



2019 **ANNUAL  
MEETING**  
& EXHIBIT

October 27-30  
Toronto, Canada

## Session 185: The Health Insurance Customer Journey: A Behavioral Finance Perspective

[SOA Antitrust Compliance Guidelines](#)

[SOA Presentation Disclaimer](#)

# Session 185: The Health Insurance Customer Journey: A Behavioral Finance Perspective

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The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

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- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

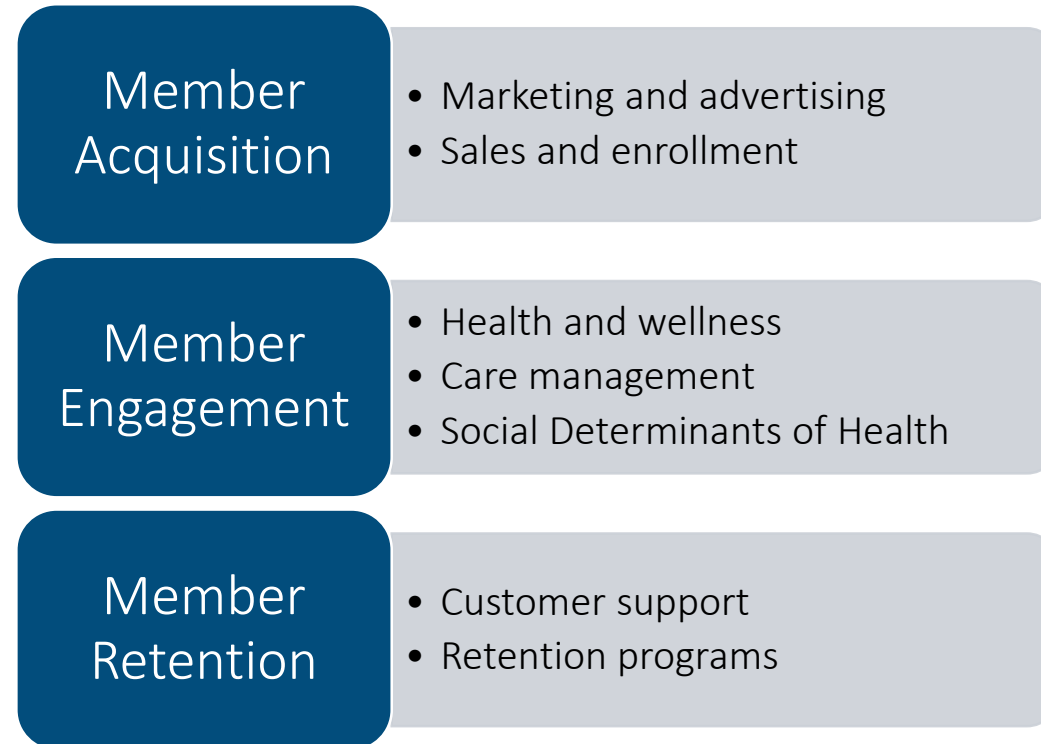
Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

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# Health Insurance Customer Journey Phases

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# Behavioral Economics Applications: Member Acquisition



# Phase Overview

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- Member Acquisition Phase
  - Marketing, Advertising, and Sales
  - Member Enrollment
- We will use three commercials for Anthem's Medicare plan offerings to illustrate three key behavioral economic theories:
  - Choice Overload
  - Loss Aversion
  - Availability Heuristic

# Choice Overload

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- When confronted with a large array of choices consumers become mentally fatigued and may avoid making any choice
- Making a decision becomes overwhelming due to the many potential outcomes and risks that may result from making the wrong choice



# Choice Overload

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- The satisfaction of choices by number of options available can be described by an inverted "U" model
  - No choice results in very low satisfaction
  - Initially more choices lead to more satisfaction
  - Too many choices can make decisions more difficult
- A study by Iyengar and Lepper showed that consumers were 10X more likely to purchase when offered a limited number of choices versus an extensive number of choices of Jam

