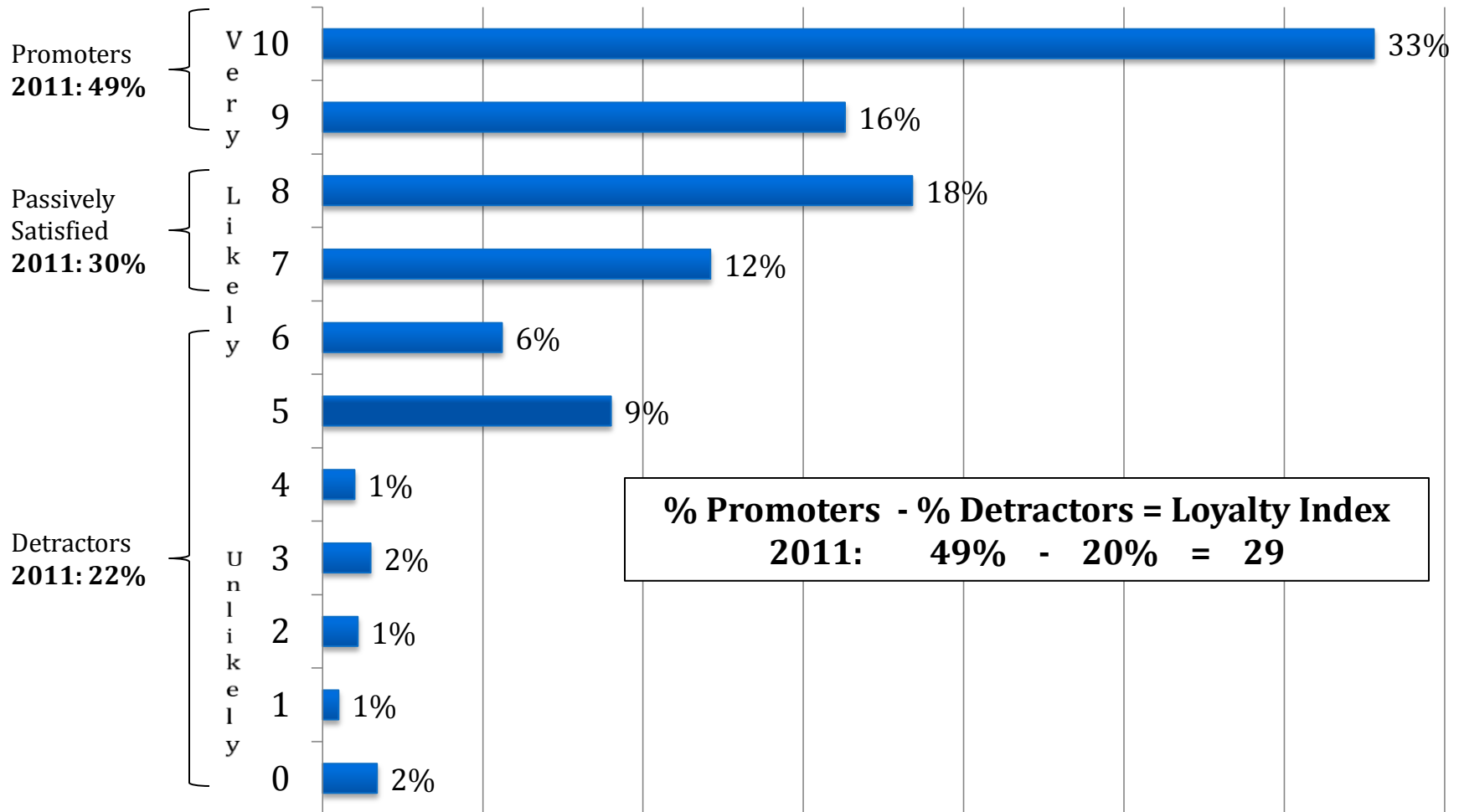




Senior Loyalty to Medicare Advantage Plans

Measured by likelihood to recommend

Base: MAPD customers, n=1,808

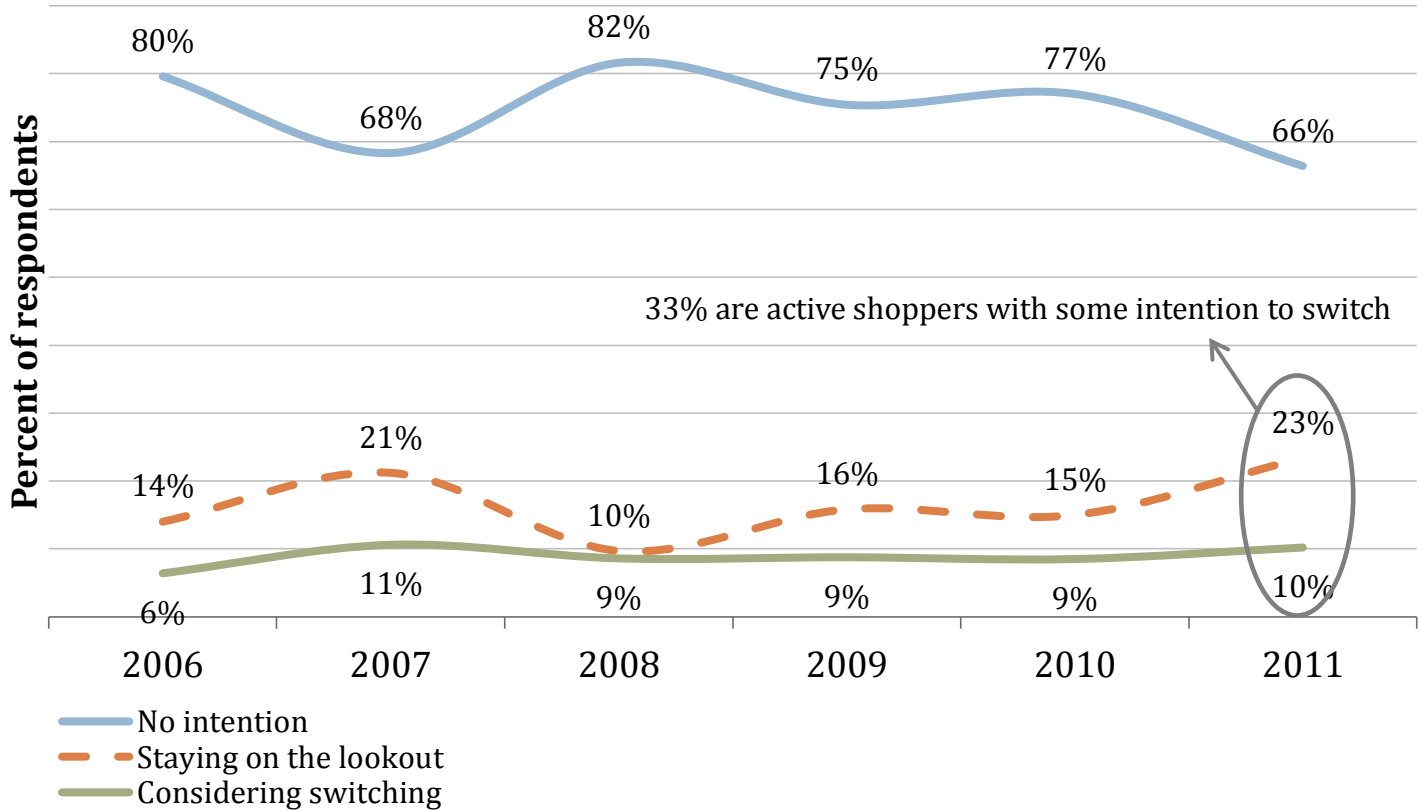




MedSupp Switch Intention

Base: MedSupp customers, n=2,827

