

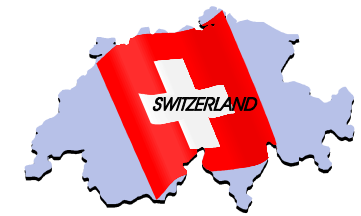


Consumerism – Segments and Choices with Examples from Switzerland

**Workshop at the International Health Summit
Praha, October 31, 2005**

Workshop facilitator: Robert Springinsfeld, SWICA

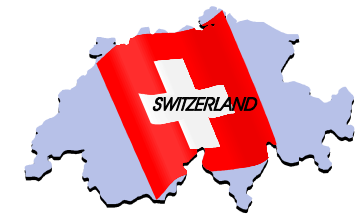
Main elements of consumerism



 Focus of chapter

	Key questions	Format
Areas with true choice	<ul style="list-style-type: none"> • In which areas do clients have/need to be able to choose? • What are typical choices health insurances can offer? • What choices are available in your region and what do clients look for? 	<ul style="list-style-type: none"> • Presentation • Presentation • Discussion
Client segmentation	<ul style="list-style-type: none"> • What types of client segments exist (Swiss example)? • How is product offering matched to client segments? • Which client segments exist in your region? Is there an offering to match their requirements? 	<ul style="list-style-type: none"> • Presentation • Presentation • Discussion
Sales approach/ advertisement	<ul style="list-style-type: none"> • How do health insurers approach their target segments? • What types of advertisement are allowed? • Which options for approaching clients and advertising are available to you? 	<ul style="list-style-type: none"> • Presentation • Presentation • Discussion

What health insurers can offer their clients (WE example)

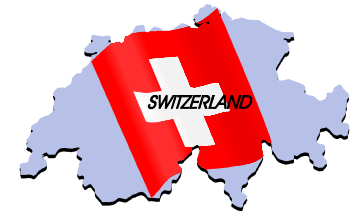


Types of insurance coverage

Main elements

Private coverage <ul style="list-style-type: none">□ In-patient□ Out-patient	<ul style="list-style-type: none">● Covers treatment in private ward in any hospital (worldwide) → no limitation of tariffs● Enables patients to choose their doctor without contractual or tariff limitations → wider choice (less relevant in Switzerland)
Semi-private coverage <ul style="list-style-type: none">□ In-patient	<ul style="list-style-type: none">● Covers treatment in semi-private ward in any hospital in country of residence → no limitation of tariffs (with few exceptions)
Special needs <ul style="list-style-type: none">□ Alternative medicine□ Dental□ Glasses	<ul style="list-style-type: none">● Focused add-ons to basic insurance coverage mostly covering special needs up to a certain amount i.e. „preventive care“ like gym, massages at 50% up to CHF 500 (SWICA example)● Coverage for alternative medicine (accupuncture, naturopaths etc.) which is not included in basic coverage
HMO/PPO basic coverage Basic coverage	<ul style="list-style-type: none">● Basic coverage for in-/out-patient treatment (compulsory for all residents) → regional and contractual limitations (i.e. public hospitals in region of residence)● HMO/PPO offered as a means to enjoy lower premium thanks to more closely managed care with limited interest in profit

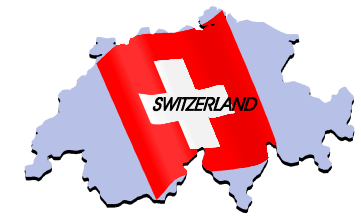
What do you need to make complementary coverage attractive



