

Retail Sales Offices: The Future of Health Insurance?

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The health insurance industry has recently launched a new sales delivery channel that could completely shift how Americans manage their health insurance coverage. Across the country, health plans are opening up retail sales offices in high-visibility shopping center locations to attract new members and educate, engage and retain existing members. How will these new service centers impact you and your patients? Let's take a look...

What are Health Insurance Retail Sales Offices?

The primary purpose of these health insurance storefronts is to sell insurance. The idea is to create a comfortable and convenient location in which consumers can drop by and meet a representative face-to-face to discuss their options. Insurance companies are opening these offices in high-traffic malls and shopping centers (near their target demographics) to make buying health insurance more of a retail experience—a place consumers can stop by while running routine errands.

Typically these offices include:

- Concierge or receptionist up front to schedule appointments, answer questions, and provide tours of the facility.
- Cafe or coffee bar serving refreshments, often adjacent to a library with literature on health-related topics.
- Activity or community room for lectures, group exercise classes, games or member appreciation parties.
- Meeting rooms or offices for 1-on-1 sales consultations.

Stores provide different services depending on whether they target the Medicare or commercially insured market. Some companies only offer one type of insurance while others offer both. The services at each location are also aimed at their target market. A Medicare-focused store might offer hearing aid fittings whereas a commercial store might offer classes on how to raise healthy children. However, the concept behind both types of stores is the same: create a retail experience for people to buy insurance and become more involved with their plan.

Figure 1: Medicare-focused Humana Guidance Center in Sandy Springs, Georgia is next door to Concentra Primary and Urgent Care Centers.



Why are Insurance Companies Opening Retail Sales Offices?

Insurance companies are opening these new offices to deal with a rapidly changing health insurance market in the United States. In the past, most Americans received health insurance through their jobs. This meant insurance companies marketed to brokers, small business owners and the Human Resources departments of large companies rather than to consumers directly. Individuals rarely bought insurance on their own and for those who attempted, many were uninsurable. As a result, insurance companies didn't have a well-developed sales channel for consumers.

The Affordable Care Act is set to change everything. Under this new legislation, millions of Americans will be looking to buy health insurance on the individual market. Not only will the law require Americans to obtain insurance

coverage, ending the exclusion for pre-existing conditions and providing low-income buyers a tax credit will increase the number of Americans who can qualify for coverage.

Altogether, a huge new wave of consumers will hit the market in 2014. Consulting firm Oliver Wyman estimates that this new market could be as large as 85 million consumers and \$600 billion in premiums. There could be even more new buyers going forward as large employers like Sears Roebuck and Darden Restaurants consider moving their employees to these individual health plans.

Medicare is also Growing

Insurance companies are also setting up insurance retail sales offices to better serve the Medicare populations. The baby boomer generation is quickly heading into retirement—with an additional 30 million individuals becoming Medicare-eligible between 2010 and 2030. This means a huge part of the population will be leaving work-based insurance plans and moving onto Medicare.

While everyone on Medicare gets a basic level of coverage, there are many copays and deductibles. To handle these extra fees, individuals buy insurance from private insurers through the MediGap and Medicare Advantage programs. These programs are similar to the Affordable Care Act in that individuals buy their own insurance from a standardized set of choices.

Between these two shifts, there are going to be many individuals looking to buy insurance on their own so insurers want to capitalize on this market through retail sales offices.

Table 3: UnitedHealthcare Advertisement for a Seasonally-Operated “Medicare Store” in San Antonio, Texas



What Services do These Offices Provide?

The primary goal of these offices is to help consumers compare their insurance options. Both Medicare and the Affordable Care Act will give Americans a large variety of plan options to choose from and this can be confusing. By going to a retail storefront, they can meet with a live representative and get an expert comparison.

A secondary goal of these offices is to engage their members and help them live healthier lives. This works out well for both the insurance company and patients. When people are healthier, they use their insurance less which means everyone saves money. As a result many of these centers offer fitness classes, health advice, consultations with doctors, and lectures on popular medical-related topics.

These offices also help members review their current coverage. It's not easy sorting through a health insurance contract so many people don't know exactly what benefits their plan includes. As a result, they may not be taking advantage of everything they're paying for. Many centers offer computers that help members navigate through their plans to see what they can use as well as a breakdown of past claims so they can see where their money is going.

What Kind of Staff are in an Office?

