

+ HEALTH INSURANCE UNDER 65 INTELLIGENCE SERVICE

2011 Shopping Pathways & the Internet

September 2011



Deft Research: Managed Care Market Research

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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



Deft Research: Managed Care Market Research

Our Clients

Since 2006, Deft Research has grown to become a leading market research provider for the health insurance industry. We are highly regarded as a valued resource providing reliable, timely, and actionable consumer insights to our clients*.

Regional/ National plans: 15

Local/ State plans: 43

Agency/ Manufacturer: 6

* Complete client list available upon request.

Senior Market Intelligence Service

Benefit Design & Market Dynamics Study, 2006-2011
National Senior Loyalty Study, 2006-2011
The Age-in Study, 2007-2011

Health Insurance Under 65 Series

Health Insurance Design, 2011
Shopping Pathways & the Internet, 2011
Small Business Managers' Outlook, 2011

Custom Healthcare Consumer Research

Shopping Behavior and Pathways
Consideration Sets – Competitive Assessment
Brand Awareness, Impression, Loyalty
Market Segmentation
Media Recall
Concept Testing
Conjoint: Product Preferences and Attribute Value
Price and Cost Sensitivity
Hispanic Preferences and Attitudes
Disenrollment
Drug Coverage Importance



Study Overview

Research Dates

August 20-29, 2011

Study Population

- Target Population was aged **19-63** who work for employers with less than 1000 employees, purchase health insurance directly, or are not employed.

Sampling Frame

- Sample was obtained jointly from Survey Sampling International and e-Rewards.
- More information about SSI can be found at surveysampling.com
- More information about e-Rewards can be found at www.erewards.com
- **3487** responses were obtained nationally.

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Executive Summary Overview

- Comparison of our study sample versus the us consumer base --all three groups (uninsured, direct pay, and employer under 50).
- A description of Health Expense Index for all three groups.
- % of all three groups that will be eligible for a subsidy by 2014 (133 FPL through 400)
- Age breakdown of those eligible for subsidy with average disease prevalence.
- Likelihood of all three consumer groups to shop for coverage next year.
- Expected premium savings needed to shop in the exchange versus through current mechanism by US state.
- List of top on-line needs to fulfill internet shopping experience by men and women.
- Relative overlap of other on-line activities in different industries with healthcare.
- Overlap of other health related on-line shopping activities with health insurance shopping.
- Key words used in search engines by consumers for health insurance shopping in first attempt.
- Comparison of wireless device users and non users for internet shopping and their likelihood to be shopping for health insurance.
- Secondary key words used when searching for health insurance.



Health Expense Index

The index gives us an estimate of how many times more than a healthy person each respondent is expected to cost.

A Health Expense Index was computed using:

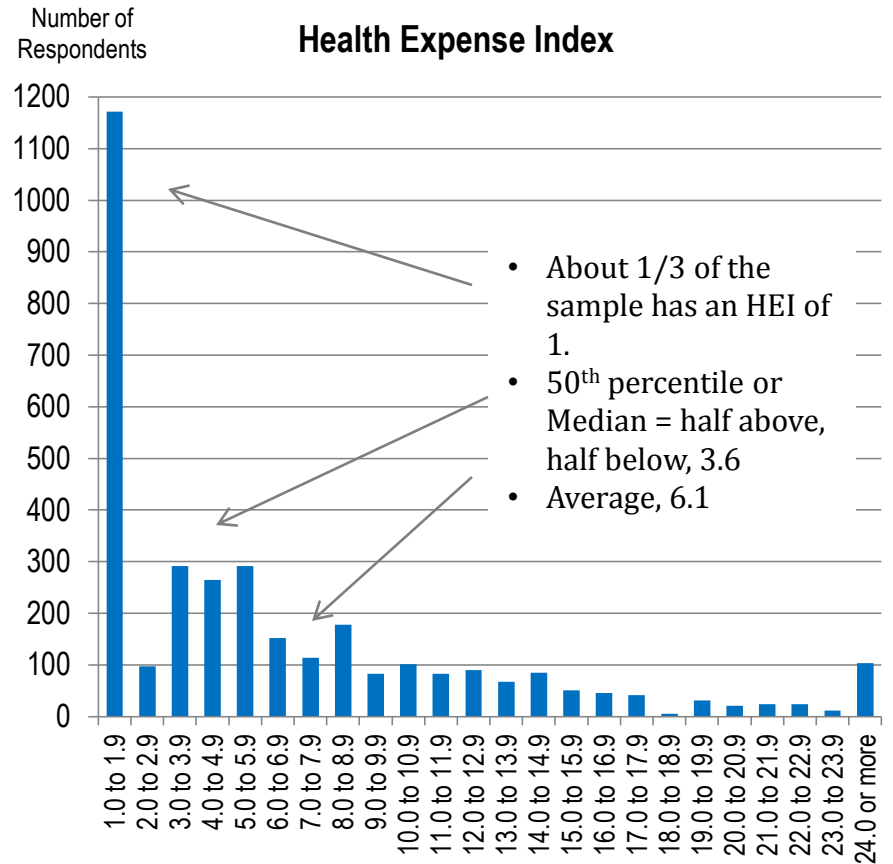
1. respondents' report of chronic conditions, weight problems, and tobacco use ;
2. publicly available data on disease prevalence and the medical and drug costs of disease.
3. derived estimate of additional cost per case given the reported conditions and risks.

The information led to an estimate of the *additional* cost of health care above the cost of a healthy person. Our estimate is that a healthy person with no chronic conditions or risk factors spends/costs, on average, \$665 per year in medical and drug expenses.

A person with an HEI of 1 has no conditions or risk factors. They would, on average, spend/cost about \$665 per year in medical and drug expenses. A person with an HEI of 3.5 (close to the HEI's median) would spend/cost 3.5 x \$665 or \$1,663 more than an HEI of 1 - or about \$2,328 per year total.

Average Health Expense Index Values

- Overall = 6.1
- 25th percentile = 1.0
- 50th = 3.6
- 75th = 8.6
- 90th = 15.3
- Employer based insurance = 5.5
- Individual Purchase = 5.8
- Medicaid = 9.4
- Uninsured = 5.6





In 2014, about 33% of 18-63 year olds will be eligible for a subsidy other than Medicaid