MedSupp Senior Switch Intention: 2006-2011



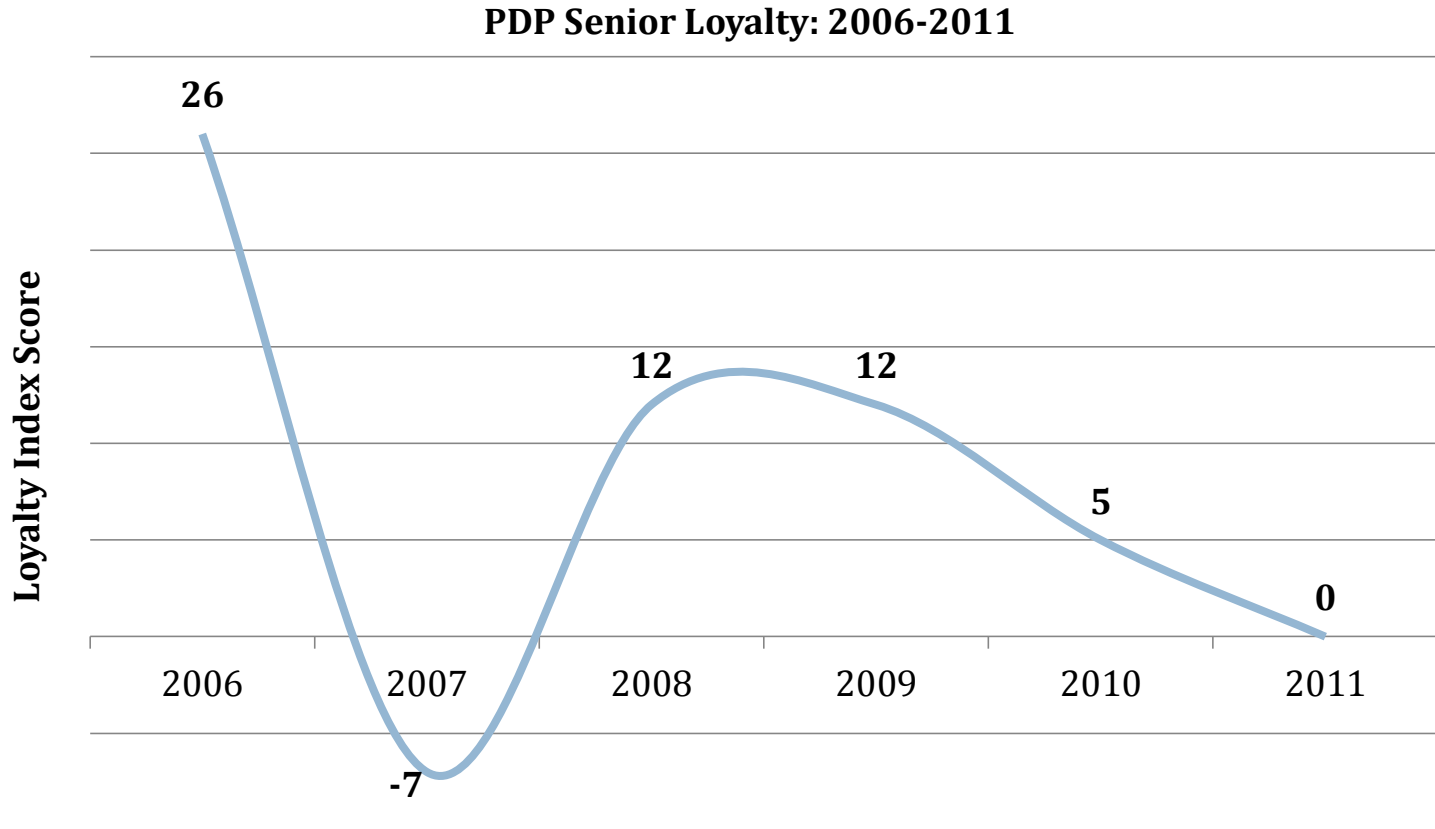
For the past six years, the percentage of Medsupp customers with some intention to switch has remained relatively stable, although 2011 saw a rise in consumers “staying on the lookout” for alternatives to their current plans.

Medsupp carriers can expect 20-25% of their customers to shop and 10%-15 to switch.



After stabilizing in 2008-09, senior loyalty to their PDP plans has dropped to Zero.

