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## **Developing Health Insurance Products A Delicate Balance**

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# Health Care Administration

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## Developing Health Insurance Products - A Delicate Balance

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Having recently seen Michael Moore's film *Sicko*, I was reminded of the days (years actually) I spent designing and developing health insurance products. It seemed that if the result had all parties equally pleased and frustrated with the outcome, I had struck the right balance. It was a process unlike anything you would expect after seeing *Sicko* – the people I worked with, and the process we used, demonstrated the passion and compassion we all had to do the right thing. Maybe that was because I was doing this for not-for-profit and non-profit organizations (like Regence, Premera and Group Health), or maybe because these were organizations really trying to best serve their customers in a system that, itself, is out of balance.

There are some basic steps followed in a product development lifecycle; and these are not unique to health insurance. Actually, I follow these steps when working on products and programs both in and outside of health care. The steps are fairly logical: conceptualize design, develop, launch and manage. What is unique about health insurance is the deep impact

the product will have on people's lives and the complexity of variables that must be considered and balanced.

The first step is to identify a product concept that can meet the needs and demands of the target market (keeping in mind that need and demand aren't always aligned). Using market intelligence, it is determined whether the right product is to be built on an HMO, PPO, Indemnity, CDHP, some other product platform, or is something altogether different. Should it be comprehensive or catastrophic? Oriented to a specific type of care (e.g., preventive v chronic)? Focused on a specific population (e.g., young families or an older generation)? The considerations and assumptions are put out there, challenged and tested.

Once a conceptual framework is identified, the detailed design begins. A health insurance product is much more than a set of covered services. In addition to identifying health care services to cover, product design features also include: member cost-shares (deductible, copays, coinsurance, out-of-pocket maximum), provider

network and reimbursement, medical management activities, regulatory requirements, target price point, actuarial assumptions, underwriting guidelines, target margin (yes, "profitability"), internal systems capabilities, workflow, resource impacts, brand image, sales process, etc. etc. The challenge is that the design process doesn't happen in a vacuum. It is a balance of converging and often opposing agendas across numerous organizational functional areas. Sales wants as much covered for as low a price as possible, while Actuaries and Underwriters want to balance risk and profitability. The Operations team (claims, customer service, membership and billing) need to maintain a high level of efficiency and service, while Marketing needs to communicate a desirable message and brand image. The Medical staff wants to cover essential services while not creating barriers to medically appropriate care. And all the while, the needs and demands of the customer must be met. When done, the design itself must be tested to see if a balance has been struck and the outcome is a marketable product.

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Once designed, the development stage begins. Depending on the product, this may include such activities as writing and filing a member contract and certificate of coverage, setting up systems, creating administrative workflows, developing and filing a provider network (if not using one that already exists), training staff, developing marketing communications, and myriad other steps to get ready to launch. And then everything needs to be tested to ensure readiness. This development stage touches almost all functional areas in the organization.

Sometimes, the product is launched after regulatory approval, but before development is complete. This is done to shorten the product development cycle by taking advantage of the time lag between sales, purchase and the date coverage actually starts (this can be months!). The launch activity involves mobilizing marketing and sales plans and readying internal departments for customer contact. Once the product is fully operational, launched and coverage begins, there is need for ongoing product management – ensuring the product performs according to specifications; this doesn't end until the product itself is at the end of its life and discontinued in the market.

The entire product development cycle is complex and challenging. Yes, *Sicko* documented some very serious problems in our health care system. But, with compassion and hard working people who are trying to do the right thing, I have seen well designed and developed products meet market needs by delicately balancing many conflicting and competing forces.

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