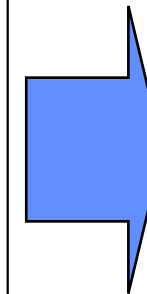
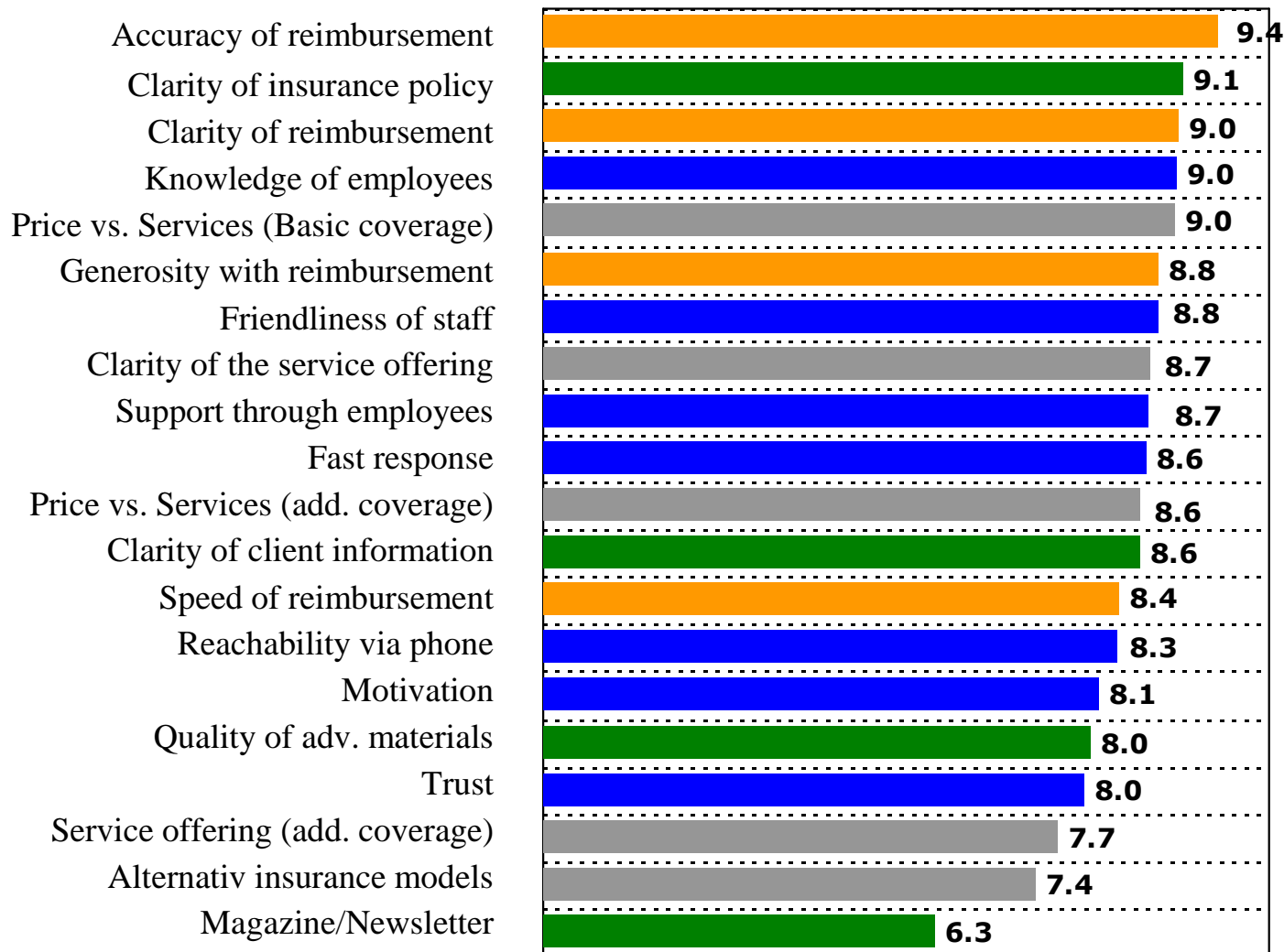
Prerequisites for complementary coverage

- Limitation: Basic compulsory coverage has to be restricted to cover basic needs only (i.e. public ward in public hospital, no rehab, no “unproven” methods of care etc.)
- Treatment/service offering: A broad range of services from private clinics to complementary treatments like naturopaths needs to be available throughout the country or special “quality of service “ contracts with public providers need to be installed
- Financing: A sufficiently large “middle-class” client base needs to be willing to pay up to 100% more in premium for the additional coverage

What customers do care about for their insurance (Swiss example)



Importance of Service Criteria (client expectation of insurance, Switzerland 2005)



- Accurate, understandable reimbursement is at the top of what clients expect (orange color)
- Internal factors like knowledge, friendliness, fast response of staff put together are scoring second (blue color)
- Pricing follows closely but is less important in complementary coverage (grey color)

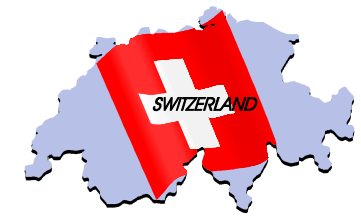
What choices are available in your region?



