



CASE STUDY

Leveraging Consumer Data to Grow Medicare Market Share



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Executive Summary

When facing rapidly evolving regulatory and competitive environments, health plans must be nimble, proactive, and ready to adapt. In this case study, we discuss how Medica used the Carrot MarketView™ software platform to respond to an upcoming Medicare regulatory shift—and to begin to reinvent how it engages with consumers. Carrot Health used individually identified consumer data and Social Determinants of Health (SDoH) to deliver a proprietary, hyper-local segmentation framework and custom predictive models for Medica's service area. These insights informed strategy and tactics for Medica's 2018 Annual Enrollment Period marketing campaign. Segments targeted in the campaign represented 80.5% of new plan members in January 2018, compared with 73.6% of the existing membership base. Carrot Health's predictive models generated a 6.6x conversion lift from bottom to top decile, a 31% response lift over a widely used national Medicare responder model, and a 59% response lift over untargeted outreach.

Background & Objective

Headquartered in Minnetonka, Minnesota, Medica is a nonprofit health insurance company covering 1.2 million members in seven Midwestern states. Medica's covered population spans commercial, individual, Medicare, and Medicaid markets, including 150,000 Medicare covered lives.

In the summer of 2017, Medica was preparing for a massive upcoming transition in its Medicare membership. Compared with other states, Minnesota has an unusually high concentration of Medicare Reasonable Cost Plan ("Cost Plan") members. Cost Plans represent 42% of Medicare enrollees in Minnesota, vs. 1% nationally. Of the 700,000 Cost Plan members nationwide, 370,000 are in Minnesota.

The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) amended the requirements for selling Cost Plans. Effective January 1, 2019, Cost Plans can no longer be sold in service areas where two or more competing local or regional Medicare Advantage plans meet minimum enrollment requirements. This will effectively "sunset" this plan type and force consumers to choose different Medicare plans. The new rule will affect 250,000 people in 66 Minnesota counties, including 75% of Medica's Medicare enrolled book of business.

Because of the uncertain timing around when the Cost Plan sunset would take effect, Medica had a relatively short window of opportunity to develop and execute a comprehensive response strategy. Medica's objectives were to retain and grow its Medicare covered population and to convert its outsized base of Cost Plan members into Medicare Advantage members, beginning with the Annual Enrollment Period (AEP) for plan year 2018.

To make fast and informed adjustments to its marketing processes, Medica needed to develop a deep understanding of its current and potential new customers. This required new insights, beyond those provided by product/actuarial criteria and traditional consumer segmentation models.

Medica utilized the Carrot MarketView™ software platform to develop a proprietary consumer segmentation framework, which incorporated individually identified consumer data, Social Determinants of Health (SDoH), and predictive modeling. Using MarketView, Medica's direct-to-consumer marketing team analyzed consumer product preferences, established a baseline composite profile of current and future membership, and defined a targeted omnichannel marketing campaign for AEP.

Business Needs for Proprietary Consumer Segmentation:

- Understand population cohorts across current and proposed service areas
- Understand historical acquisition and retention patterns
- Understand competitor customers
- Understand product and service purchaser drivers and differentiators
- Understand distribution channel preferences
- Understand marketing channels and optimization opportunities

Medica's work around the Cost Plan transition represents the initial step in a multi-year journey of reinventing how it engages with consumers. Medica is operationalizing the insights from Carrot MarketView to align product development, channel management, and consumer marketing. MarketView now serves as a centralized, real-time dashboard for market intelligence across multiple business units.

Consumer Data Used to Develop Segmentation

Carrot Health analyzed the population of 746,000 Medicare plan members in Minnesota. The analysis utilized a combination of health risk scores, Medica membership claims data, and individually-identified consumer and Social Determinants of Health (SDoH) data from the Carrot MarketView software platform. MarketView's data covers more than 5,000 unique social, behavioral, and environmental variables on more than 250 million people in the United States, at an individually identified level.



