## Ways to Maximize Participation

MULTI-LIFE BOOT CAMP 2005 - KANSAS CITY, MISSOURI

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#### Agenda

- Qualifying Prospects
  - Factors to consider before committing to the RFP process
- Assessing Opportunities With Pre-solicited Groups
- Case Studies of Second Solicitation Opportunities
- Industry Overview



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## Qualifying Prospects Overview

- Demographics Age, Salary
- Voluntary Benefit Participation 401(k), FSA, Supplemental Life
- Industry Type
- Employer Endorsement Factor
- Case Size
- Communication and Enrollment Process
- Plan Design
- Wild Cards
- Pre-Solicited Groups



- Demographics
  - Average age of population = 40+ years of age
    - 60% over age 40 is better
- Salary
  - 1.5 times the average salary in the state where the employees reside
  - Minimum of 35% of the population over \$50,000 annual salary
- Geographic Distribution
  - Are they centralized enough to effectively conduct meetings



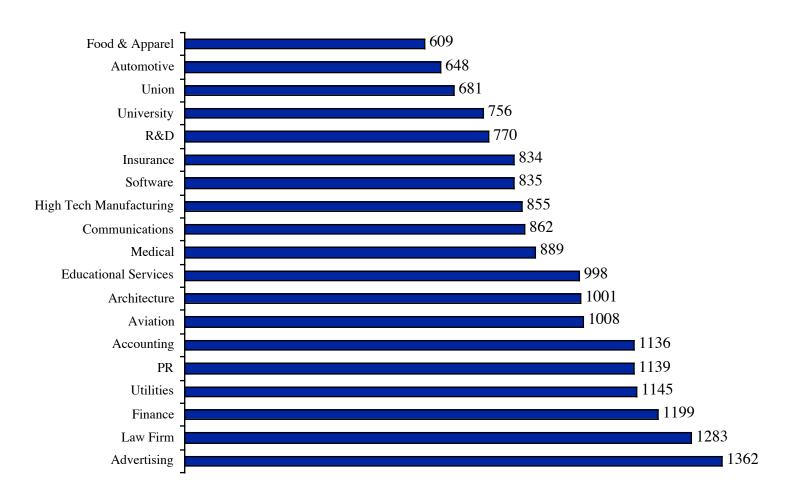
- Voluntary Benefit Participation
  - 401(k) 80% or above
  - 403b 65% or above
  - MFSA 15% or better
  - Supplemental Life 40% or better (less valuable if the base benefit is small)
  - Auto and Home 5% first year 30%-40% ultimately
  - Legal 15%-20% first year



- Industry Type
  - White-collar, highly-educated preferred
  - Law Firms, Universities, Bio-Tech/Pharmaceuticals,
     Financial Services, Insurance, High Tech
- Employer-Endorsement Factor
  - Difficult to gauge during sales process
  - High, medium, low will make or break enrollment



## Average Annual Premium by Industry

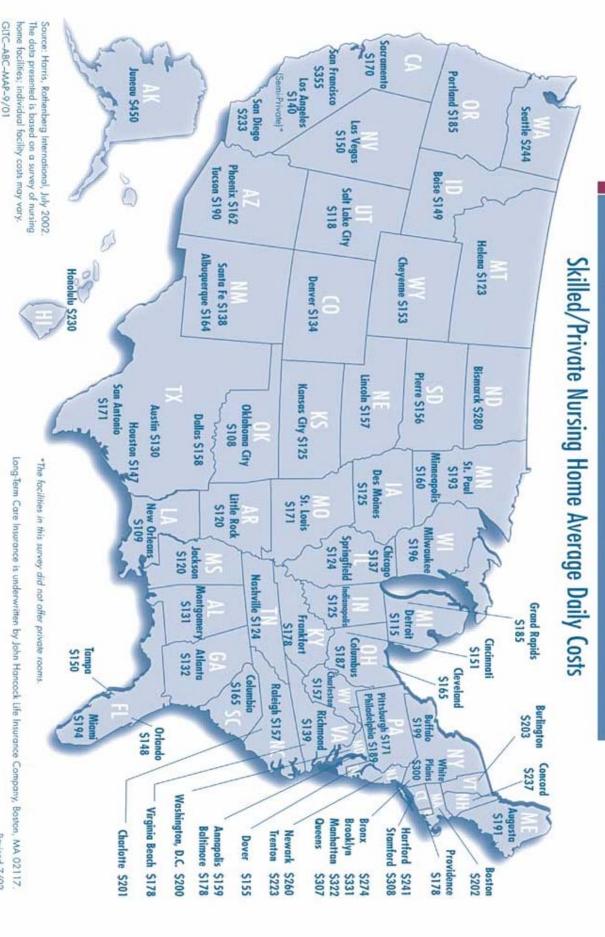




- Case Size
  - Large May mean lower enrollment
  - Small Less margin for error
- Communications and Enrollment Process
  - Web access, supported by email campaign
  - VRU
  - Employee Meeting Access
  - Internal Newsletter, Posters, Postcards, etc.
  - Payroll Deduction versus Direct Billing
- Plan Design
  - Match to group
  - Consider demographics
  - Cost of care in geographic region