Base: All those with drug coverage through a standalone PDP, n=3,456

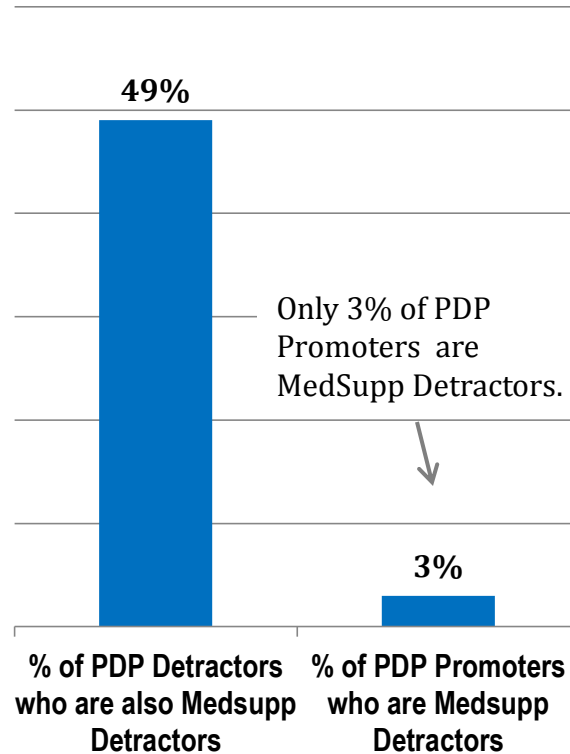




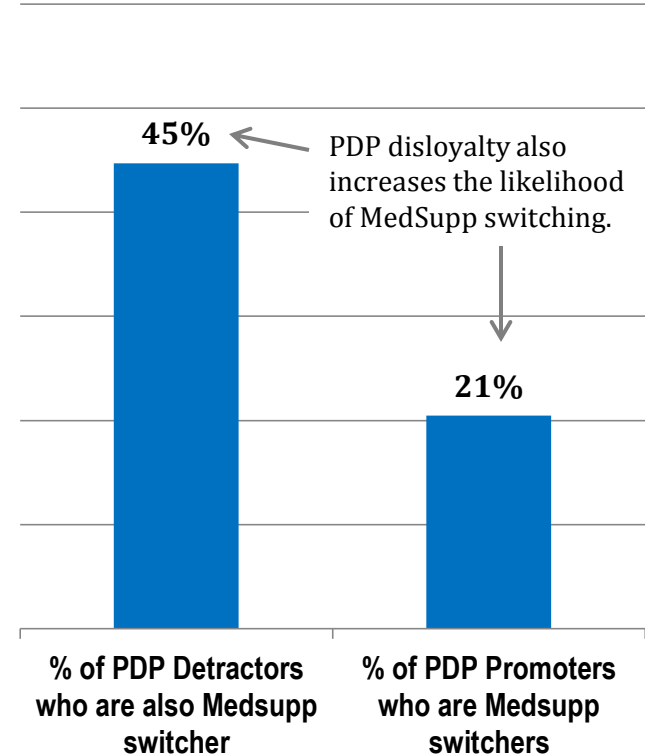
PDP loyalty intermingles with MedSupp Loyalty

49% of **PDP Detractors** are also Detractors of their MedSupp carrier.

If a senior is a Detractor of their PDP, they are 15 times more likely to also be a Detractor of their MedSupp carrier.



45% of **PDP Detractors** have some intention to switch their MedSupp plans, compared to only 21% of PDP Promoters.



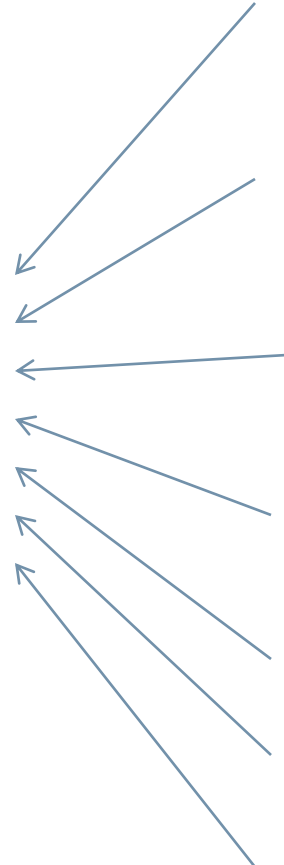


Overall Loyalty Profile of Medicare Advantage Plans

For each of the plan profiles appearing on subsequent pages, we calculated % Better scores for each of the market differentiators that contribute to the seven categories of differentiators shown here. In addition to these averages, for each profile we also show the individual market differentiators that vary from the national by 20% or more.