250,000,000 Identified US adults

5,000 Consumer variables

>70 Data sources

6,000,000 Individuals

45,000,000 Encounters

57,000,000 Claims

By combining Medica's membership claims data with Carrot MarketView's consumer data, Carrot Health developed a proprietary consumer segmentation model that provided Medica a comprehensive understanding of current and potential Medicare members in Minnesota. Carrot Health also developed and validated custom predictive models that forecasted specific consumer choices and behaviors. One model, Likely2 Choose Medicare Advantage, forecasted the likelihood that a given individual or segment will choose a Medicare Advantage or Medicare Supplement plan when a Cost Plan is no longer available.

Consumer Data Used to Develop Segmentation:

- Demographics
- Lifestyles, Attitudes, Preferences
- Social Risk
- Purchasing Behavior
- Population Density
- Household Composition
- Socioeconomic Status
- Environmental Risk
- Healthcare Utilization Projections
- Health Engagement
- Clinical Risk and Spend Projections
- Disease Projections
- Plan Choice Projections

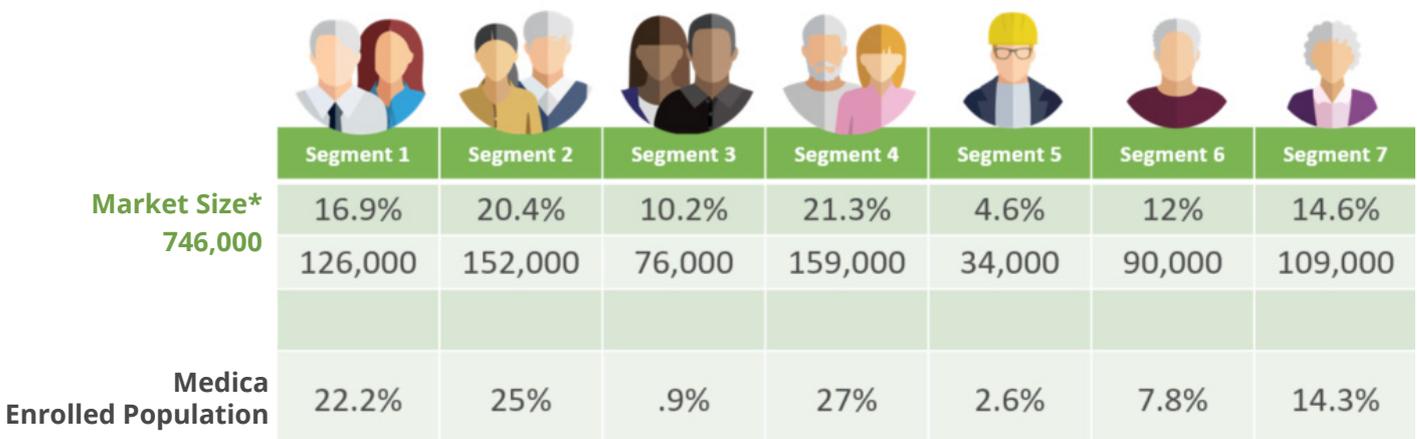
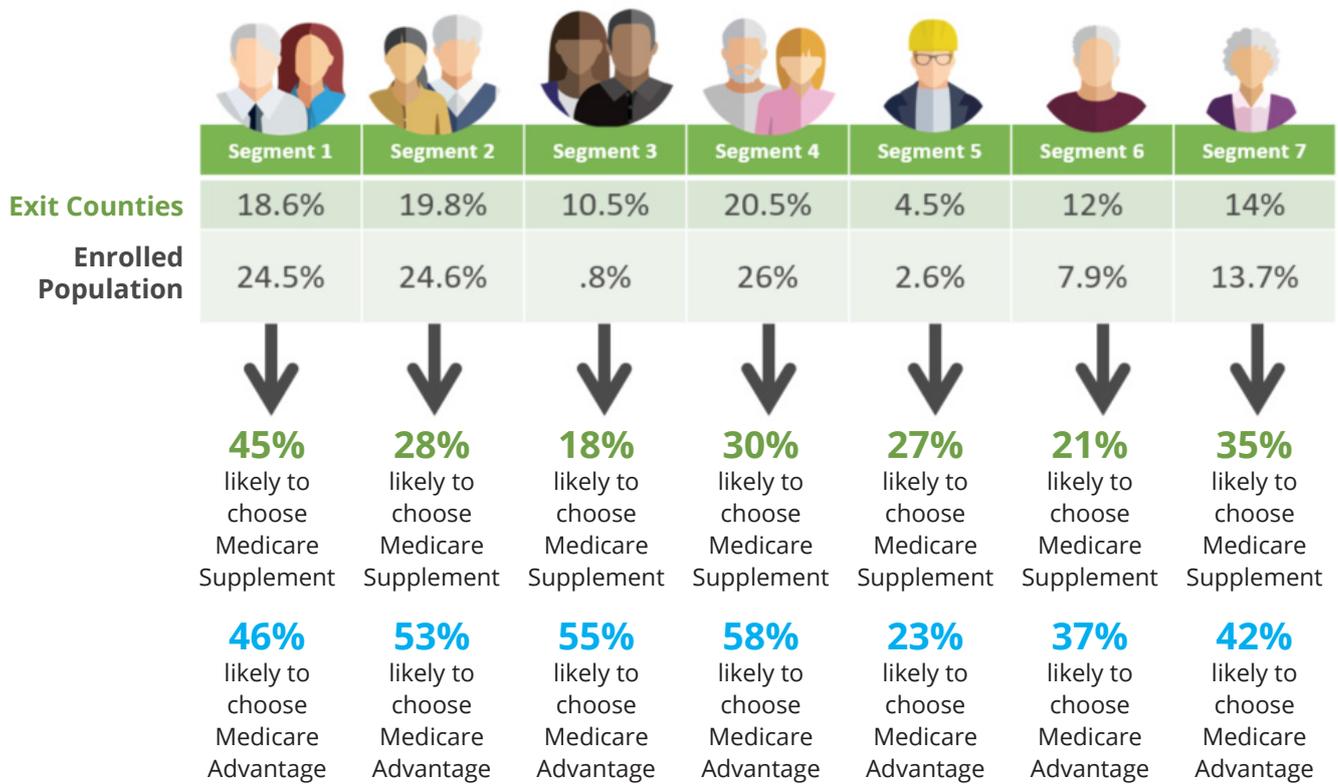
Predictive Models Created:

- Likely2 Choose Medica Health Plan
- Likely2 Choose Medicare Advantage
- Likely2 Choose Medicare Cost
- Likely2 Choose Medicare Supplement
- Likely2 Choose Original Medicare
- Loyalty Index (Members that stay with plan for 10+ years)
- Termination Index (Members that terminate plan w/in 2 years of enrolling)
- Clinical Risk Score

Segmentation Results

The analysis identified seven distinct consumer segments in the Minnesota Medicare market. The Likely2 Choose Medicare Advantage model provided essential insights in this process, enabling Medica to identify and prioritize segments based on overall size, Medica’s existing market share, and consumer likelihood to choose a Medicare Advantage plan. Medica’s marketing team identified four desirable segments (#1, 2, 3, and 4) for targeted marketing outreach. Segment #3 stood out as an especially attractive growth opportunity—it had both a high likelihood of choosing Medicare Advantage (55%) and a low preexisting market share for Medica.

In a world without a Cost Plan, where will the market go?



Putting the Segmentation to Work

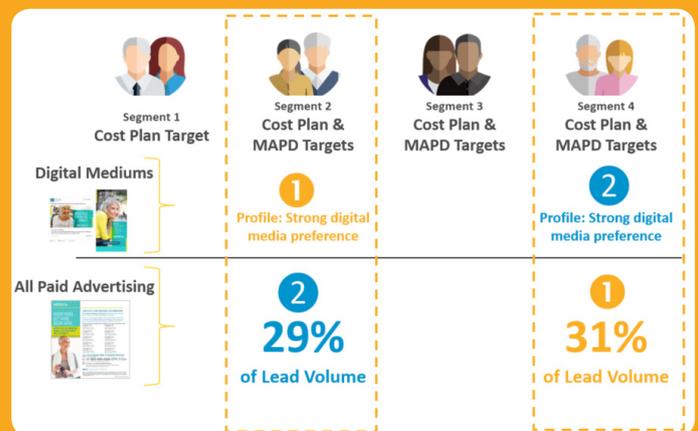
Medica’s direct-to-consumer marketing team applied the insights from the consumer segmentation in three ways:

- 1 Qualitative Research**
 Medica conducted both in-person and virtual focus groups for Segments #1-4 to determine consumer attitudes, preferences, and brand attributes.
- 2 Informing Product Design & Portfolio Diversification**
 Consumers from Segments #1-4 were presented with forced choice exercises to assess their preferences regarding pricing/value, access to care, primary care loyalty, specialty care/ referrals, and health plan product add-ons. This research also identified key influencers for each segment (e.g. friends & family, websites, workshops, direct mail brochures).
- 3 2018 AEP Marketing Campaign Strategy and Tactics**
 Medica designed and executed an omnichannel “Switcher Campaign” for AEP, across direct mail, television, print media, and digital. Although the campaign reached all seven Medicare consumer segments, it was targeted most heavily to Segments #1-4. The direct mail component was weighted disproportionately toward individuals in these four segments, and media spend was prioritized to reflect these segments’ preferences.

2018 AEP — Direct Mail Performance: Switcher Campaign

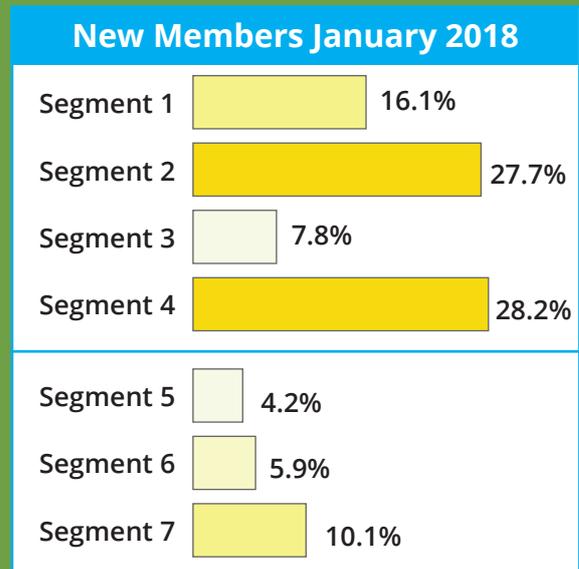
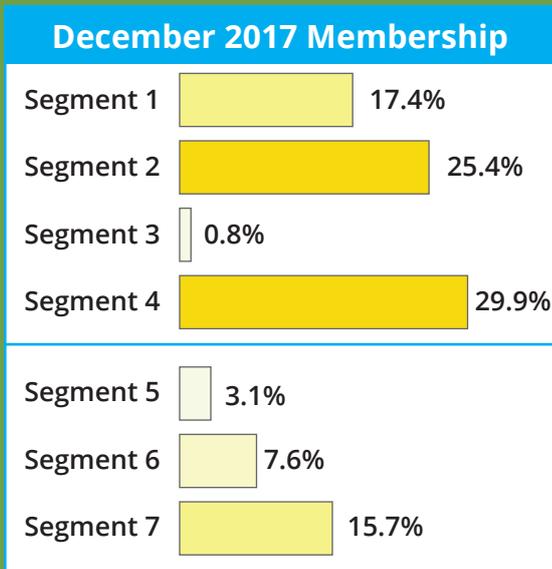


2018 AEP — Other Medium: DRTV, Print, Digital



Campaign Results

Medica successfully shifted its new membership mix in favor of its desired consumer segments. Segments 1-4 represented 80.5% of new members in January 2018, vs. 73.6% of the existing membership base in December 2017. Medica was especially successful with Segment #3, which had been identified as a key growth opportunity—this segment represented 7.8% of new members, vs. 0.8% of the prior membership base.