# lursing Home Costs Across the United States



Revised 7/02

- Wild Cards That Can Hurt
  - Unstable work environment layoffs?
  - Media influences
  - Geographic distribution
  - Corporate affinity
  - Inappropriate plan design
  - Non-ERISA plan
  - Administrative considerations



## Opportunities with Pre-Solicited Groups

- Why Employers Consider Moving Plans
  - Carrier exiting industry
  - Questioning carrier commitment
  - Negative media attention on current carrier
  - Unhappy with service of current carrier
  - Looking for an upgrade to current plan
  - Required to periodically test market



## Opportunities with Pre-Solicited Groups

- Questions to ask:
  - 1. Who is the current carrier?
  - 2. Why do they want to switch?
  - 3. Is there a transfer provision?
  - 4. Was penetration significant?
  - 5. When was enrollment first done?
  - 6. Is plan design current?
  - 7. Is rate structure still competitive?
  - 8. Will new carrier be able to offer more attractive rates and plan?
  - 9. Are the demographics strong?



# Pre-Solicited Groups Replacing Carrier Options

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#### Reserve Transfer

- Need significant size group to make worthwhile for new carrier
- Complex communications to employees
- Labor intensive for carriers
  - They may not be willing to do
- Employees are typically given a choice
- Expectations for second enrollment significantly lower than first
  - 1/3 of current insureds could be expected to move to new plan



# Pre-Solicited Groups Replacing Carrier Options

- Solicit on a moving forward basis
  - Insureds can stay with first carrier
  - Drop and take new plan
  - Stack coverage
  - Reduced expectation because of prior penetration



# Case Study 1: 10,300 University with Group Plan Since 1998

- Current participation: 6.5%
- Previous carrier exiting business
- No transfer provision
- Older plan design at less competitive rates
- Average age: 43
- Average salary: \$59,000
- Good benefit participation
- Strong employer support
- Centralized location



# Case Study 1: 10,300 University with Group Plan Since 1998

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#### Good opportunity:

- New rates and plan will look extremely attractive in comparison to old plan even for insureds that enrolled 6 years ago
- Employees motivated to move for security reasons and to maintain payroll deduction
- Significant size even a low enrollment of 2%-3% will generate enough premium to support plan

#### • Results:

- 9.8% enrollment!



# Case Study 2: 5,000 University with Group Plan Since 2002

- Current participation: 5%
- Questioning carrier commitment
- Transfer provision may be available
- Good plan design with strong rates
- Average age: 45
- Average salary: \$56,000
- Strong benefit participation
- Centralized location



# Case Study 2: 5,000 University with Group Plan Since 2002

- Questionable opportunity
- Not motivated to move for rates or plan design
- Lot of work to transfer if offered
- Unlikely to get more than 1/3 of insured population to move
- Better to solicit on a moving forward basis and hope to grow over time



# Case Study 3: 1,500 University With Group Plan Since 1991, Upgraded in 2002

- Current participation: 9%
- Questioning carrier commitment
- No transfer provision
- Good plan design with strong rates
- Average age: 43
- Average salary: \$58,000
- Strong benefit participation
- Centralized location



# Case Study 3: 1,500 University With Group Plan Since 1991, Upgraded in 2001

- Not an opportunity
  - Not motivated to move for rates
  - Too small to solicit on a moving forward basis



## **Industry Overview**

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### Analysis of GLTC Enrollments

- Key Business Questions
  - Should we quote on ABC company?
  - If we write the case, how can we maximize participation?



