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New Applications of CRM Technology are Multiplying

Customer relationship management software is helping improve service, cut costs and target marketing efforts.

By Bill Briggs, Senior Editor

Even before the e-health boom of the late 1990s, Blue Cross Blue Shield of Montana was looking for ways certain technologies could help reduce the cost of providing service to its 280,000 customers. As the boom fizzled, many promising technologies went with it. Many, but not all.

One of the survivors was customer relationship management software. In a serendipitous twist of fate, not only did CRM software cut costs for the Bozeman-based health plan, it also provided the health plan's customers a new way to manage their health insurance.

Since rolling out CRM technology in May 2002, Blue Cross Blue Shield of Montana has seen 10% of its 14,000 monthly telephone calls shift to its online resources, says Joe Fleming, e-business executive. Online customer services include a frequently asked questions section on the plan's Web site and secure messaging through which members can ask questions. Call center customer service reps access and answer the questions via the CRM application, which also tracks and stores the information for use against future audits.

Payer organizations are using CRM technology in increasing numbers, experts say, often seeking the same results as the Montana Blues plan: to improve customer service and trim operating costs. Additionally, some do so to enhance claims processing while others seek marketable status in becoming customer service leaders.

A growing number of insurers are using multiple "channels," including the telephone, e-mail and Web portals, to boost service to all customers, from brokers and employers to providers and patients.

Providers have similar customer service-oriented goals but trail payers in implementing CRM technology. Integrated delivery systems and large hospitals are most likely to adopt the technology, industry observers say, but with a different emphasis.

They use CRM applications to improve communications with existing and potential patients/customers, but also in sophisticated marketing campaigns designed to identify and develop enduring relationships with customers.

Pain points

Payer interest in CRM technology ramped up in the late 1990s when customer service and support were two sources of operational "pain," says Joanne Galimi, health care industry research director at Gartner Inc., a Stamford, Conn.-based research and consulting firm.



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By 2010, biometric security technology will be commonly used to protect patient information.

Agree

Disagree

"Payers wanted their telephone customer service reps to have immediate access to back-end information systems so the reps would know when a customer last called and why," Galimi says. "At the time, 'e-business' was a buzz word and self-service on the Web was a piece of it."

Payers tried to divert ID card requests and other routine queries to their Web sites. Soon other functions were added, including claims inquiries. All such functions progressed toward the current concept of CRM, she explains.

"From a higher level, e-business is a part of CRM," Galimi says. "CRM and business process management are traditionally manual processes that are becoming automated."

In the past 12 to 18 months, payer efforts to automate further have fueled interest in CRM technology, says John West, a consultant with New York-based Deloitte Consulting.

Payers now are collecting more information about customer preferences, including the types of insurance programs families are interested in, their preferred communications channels and the best time of day to call them.

"They are collecting this information at the time of enrollment, loading it into a database and making it available to customer service people," West says.

The extent to which a health plan uses CRM technology can depend on the role a plan wants the technology to play.

"Some want to leverage core competencies at claims processing, or if not that skill, they will focus on quality service," West explains. "Not all health plans go down a rigorous CRM path, but a lot, especially middle and smaller market plans—with 2 million or fewer members—are choosing to really emphasize customer service."

Offering choices

As many health plans move toward more consumer-directed products, such as interactive Web portals, CRM systems can help pull together information. "Payers aren't just seeking a '360-degree' view of their customers, they also want to provide choices," West says. "They are offering advice about products, physicians, medical procedures and outcomes. They are investing in technology and transforming how people on the 'front line' are talking with customers."

Many Blue Cross Blue Shield plans are tapping CRM technology, he adds. Blue Cross Blue Shield of Montana is one that has found new ways to communicate with members for both its health plan and claims clearinghouse subsidiary.

The Montana Blues plan uses CRM software from RightNow Technologies Inc., Bozeman, Mont., which it originally pursued for customer service training, says Fleming, who also is chief technology officer at Health-e-Web, the organization's clearinghouse.

The application enables customer service reps to field questions online, thus helping to break the pressure-packed call center workday. Call center reps burn out within two or three years, Fleming says, because of the close scrutiny of all telephone conversations.