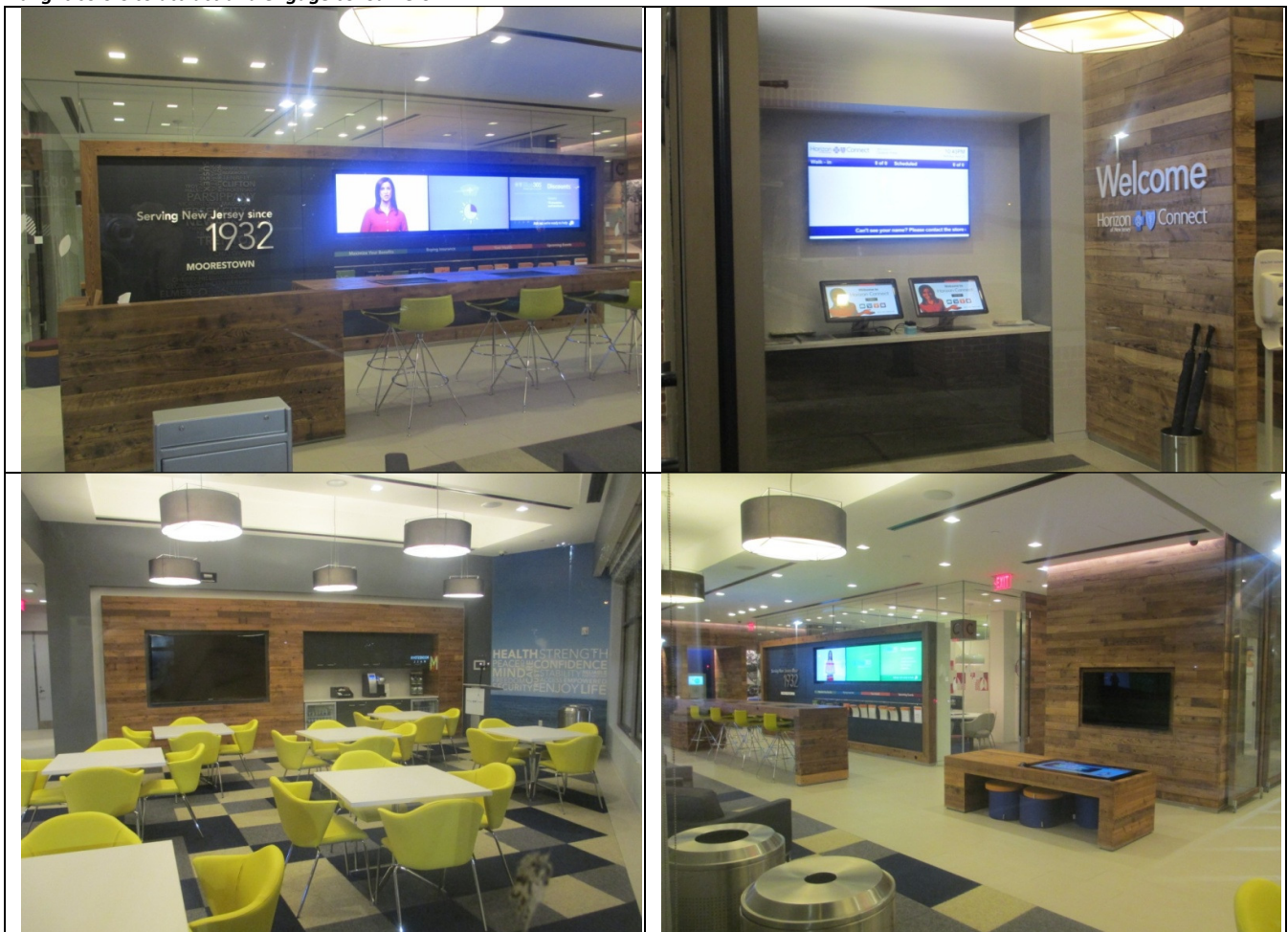
Insurance companies have been setting up their retail sales offices with fairly sizable staffs. Branches generally have at a minimum a licensed insurance sales person plus general customer service representatives. The service representatives help with regular questions and administrative details while the insurance salesperson helps people set up new plans.

During periods of high demand, like the Medicare Open Enrollment Period, stores typically add more temporary staff. Offices also could have insurance sales reps for other products (dental, life, etc.), health professionals to give medical advice, advisers giving seminars on health issues, and fitness instructors for classes. Insurance companies are making a fairly sizable investment in these properties so they want to be sure customers can get the services they want.

How Do Insurance Companies Market Retail Sales Offices?

Retail sales offices are a dramatic shift in how insurance companies market their products because they now have a physical location. Whereas in the past insurance agents would go out to meet clients or meet in a fairly non-conspicuous office building, as Figure 3 illustrates how retail storefronts now resemble more an Apple Computer store than a traditional insurance agency. The idea is that a well-designed retail sales office can bring in foot traffic which leads to more sales, something that was never really done before. Expect to see more experimentation with building designs as companies discover what works best.