#### Analysis of GLTC Enrollments

- Research Technique
  - Qualitative review of case studies to identify comprehensive list of ~75 candidate factors
  - First-ever multi-carrier database of ~250 distinct enrollments
    - Aetna
    - C.N.A.
    - John Hancock
    - MetLife
    - LTC Partners
  - Statistical modeling of GLTC participation
    - OLS and Logistic Regression
    - Separate analyses: Knowable, Controllable Factors



### Findings

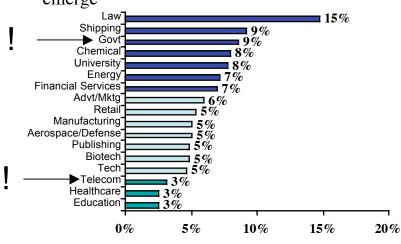
- Knowable Factors
  - Firmographics
  - Demographics
- Controllable Factors
  - Plan design & pricing
  - Marketing & enrollment process



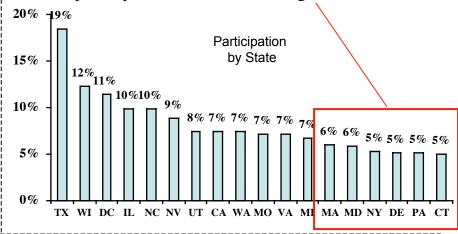
## Firmographics

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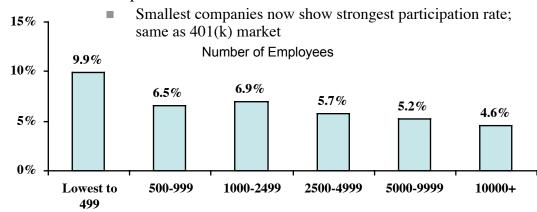
• High, medium, and low performance groups emerge



• Companies in the West, Southwest, Midwest lead in participation; the Northeast lags



• Complete reversal of the 1990's trend



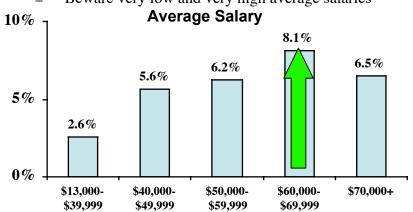


Long Term Care Insurance

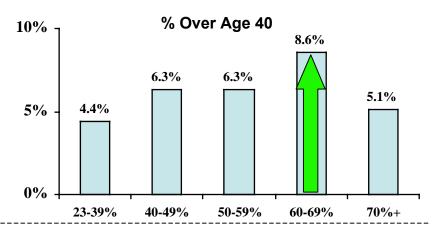
## Demographics

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- Participation peaks at average salaries in the \$60,000s
  - Beware very low and very high average salaries



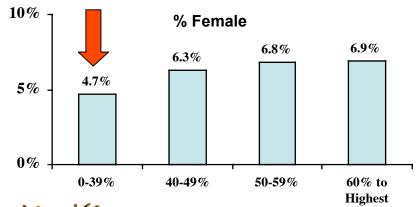
• Participation peaks at 60% over 40



• Participation falls off "cliff" below 40%

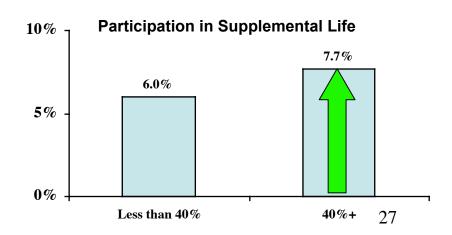
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■ Modest improvement beyond 40%



Long Term Care Insurance

• Participation is higher among companies with supp. life participation over 40%



# Bottom Line: Which Knowable Factors Matter Most?

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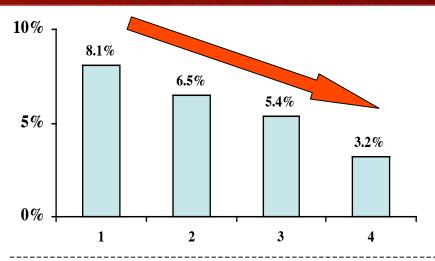
#### Multiple regression identified a 3-factor predictive model:

Variables in the equation	Pct of variance explained	Statistically significant
Average salary	41%	<b>✓</b>
Average age	35%	✓
% Female	24%	✓



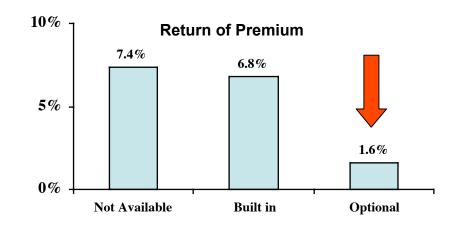
#### Number of Choices

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 Dramatic decline in participation with increasing number of choices

 Optional ROP shows the detrimental effects of additional choices





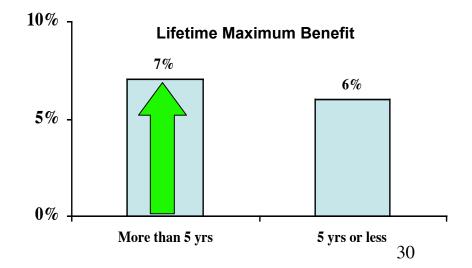
## Plan Design

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 The availability of a lowcost option drives higher participation

