

Listening to the Consumer Voice

Reactions to the Minnesota Efforts

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ET CONSULTING, LLC
Long term care expertise

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 LTCL 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?

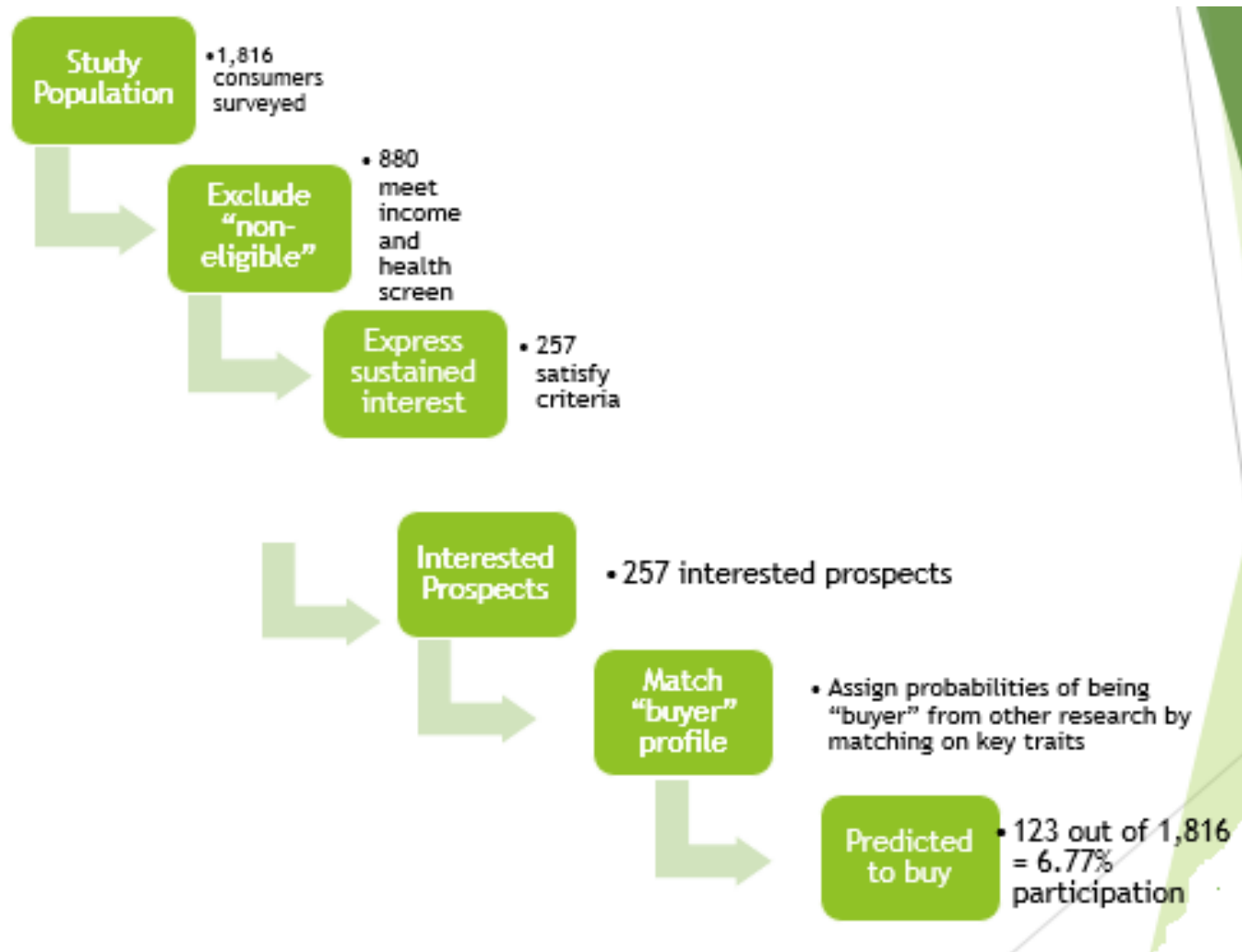
Taking these Concepts to Market Testing



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





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