



**FOR IMMEDIATE RELEASE**

**HEALTH INSURANCE PLANS MAKE MEMBER RETENTION A STRATEGIC  
PRIORITY FOR 2009**

***Increasing Loss of Individual and Group Plan Members Is Eroding Member Acquisition Cost,  
Plan Profitability and Competitive Advantage***

ORLANDO, Fla. - January 12, 2009 - Facing unprecedented marketplace disruption - ranging from the unemployment-related decline of group coverage, to greater consumer autonomy in health insurance selection - the retention of individual and small group plan members is now a priority for the nation's health insurance companies. At some health plans, member turnover can run as high as 40% annually, eroding member acquisition costs, plan profitability and competitive advantage.

For decades, health insurance plans have operated largely as wholesale businesses, with revenues driven by group ("commercial") accounts. Customer service was important, but within this business-to-business (B2B) supply chain there was little necessity to build brand loyalty among group plan members, who had no choice of plans. But economic conditions, demographics and government reform are rapidly changing the health insurance landscape, driving them to think and to operate - for the first time - as retail-focused, business-to-consumer (B2C) enterprises.

Insight into the magnitude of this market shift was provided at UnitedHealth Group's annual investors' meeting held on December 2nd of last year. At this briefing, the nation's second largest health insurance carrier reported that several factors, including large employers that didn't renew their contracts, will lead to an enrollment decline of as many as 1.5 million commercial members for UnitedHealth Group in 2009.

According to McKinsey & Co., by 2011 the fate of up to \$600 billion of insurance premiums will be in the hands of individual decision makers, rather than employers; driven in large



measure by an underlying shift in the healthcare cost burden from employer to employees. Bolstered by government reform in both the Medicare and under 65 markets, individual consumers will increasingly have greater influence in the selection and payment of health insurance coverage.

In addition to the drop in member persistency related to the industry's rapid B2C evolution, current economic conditions are fueling the loss of group plan members, as massive job terminations, early retirements, and elimination of employer-funded health care coverage all increase. McKinsey claims that health insurers capture less than 10% of this group "transition" market, which is estimated at approximately \$40 billion annually. A market analysis by L.E.K. Consulting suggests there are typically 8.1 million individuals who are in transition at all times, not factoring the current wave of corporate layoffs.

### **Health Plans Taking Initiative to Stop the Bleeding**

This perfect storm of supply chain disruption and economic deterioration has served as a wake-up call for the nation's health insurance providers. "The most forward-thinking health plans understand the importance of pro-actively managing member retention, and are moving quickly to stop the bleeding," according to Ms. Leslie Pecci, Chief Operating Officer of ConnexionsHealth, an Orlando-based business process outsourcing firm that works with health plans to acquire, retain and manage individual and small group members.

Ms. Pecci noted that, in the face of significant member losses, there is some good news for health insurers. "A significant percentage of health plan members are satisfied with their coverage, and would likely remain with their current health insurance providers if they were presented with viable alternatives at the appropriate times, and given easy access to decision-making tools."

Supporting this view, a recent Forrester Research survey of more than 2,000 individuals showed that 52% of both employer-sponsored and individually purchased health plan members were either satisfied or extremely satisfied with their coverage. Forrester also reported that fewer than



20% of respondents in both categories said that they were unlikely to switch health plans. Ms. Pecci noted, "In addition to missing incremental premium revenue, health insurers are losing their investments in member acquisition and in member service by not attempting to leverage the brand loyalty they have established with their satisfied customers."

Pecci noted that to address this growing need to increase member retention, health insurance plans are now:

- Exploring the core issues regarding why and when plan members leave and what can be done, proactively and reactively, to reverse the trend
- Designing and managing a member experience that builds sustained brand loyalty
- Applying proven technologies - including predictive analytics and web-based socialization
- Integrating retention efforts with member acquisition and service programs
- Utilizing and measuring incentive-based, personal wellness and disease management programs
- Exploring best practices in member retention, both from leading health plans as well as sophisticated B2C companies outside of healthcare, such as telecommunications and financial services firms
- Increasing 24/7 member service and employing online technologies to accommodate consumer demand for accessibility, transparency and choice.

"There is a very limited window of opportunity for health plans to retain their members," Ms. Pecci points out, "and insurers must learn to move quickly and cost-effectively before their members are lost forever."

In addition to speed, consumer education is an important aspect of member retention. As an example, Ms. Pecci cites COBRA insurance, which provides displaced employees with post-employment coverage. "Many consumers don't know there can be lower-cost health insurance



alternatives to COBRA that may be better suited to their new circumstances, and plans have a responsibility to provide this information," she said.

Additional information regarding ways in which health insurance plans are working to improve their member retention efforts can be obtained at [www.connexionshealth.com](http://www.connexionshealth.com), or by contacting Ms. Leslie Pecci at (407) 241-8730 or at [lpecci@connexions.com](mailto:lpecci@connexions.com).

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**About ConnexionsHealth:**

ConnexionsHealth provides technology-based business process solutions for a long list of America's most highly respected healthcare organizations, including Kaiser-Permanente, Aetna, Caremark, Assurant and Coventry Health Care; helping them to acquire, retain and manage plan members.

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