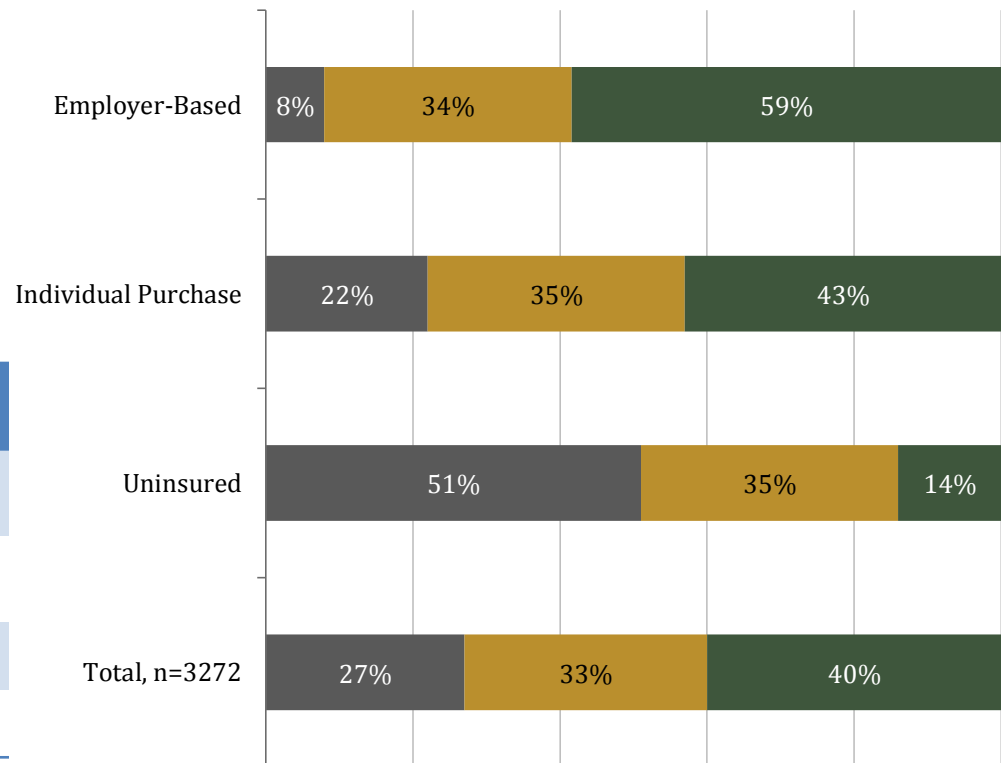
Base: All

Many of those who will be eligible for a health care subsidy in 2014 are currently insured by an employer paid plan or a plan they purchased themselves.

The table below serves to point out that a considerable population – 48 million workers, and 11 million direct payers -- who are insured now, will become eligible for subsidies or Medicaid when reform rolls out. This means more than just increasing the number of health insurance shoppers and consumers of healthcare. The reform package will also shift a large portion of health insurance costs away from employers and lower income policy holders, toward the Federal treasury.

Group (Age 18-63)	Total Population (millions)	LIS Eligible (133-400% FPL)	Medicaid Extension (<133% FPL)
Insured Workers	114	39	9
Direct Purchasers	19	7	4
Uninsured	40	14	20
Total	193	60	33

■ FPL < 133% (Medicaid) ■ 134% - 400% (Subsidy) ■ FPL 401% + (No subsidy)