# Choice Overload

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# Choice Overload

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- Addresses the anxiety faced when selecting a Medicare Advantage plan, specifically making the wrong choice
- Anthem assures the viewer that they can help them navigate their options and make the correct choice

# Loss Aversion

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- Refers to people's tendency to prefer avoiding losses to acquiring equivalent gains
- In other words, the anxiety associated with losing a given amount of money is generally greater than the enjoyment derived from winning the same amount
  - E.g., someone who loses \$100 will lose more satisfaction than she will gain satisfaction from a \$100 windfall.
- In my experience, I always felt more negative about failing an actuarial exam than I did positively about passing one
  - Pass = happy for a few days
  - Fail = bummed for a few weeks

# Loss Aversion

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- Theory: loss aversion maybe hardwired into humans
  - Asymmetric evolutionary pressure on gains and losses
  - When on the edge of survival loss of a day's food is much worse then finding an extra day of food (before refrigeration)
- Example: Zhou and Zhang (2010) found that only 5.2% of Part D plan purchasers chose the most cost-effective plan
  - Given their specific expected prescription drug usage
  - These seniors overspent on by an average of \$368/year
  - Due to the choice of no-deductible plans and generic coverage in the “donut hole”
    - Purchase too much coverage to avoid losses

# Loss Aversion



# Loss Aversion

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- Commercial addresses a woman's concerns with having surprise prescription drug costs
- Anthem provides tools for their Medicare members to estimate their prescription drug costs and therefore avoid any surprises

# Availability Heuristic

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- Purchasing health insurance involves an analysis of risk and reward
- Most health insurance consumers do not have the inclination, resources, or ability to do a complete analysis to make an informed health insurance purchased
- Instead they use shortcuts to make these decisions
- Shortcuts, or heuristics, are used to simplify complex decisions



# Availability Heuristic

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- One type of shortcut used by people purchasing health insurance is the Availability Heuristic
- The Availability Heuristic is a mental shortcut that relies on immediate examples that come to a given person's mind when evaluating a specific decision
- When purchasing health insurance, consumers might make their decisions based on recent health care utilization like a visit to the dentist for a root canal or a specialist to deal with a specific non-recurring ailment

# Availability Heuristic

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- Example: Michel-Kerjan, Lemoyne de Forges, and Kunreuther (2012) found that about half of new flood insurance policies in the US National Flood Insurance Program were canceled since the policyholders didn't file a claim

# Availability Heuristic

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# Availability Heuristic

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- Senior finds out that Medicare does not cover his dental costs
- Tea Leoni informs him that Anthem Medicare does
- By having the viewer recall a recent that could have been avoided, Anthem is using the Availability Heuristic to motivate consumers to buy one of their plans

# Behavioral Economics Applications: Member Engagement



# Typical programs aimed at addressing member needs

## Care Management Programs

- Targeted programs aimed at members with specific conditions
- Often involve provider collaboration
- Examples include disease management programs, care coordinators

## Health and Wellness Programs

- Voluntary programs intended to improve and promote health and fitness.
- Programs feature premium discounts, cash rewards, gym memberships, and other incentives to participate.
- Examples include smoking, weight loss programs, and preventative health screenings.

## Programs addressing Social Determinants of Health

- Programs focused on addressing non-medical needs that drive healthcare usage
- Often conducted in partnership with social service agencies
- Examples include providing non-emergency medical transportation, healthy meal programs and affordable housing assistance

