Hearing Benefits: Cost, Competitive Advantage and Who Needs It
A sound strategy for health insurance companies and their members
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Introduction

In 2012 UnitedHealthcare®, the nation’s single largest health insurance carrier, created a stir when it launched the “hi HealthInnovations” program. As part of UnitedHealthcare’s health plan coverage, this benefit enables eligible members to obtain hearing aids at either no charge or with a low copay.

The question many observers asked: Why did UnitedHealthcare venture into a realm where relatively few other health plan carriers have gone? While not privy to the company’s executive decision-making, one may safely assume that UnitedHealthcare views its hearing benefit program as a competitive differentiator and a tactic to gain new members.

Now the question becomes, does a hearing discount benefit make sense for other health insurance companies? To help the reader arrive at an answer, this special report will address the following three main areas:

- Key business drivers behind voluntary benefits, including the continual effort to attract new members while avoiding adverse selection and complying with Medical Loss Ratio (MLR) requirements
- Why a hearing discount program makes sense in light of today’s challenges and opportunities for health insurance companies
- Which attributes and features of a hearing discount program give health insurance carriers the best chance to realize the full potential of this opportunity

Voluntary benefits grow more popular with insurers, businesses and consumers

A convergence of factors has prompted a growing number of health insurance companies to enhance their offerings by adding voluntary benefits, which are 100% member-paid coverages. These benefits, usually administered by partner organizations, encompass a broad range of needs, including long-term care, disability, dental care, vision care and, as this paper will discuss, hearing aids and hearing healthcare services.

Following are some of the primary business drivers behind the uptick in voluntary benefits:

Competitive differentiation. Consumers have become adept at analyzing and comparing health plan options, thanks in large part to the implementation of health insurance exchanges under the Affordable Care Act (ACA). At the same time, when they don’t perceive significant differences in core health plan benefits, they may look for “extras:” voluntary benefits that meet their needs. Voluntary benefits may also be viewed favorably by businesses that offer health insurance to their employees, particularly in industries with strong competition for high-quality job candidates.
Adverse selection. While health insurance carriers may welcome an influx of new members, they obviously need to limit benefits that create negative economics. A top-of-the-line maternity benefit, for example, may produce a significant bump in membership. However, the carrier may end up paying out more for medical care than it collects in premiums. Voluntary benefits, by contrast, can generate incremental gains in membership without necessarily enrolling consumers who require high payouts for medical services and prescription drugs.

Medical Loss Ratio (MLR). Health insurance companies must carefully monitor their spending on executive salaries, overhead, marketing and other administrative costs, as well as their profit margins. Under the ACA, if carriers do not spend at least 80% or 85% of premium dollars on medical care, they must issue rebates to their beneficiaries. Voluntary benefits do not affect the MLR because the health insurance company doesn’t collect premiums for these benefits.

In summary, voluntary benefits represent a significant upside for health insurance companies, in terms of competitive differentiation and the potential to attract members, while reducing the risk of adverse selection and without exceeding the MLR.

The hearing discount: a benefit with overwhelming upside

Hearing discount programs have generated a great deal of interest among health insurance companies. Besides the deliverables described in the previous section, the right hearing discount program offers unique advantages that can make it especially attractive to health insurance companies. Consider the following reasons why the hearing discount is becoming a valuable addition to many health insurance companies’ benefits portfolio.

The need is great, and the demographics are right.

An estimated 36 million Americans, including 17% of the adult population, have hearing loss, according to the National Institute on Deafness and Other Communication Disorders (NIDCD). Moreover, hearing loss is the third most common chronic condition among older adults.

One of the leading risk factors for hearing loss is the aging process, and this will only grow more prevalent as the huge population of baby boomers, born 1946 to 1964, enters the ranks of senior citizens.

At the same time, it should be clearly understood that hearing loss is not limited to older Americans.
Despite the ready availability of hearing healthcare services and continual improvements in hearing aid technology, only about 20% of hearing-impaired individuals seek the treatment that could help them. Many individuals resist or delay getting help for hearing loss because of the high cost of hearing aids. Discount programs have proved to be an effective mechanism for increasing consumer acceptance of hearing aids and hearing healthcare services and make purchasing hearing aids more affordable.