Direct Purchaser, Uninsured, and Small Group Overview

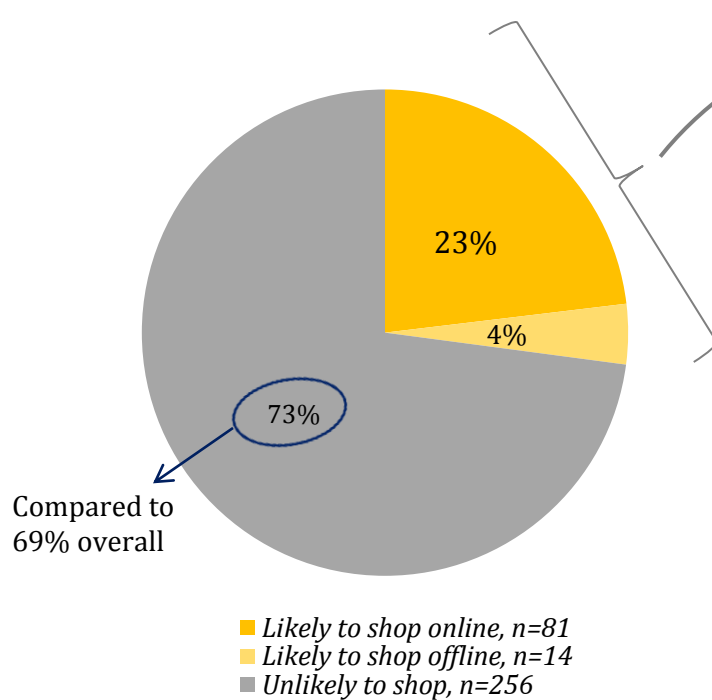
...for each of the three groups

- % of the overall market to shop next year both on-line and off-line.
- Three year analysis of switching activity no new carriers and within the same carrier.
- Age group breakdown (19-26, 27-34, 35-49, and 50-63) of those most likely to shop next year compared to base and with HEI calculations.
- Key disease prevalence rates for each group and the percentages of each group that fall within key FPL bands 100-133, 134 to 200, 201 to 250, 251 to 300, 301 to 400 and 401 and above.
- Percentages of sample that utilize various web services (on-line banking, Ebay, etc.) comparing rates of those most likely and least likely to shop next year.
- Wireless device usage by age band, HEI, and likelihood to shop next year.
- % of each group to perform various health related on-line activities (comparing benefit packages, emailing MD offices, etc) and which ones are associated with consumers most likely to shop next year.
- Three most critical on-line deliverables to attract consumers most likely to shop for insurance.
- member interest in on-line channel from marketing to enrollment.
- Likelihood of each group to pursue various marketing channels when shopping for insurance by male v female.
- Likelihood to use and agent, percent of each group that has used an agent in the past or knows one currently.
- % interest for each group on shopping for insurance at various retail locations (mail, health plan store, etc.)
- Which marketing channels will be relied upon for what shopping services (state exchange, plan website, agent/navigator.)
- Shoppers perceived list of most confusing shopping activities by channel.
- Shopping activities that can increase comfort on line and lead to more on-line enrollment.
- Who in HH makes healthcare decisions, how much time do they spend per purchase, and what is the aggregate time from start to finish.

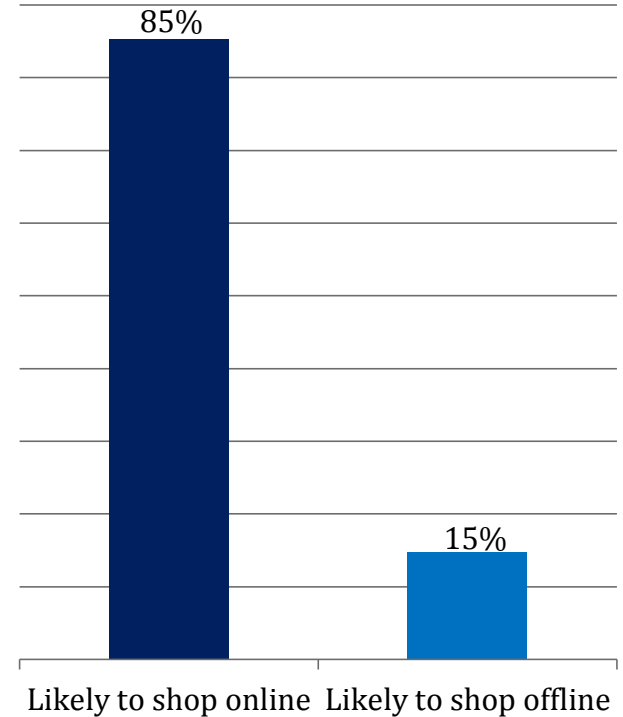


Direct Purchasers: Likelihood of Shopping

Only 1 in 4 say they will shop, and nearly all of them will shop online.
Base: Direct Purchasers, likely or unlikely to shop for health insurance, n=351



Direct Purchasers: Likely Shoppers, n=95



73% say they won't shop, but 37% have switched an insurer, and 27% switched a plan within their current insurer within the last 3 years, meaning that more will actually shop than is expected (see charts on next page).