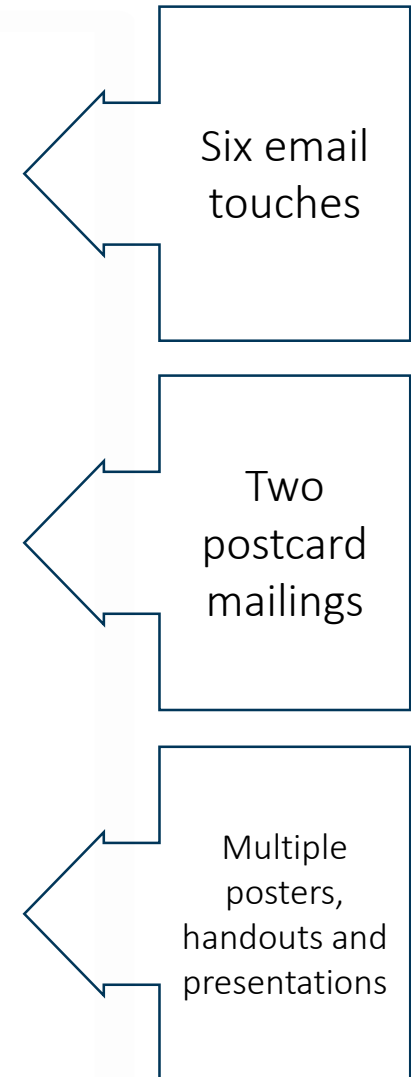
Increase Awareness

Promote Participation

Achieve and Maintain Results

# Example Health and Wellness Program Recruitment Strategy

Recruitment Strategy					
<b>Week 1</b>	On-site information tables for smoke-free campus announcement	Email to Human Resources	Human Resource Presentations		
<b>Week 2</b>	Email to corporate employees	Inclusion in monthly benefits orientation	Email to employees enrolled in wellness program	Posted on employee health care centered website	Posted in web-based employee newsletter (full-time employees)
<b>Week 3</b>	Posted in new hire section of web-based employee newsletter (full-time employees)	Email to store managers	Paycheck message	Posted on TV Plasma Screens at corporate locations	Posting made through web-based employee resources
<b>Week 4</b>	Email to wellness advocates	Posters placed in stores			
<b>Week 5</b>	Postcards sent to all employees	Feature story in employee newsletter (all employees)			
<b>Week 6</b>	Phone message from Chief Medical Officer				
<b>Week 7</b>	Email to cooperate employees	Flyers and information tables at Benefit Fairs (April 2012)			
<b>Weeks 8+</b>	Posted on company wellness partners website (6/1/12)	Second postcard sent to employees (9/7/12)			





# Framing: Proper framing can increase awareness and participation

Source: 2018 Wunderman Health Inertia Study ([www.wundermanhealth.com](http://www.wundermanhealth.com))

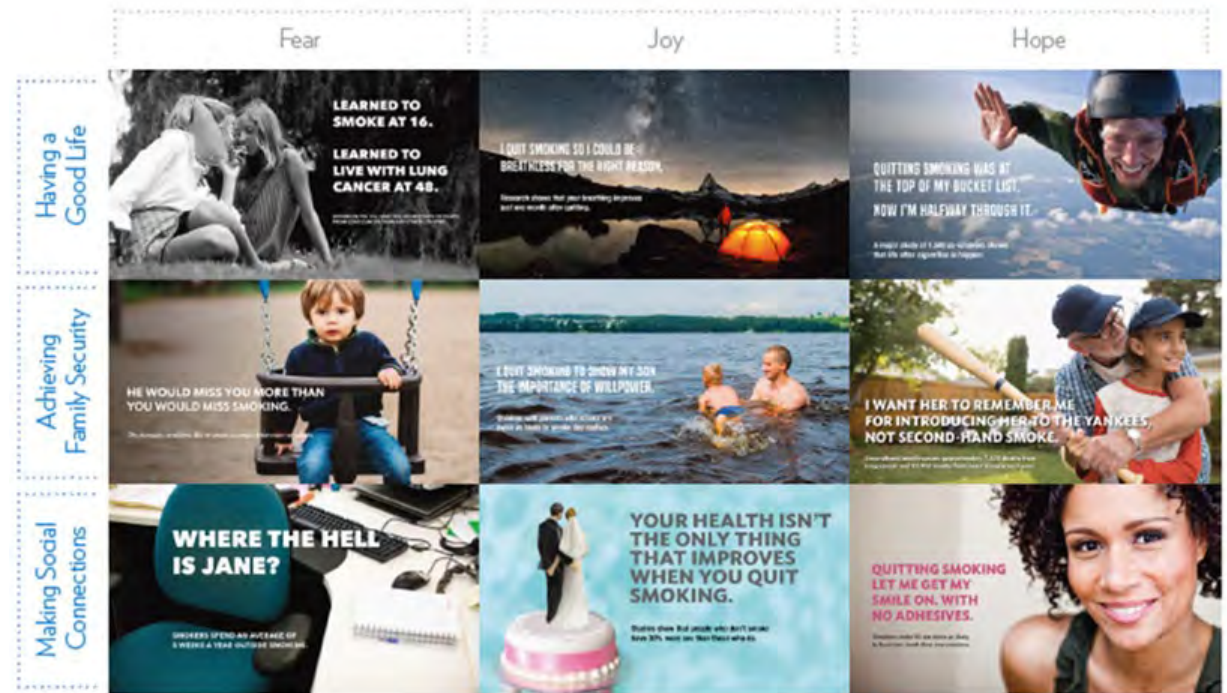
Control messages: CDC anti-smoking campaign