**Improved hearing may result in healthier members.**

In recent years, researchers have established connections between hearing loss and other common, often chronic, health conditions, such as diabetes, dementia, cardiovascular disease, kidney disease and depression.

While a direct cause-and-effect relationship is not always known, hearing loss may play a significant role in the development of certain conditions. For example, studies have shown a higher rate of depression among individuals who have a hearing loss, compared with their normal-hearing counterparts. Conversely, people who receive treatment for a hearing loss report a significant improvement in their mental health, according to a study by the National Council on Aging (NCOA).

A hearing impairment may provide an early indication of other potentially life-threatening health conditions, such as heart disease and diabetes. By heeding this warning and seeing a hearing health professional in the early stages of the disease, people may be able to avoid more intensive and costly medical care, which benefits both them and their health insurance carriers.

**New enrollments + no costs + shared revenue = positive bottom line impact.**

Consumers obviously benefit financially from a hearing discount program. And so can health insurance companies. As discussed earlier, voluntary benefits help differentiate one carrier over another, which increases the likelihood of enrolling new members without adverse selection. A hearing discount program also may favorably affect the company’s bottom line in other ways.

Ideally, the hearing discount program will not burden the insurance carrier with any fees or administrative costs — an important consideration at a time when healthcare reform, the high cost of medical care and other factors are cutting deeply into profit margins.

The health insurance company may realize a positive bottom line impact if the program includes revenue sharing from hearing aid sales to members. Even better is a hearing discount program that includes eligibility for family and friends of the beneficiary. Besides possibly netting incremental revenues from sales to these individuals, the insurance company benefits from the “halo effect” of extending a free program to everyone associated with the beneficiary.
A competitive edge can increase member retention.

By standing out from the crowd of other voluntary benefits, a hearing discount benefit doesn’t just position health insurance companies to attract new members. It also may help them retain members by adding value to their current benefit plans — providing additional revenue protection.

Choosing the right hearing discount program can substantially add to a health insurance company’s competitive edge, not to mention the overall viability of the benefit. It therefore becomes paramount for the health insurance company to carefully evaluate the attributes and features of a prospective program, as well as the track record of the vendor-partner behind it.

Seven key benchmarks for evaluating and comparing hearing discount programs

Not surprisingly, the success of a hearing discount benefit depends on a well-established vendor-partner offering a program with a proven track record. Unfortunately, it may be difficult to adequately evaluate and compare programs, particularly some of their less conspicuous attributes and features. This section is intended to walk insurance company decision makers through seven key benchmarks that constitute a viable hearing discount program.

Benchmark #1: No cost to the health insurance company
A hearing discount program should not come with a participation fee or setup fee for the health insurance company, nor should it extract premiums from members. Health insurance companies should beware of fees for services such as inbound toll-free numbers, marketing support or website development.

Benchmark #2: Comprehensive marketing support
Member awareness of a hearing discount benefit is only as good as the marketing behind it. The problem is, most health insurance companies are not able or willing to make a commitment of sufficient magnitude. The vendor partner should provide comprehensive marketing support, which may include newsletters, direct mail, email marketing and website development. Ideally, the vendor-partner will absorb the full cost of all marketing support.

Benchmark #3: Easy for members to access
Members should not have to navigate through a complicated process to take advantage of their hearing discount benefit. One of the simplest and most successful means of access is a toll-free number that connects the beneficiary with a client services representative. The representative walks members through the process, locates a participating provider in their area and activates the benefit. Of course, the insurance carrier should be concerned about its members’ real-world experiences throughout this process, because it can reflect positively or negatively on the company. It is therefore important to look for a program that routinely measures and reports customer satisfaction metrics.
**Benchmark #4: Flexible program configuration**
Every health insurance company has a unique set of requirements and preferences when it comes to member access, branding and other key considerations. The vendor-partner should be able to configure the hearing discount program to each insurance company’s needs. For example, does the insurance company want a program that’s co-branded with the vendor-partner? Or one that’s entirely under the umbrella of the insurance company with the vendor-partner working behind the scenes? Either preference should be readily accommodated.

**Benchmark #5: A large nationwide provider network**
Naturally, the larger the number of participating hearing healthcare providers, the more likely it is that the hearing discount program will cover an insurance company’s beneficiaries across the country. A larger network also means potentially greater buying power and lower prices negotiated with the hearing aid manufacturers.