Consumers in Segments #3 and #4 that were predicted by Carrot Health's model to be highly likely to respond to Medica's offering ("targeted consumers") responded at significantly higher rates (32% and 25%, respectively) compared to control groups from their respective segments.

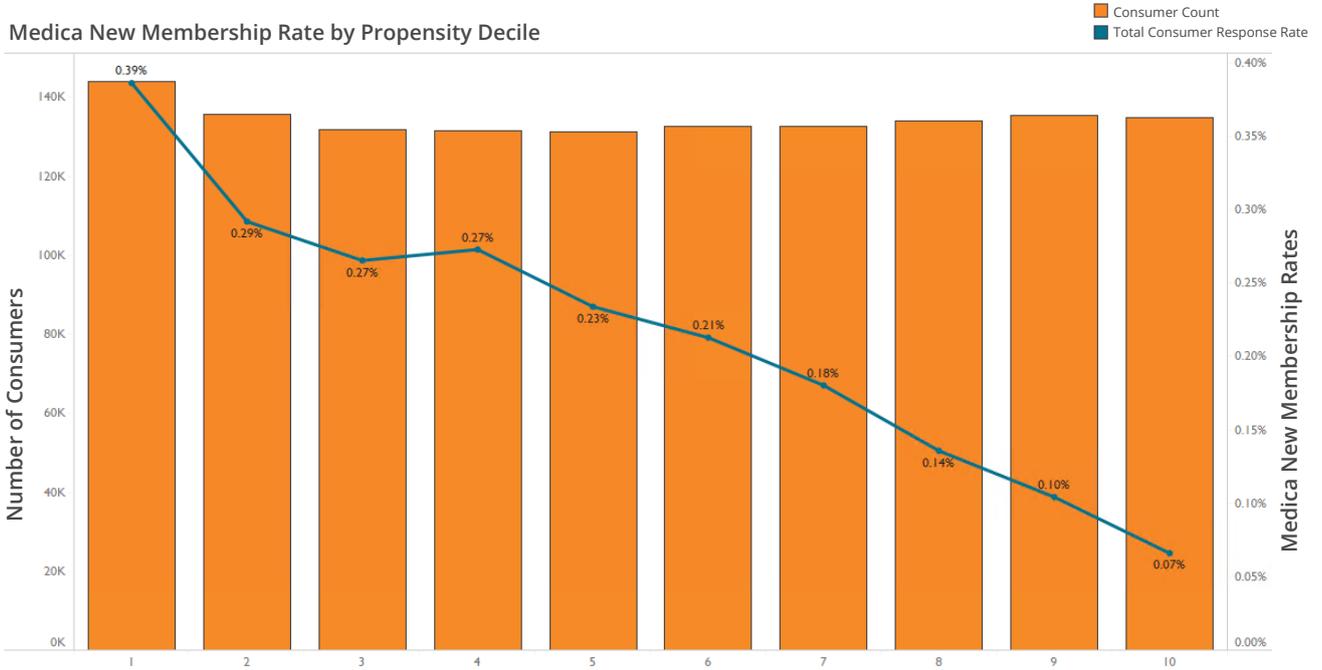
This targeting lift was not observed in Segments #1 and #2.

