

## ► Consumer Health: The Next Generation of Managed Care

# *The Secret to a Health Benefits Self-Service Model:* **A More Informed Consumer**

**by Thomas R. Beauregard**

► **Sageo is the first full-service e-business to deliver health, dental, vision and welfare benefits via the Internet.** *The author describes the health care system's problems that have led to the need for participant-driven, self-service systems; describes Sageo's genesis and inaugural online enrollment; and explains how services like those offered by Sageo allow employers to "match, pace and lead" to a more informed health care consumer. ◀*

**L**ast fall, more than 200,000 people—employees, retirees and dependents from 12 different companies—entered a rather brave, new benefits world. No longer were they passive plan participants in their company-sponsored benefits program. Instead, they were the first to become active consumers in reviewing, understanding and selecting their benefits.

These 200,000 pioneers took part in the inaugural enrollment of Sageo, the first full-service e-business to deliver health, dental, vision and welfare benefits via the Internet. Through a Web site and a dedicated customer care center, Sageo provides companies' employees and retirees with information, interactive tools and support that enable them to take a more active role in choosing and using their benefits.

Participant-driven, self-service systems created by companies like Sageo are coming to fruition at a time when employers are searching for new and better ways to provide health benefits. And, arguably, these systems are good news for the health care system at large. The reason? They're creating a more informed consumer.

### **A BELEAGUERED SYSTEM AND A DISENGAGED CONSUMER**

Today's health care system faces a series of clearly discernible problems: double-digit cost increases, ongoing drops in consumer and provider satisfaction levels, growing compliance burdens, and fears of malpractice liability aimed at health plans or even extended to employers. And there's the broader social problem of the uninsured, which feeds into cost and legislative issues.

The fundamental problem behind our beleaguered health care system is easily found in a consumer population that is extremely detached from the process. Today, the majority of Americans under the age of 65 receive group health insurance from their employers. And each year, the process has been the same: By default, *employers* have been required to drive the process—They select the health plans, develop plan designs, communicate the offerings and administer the benefits.

What is especially troubling about today's health care system is that employees and consumers, in general, don't have much informa-

*“Where traditional responses such as changing health plans or shifting costs to employees used to be prominent employer strategies in response to rising costs, they’re not working anymore.”*

tion or resources available to them to learn about their health coverage. Many don’t know or understand which health plans and providers would best meet their needs or what their current plans cover. This kind of scenario, where a void of information exists, is typical for millions of consumers, who really don’t understand how their health care works. Thus, they become disengaged in the process, creating an irrational economic model in health care where the provider, rather than the consumer, drives demand.

From this, the industry becomes plagued by excess supply (like hospital occupancy rates of 60% or less) and higher costs (like employers’ cost of providing health benefits rising at the rate of 8-12% a year).

### **A GAME CHANGING SOLUTION**

While most employers quickly cite rising costs as their top health benefits concern—and a slowing economy will increase that pressure—they’re confronted with a number of equally important issues: how to respond to employees who are looking for more support from their health plans, the amount of time it takes to administer plans in the face of changing legislation, and how to continue to deliver high-quality health care in an expensive market.

Where traditional responses such as changing health plans or shifting costs to employees used to be prominent employer strategies in re-

sponse to rising costs, they’re not working anymore. The cost savings derived from these strategies have been tapped out, and a tight labor market makes significant benefit changes difficult. In addition, these strategies don’t address issues such as employees’ lack of satisfaction with managed care or their desire for more support in today’s complex health system.

At this point, companies are searching for a game changing strategy in health care. One new solution that is beginning to emerge is Internet-based health services. The Internet offers strong potential to companies and their employees for several reasons:

- It’s cost-effective. Companies can significantly cut their administrative expenses by using online capabilities.
- It’s efficient. Hours companies have traditionally spent on paper-based enrollment can be cut in half through Internet services.
- And finally, the Internet sets the stage for a consumer-based health care system, where employees, rather than companies, decide what’s best for their health care needs.

Through the Internet’s ability to deliver real-time information, interactive tools and online resources, companies can provide their employees with a new support system that enables them to make more educated decisions about their health benefits. According to a recent report from Forrester Research, companies are already finding that the Internet is a viable solution to their issues at hand. Out of 50 employers surveyed, 32% said they are using the Internet to administer health benefits—a number that is expected to nearly triple by 2005 (Forrester Research, Inc., Health’s eBenefit Networks, October 2000).

### **ENTER SAGEO**

Not surprisingly, many employers are beginning to view a consumer-based health care system, where decision-making power is shifted from companies to employees, as the ultimate antidote to today’s beleaguered health care system. In order to do this, employees and their family members need access to real-time benefits systems that enable them to help themselves: a self-service model.

It is within this context that Sageo was launched in the summer of 2000. Created by

management consulting firm Hewitt Associates, Sageo is a full-service e-business specializing in health, dental, vision and welfare benefits. It delivers benefits online and through a dedicated customer care center to more than 16 companies and 400,000 employees, retirees and dependents nationwide.

Employers that have contracted with Sageo essentially turn over management of their benefits—including enrollment, administration and customer service—to Sageo. Their employees and retirees, in turn, go to Sageo's Web site and customer care center for all of their health and benefits needs. The Web site offers comprehensive services so, if people want to, they can manage their health care entirely online. For people who don't have access to the Internet or aren't yet comfortable using it, Sageo offers a customer care center that is staffed with benefits professionals available to help them. The customer care center also helps employees who have questions or concerns about their benefits throughout the year.