Topics for discussion

- **What alternatives/complementary coverage do you offer to your clients (i.e. travel insurance)?**
- **Does the current legal framework allow you to offer complementary coverage for**
 - In-patient treatment (private ward, private hospitals etc.)?
 - Out-patient treatment (alternative medicine, preventive care etc.)?
- **Are there alternatives to the basic (compulsory) insurance coverage?**
 - HMO (health maintenance centers)
 - PPO (preferred providers – hospitals, doctors)

Main elements of consumerism



 Focus of chapter

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Areas with true choice

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- Presentation
- Presentation
- Discussion

Client segmentation

- What types of client segments exist (Swiss example)?
- How is product offering matched to client segments?
- Which client segments exist in your region? Is there an offering to match their requirements?

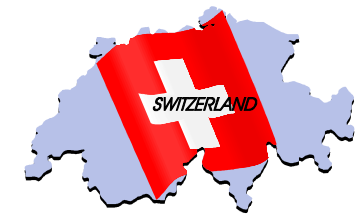
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Sales approach/ advertisement

- How do health insurers approach their target segments?
- What types of advertisement are allowed?
- Which options for approaching clients and advertising are available to you?

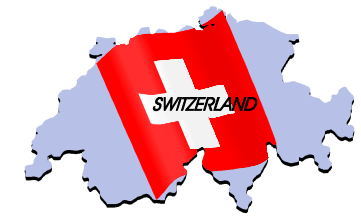
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Client segmentation still very basic



Segments	Needs	Coverage
<p>Individuals basic needs</p>	<ul style="list-style-type: none"> ● Risk insurance for sickness and accident ● Low premium, low service 	<ul style="list-style-type: none"> ● Basic insurance coverage ● HMO/PPO-model ● Medium fixed deductible (i.e. CHF 1.000)
<p>Individuals business</p>	<ul style="list-style-type: none"> ● Coverage of special needs (travel abroad) ● Additional comfort/treatment (semi-private ward) ● Medium premium, good service 	<ul style="list-style-type: none"> ● Higher deductible (i.e. CHF 1.500-2.500) ● Complementary preventive care and hospital insurance
<p>Individuals optimum coverage</p>	<ul style="list-style-type: none"> ● Maximum coverage of all possible risks (frequent travel abroad) ● First class medicine (private ward, global choice) and excellent service 	<ul style="list-style-type: none"> ● Higher deductible (i.e. CHF 1.500-2.500) ● Complementary coverage for both in- and out-patient treatment for private care ● Dedicated services
<p>Collective/ company contract</p>	<ul style="list-style-type: none"> ● Tailored offering for employees (differentiated by category) ● Premium advantages due to different risk profile of employees 	<ul style="list-style-type: none"> ● Flexible collective coverage of basic up to private insurance (depending on needs) ● Product pricing based on actual performance of contract (complements)

How much do clients pay for their choice



Situation

- Basic coverage: Pricing varies by region (cannot be selected, depends on registration), by payor (based on his actual cost base, checked/managed by state) and by selectable deductible (CHF 300 to CHF 2.500)
- HMO/PPO basic coverage: Prices vary based on the same factors as general basic coverage

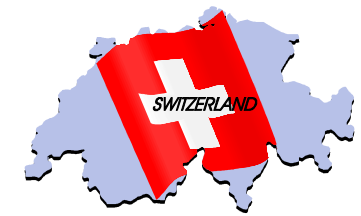
- Complementary coverage: Prices vary by region, age group (partially selectable) and again by deductible (in-patient CHF 1.000-5.000)

Price and service offering differ widely between payors (as shown on previous page)

Examples of pricing (region of Zurich)

- | Examples of pricing (region of Zurich) | Price (CHF/month) |
|--|----------------------------|
| • Assura (low service, low cost provider) basic coverage, CHF 300 deductible | 250.00 |
| • Visana (good service), basic coverage CHF 300 deductible | 312.50 |
| • SWICA HMO basic coverage CHF 1.000 deductible | HMO: 192.80
PPO: 204.70 |
| • SWICA complements for out-patient treatment, preventive care etc. | ~50.00 |
| • SWICA complement for accident coverage (private ward) | 10.00 |
| • SWICA hospital insurance, private ward, worldwide, CHF 2.000 deductible | 120.00 |

