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# A New Approach to Segmentation for the Changing Insurance Industry



By Mark Carr and Amy Modini



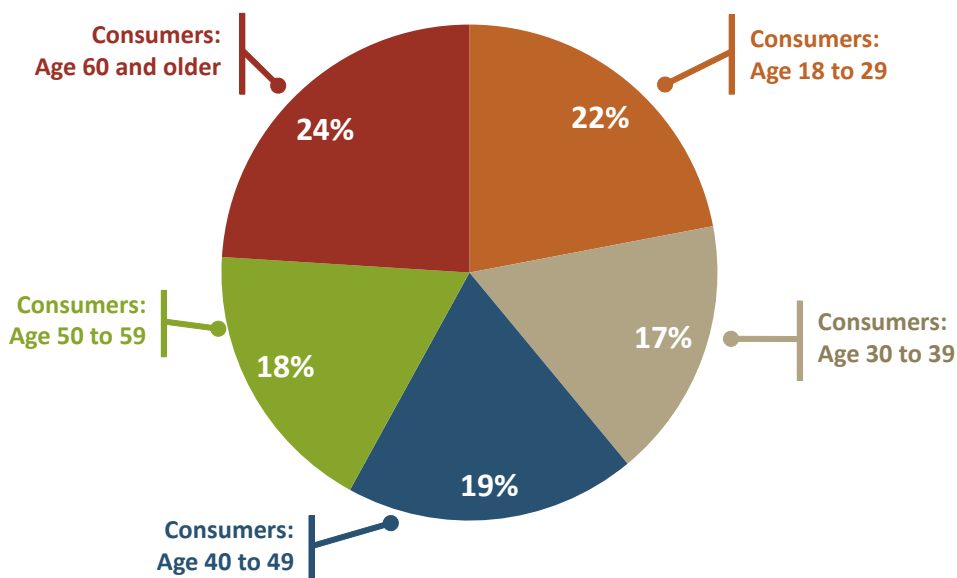
The passage of the Patient Protection and Affordable Care Act has initiated a profound transformation of the national healthcare market. Over time, health reform promises to shift a significant portion of the insurance market from a wholesale to a retail market.

Traditional methods for “segmenting” the consumer market such as demographics (e.g., age, life stage) and source of health insurance (e.g., individual or direct, employer sponsored) do not offer insight into what is driving healthcare decisions. In static markets with little competition, these methods were sufficient, but the shift to a more consumer centric model will make these traditional approaches less effective in part because they offer little ability for insurers to differentiate themselves from competitors. Insurers must derive new marketing and branding strategies that speak to the value that consumers demand from their health insurer. Using the results of a national consumer study, this article shows how insurers might uncover superior insights and develop stronger strategies using more sophisticated segmentation techniques to view the market.

### The Traditional Market View

Demographic segments such as age have historically provided some directional guidance for insurers (see Figure 1). For example, young consumers (age 18 – 29) are more likely to be in transition compared to their older counterparts. Perhaps short-term policies would be appealing to this group as they transition off their parents policies and/or move into the real world. Likewise, those moving into retirement have different needs so policies that supplement Medicare offerings may be more attractive to this older group.