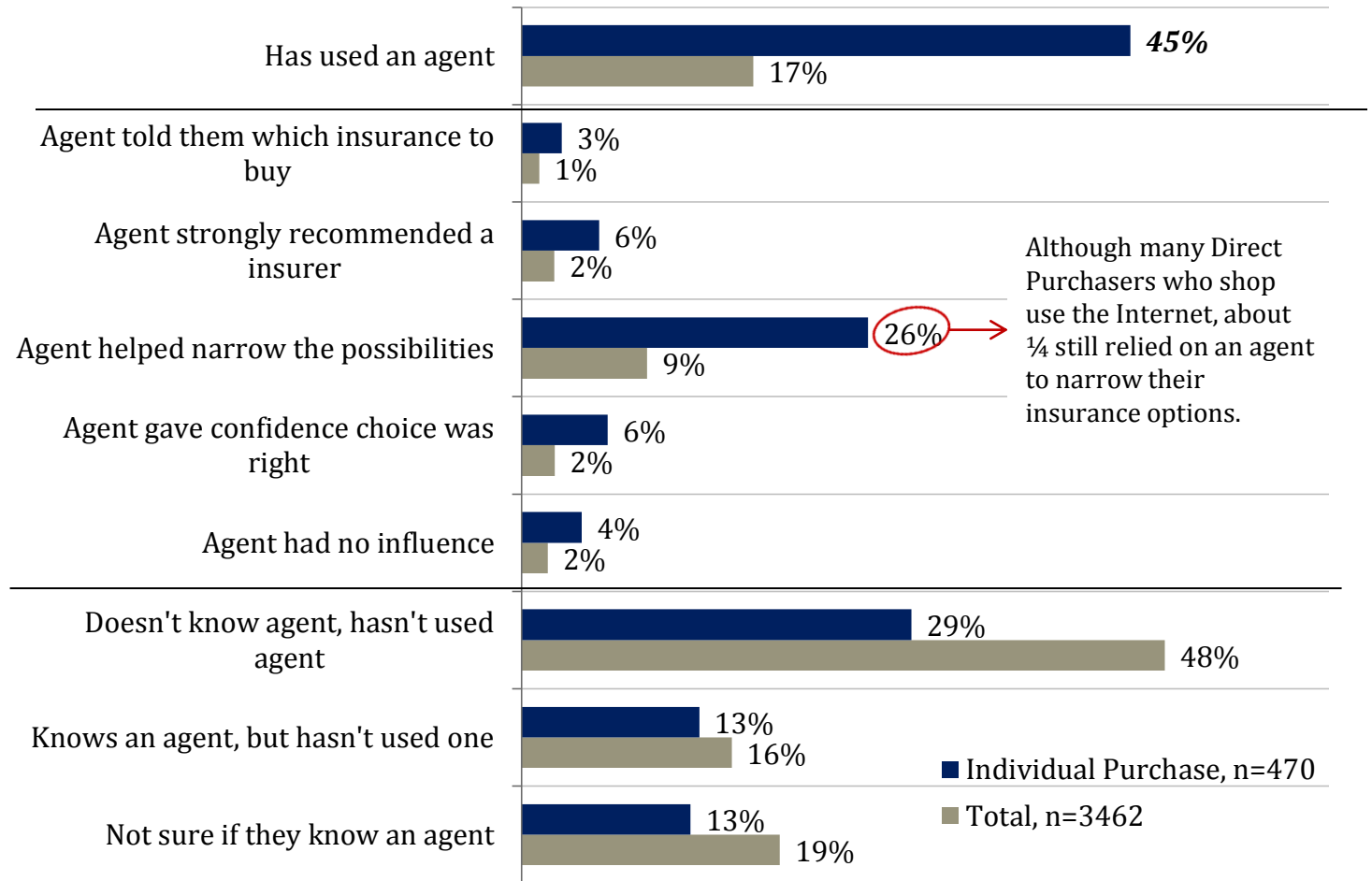
Pathways—Agents:

45% of Direct Purchasers have used an agent when shopping for health insurance;

another 13% knows an agent they could call if needed.

Base: Direct Purchase, n=470

The internet is popular with Direct Purchasers, but agents still play a critical role in the shopping process. They serve as both helpful navigators through the health care system, as well as liaisons that consumers can use to gain meaningful contact with health plans.



Although many Direct Purchasers who shop use the Internet, about 1/4 still relied on an agent to narrow their insurance options.

