



## STATE OF THE HEALTH INSURANCE INDUSTRY: TREND DATA 2010–2011

Health insurance companies have been beset by a wide range of unique challenges that affect stakeholders' opinions of and trust in the industry. Health insurance companies struggle to protect their license to operate and to effectively communicate their value proposition to policymakers, regulators, the health care community and to consumers more broadly.

In 2010, APCO Insight, the opinion research consultancy at APCO Worldwide, conducted a comprehensive research study to understand the reputation of the health insurance industry and to answer a few basic, strategic questions:

- What do stakeholders expect from health insurance companies after the passage of health care reform?
- What are the core strengths the industry should highlight to reinforce its message of value?
- Where does the industry fail to meet stakeholders' expectations?
- What are the biggest opportunities to improve reputation by better aligning what the industry says and does to meet stakeholders' expectations?

Now, 1 ½ years later, a second wave of the study has tracked the trends in perceptions of the industry to see how far the industry has come and to help chart a strategic direction for the future.

### KEY FINDINGS

Overall, the industry's reputation is not as vulnerable as it was in 2010, due to some improvements in perceived performance on key reputation drivers. APCO's Reputation Index, a proprietary tool used to measure the relationship between the reputation of health insurance companies and several key actionable outcomes that are critical to their operating environment and business success, saw a four-point increase from 54 to 58 points.

In particular, perceptions around Transparency and Executive Engagement are not as significant as they were a year ago. While the industry's Reputation Index is indeed higher, there is still much room for improvement. And now that some of the credibility issues have dissipated, the industry is in a better position to leverage its reputation capital to gain ground on drivers where its standing is neutral.

Patient Advocacy and Health Care Partnerships continue to be key opportunities to enhance reputation. The industry's role as a facilitator at "the hub of health care" is still in sharp focus. Health insurance companies are expected to act as partners to both patients and providers. This unique position at the nexus between providers and patients carries immense responsibility. Stakeholders are looking to the industry to help change the health care system and bring the various elements together for the benefit of patients.

A few new drivers are emerging as trends to watch during 2012. Administrative Efficiency is one area where the industry is increasingly perceived as adding value—through its efforts to seek out and reduce inefficiencies in the system. Specifically, the adoption and promotion of electronic health records to reduce administrative fees, and a more coordinated line of operation has gained traction particularly among policymakers.

## RESEARCH AUDIENCES

### CONSUMER OPINION LEADERS



The top 10 percent of the most informed and civically/politically active segment of the general public across the United States.

Opinion Leaders influence the opinions of friends and family and represent the most influential segment of the voting population.

### BELTWAY POLICY INFLUENCERS



Senior staff at professional associations, patient advocacy groups, think tanks and nonprofits focused on health policy. Examples of organizations include the American Medical Association, American Cancer Society, Pew Research Center and the AFL-CIO.

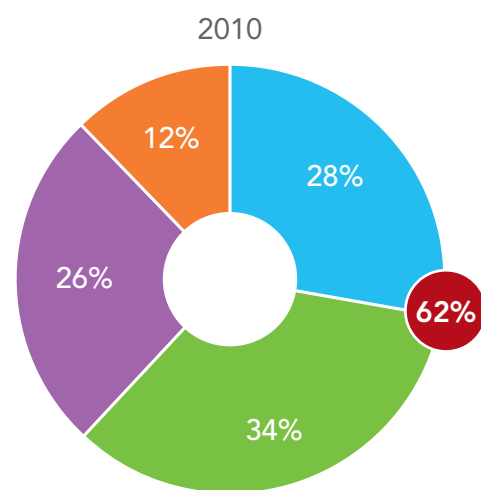
### BELTWAY POLICY MAKERS



Officials with direct influence over health care policy, including senior national- and state-level legislative staff and regulatory officials, for example Senate and Congressional staff, HHS, CMS, state departments of insurance and consumer protection bureaus.

