



# HMOZ Customer Relationship Growth Forecast in Managed Care 7.0

**PAGES 4-74, 82+ ARE EXTRACTED  
AND AVAILABLE ONLY THROUGH  
THE SOLUTION AUDIT**

**HMOZ**  
SCHL- 001  
210 S. 8<sup>th</sup> St., Lewiston  
New York 14092  
1 (800) 750-4660 (HMOZ)  
[www.qiem.com](http://www.qiem.com)

Report is updated annually and available only to authorized HMOZ customers.

This report contains a unique combination of MCO industry sources, HMOZ direct verified surveys, and hands-on Health Insurance expertise compiled since 1995. The report's accuracy is limited by the quality of data provided by Sales & Marketing and Health Maintenance Organizations CEOs. It is in aggregate form, protecting proprietary information of the fastest growing profitable HMOs including Aetna, Amerigroup, Anthem, Blue Cross Blue Shield, Coventry, Highmark, Horizon, Humana, Kaiser, Keystone, Optimum, Preferred Care, Qualchoice, Universal, and Well Point.

Copyright © 1995-2005 by HMOZ  
All rights reserved.

Reproduction or distribution by any means without the expressed written permission of HMOZ is strictly prohibited by state and federal law.

## Table of Contents

Acknowledgements .....	4
Report Overview .....	5
Methodology .....	7
Current State of the MCO CRM .....	8
Managed Care Executive Focus .....	11
Crisis Pains .....	11
Change Management .....	17
WISE M&A Process .....	18
False Reporting .....	19
Scope Changes .....	20
Cut-to-the-Bone Cost Control .....	22
Risks in CRM Planning .....	23
Managed Care Sales .....	26
Sales Methodology .....	27
Swift Training .....	30
Productivity Prototypes .....	32
HMOZ Time .....	35
Care to Market .....	37
Market Share .....	37
Process Creation .....	39
HMO Marketing Gurus .....	41
Campaigns Automation .....	42
Win Back Organic Membership Growth .....	46
Managed Care IT .....	49
Initial Import .....	50
Data Bridges .....	52
Integration on Demand .....	55
Imports on Demand .....	57
Exports .....	60
Implementation Timing .....	62
Data Security .....	64
Technology Strains .....	67
Technological Peasants .....	68
Future Trends .....	70
CRM of the Fastest Growing HMO .....	71
Sales Process Methodologies .....	74
Report Summary .....	75
Sales Productivity .....	76
Increasing Market Share .....	78
SG&A Cost Cutting .....	79
CEO Optimal Investment .....	80
Appendix A: Design Prototypes .....	82
Appendix B: Security Guidelines .....	96

## HMOZ Report Summary

HMOZ Customer Relationship Management Report Summary provides insight into the best strategies on how to increase market share, cut costs, and create transformation for the Managed Care Industry with CRM solutions.

There are two major reasons why MCOs are interested in CRM projects: business needs and technology needs.

Business problems usually involve:

- Pressure to cut SG&A costs: Selling, General, and Administrative expenses
- Need to gain larger market share
- Inaccurate reports
- Undefined sales methodology
- Lack of rules-based uniform business processes
- Low shareholder forecast visibility
- Inability to handle Organic and M&A membership growth
- Lack of commitment to battle disenrollment
- Desire to implement best practices
- Urge to automate campaigns and control marketing overspending
- Ineffectively managed customer relationships
- Requirements to improve productivity and performance

Technology or Systems initiatives involve the following components:

- Need for modern technology
- Elimination of duplicate data entry
- New heightened security guidelines
- High cost of unsupported old custom applications
- Desire for higher data integrity
- Reporting weaknesses
- Integration with rating, underwriting, and accounting systems
- Need for the integration with Microsoft Office applications, like Word, Outlook, Excel, Access Databases, etc.
- Threat of system failure
- Technical Performance issues

The HMOZ Report is a multidisciplinary applied approach that is available exclusively to HMOZ Solution Audit clients.

## SALES PRODUCTIVITY

Membership growth depends on the amount of effort and time sales representatives put towards the end goal. In fact, they spend only a fraction of their time on the actual selling; the rest of the time is consumed by minuscule administrative tasks and redundant activities, like handling client complaints, paperwork, and participating in the cross-departmental communication chain.

Sales managers agree that sales representatives' time must be freed up to build win-win relationships with existing clients and sell effectively to new prospects. Repetitive tasks such as quoting, refining plan design, enrolling, or renewing a group can and should be automated.