Employees' first experience with Sageo begins with enrollment. Rather than giving employees brochures or memos highlighting their benefit choices, their employer directs them to Sageo's Web site or 1-800 number (customer care center) for enrollment. Through the site, employees can research as much—or as little—as they'd like by taking advantage of its interactive capabilities and up-to-date information. People also can enroll through the customer care center or its interactive voice response system.

Employees who use Sageo's Web site will have the most advantage during enrollment, simply because of its interactive capabilities. Unlike paper or telephone enrollment, the Web site enables employees to build online scorecards comparing their health plan choices on factors important to them, such as cost, quality and satisfaction ratings. They also can use an interactive tool that helps them decide which types of plans—HMO, PPO, POS or new self-directed plans—are best for them. In addition, employees can research and pick their doctors online.

Beyond open enrollment, employees and retirees can access Sageo's services throughout the year for ongoing support. They can go to

the Internet site to learn what procedures and prescriptions their health plans cover and how to process claims or get support in the event of a claims dispute. They also can access content from the Mayo Clinic, a highly regarded medical institution, for up-to-date information on health, disease management and new medical procedures.

Over time, Sageo will offer new services to employees, such as online prescriptions, discounted medical services and voluntary benefit programs that will continue to give them and their families the support they need to manage their overall health.

### **COMPANIES' INAUGURAL ONLINE ENROLLMENT**

While many companies and their employees were trudging through their traditional and usually paper-heavy processes during last fall's enrollment cycle, Sageo launched its first online benefits open enrollment.

Of the 200,000 employees, retirees and dependents from 12 companies who participated in Sageo's inaugural enrollment process, we anticipated that about 50% of active employees would enroll online. We also predicted less than 10% of retirees would enroll online and prepared our customer care center for a large volume of enrollments via the telephone or fax.

Instead, we found employees readily eager to enter this rather brave, new benefits world. Nearly 80% of active employees and 20% of retirees enrolled online, with the remainder using the customer care center for assistance. People spent an average of 45 minutes on Sageo's Web

#### **The Author**

**Thomas R. Beauregard** is chief strategist of Sageo, a Hewitt e-business that delivers benefits to companies' employees and retirees. He has had more than 15 years of experience in health care and benefits, working with companies to design and execute programs that reflect their specific business needs. In the e-health arena, Mr. Beauregard created the first Internet HMO auction, where health plans compete directly for companies' business. He is a graduate of Hobart College and earned a master's degree in business administration from the University of Connecticut.

site going through their benefits decision-making process, a significant reduction from the “old days,” when people would spend an average of three to four hours going through brochures and newsletters explaining their health plans and completing their enrollment on paper.

One of the companies participating in Sageo’s inaugural enrollment was Genuity, Inc., the leading provider of network services platforms (NSPs) and Internet infrastructure for e-business that was formed last summer as a result of the GTE/Bell Atlantic merger. With 4,800 Internet-savvy employees and hiring apace at almost 200 a month, Genuity had ambitious plans—and requirements—to design, roll out and implement a new benefits program within a three-month time period. As both an e-business and human resources (HR) strategy, Sageo’s services provided Genuity management with an ideal solution. Particularly appealing to Genuity was the notion of a virtually paperless environment for the benefits portion of the HR function, usually a huge drain in administrative costs. That, coupled with a way to move information over the Internet quickly, fit well with Genuity’s technology focus and accelerated employee growth rate.

Genuity’s enrollment experience exceeded expectations, with 98% of employees enrolling via the Internet—all without requesting any sort of paper documentation. Nearly 50% of the employee population signed up for their benefits during the first week, a high figure for enrollment. Particularly popular to employees were the interactive tools provided on the site. Moreover, when employees offered enhancement suggestions to the site, changes were made quickly—some overnight.

As for lessons learned from the experience, Genuity says it’s wise to remember that self-service benefits models offered by companies like Sageo cause a dramatic cultural shift, even for Internet-driven companies. Communication before an online enrollment—especially the first

one—is critical to getting employees to realize what’s happening and fully embrace the change.

### **“MATCH, PACE AND LEAD” TO A MORE INFORMED CONSUMER**

Clearly, any sensible, dramatic change in the health care system is going to require an informed consumer—where previously passive, insured employees are armed with up-to-date information, customized design opportunities and an economic stake in the health care process.

While these kinds of invaluable capabilities will encourage individuals who want more information and control, they also may initially intimidate employees who are not ready to take control of their health care. Companies with self-service systems like Sageo will accommodate both parties. Active consumers will have data and choices at their fingertips to make their decisions, and passive consumers will have the support of a customer care center and the benefit of a simpler enrollment process.

Employers that are using Sageo’s services view them as the ideal way to “match, pace and lead” their employees and retirees through a transition from being passive plan participants in a company-sponsored benefits program to active consumers of health care services. In other words, over time, people who were passive with their health care will become more comfortable taking control, as they gain the information and support they need to do so.

With consumers in the lead, the end economic result could be rational provider supply and related free-market cost controls. This, in turn, can create a reduction in the uninsured population. Beyond this basic economic result, an active consumer can drive more product innovation (targeted to specific customer segments) and improved customer service through the health care industry. Most dramatically, this kind of consumer-driven system has the potential to change a health care industry that is sorely in need of a new solution. ◀