**Benchmark #6: Extensive product selection**
Some hearing discount programs feature a small product formulary. This essentially limits where members may use their benefit, since each hearing healthcare provider typically works with a specific set of hearing aid brands and models. Moreover, a smaller product formulary diminishes the provider’s ability to tailor a hearing solution to each member unique hearing needs, lifestyle and preferences. Bottom line: the more brands and models available through the program, the better it is for the insurance company and its members.

**Benchmark #7: A revenue-sharing option**
Is the vendor-partner willing to structure the hearing discount program so that the health insurance company shares in revenues generated by hearing aid sales? This arrangement can provide a nice lift to the insurance company’s bottom line, without affecting MLR. Additional revenue enhancement results when program eligibility is extended to family and friends of the beneficiary.

### Hearing discount program decision chart

<table>
<thead>
<tr>
<th>Benchmark</th>
<th>Program A</th>
<th>Program B</th>
<th>Program C</th>
</tr>
</thead>
<tbody>
<tr>
<td>No cost to insurance company, no premiums paid by members</td>
<td>Y/N</td>
<td>Y/N</td>
<td>Y/N</td>
</tr>
<tr>
<td>Comprehensive marketing support at no cost to the insurance company</td>
<td>Y/N</td>
<td>Y/N</td>
<td>Y/N</td>
</tr>
<tr>
<td>Easy for members to access and use; includes customer satisfaction measures</td>
<td>Y/N</td>
<td>Y/N</td>
<td>Y/N</td>
</tr>
<tr>
<td>Flexible program configuration to the insurance company’s specs</td>
<td>Y/N</td>
<td>Y/N</td>
<td>Y/N</td>
</tr>
<tr>
<td>Large nationwide provider network</td>
<td>Y/N</td>
<td>Y/N</td>
<td>Y/N</td>
</tr>
<tr>
<td>Extensive product selection (multiple hearing aid brands and models)</td>
<td>Y/N</td>
<td>Y/N</td>
<td>Y/N</td>
</tr>
<tr>
<td>Revenue-sharing option</td>
<td>Y/N</td>
<td>Y/N</td>
<td>Y/N</td>
</tr>
</tbody>
</table>
Key Takeaways

The right hearing discount program can help health insurance companies differentiate themselves from competitors; attract new members with minimal or no increase in adverse selection; and potentially enhance revenues without exceeding MLR limits.

Specific reasons to consider a hearing discount program include:

- Satisfying the large demand for hearing healthcare services that will only grow as more baby boomers experience hearing loss
- Direct or indirect contributions to the overall health of members through improved hearing
- A positive impact on the insurance carrier’s bottom line, sparked by new enrollments, no cost to participate in the program and revenue sharing from hearing aid sales (if available)
- Increased member retention by enhancing the value of current health plans

A viable hearing discount program should include the following attributes and features:

- No participation fee or hidden costs for the health insurance company
- Comprehensive marketing support, executed and underwritten by the vendor-partner
- Ease of use for the beneficiary, along with systematic measurement and reporting of customer satisfaction metrics
- Flexible configuration of the program to the health insurance company’s requirements and preferences
- A large nationwide provider network
- An extensive product selection, giving providers and patients access to multiple brands and models
- An opportunity for the health insurance company to share in revenues from hearing aid sales
About Amplifon Hearing Health Care

Amplifon Hearing Health Care is the nation’s leading independent hearing healthcare program, offering discounted hearing aids and hearing healthcare services as part of an overall hearing health program. Amplifon’s program covers more than 100 million lives through a variety of organizations, including several health insurance companies.

Amplifon serves hearing-impaired individuals through a nationwide provider network of clinics. All Amplifon professionals must meet and maintain comprehensive credentialing requirements to be included in the network.

Amplifon partners with leading hearing aid brands, including Miracle-Ear, Oticon, Phonak, ReSound, Rexton, Signia (formerly Siemens), Sonic Innovations, Starkey, Unitron and Widex. The Amplifon product formulary contains more than 2,800 models of hearing aids.

Amplifon Hearing Health Care is a division of Amplifon SpA, the largest distributor of hearing aids and hearing services in the world.

For additional information or questions, please contact:

Kyle Roberts
Senior Director of Sales & Account Management

Ph: 813-743-8783
Toll-Free: 1-888-689-6943
Kyle.Roberts@amplifon.com

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