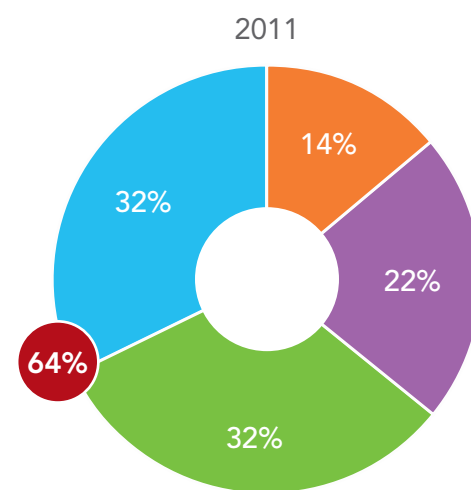
## OPPORTUNITY: ROOM TO BUILD REPUTATION

Despite the reputation challenges facing the industry, a significant majority of all audiences believe that the industry can be seen as respected and responsible if it voluntarily addresses their key expectations. Only a third of these audiences are unwilling to believe that the industry cannot be respected and responsible unless it is forced to by government regulation.



1.5 years after health care reform passed, perceptions towards the industry have not changed:

Nearly **two-thirds** of survey respondents see the industry as respected and responsible or at least potentially so.



#### Health insurance companies:

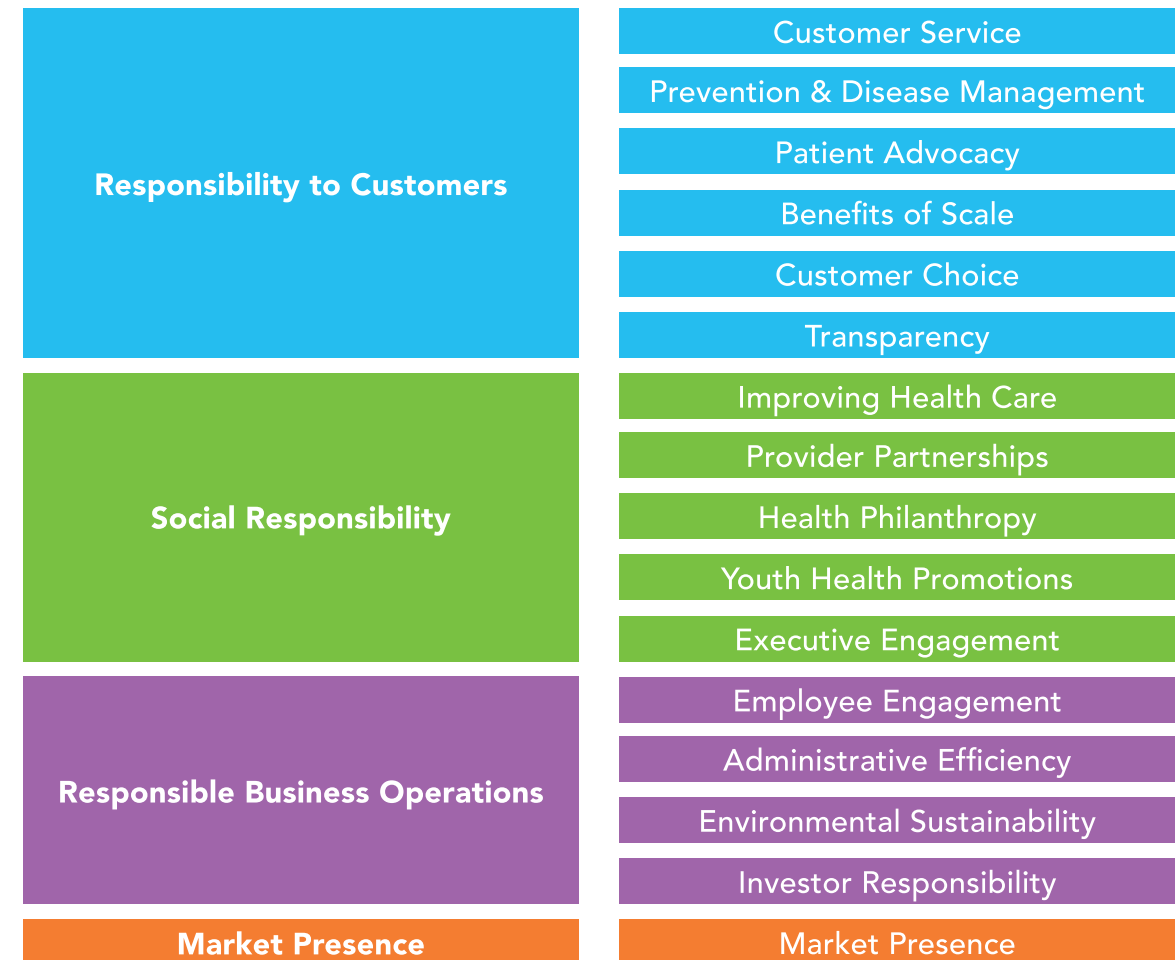
- Are like any other company and are respected and responsible as long as they provide good service to their customers and follow the law.
- Can be respected and responsible if they voluntarily go above and beyond.
- Will never voluntarily act in a respected and responsible manner but can be forced to do so.
- Will never act in a respected and responsible manner.

