Reactions and Reflections on the Minnesota Initiative

- Area of expertise – consumer perspective
- Critical to program success
- “If you build it…..”
- Launching a product without consumer testing seldom successful.
TOPICS

- Key drivers of consumer behavior viz LTC products
- Thoughts about likely consumer response to these new product options:
  - Lifestage/LTC
  - Home care add on to Medicare
- Best practices for consumer testing these options
Minnesota’s Own Your Future

- Exploring improved product options critically important
- We know how to raise awareness, but moving consumers to action is the harder part
- Raising awareness of a problem without providing viable solutions to that problem results in more denial
Findings from On-Line Consumer Survey

- While consumers acknowledge they will likely need LTC (69%), only 22% feel they will have a primary role in paying for that care
  - Think Medicare (33%) or private health insurance (60%) will pay
- Readily acknowledge value of planning but 46% rather “deal with it when it occurs”
- Disconnect between understanding value of planning and being able or willing to do it.
Components of Taking Action

- Awareness of risks, costs and who pays
- Perceive value of planning
- Identify suitable planning actions and options
- Personal situation enables taking action
Consumer Lens Drives Product Design

- **Affordability** – price and value proposition
  - “I wish I could see the value of paying for this in my monthly budget vs. other things…”

- **Simplicity** – within and among choices
  - “I wish I knew whether and how I should best do this.”
  - “I wish I understand how this product works – what it does and doesn’t do for me.”

- **Affinity with the “sponsor”**
  - “I wish there was someone I trusted bringing this solution to me.”

- **Use it or lose it for some**
  - “I wish I knew whether or not I’d end up needing or using this.”
How Do Product Options Fare Against Consumer Drivers?

LifeStage Product Concept
Home Care Add-on to Medicare
LifeStage Product Concept

- **Positives**
  - Addresses the “use or lose” mindset
  - Builds LTC onto known and accepted product – life insurance
  - Suitable to multiple distribution channels
  - Better pricing than other life/LTC combinations
  - Better suited to gender-based pricing
  - Insurability “locked in” at purchase age
LifeStage Product Concept

Concerns

- Distribution/employer acceptance for new product
- LTCI buyers are risk adverse so may not like “half a loaf” concept
- Sold at younger ages where LTC has less salience
- More complex than either product separately
Home Care Add-on to Medicare Supplemental Plans

- **Positives:**
  - Adds LTC on to a product with high awareness and acceptance
  - Adds the preferred type of LTC – home care
  - Offered at more salient age for LTC
  - If automatically included in plans, addresses simplicity issue
  - Having LTCI reduces end of life care costs – incentive for MA sponsors
Home Care Add-on to Medicare Supplemental Plans

Concerns:

- Is the offer mandatory vs voluntary for plan sponsor?
- Voluntary introduces many problems.
- MA/Med Supp plans have lower affinity and higher turnover. Benefits needs to be portable to other plans
- Will marketing limits be imposed?
- Will this be voluntary or mandatory benefit for consumer? Problems with voluntary: high decline rate from underwriting and adverse selection.
- Can/should under <65 disabled population be eligible?
Taking these Concepts to Market Testing
Best Practices in Consumer Testing

- Do it….and do it right
- Using rigorous research framework to develop and refine product, identify market segments and messages can work
- Assess consumer response with both qualitative and quantitative research
- Test real products features with real prices in as close to real distribution style as possible
- Understand that actual behavior will differ from expressed behavior in a research setting
- Use sound methodologies for translating “interest” to purchase
Sample Demand Analysis

- **Study Population**
  - 1,816 consumers surveyed

- **Exclude “non-eligible”**
  - 880 meet income and health screen

- **Express sustained interest**
  - 257 satisfy criteria

- **Interested Prospects**
  - 257 interested prospects

- **Match “buyer” profile**

- **Predicted to buy**
  - 123 out of 1,816 = 6.77% participation

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