HMOZ best practices studies proved the existence of certain selling patterns in different performance groups. Successful Managed Care Organizations use this knowledge to understand and capture the patterns in a top performing sales group and implement them with the mid-performers, thus, eliminating their cost-consuming bottom group. Applying sales processes and methodologies, integrated with rules, is the best approach.

Below is the summarized view of how MCO Sales & Marketing Reps spend their time:

### HMOZ PRODUCTIVITY CHARTS

*Sales:* Making sales calls, creating sales presentations, and writing letters; occasionally it includes marketing and networking. Sales contacts with current customers generally take longer than those with prospects.

*Planning:* Determining long term strategies, deciding which customers to call this week, and working on presentations to be made. Most sales reps spend about half of the time in this category planning their schedule and activities; the other half is in presentation preparation.

*Administration:* Paperwork, filing, mail, internal phone calls, sales meetings, correspondence, meetings with manager, and reading.

*Quote Processing:* Pricing, preparing custom quotes and plan designs.

*UW Follow-up:* Submitting quotes to the underwriting, rates clarification, conflict resolution between clients and underwriters.

*Claims Complaints and Disenrollment Handling:* Claims issues resolution, customer complaints handling, dealing with disenrollment.

*Miscellaneous:* Might include charity projects, special task forces and office socializing.

Legend:

■	Sales
■	Quote processing
■	Travel
■	Planning
■	Lunch/Breaks
■	Miscellaneous
■	UW follow-up
■	Administration
■	Complaints & Disenrollment Handling

**CURRENT SITUATION:**

As shocking as it seems, a sales rep, who starts his/her week on Monday morning uses up all the selling time by Tuesday afternoon. The rest of the week goes to naught.



**WITH HMOZ:**



**THE IMPROVED PROFILE:**

The data in this report represents averages. Presented here is an improved profile, based on a 48-hour week.

Activity	Hours	%Time
Sales	17.3	36%
Travel	5.8	12%
Quote Processing	7.7	16%
Planning	2.9	6%
Administration	5.3	11%
UW follow-up	1.4	3%
Claims Complaints, Service	2.9	6%
Lunch/Breaks	3.3	7%
Miscellaneous	1.4	3%
<b>TOTAL</b>	<b>48</b>	<b>100%</b>

**HMOZ Right Sizing Calculator**

The HMOZ surveys have proven that there is an optimal number of reps to members ratio. Verify how many Sales and Marketing reps progressive MCOs need to service their members effectively.

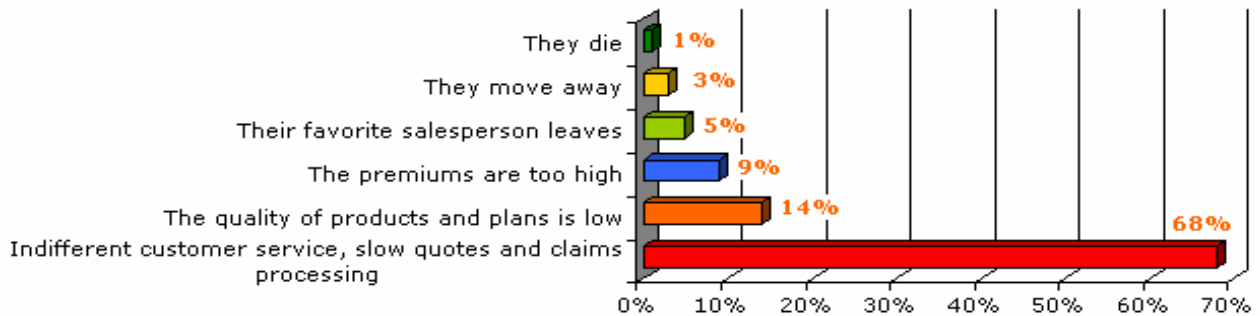
## INCREASING MARKET SHARE

Only a few MCOs are winning the market share game these days. Many states have already seen health plan saturation rates in excess of 50 percent. The largest MCOs spend millions of dollars annually on advertising, glossy brochures, mail campaigns, etc. Unfortunately, 86.4 percent of managed healthcare organizations do not have the ability to track marketing effectiveness.

In competitive markets you can lose at least 80-90 percent of your customer base in a very short time period. Research shows that while customers die, move away, form new allegiances and get better deals, as many as 68 percent of customers leave their present provider due to the indifference the business shows to them as customers.