In addition to pushing member inquiries online, the Blues plan enables physician offices to conduct patient eligibility checks and

claims status. Half of all physician office inquiries now come in electronically, Fleming says, which is made possible by the integration of the RightNow application with claims processing systems.

Web traffic doubles

The CRM application also enables providers to check on claim status in the clearinghouse via the Internet. After shifting to RightNow's Web browser-based front end, Web traffic doubled in the first month of operation, Fleming says.

And more providers are expected to take that path, if customer service reps will let patients off the leash. "Training the phone people to recommend customers check the Web has been the hardest part," Fleming says. "They're used to doing a lot of hand-holding."

Fleming expects the number of full-time equivalent employees to go down as a result of the CRM software, or at least to reduce the burnout rate and therefore the number of new hires.

Savings from re-assigning or eliminating FTEs often are the most tangible of returns on CRM technology investments.

But those investments can be sizable. Preliminary results of a payer survey by Gartner indicate that all respondents' budgets for the technology had gone up since 2002 and more than half were allotting upwards of \$750,000 per year, says Galimi, the consultant.

For those payer organizations seeking recognition for customer service, the return on investment is a bit harder to measure. Blue Cross and Blue Shield of Minnesota and its 2.6 million covered lives is one that's trying.

Competition and consumers

"The health care industry is being challenged now from a very big picture perspective," says John Ounjian, senior vice president and CIO at the Eagan-based health plan. "Our industry is facing increasing competitive and regulatory pressures and consumer demands. To maintain our leadership position, we needed to be more customer-focused. CRM is a requisite piece of infrastructure to do that."

In early 2001, the Minnesota Blues plan began exploring technology options; in January 2002 it rolled out a CRM system. The health plan follows a "best of breed" approach to software and in this case customized a system using applications from KANA Inc., Menlo Park, Calif., and a suite of customer communication products from Aspect Communications Corp., San Jose, Calif. The system pulls customer information from an Oracle database and is accessed by members, providers and agents.

Beyond FAQs

Members can enter through the health plan's Web site to find a physician, view claims, see cost estimates for treatments or e-mail a question to customer service.

The goal was to go beyond FAQs, Ounjian says. "We're not just answering specific questions, we're resolving problems."

The Blues plan's CRM system has played a pivotal role in a 10% increase in overall membership last year, he believes. "That wasn't the only reason, but it was critical in attracting large organizations as

customers.”

Blue Cross and Blue Shield of Minnesota expects the technology to play a fundamental role in its future. “It’s going to become the ‘electronic front door’ to all our stakeholders,” Ounjian says. “It becomes a powerful tool to help our company.”

Marketing focus

Some larger provider organizations also are viewing CRM technology as helpful in identifying patients and improving service. But so far, it’s not for everyone.

Many early adopters are integrated delivery systems, says Galimi, the consultant. They are using the technology to support focused marketing campaigns as well as patient portals to drive appointment scheduling and other self-service functions.

“They are using CRM to get out information about their organizations and creating databases to identify population segments,” she says. “Their goal is to fill beds.”

Building databases enables provider organizations to create targeted marketing campaigns, such as identifying all pregnant women in a 10-mile radius. Results are tangible, she adds. “They are seeing true ROI from these programs.”

Just such a predictive marketing tool is part of the technology at work for Franciscan Health System in Tacoma, Wash. It’s the fruit of a 10-year relationship with its CRM vendor, Customer Potential Management Marketing Group, Middleton, Wis.

“CRM gives us enormous power to target and segment populations within our market area,” says Kitty Gibbs, marketing manager at the not-for-profit delivery system that includes three hospitals, six clinics and about 1,500 physicians. The organization is part of Denver-based Catholic Health Initiatives.

Finding customers

CPM’s products and services not only enable Franciscan Health System to service customers, they also help locate them with sophisticated database tools.

“We maintain a centralized database that includes inpatient and outpatient data, call center data, and community-based market lists, Gibbs says. There are about 1.4 million entries in the organization’s database reflecting its market area, she adds. Franciscan Health System is using CPM’s Consumer Health Utilization Index, which helps predict population segments at risk for certain diseases.

In a nutshell, the delivery system launched a campaign to identify those at risk for breast or colon cancer, which were determined to be the most common forms of cancer in its market area, Gibbs explains.