Targeted consumers in Segments 1 and 2 responded at a similar rate

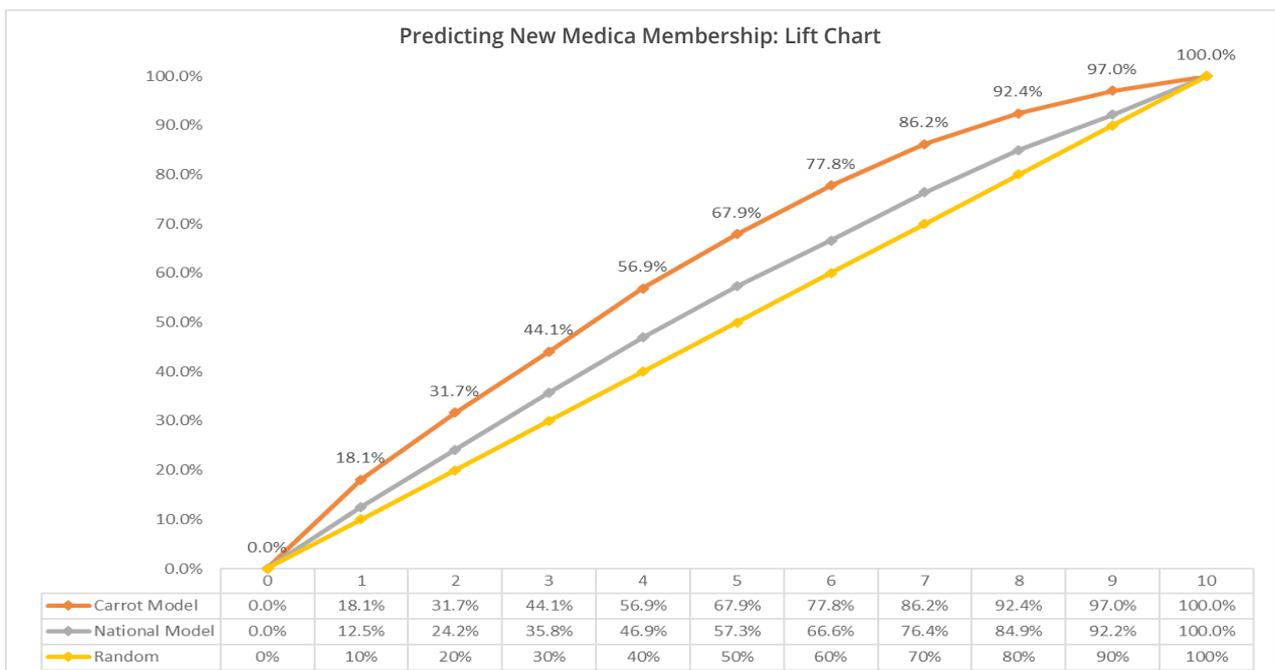
Targeted consumers in Segments 3 and 4 responded at a significantly higher rate

	Segment 1	Segment 2	Segment 3	Segment 4
Targeted	0.23%	0.26%	0.20%	0.32%
Non-Targeted	0.22%	0.26%	0.15%	0.25%
Targeting Lift	4%	0%	32%	25%

Across all seven segments, the top-scoring decile of consumers that were predicted to be highly likely to respond to Medica’s offering responded at a rate that was 6.6x higher than the response rate of the bottom-scoring decile (0.39% vs. 0.07%). This validated the ability of Carrot Health’s predictive models to identify consumers who are most likely to respond to outreach.



Carrot Health’s localized predictive models generated a significant lift in consumer response rate over National Medicare Responder Index models. The top two scoring deciles of consumers that were predicted to be highly likely to respond to Medica’s offering represented 31.7% of actual respondents. This compares favorably with the top two scoring deciles of the National Medicare Responder Index model, which identified 24.2% of actual respondents. Carrot Health’s models generated a 31% response lift over this national model, and a 59% lift over untargeted outreach.





Conclusions



Healthcare marketing teams use Carrot MarketView's individually identified consumer data and predictive modeling capabilities to improve new member acquisition campaigns.



Consumer data can be harnessed to develop customized segmentation frameworks and predictive models that enable more granular and effective campaign targeting.



Healthcare marketing teams can use hyper-local consumer segmentation frameworks to generate deep insights on current and prospective members, and to identify attractive market growth opportunities that would otherwise be missed.



Campaign targeting using advanced predictive models can result in significant improvements in consumer response rates.



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