It's easy to assume Sold Groups leave because they found a better deal or lower premiums elsewhere. However, price is not a major factor in why customers leave and don't return. Prospects want good service, fast claims processing, and quick quotes, and often they are willing to pay higher prices to get it.

### WHY DO CUSTOMERS LEAVE?



Avoiding the loss of clients and gaining them back starts by capturing all member, broker, and provider communications and information in one central Contact Relationship Management database. MCOs can achieve different and better results only by changing the way they do their regular sales and marketing activities.

The Top 10 MCOs ranked by customer satisfaction and membership growth have gained popularity with their members by investing in Customer Relationship Management systems. This conclusion is based on more than 42,000 responses to a recent Annual Questionnaire by

## Consumer Reports and Competitive Edge Reports.

From industry experience, ownership of a CRM system alone is not enough. There is a special recipe to make it work for a specific organization, the ingredients — proper implementation, customization, integration with other systems, maintenance, training, and unique expertise that combines knowledge in both healthcare Sales and Marketing and IT areas.

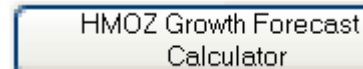
Analysis of the fastest growing MCOs has surprisingly proven that campaign automation is the single largest factor leading to brand growth and market penetration. Campaigns allow to convert clients' passive pain into active pain and increase conversions through combined mail, email, phone, web advertising, seminars, and educational events.

With CRM, leading MCOs have new abilities to datamine and target the right audience with the right message at the right time with accurate cost accountability. The most innovative one empowers every Sales and Marketing representative to control how much time, resources, and money are spent on each prospect and customer, fully segmenting them into A, B, and C priority customers.

Imagine seeing what these MCOs see now in the exclusive campaign report, from the global marketing perspective down to the individual contact: target market, response codes, response rates, objective level lead source, funnel, call to action, campaign budget, expected results, potential responses, actual cost, and actual results. This is how the movers and shakers at the leading edge MCOs are winning the market share game over and over again.

## SG&A COST CUTTING

The previous attempts to increase productivity and efficiency within an MCO were targeting claims processing automation. As a result, most healthcare organizations have updated their claims processing systems in the last five years with positive results. The next wave of automation is designed to **control and cut SG&A costs.**

A rectangular button with a light beige background and a dark border. The text "HMOZ Growth Forecast Calculator" is centered on the button in a dark font.

Verify how your MCO membership is expected to grow annually.

Reports are one of the key measurement tools an MCO can apply to their cost-cutting initiatives. Managed Care Organizations can free up their management time, make correct strategic decisions, and increase profitability if they improve the accuracy of their reports. Flexibility to withdraw from unprofitable markets comes with the knowledge of plan designs and competing products and prices.

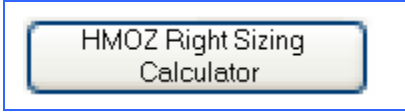
Six of the Top 10 MCOs now have detailed competitor reports and know the incumbent HMOs' plan designs, pricing and details, like renewal dates. These six MCOs have prioritized the customer-related opportunities by the value they promise for their organization. Launching automated, precision-guided campaigns before the renewal date allows an MCO to exploit weaknesses in the competitors' current plan designs. Even if the member company was lost last year, the knowledge gained and retained through this process is used to win it back this year.

Focus Change management is another big issue. CEOs' focus and effort should be put into the process change management, at least 42 percent of their time. CRM strategy requires 15 percent of time and effort, and 12 percent of organizational alignment, according to the recent IBM CRM study. Until companies understand their customer base and value, profits will continue to be wasted on over-serving low-value customers, while high-value customers wait.

There are certain risks involved in CRM project planning:



1. First of all, MCOs should avoid the deadly “Big Bang” approach by phasing their projects and processing one functional or divisional group at a time.
2. Every successful CRM project needs enough skilled people to make it happen; under-resourcing on HR side is the biggest danger. [Try HMOZ Right Sizing calculator to compute the right number of Sales and Marketing reps.]