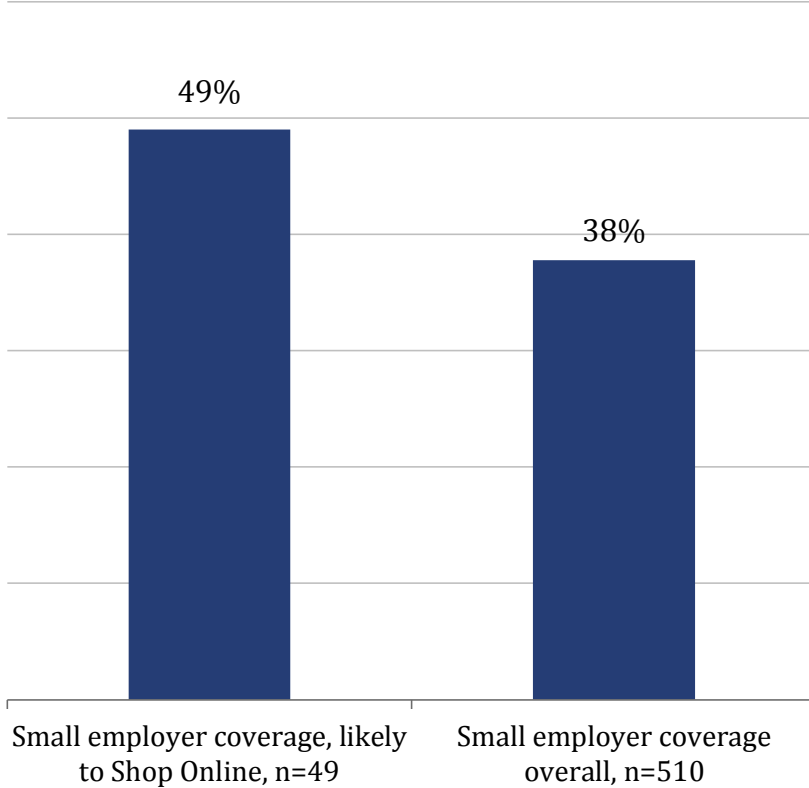


Internet Preferences and Habits—Wireless Users

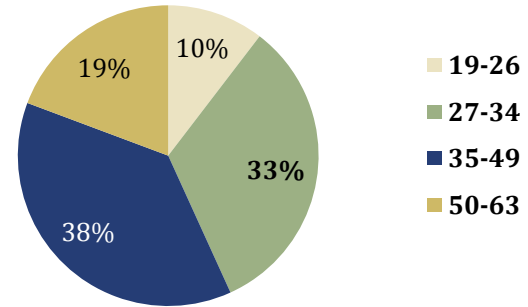
38% of Workers are mobile device users: 70% are between 27 and 49 years old; 40% will be eligible for an exchange subsidy; they have better health statuses than the entire worker group.

Base: Employers Under 50 people, Mobile Device Users, n=193

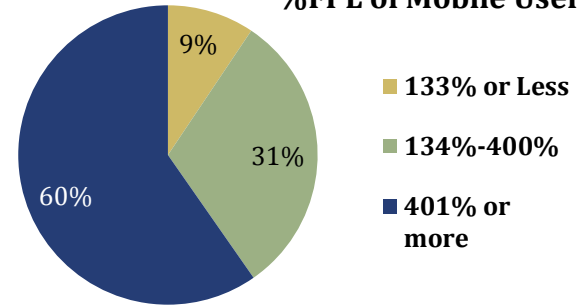
% used wireless mobile device for general web activities in past 2 weeks



Mobile User Age Groups



%FPL of Mobile Users



Average HEI: Mobile Users vs. All Small Co. Employees.	Mobile Users, n=193	Small Employee Coverage Total, n=506
Avg. HEI	4.7	5.3



Internet Preferences and Habits—Desired Online Tools

Likely shopping workers appreciate the top 3 online tools more than the entire group population.

Base: Small employer coverage