 When offered as an option, longest LMB consistently gets 60% to 80% of enrollment





#### ABI vs. FPO

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- The Bad News:
- ABI is a necessary option, BUT...it's expensive, complex, and raises doubts re: the value of FPO plans

- The Good News:
- The offer of ABI hurts participation, BUT...it generates significantly higher case premium

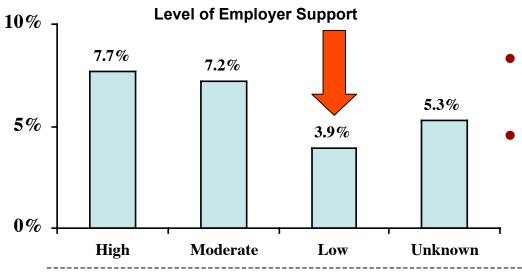
Average Case Premium w/out ABI = \$675

Average Case Premium with ABI = \$975



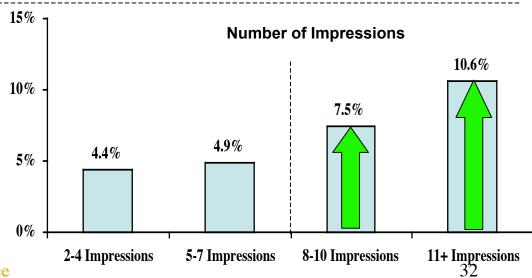
#### **Enrollment Factors**

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- An <u>unsupportive employer</u> is an enrollment killer...
- At least moderate support is essential

• It takes <u>8+ direct</u>
<u>communications</u> to build awareness, educate, and persuade employees to enroll in GLTC

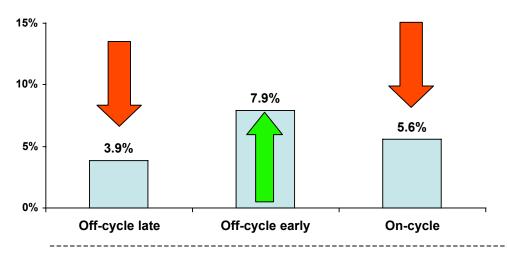




Long Term Care Insurance

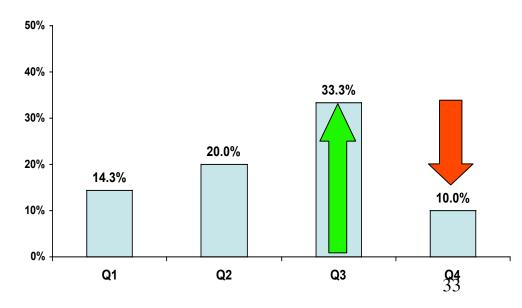
## Timing

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- Best Timing: Immediately before main benefits enrollment period
- Worst Timing: Immediately <u>after</u> main enrollment period

<u>September</u> appears to be a particularly good month to enroll GLTC





# Bottom Line: Which Controllable Factors Matter Most?

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#### Multiple regression identified a 5-factor predictive model:

Variables in the equation	Pct of variance explained	Statistically significant
Moderate-to-High	23%	<b>✓</b>
employer support		
Communication		
expenditure per	21%	$\checkmark$
employee		
Presence of low-cost	19%	✓
plan option		
Fewer separate choices	19%	<b>✓</b>
required to enroll		
Holding enrollment		
period off-cycle (not in	17%	$\checkmark$
Q4)		



## Key Implications (1)

- The credibility of the sponsor drives participation
  - (At least) moderate employer support is essential
  - Far and away the #1 reason for purchase in FLTCIP
- "Surround-sound marketing" (multi-channel, multi-wave) is effective in building awareness, knowledge, and purchase intention
  - Interaction between active sponsorship and strong marketing leads to extremely high participation
- Be careful in communicating ABI
  - Simplify explanation and protect perceived value of FPO



## Key Implications (2)

- Too many choices is an enrollment killer
  - Resist temptation to be "all things to all people"
  - Tailor bundles of plan design, pricing, and messaging to a few key segments
  - Low cost options make LTCI accessible, driving up participation (evidence in database and CalPERS)
- Learn the "sweet spots" in the market
  - You can have too much of a good thing: income, average age,
     % female
  - Track participation within segments, instead of aggregate, for a truer measure of performance
  - Use knowledge of segments to develop integrated message, plan design, & premium threshold