## KEY REPUTATION DRIVERS: ISOLATING OPPORTUNITIES TO BUILD REPUTATION

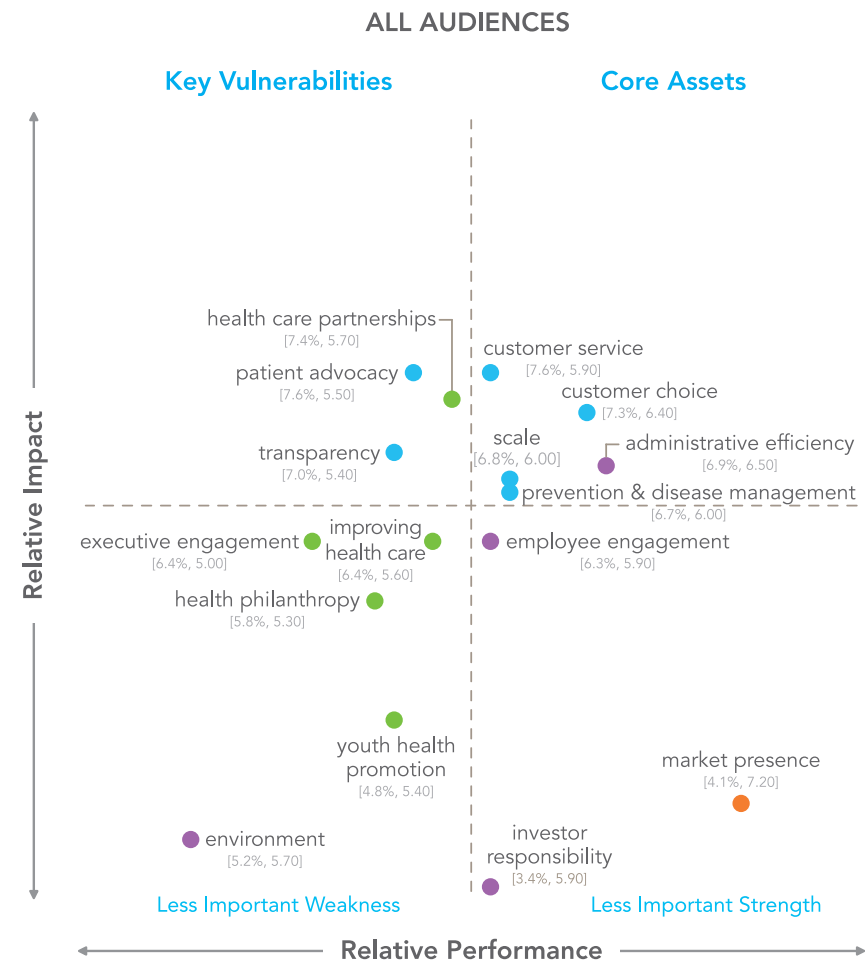
By assessing the expectations stakeholders articulated in their own words, APCO developed a comprehensive model that isolates the key reputation drivers of the industry.

Nearly 100 discrete expectations and attributes mentioned by respondents in the qualitative phase were tested in the large-scale quantitative survey of these stakeholder segments.

Advanced statistical modeling isolated the 62 discrete attributes that were decisive in defining the industry's reputation. These 62 attributes were grouped into 16 discrete reputation drivers. These 16 drivers group into four broader categories.



APCO's analysis measured the relative impact of these 16 drivers in shaping the reputation of each of the large health insurance companies covered in the survey, as well as the industry as a whole. This analysis allowed APCO to isolate key areas of opportunity to enhance reputation, as well as reputation assets to leverage within each audience.