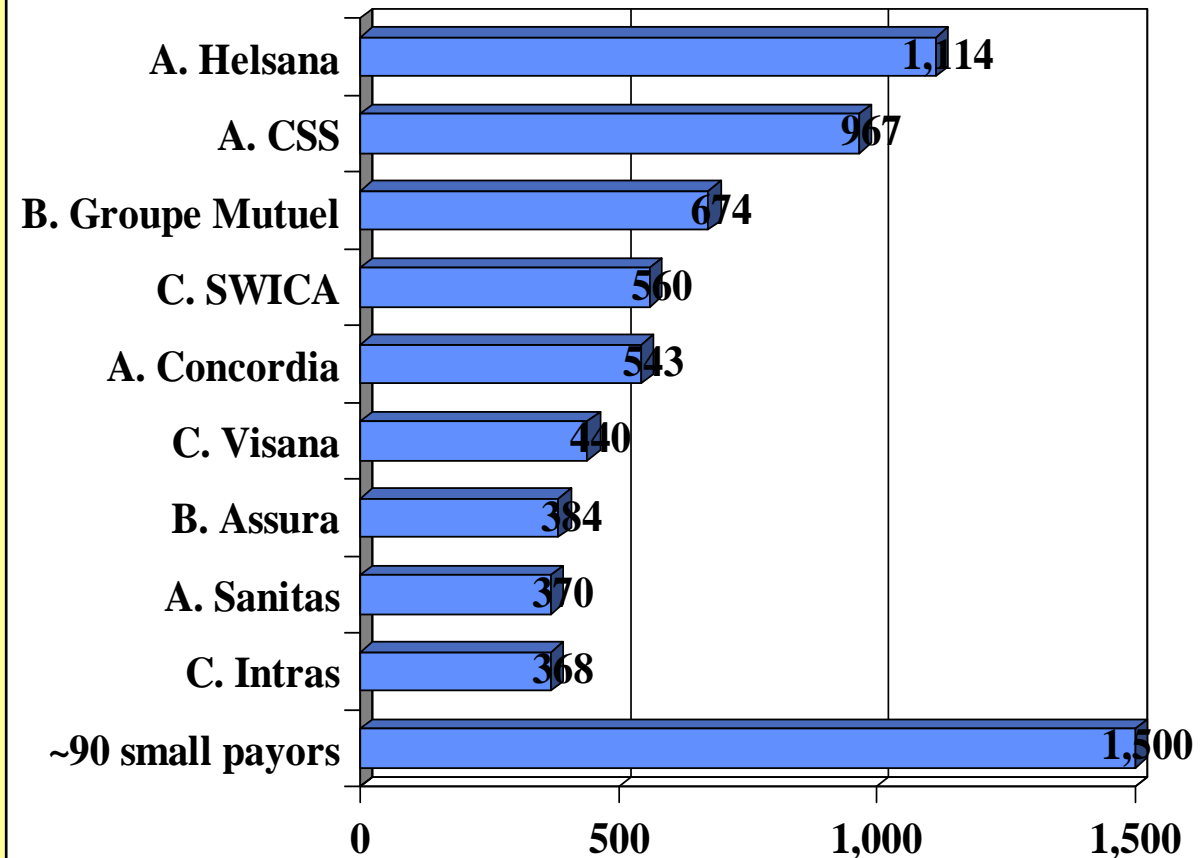
How can payors differentiate themselves



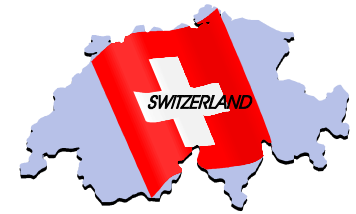
Examples of how (successful) payors in Switzerland differentiate themselves

- A. Focus on **service offering** through strong local presence (speed of reimbursement, complementary support hotlines, large network) – suitable for large players
- B. Focus on basic service offering, keeping both insurance and administrative **costs low** (e.g., by paying late/slowly and thereby achieving a certain risk selection) – suitable for aggressive, regional players
- C. Focus on **quality/special needs** by offering HMO, PPO combined with a high service commitment (price/quality leadership) – suitable for aggressive, innovative players with countrywide/strong regional coverage

Market overview by number of insured basic coverages (Switzerland, 2004/2005)



Additional services available to payors vary widely



Care (alias case) management

Ensures the earliest possible reintegration of employees who have fallen sick or suffered an accident and to prevent disability. Absent employees are counseled by specialists and, depending on their situation, examined by a (payor selected) doctor. In close coordination with the employer the earliest possible reintegration into the work process is sought, for example through trial work or retraining.