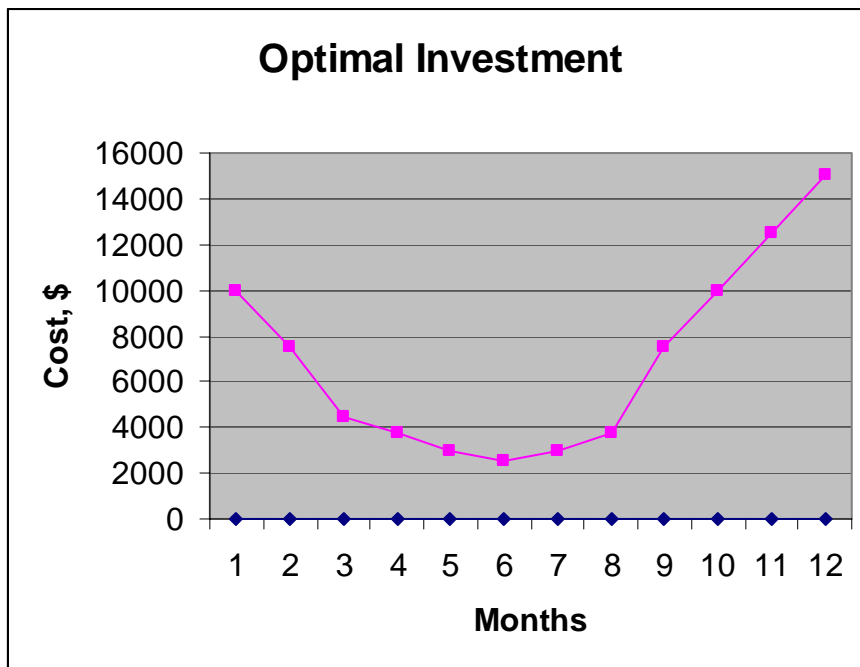


3. For most CEOs, it is hard to estimate CRM benefits beforehand. CEOs can start planning well with measurable benchmarks, like number of quotes, number of renewals, closing ratio, and profitability by plan and by member company. If this phase is successful, then the next phase will be self-funding.

The answer to many questions is placing the high value or rapid payback opportunities first and making them work. It also has the advantage of ensuring continued management approval and funding for later stages. In addition to that, the right solution is all about applying technology to improve key business processes, measure sales people activities and results, produce meaningful reports, evaluate marketing campaigns and products, and use the resulting data to execute.

## CEO OPTIMAL INVESTMENT

Correct HMOZ CRM planning, which includes requirements analysis, Solution Audit, Blueprint, and design prototype creation, typically takes a month. It fixes project costs and timelines, so everything is on time and on budget. A shorter planning phase means the critical steps are cut off, hence the project will turn into a failure. On the other hand, if the project takes longer than 9 months, the amount of change in the average MCO will cause it to miss the goals as they change quickly.



Optimal timeframe to implement HMOZ is 3 to 8 months: two months of planning, budgeting, and process mapping, followed by four months of implementation refinements. During this timeframe, the project's cost is less than \$4,500 per person, assuming that budget is split between two years and no more than 50 percent is paid with the initial order.

If the project lead is in IT, the best time to:

- Do planning and the Solution Audit: during Open Enrollment
- Budget for the project: 3-4 months before your Year End
- Implement the solution: shortly after Open Enrollment

If the project lead is in Sales and Marketing, the best time to:

- Do planning and the Solution Audit: outside of Open Enrollment
- Budget for the project: 3-4 months before the implementation date
- Implement the solution: shortly after Open Enrollment

MCO IT has to foresee and anticipate critical situations. If the system fails and needs to be replaced in less than one month, the cost often exceeds \$10,000 per Sales and Marketing rep. Poor project planning can also result in exponential cost growth. In most cases, if the project exceeds 8 months, the cost will escalate past \$4,500 per person. For example, a 12-month project can skyrocket to about \$15,000 per person.

When the project falls within the ideal timeframe, HMOZ cost is only \$1,000+ per rep. Estimated all-inclusive investment varies between \$0.70 and \$0.97 per member. It is crucial to remember that both under-funding and over-funding can result in failure. Especially beware of over-funding: often pricy consultants will cost hundreds of thousands of dollars for reports and studies that tell MCO organizations what they already know. Hiring consultants without expertise in managed care commonly results in failure as well. Buying pricy eHealth-like software packages usually leads to long implementation times due to the amount of inflexibility or customization costs going through the roof.

HMOZ Solution Audit is the best way for Managed Care Organizations and Health Plans to access premium CRM expertise. It gives a prototype of the system, an HMOZ planning strategy Road Map, and a comparative analysis of the available CRM solutions.