Medicare Advantage Category Scores	MAPD National % Better Score
Brand Trust Score	43%
Product Score	34%
Service Score	42%
Shopping and Sales Score	28%
Cost Score	45%
Drug Coverage Score	26%
Brand Image Score	41%
Overall % Better Score	36%
Loyalty Score	29
% Some Intention to Switch	37%

	MAPD Market Differentiators	National % Better Scores
Brand Trust	Takes care of members when the worst happens	36%
	Trustworthiness	47%
	Financial strength	46%
	Understands my health care needs *	41%
	Assuring patient safety *	35%
Product	Reliable service	53%
	Taking care of people with chronic illnesses or specific health problems	37%
	Covers providers you want to see	48%
	Makes sure health problems are caught early	41%
	Covers services you want to have	43%
	Dental coverage	14%
	Vision coverage	23%
	Nationwide coverage	31%
	Holds down cost of hospitalizations	29%
	Assures quality of physician care	39%
Service	Customer service people answer questions right away	44%
	Customer service people easy to reach by phone	48%
	Consistent communications with customers	41%
	Useful website	32%
	Forms and paperwork are well organized	41%
Shopping	Courteous customer service people	51%
	Access to people who can answer medical questions	40%
	Provides information about quality of physicians *	22%
	Provides information about hospital quality	19%
	Easy, convenient enrollment process	47%
	Direct mail promotions provide useful information	30%
	Honest sales people *	30%
	Honest independent insurance agents work for them	24%
	Online tools that help me compare plans	22%
	Cost	Low copayments
Out of pocket costs for doctors visits have been what they said they would be		45%
The premiums have been what was expected		45%
Covers drugs that you need		28%
Fair drug coverage deductible		26%
Drug Coverage	Low copayment charges for branded drugs	23%
	Keeps out-of-pocket drug costs within the expected range	25%
	Low copayment charges for generic drugs	30%
	Identifies pharmacies that are lower cost	26%
	Helping seniors watch their money	38%
Brand Image	Appealing to seniors who have active lives	47%
	Appealing to people who demand the best care	36%
	Serves many people in your area	47%
	Appealing to people who just need basic health insurance	38%



"Please read each of the items below and answer whether you believe your health insurer is better, the same, or worse than other health insurers in regards to each item."



AARP Medicare Advantage Profile

n=95

Commentary

AARP MAPD seniors are relatively active shoppers that gave scores close to the national averages for all 7 categories. AARP scored highest in the shopping and sales category, with information about physician quality and easy enrollment process both scoring well above the national average, along with “nationwide coverage”. AARPs website and direct mail scores are low, and seniors are not impressed with their dental and vision coverage.

AARP Medicare Advantage Category Scores			
	% Better	MAPD National	Index
Brand Trust Score	43%	43%	100
Product Score	32%	34%	95
Service Score	38%	42%	90
Shopping and Sales Score	30%	28%	108
Cost Score	48%	45%	107
Drug Coverage Score	25%	26%	93
Brand Image Score	43%	41%	103
Overall % Better Score	35%	36%	98
Loyalty Score	22	29	76
% Some Intention to Switch	37%	36%	102

market differentiators that depart from National Averages			
	% Better	MAPD National	Index
Nationwide coverage	45%	31%	145
Provides information about quality of physicians *	31%	22%	141
Easy, convenient enrollment process	57%	47%	121
Useful website	25%	32%	78
Direct mail promotions provide useful information	23%	30%	77
Vision coverage	14%	23%	61
Dental coverage	7%	14%	50

* Provides information about quality of physicians is a driver of low switch intent