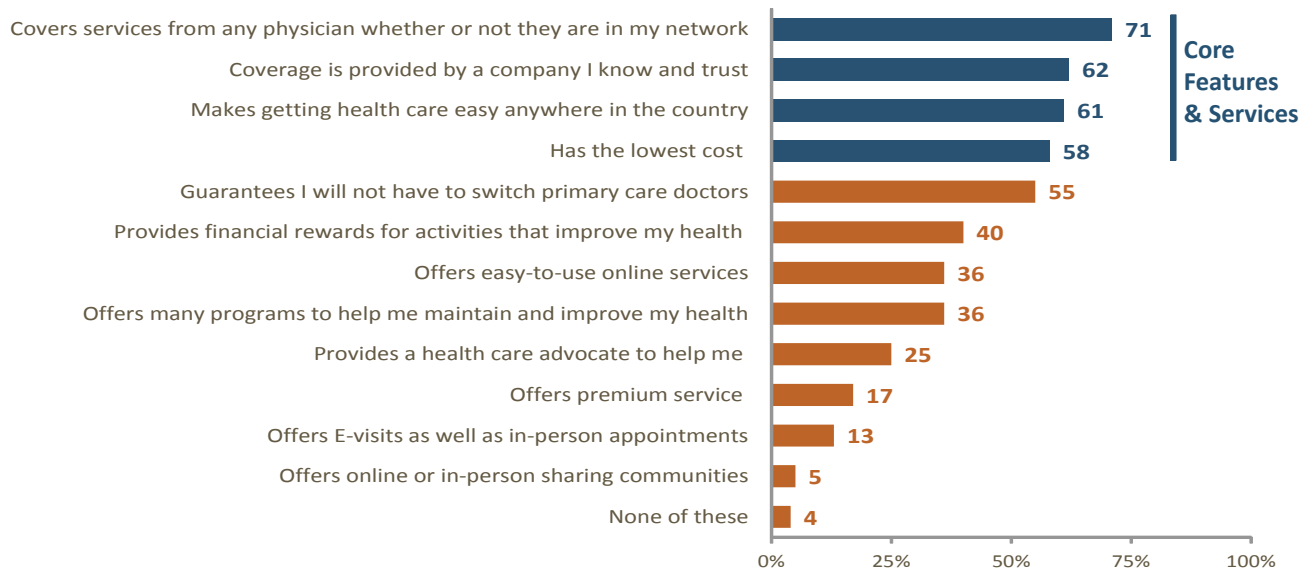
**Figure 1**  
*Respondents by Age*



## A Better Way to Look at the Market

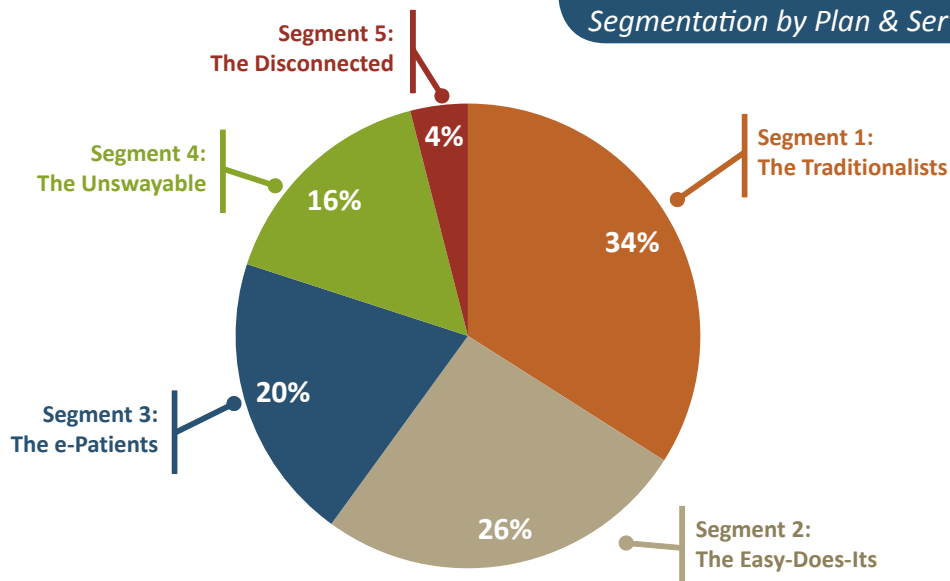
However, traditional ways of looking at consumers don't offer insight into consumers' goals and decision-making processes related to healthcare. We offer one alternative approach by looking at the appeal of different health insurance plan features. The most important plan features for the market as a whole are: coverage regardless of network status, knowing and trusting the insurer, easy access anywhere in the US, and cost (see Figure 2).

**Figure 2**  
*Insurance Features & Services (% selected)*



By segmenting the market based on plan features, five distinct segments of the population emerge, all of varying sizes and with varying preferences and levels of interest for coverage, cost, technology, health and wellness, and preventative care (see Figure 3).

**Figure 3**  
*Segmentation by Plan & Service Attributes*



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**The Traditionalists:** are the largest segment and desire full coverage at a low cost. They want coverage from out-of-network providers and easy access throughout the country. Unrealistically, they are a group most concerned about cost, but also the most interested in premium services and having a healthcare advocate. Despite concerns about costs, they are NOT willing to participate in health activities or doctors' visits for financial incentives.

**The Easy-Does-Its:** want coverage from out-of-network providers and easy access when traveling. They are willing to have annual physicals, participate in activities to improve health to save money, and are somewhat willing to switch primary care providers. About one-in-three would like a healthcare advocate to help with reimbursements, scheduling and complexities. They do NOT care at all about online access or tools.

**The e-Patients:** are all about technology. They want to manage healthcare online and are open to e-visits. Out-of-network coverage, knowing and trusting the insurer and low costs are also important. They have weak loyalty as they are completely willing to switch primary care providers for these other benefits. Not surprisingly, this segment is younger, with a large portion under 40 years old.

**The Unswayable:** want to manage healthcare online but will NOT switch primary care providers. Despite proclivity to online healthcare management, they are not interested in e-visits. This group is least concerned about costs and also least inclined to want an advocate.

**The Disconnected:** only a small portion of the population, and is completely unengaged with healthcare insurance and related decisions. They are more likely to be uninsured, skew male, are the least educated, and have the lowest income.

## In Summary

This approach offers just one way for insurers to consider looking at the consumer marketplace in addition to traditional ways. It presents insurers with an opportunity to target consumers with distinct plans and supplemental offerings while using messages that are appealing to them.

One of the keys to success in the new market landscape will likely be clarity and focus around which consumer segments to target. Insurers who have strong offerings that speak to the unique needs and goals of consumer segments have the greatest opportunity for differentiation and success in a post-reform environment.

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