Wunderman tested control messages against targeted messages featuring positive images and targeted to the motivation of the viewer.

- After viewing positive, motivation targeted content, 34% of smokers surveyed acknowledged that they should take action.
- Those motivated by Family Security were 16% more likely to plan to take action when viewing tailored message vs control.
- Fear messages prompted more intense reaction and more immediate action.

Test messages: Positive images, targeted messages



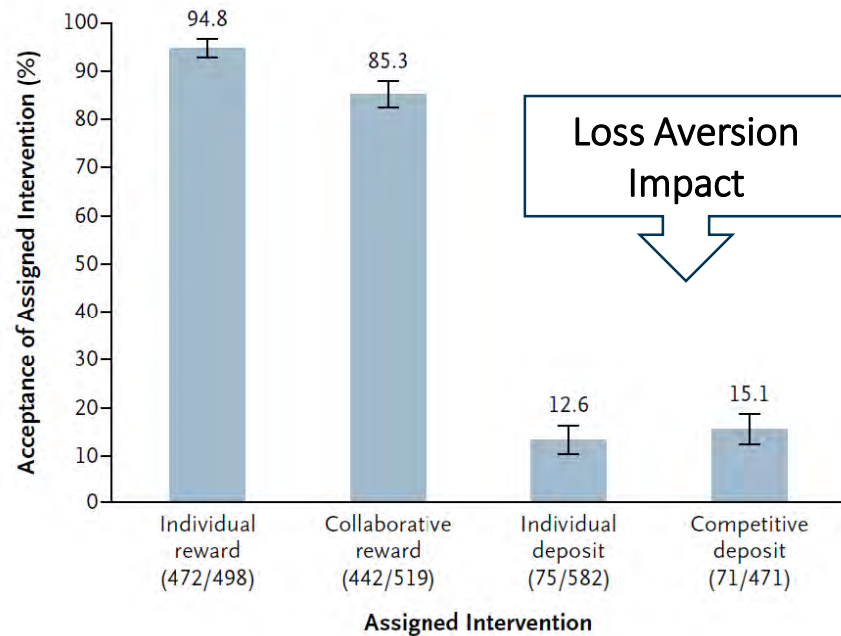


# Financial incentives improve results

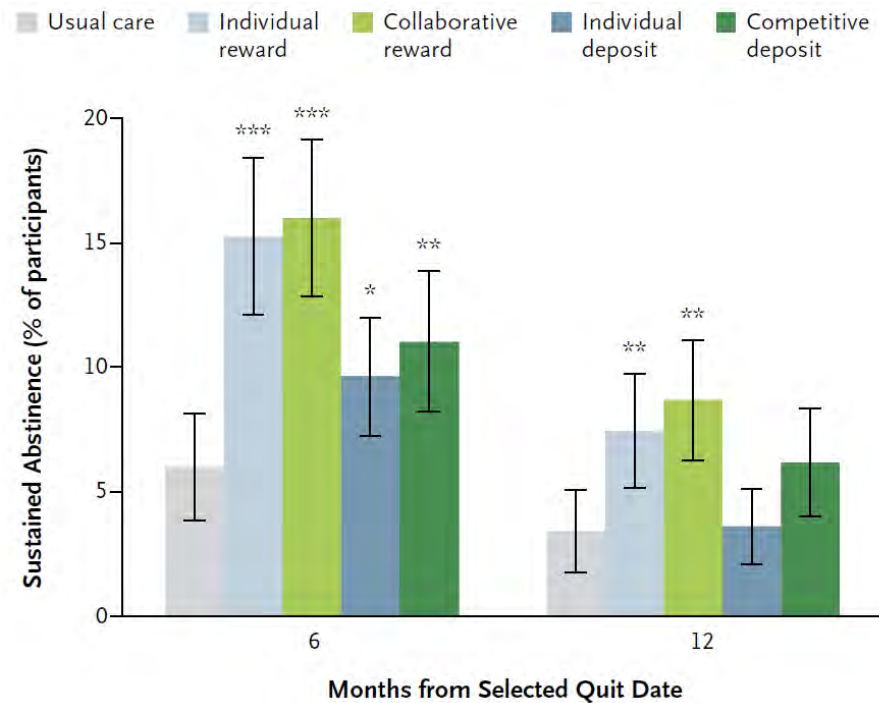
Source: Halpern SD, French B, Small DS, et al. Randomized trial of four financial-incentive programs for smoking cessation. *N Engl J Med.* 2015; 372(22):2108–2117.

Experiment tested four incentive programs. Two paid rewards and two required participants to pay to participate with the possibility of obtaining much greater rewards. Incentive programs also tested individual vs. collaborative vs. competitive incentives.

### Participation Rates



### Quit Rates



- Introducing financials rewards resulted in greater quit rates and more sustained success than non-financial alternative.
- Deposit based incentives had low participation rates, but much higher per-participant quit rates.

# Other applications of Behavioral Economics to Member Engagement



## Zeigarnik Effect

Uncompleted tasks stick in your mind more than completed ones.

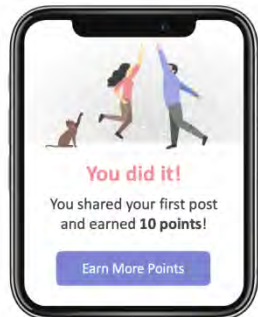
- **Form completion.** Pre-populate some of the items in a form to make the task seem less daunting. This will increase the completion rate.
- **Reminders.** Remind member of next steps or remaining tasks for health and wellness program. This will increase the likelihood of achieving desired goal.



## Negativity Bias

We give more weight to bad experiences than good ones.

- **Awareness campaign.** Use message of past negative experience to spur action. E.g., remind member about last year's bout of flu when encouraging flu vaccination.



## Choice Supportive Bias

Once a decision is made, we tend to praise the option we selected and demote other options.

- **Program design.** Whenever a member completes a significant step in the program - praise them and congratulate them for achieving this step.
- **Increase participation.** Completion of a step is a good time to ask members to recommend program to others.