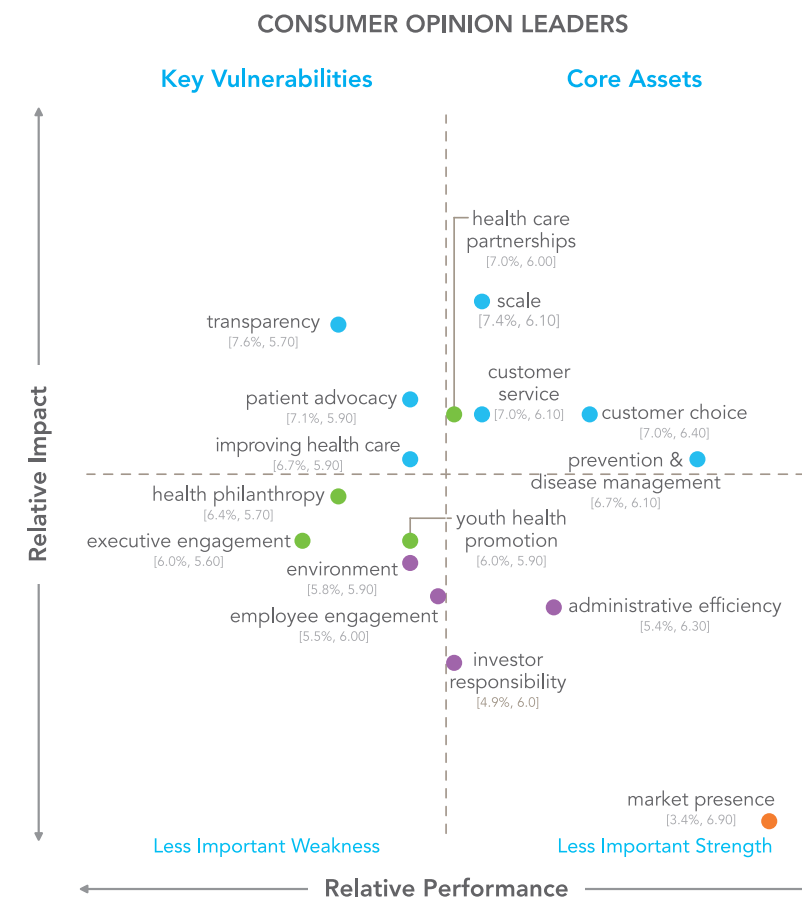
Overall, the industry's reputation is not as vulnerable as it was in 2010, due to some improvements in perceived performance on key reputation drivers. In particular, the drivers Transparency and Executive Engagement are not as threatening a liability they previously were. Attributes that define Transparency, like disclosures about rate hikes or about how premiums are being spent, were particularly hot topics in the media in 2010. Along with this, there were voluminous conversations about CEO compensation and unmet expectations that high-ranking leaders of the health insurance industry be more engaged in a conversation with the public about what is and isn't working in the industry and health care more broadly. With some of these credibility issues now somewhat dissipated, the industry is in a better position to leverage its reputation capital to gain ground on drivers where its standing is somewhat neutral.