Figure 3: The Horizon Blue Cross/Blue Shield of New Jersey “Connect” Store in Moorestown is located in a strip center among popular stores and eateries like PetSmart and Panera Bread. The store integrates contemporary design, hands-on technology, high-quality finishes and bright colors to attract and engage consumers.



Beyond this novel approach, insurance companies are also investing in regular advertisements, community outreach, and interviews. They want to spread word of mouth about the benefits of these new offices so more people give them a look. WellPoint, for example, spent about \$50 million on advertising last year with many ads focused on its Welcome Centers. Most companies have put up pictures or ads of people participating in exercise program or using computers to review benefits. Insurance companies are really trying to brand retail sales offices as a part of the community, basically a place where people drop by regularly for advice, to socialize, and to learn how to live a healthier life.

When Should Your Patients go to a Retail Sales Office?

Have you ever tried advising your patients on health insurance? It's not always easy to compare plans. If your clients are looking to buy coverage, going to a retail sales office might be the most efficient way for them to see their options; likely easier than trying to schedule a meeting with an individual agent.

Patients may also want to visit a retail sales office if they have general health questions. Insurance companies are experimenting with different services to attract new customers. Stores are starting to offer other benefits like bicycle rentals, cooking and exercise classes to promote healthier lifestyles, lounge areas and video games for the kids, and even activity centers for birthday parties. Even if your patients don't need health insurance, they might find a benefit from one of these other services—free of charge or included in their plan premium.

Have They Been Successful?

At this point, it's too early to tell how successful retail sales offices have been. Most branches only opened within the past year and Americans still are unaware of this new type of store. In addition, the major provisions of the Affordable Care Act don't kick in until 2014. This will likely be the time when most individuals start looking for policies through the retail sales offices.

Stores have seen some success so far. In its Queens, New York store, UnitedHealthcare enrolled about 4,200 new clients for its Medicare plans last October. This is a tiny amount of United's roughly 36 million clients, but it still shows that customers are willing to sign up at retail sales offices. In addition, the company reported that its customers appreciated the face to face atmosphere. UnitedHealthcare had enough success with 16 of its seasonal locations that it decided to make them all permanent.

What to Expect for the Future

To truly measure the success of insurance retail sales offices, we need to wait until 2014 when most of the main pieces of the Affordable Care Act start up. At this point though, it looks like an interesting idea that seems to make clients happy. Between Affordable Care Act and Medicare, there should be a much larger population looking to purchase individual health insurance. In addition, these offices definitely have the potential to improve customer service. Most people prefer to deal with a live representative rather than planning over the phone. If there are any retail sales offices in your area, consider dropping by so you can see the possible future of health insurance.

Figure 4: Examples of Retail Health Insurance Sales Offices



Pittsburgh-based Highmark Blue Cross Blue Shield opened its first stores in 2009 and has since expanded throughout the state. The stores focus on individual insurance consumers, recent graduates and families. They offer promotions throughout the year that target different demographic groups, such as promotions in May and June to target new graduates. This location in Harrisburg is typical of Highmark's 2,500-3,000 sq. ft. locations.



Wellcare Health Plans started opening its Wellcare Welcome Rooms in November 2012. It currently has 13 stores in New York, Florida, and Connecticut. Wellcare uses its stores to serve both the Medicare and Medicaid markets. Pictured is New Haven, Connecticut—a street-facing location on a bus line in the central business district.



Blue Cross Blue Shield of Florida has opened "Florida Blue" centers across the state including Miami, Ft. Lauderdale, Jacksonville, Tampa, and Orlando. These centers, which are generally freestanding buildings, serve the commercially insured population. They give advice on medical insurance as well as dental, life, and disability coverage. Pictured is Pinecrest (South Miami), Florida.

Horizon Blue Cross Blue Shield of New Jersey opened its first store in Moorestown last summer. This store, focused on the commercially-insured market, offers private meeting rooms for consultations, work stations for members to review their benefits, and an entertainment room for children. Horizon designed this store to help those insured individually and through work. They offer consultations for people to figure out how to more efficiently use their coverage to reduce claims.



UnitedHealthcare opened about 30 stores across the country to serve the Medicare market for health insurance and retirement planning. These stores are geared for the Medicare Advantage open enrollment period between Oct. 15th and Dec. 7th. United announced that it would close many of its stores outside of the open enrollment periods and reopen the following year. Whether a store would stay open depends on total monthly demand. This "pop-up" store is in the food court of San Antonio's South Park Mall.



Humana's stores are called "Guidance Centers." Humana has about 20 locations across the country, from Ohio to Florida to Nevada and Arizona. Humana's centers are focused on engaging the Medicare population and in addition to sales and education of prospective and new members, the centers help retain existing members through activities like exercise classes, Zumba and Wii games, arts/crafts, volunteer activities and member-appreciation parties.