# Behavioral Economics Applications: Member Service and Retention



# Questions for Audience

- What drives member retention?
  - A. Consumer satisfaction
  - B. Consumers' sensitivity to price/cost
  - C. Access to care
  - D. Quality of Care
  - E. Brand Loyalty
  - F. Other

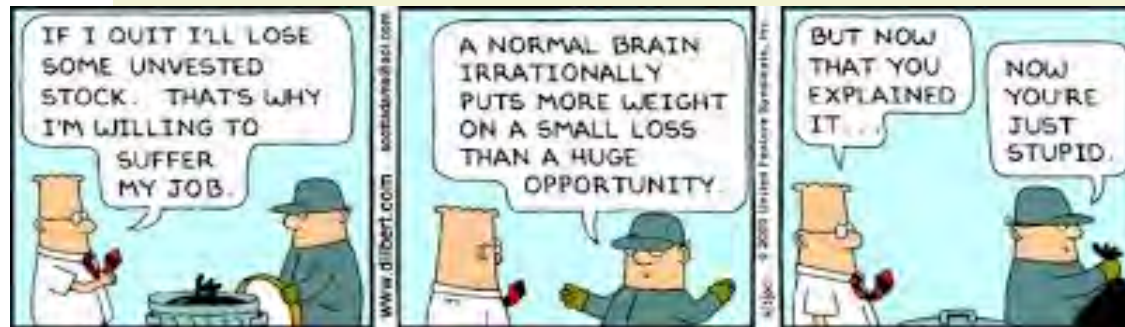


# Customer Decision Making



What drives member retention?

- Demographics
- Morbidity
- Brand loyalty
- Product availability
- Switching cost
- Social exclusion



# Apply Behavioral Economics to Member Services and Retention



**Anchoring Bias**  
We tend to rely too heavily on the first piece of information seen

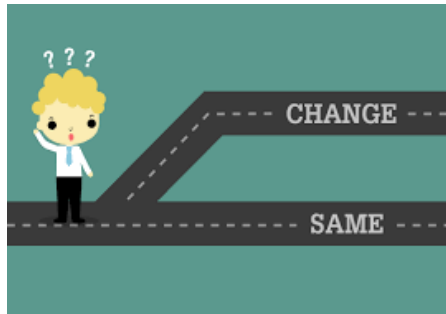
**The Reciprocity Effect**  
We tend to respond positively to friendly and cooperative actions

**The Choice Paradox**  
Too many choices will lead to indecision and suboptimal decisions

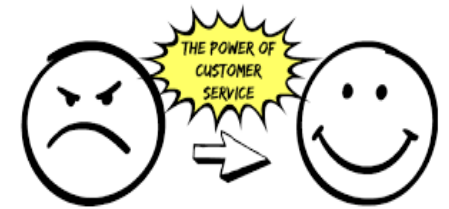
**Endowment Effect**  
People do not want to give up assets or relationships they possess

**Status Quo**  
People tend to prefer the current state

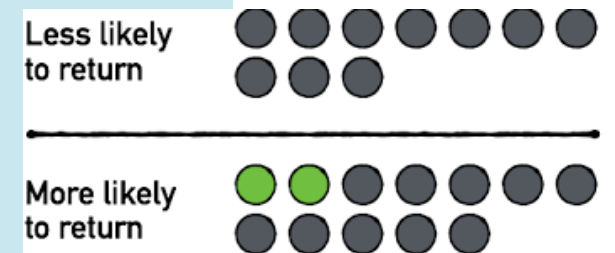
**The Goal Gradient Effect**  
People tend to complete a task if the task has been started for them



- Provider selections – provide **proper** information to help consumers select best the physicians with right mix of cost and quality of care
- Smart default to make the best choice
- Transform customer experience



- Increase retention
  - Pre-populating open enrollment material with known personal profile
  - Optimize provider networks to help retain the members
- Managing switching
  - Best Value
  - Sustainable Care







# Enhance Customer Journey Analytics

- Health insurance customer journey is a decision making process
- Human behavior is a crucial factor
- Technology and real life data
- Opportunities to enhance customer journey for different customer sectors



Deliver better results for patients, insurers and employers





# Behavioral Economics Applications: Questions/Discussion



THANK YOU!!!