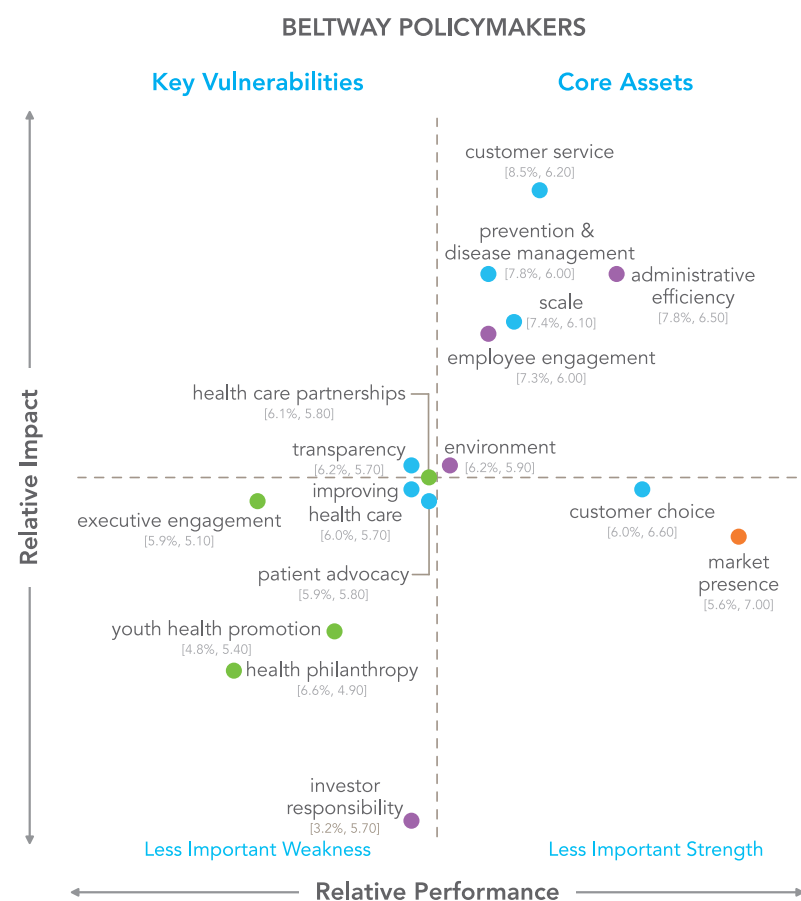
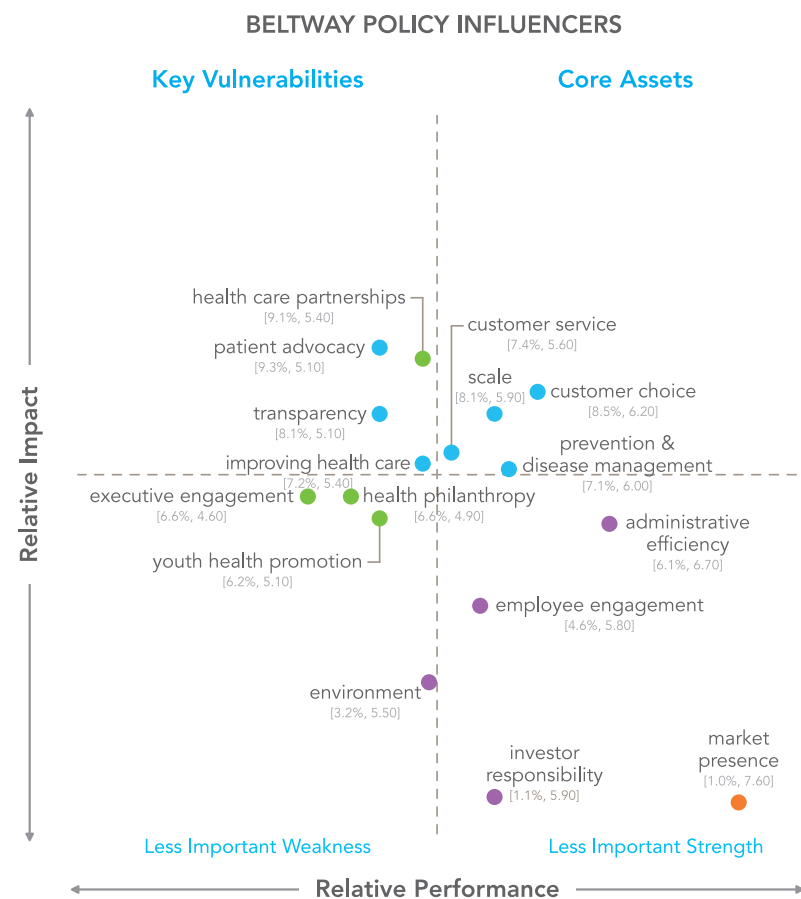
As in 2010, Patient Advocacy and Health Care Partnerships continue to be key opportunities to enhance reputation. The industry's role as facilitator at "the hub of health care" is still in sharp focus. Health insurance companies are expected to act as partners to both patients and providers—from coordinating the administrative tasks or managing the information necessary for patients to make health care decisions to supporting care providers with streamlined solutions and professional development. This unique position at the nexus between providers and patients carries immense responsibility along with a perceived ability to influence many elements of the health care system. Stakeholders are looking to the industry to make sweeping changes and to prove the value of health insurance companies as benevolent contributors to the system. Stakeholders insist that companies step out of "transaction mode" and start acting like care service providers.

### Broad Comparisons Across Audiences

While Patient Advocacy and Health Care Partnerships persist as focal points for all audiences, one or more weighty additional reputation drivers come into view within each audience. For example, Transparency is a key opportunity among **Consumer Opinion Leaders** and among **Beltway Policy Influencers**, but less so among Beltway Policymakers. Patient Advocacy is most salient among **Beltway Policy Influencers**. Prevention and Disease Management, together with Administrative Efficiency (closely followed by Employee Engagement and Scale), are especially important to **Beltway Policymakers**.