And CPM enabled Gibbs to target and measure the results of its marketing campaign, something that traditional direct mail efforts can’t deliver.

Among the cancer campaign’s goals was increasing the delivery system’s oncology related services by .73%; the result was an increase of .83%.

Marketers also sought to build stronger relations with women in the marketplace and they succeeded: More than 60% of its new patients

were women.

In dollars, the marketing effort generated more than \$5.7 million in gross revenue, with an adjusted ROI "profit margin" topping \$240,000. Franciscan's investment has been "significant," Gibbs notes.

While she declined to be specific, she estimates that it could cost \$75,000 to \$250,000 per year for a quality database and another \$20,000 to \$35,000 to perform the kind of intelligence in data analysis the vendor supplies.

Expensive direct mail

Direct mail programs requiring purchase of demographic and psychographic data also can become expensive, Gibbs adds, which could move provider organizations to investigate sophisticated database models such as that used by Franciscan Health System.

Not all health care providers have the financial clout to invest in such marketing programs. But not all have the same goals for CRM technology, either.

Manchester (Conn.) Memorial Hospital, for example, set out to find a system that would track the I.T. department's help desk calls.

In October 2001 the 249-bed hospital, part of Eastern Connecticut Health Network Inc., implemented an application from FrontRange Solutions Inc., Colorado Springs, Colo. A year later, the hospital set up the same type of help desk for patient services-related issues.

That was done, in part, to document communications as required by privacy regulations under the Health Insurance Portability and Accountability Act, says Charles Covin, CIO.

A pure approach

Manchester Memorial took a pure customer service approach, first with internal customers and 1,500 I.T. help desk requests per month.

The approach evolved into a means for documenting and tracking patient complaints. Jennifer Moyher, help desk supervisor, set up the patient complaint tracking function, which also runs on the FrontRange software.

In the past, patients mailed the hospital complaints about service. The new system enables hospital staff to enter complaint letters into the CRM application database, then track the resolution and ensure the communication loop with the patient is closed, Moyher says.

Manchester Memorial managers haven't measured the ROI on the CRM software in dollars, Covin says, but there are other indications of success on the help desk side.

"We've seen a 40% increase in our approval ratings," he notes. "That means our response times are better and we're not losing calls. It's a 'touchy-feely' kind of ROI." •

Sidebar

Will providers ante up for CRM?

Most provider organizations haven't yet embraced customer

relationship management systems. A fundamental obstacle is the cost of such systems: they easily can run into the million-dollar range, experts say.

Successful deployments and vendor competition eventually may entice more providers into using CRM technology because of growing evidence that such systems can cut costs and target revenue-producing patients. But until then, only the largest hospitals and integrated delivery systems are likely to extensively use CRM.

One of the problems is that few CRM vendors have developed software specifically for providers, says Joanne Galimi, health care industry research director at Gartner Inc., a Stamford, Conn.-based research and consulting firm.

"Many vendors talk about the market, but very few are targeting it," she says. "They know providers don't have the money. You can't expect a small hospital to purchase solutions for a couple of million dollars."

Some believe that competition among provider organizations will drive them to use CRM technology, but for marketing rather than customer service. "There will be ever more sophisticated tools available to providers," says Kitty Gibbs, marketing manager at Tacoma, Wash.-based Franciscan Health System.

Gibbs believes demand from providers and marketplace competition will help push more software vendors into the field. Health care, however, has far to go in terms of learning the value of targeted marketing.

"Health care has lagged behind in terms of its approach to and use of CRM methodology," she says. "Look at how the auto industry successfully targets individuals and builds relationships. Yet no other industry is as personal and intimate as health care. The challenge is to deploy CRM technology in ways that are respectful of individuals and privacy."

Slow return

Even when targeted marketing campaigns succeed, organizations like Franciscan Health System face funding obstacles. Such programs take time to unfold—up to a year may pass from initial marketing efforts until results can accurately be measured. By then, the organization is two budget years away from the initial investment and senior management has moved on to other projects, Gibbs says.

CRM technology has other challenges to overcome, including past disappointments, says John West, a consultant with New York-based Deloitte Consulting. "CRM projects have a reputation of being big, expensive and ineffective. That haunts the technology. The challenge is determining the appropriate scope and ensuring the technology is delivering benefits rapidly." •

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