Emergency assistance

Global hotline which helps you set-up necessary transportation, identify suitable hospitals and organizes repatriation if needed

Medical hotline

24h first level support provided by medical staff employed by payor to help resolve the most common questions. Redirects patient to available MD/hospital if necessary, indicates adequate medication etc.

....

Which client segments/service offering exist in your region?



Topics for discussion

- **What are “interesting” client segments in your region? Are these sufficiently big to enable cost-covering operations?**
- **What are your options to adapt your offering to the specific needs of these attractive segments?**
 - Service offering through strong local presence
 - Low cost insurance
 - Coverage of special needs or quality requirements
 - Other options?
- **Can clients afford to pay for extra services and are they willing to spend extra money on better health care?**

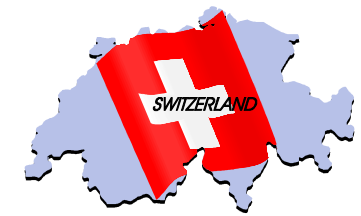
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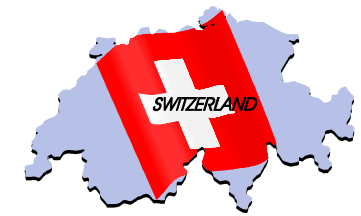
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Key elements of sales approach define market dynamics



Key elements	Relevant criteria for health insurance	Examples
Identification and selection of target segments	<ul style="list-style-type: none">• To identify attractive segments cost, premium and risk compensation needs to be taken into account• If direct risk selection is limited then offering needs to be tailored to provide benefits to desired risk profiles	<ul style="list-style-type: none">• Age group 50-70, in good health• Sports, contraception, prevention
Differentiation of the product offering	<ul style="list-style-type: none">• To differentiate basic coverage price/service or alternative care models will be the main drivers• Complementary out-patient coverage can be differentiated by special needs insured• Complementary in-patient coverage can be differentiated by class insured	<ul style="list-style-type: none">• 24h support hotline, HMO/PPO• Dental, preventive care, global coverage• Private hospitals, semi-/private ward
Usage of different sales channels	<ul style="list-style-type: none">• Full control over sales channel enabling direct influence over products offered/segments approached required• Maximum penetration through brokers or alliances with special segment focus (life insurance, gym etc.)• Reduced channel cost by using technology (has shown little success in areas with need for counselling)	<ul style="list-style-type: none">• Agencies, sales agents• Corporate brokers, agent networks etc.• Outbound Call Centre, Internet etc.

Focus of advertisement on acquisition of new clients



Main criteria for focusing advertisement

- How relevant is client **churn** and thus what **type of advertising** do you need (loyalty, acquisition etc.)? → Typically this is in the low 1 digit percentages (similar to banking). I.e. in Switzerland it is around 2-3% of the client base so new acquisition is more relevant than increasing loyalty.
- What is the right **timing** for advertising campaigns? → Usually there is a legally given time for switching payors. In Switzerland this is in fall – there is no advertising during the rest of the year.
- What are **suitable channels** for attracting new customers? → As this is mainly a mass market business all channels can be used (print, radio, TV etc.). In Switzerland billboards and TV are frequently combined due to reach and cost.

Families are one of the top targets as usually persuading one person generates multiple new clients...



Which options for sales/advertising are open to you?



Topics for discussion

- **Which channels can be used to attract your target segment while still giving you control over their individual sales approach?**
- **What should the incentive system for the chosen channels include**
 - Number of new contracts
 - Service/coverage signed (e.g., deductible)
 - Fit with of signed contracts with target risk profile
 - Other options?
- **What types of advertisement is effective in your region and what are/should be the main messages of this advertisement?**