Patterns in the 2011 matrices reveal some dynamic developments over the past 1 ½ years among Beltway Policymakers. First, this group marks the most advantageously aligned reputation matrix among the three audiences—they view the industry as performing better on the drivers that have the highest impact and worse on those drivers with less impact. Beltway Policymakers mark significant positive movements in performance on nine of 16 reputation drivers. They also show significant shifts in the salience of individual reputation drivers: 12 of 16 drivers increased or decreased in impact compared to last year.





## KEY TRENDS (2010–2011)

### Emerging Drivers

**Employee Engagement:** Recognizing the health care sector as a large employer overall, respondents also ascribe health insurance companies a responsibility to support a large workforce, to offer employees competitive salaries and benefits, and to encourage employees to volunteer in their communities. This expectation has recently gained in impact among Beltway Policymakers.

**Administrative Efficiency:** One area where the industry is increasingly perceived as adding value is through its efforts to seek out and reduce inefficiencies in the system. Specifically, the adoption and promotion of electronic health records to result in reduced administrative fees and a more coordinated line of operation has gained traction, particularly among Beltway Policymakers. The significant increases in the impact and performance of this driver have rendered it an asset to the industry's reputation. In detail, the expectations comprising this driver include:

- Utilizes technology to reduce administrative costs through electronic claims processing for patients and providers
- Supports and advocates for industry-wide use and adoption of electronic medical records to help all health care providers deliver coordinated care
- Allows members to receive explanation of benefits and other information about the company electronically

### Evolving Drivers

**Patient Advocacy:** While it is still a steadfast issue facing the industry today, the overly convoluted administrative and operations environment of the health care system might have been accepted as a necessary evil, at least by Beltway Policymakers; this factor is less of a reputational threat compared to 2010. Beltway Policy Influencers too are now a viable target for messages that convey how the industry can assume more of a 'hand-holding' role for its customers. There is an opportunity to enhance reputation by taking advantage of the neutral perceptions of both groups of stakeholders on this set of expectations:

- Acts as a patient advocate by helping customers get the information they need to make health care decisions that are best for them
- Acts as a patient advocate by helping customers navigate through the administrative aspect of

care such as getting admitted to hospitals to filling out the right forms

- Develops a personal relationship with customers and understanding of customers' health history and goals

**Transparency:** The industry's burden of the premise that it is founded on denying service has been lifted slightly among Beltway Policymakers—expectations that cases of denied treatment be reviewed independently or that providers go on to offer alternative future treatment options (along with general expectations for disclosure) have stepped down a little bit. And while it is still a rather steep hill to climb, acting to engage with stakeholders on this link to reputation presents an opportunity to improve the industry's standing among all audiences, especially among Beltway Policy Influencers.

### Established Drivers

**Preserving Customer Choice:** Ensuring customer choice of providers, hospitals and benefits plans is an established expectation that speaks well for the industry. This reputation driver received high marks on performance this year too. The industry's reputation is still strongly linked to this issue, although impact among Beltway Policymakers has waned since 2010. Preserving choice is still a key message that should be woven throughout all of the industry's positioning and strategic initiatives.

**Prevention & Disease Management:** Another established reputation driver links benefits to individual customers with benefits to public health into a system-wide, value-add proposition. Prevention and disease management programs are still an asset that can be used to reaffirm the industry's valuable role in health care. Expectations are particularly strong among Beltway Policymakers.

**Provider (Health Care) Partnerships:** Health insurance companies have been vested the role of a convener of many different parties within the system to coordinate transactions and manage relationships, and no audience has backed down on their expectations regarding this position, including Beltway Policymakers—the group for whom this driver was especially important. Beltway Policymakers and Beltway Policy Influencers show upticks in performance on this driver.

## METHODOLOGY

SPRING 2010

### Reputation Model Developed

Research and statistical modeling to isolate the discrete drivers that define the industry's reputation among key stakeholders



SPRING 2010

### Wave 1 Benchmark Measure of Reputation

Random sample surveys of stakeholders to measure driver performance and relative impact of drivers on the industry's reputation



FALL 2011

### Wave 2 "Tracking" Survey

Survey of key stakeholders to track changes in the industry's perceived performance on reputation drivers and assess changes in salience (impact) of drivers since baseline

For more information, please visit [www.rorindicator.com](http://www.rorindicator.com), or contact:

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