

Consumer Driven Market Report

Specialized Research On Consumer-Directed Health Plans #3

hotspots

Alegeus is nearing a tipping point that could move it into the stratosphere of consumer-directed technology. Our visit to the company's client conference showed that Alegeus has at least pulled even with and probably exceeds competitors in the third-generation CDH SaaS platform model, which it will launch in October. The most impressive development is the next-generation consumer interface, which it considers the fourth-generation CDH model, able to provide a standard interface across all channels. Interview p. 2.

Alegeus Readies Third Generation SaaS CDH Platform

Two years of development is paying off as Alegeus Technologies prepares to roll out one of the most-advanced CDH admin platforms aimed at large carriers and direct-to-consumer strategies of large payers. A preview at the annual Alegeus client conference last week showed that CDH has moved far beyond simply automating payments and card metrics, giving a large insurer of TPA the ability to customize everything – which functions it wants on its white label site, how it interacts with employees of clients, and doing it all across all digital platforms. Alegeus has also made huge strides in focusing on a dozen supporting vendors with next-generation add-ons.



Focus Interview: Alegeus Chief Steve Auerbach

"We're starting to understand that consumer funding is really the engagement point. It's a stickier component than the medical, which is really starting to become commoditized. It puts our client back in control of the experience.. It's a consumer engagement platform."

INTERVIEW: Alegeus Technologies CEO Steve Auerbach



CDMR: *What message are you trying to impart to your customers and clients or potential clients at this particular meeting? What's your general theme? The company's obviously growing extremely fast and developing.*

Steve: We really try to use these events more as a community meeting. So more of an engagement of best practices. We've been investing tens of millions of dollars into our platform. All around helping our clients drive better consumer outcomes. Better consumer engagement. Better consumer support. That's what we're really trying to convey in the client conference. There is a tremendous opportunity in the marketplace and we're here to partner with our clients to help them unlock their full potential.

CDMR: When did you come on board the company again? Was it really just two years? Doesn't it seem like longer? [both laugh]

Steve: Yes and no. It's kind of exciting. I'm actually very proud of the business. In the last two years, we've had the fastest growth rate in the history of the firm. Most new clients coming on. But the thing that's more exciting for me is that more of the conversations that we're having with our clients are more strategic and transformational. How to really capitalize on some of the market headwinds and market opportunities. Those are the things that really are the DNA of the firm. Really where we're heading is, how do we **not** talk just about administration, how do we **not** just talk processing and transactions? How do we talk people? How do we talk moments of truth? How do we talk about segmentation? How do we talk about addressing millennials?

CDMR: That sounds like you're looking for a more of a long-term partnership with your clients. Rather than just being clients from year to year, and then have a residual contract. Rather than it being a contract, you're really setting up more of a defacto long-term relationship model.

Steve: Yes, well I think that there actually is more differentiation between the firms now than there's ever been. As we talk to different industry analysts, competitors are going broad. More transactions, COBRA for example. If you look at their acquisitions and the base, it's more transactions and it's more types of transactions. We're going much more aggressively up. And so our investments are really slotted around better consumer messaging. Better consumer engagement. Better consumer activation. And so in our platform, we've been spending a lot to really help our clients get more personalised connectivity to the consumer. And anticipate needs.

CDMR: So one of the questions I guess I have for you is do you see any difference now versus two years ago in terms of your target audience being selling direct to individual consumers who take out HSAs in a bank, or on the street versus the employer. It still seems like it's staying in the employer's place. The employer based market is not going away. When you say the consumer, are you talking employees and using consumer as a proxy for the employee? Or are you actually thinking direct to consumer. Because a lot of your clients are TPAs that are basically a proxy for employers. So the target is really the employee, even though we all use the term 'consumer.'

Steve: Yes. Our focus is a little bit more consumer funds. Today, it's predominantly through employers. Where we're going and the platform that's being built allows our customers to actually start doing unique things in the individual market. Unique things potentially in the Medicaid market. If you think about a Power account in Medicaid. So states are testing out the ability to actually put funds into that consumer's hands to try and drive true ownership and accountability. And you'll hear through the conference, the partnerships we're lining up. NutraSavings is a great example. Where the consumer, based upon healthy shopping, can earn incentives. And that can actually go into their account. That could be employer-sponsored. But that equally could extend past CDH. That could be all commercial membership.

So today, I think we have the best platform for FSA, HRAs and HSAs. Where we're really going is all around consumer funding and unlocking the consumer with our customers. Today that would mean serving more bank customers directly regardless who the employer is. Our customer base is health plans, banks, TPAs, brokers, alternate distribution exchanges. We actually see the market shifting. So in the banking industry, we see bifurcation. Where some banks are saying I really want to get into this for the deposits. Those tend to be the mid to smaller sized banks.

CDMR: If you do a ranking of all the top twelve HSA banks, you can just see the growth is all occurring in the top five banks. Because they're doing employee portals. Whereas the ones below that, you know, they just don't seem to be getting any traction. You just wonder how long it's going to take before there's more consolidation.

Steve: The larger banks though are, I think, evaluating. Can they compete in a health care account? Because there's a financial side to this which is very attractive to the bank. The market place clearly needs education support. You need to decide, does the bank want to make that transition or not? So you see people making their moves. Some people are going heavier into the marketplace and the financial institutions. It goes to the tools we were talking a little bit about. As a consumer or an employer, how do you communicate? How do you help prepare the consumer to understand how much money to put into the account? We don't think about it as a one-time event. We've architected our system around constant communication through the year. With both the employer and consumer.

CDMR: Could you talk for a second about the metrics right now?

Steve: So, over thirty million consumers. Over ten billion dollars processed annually. So the platform itself is really been taking off. But the thing we're most excited about is all of these additional capabilities. A fully engaged consumer who we interact with more than fifty times a year. So those are fifty moments of truth where we're helping them understand how to maximize, not only the tax advantage, but also their spending capability. As you go through the conference, all the different capabilities we're doing with fitness and wellness. Telemedicine and all of that is really architected around the idea -- it's your money, how do we help you maximize it.

One of the things we're really excited about is, we hired the team from *mint.com* to redesign our mobile app. You say, why would you go down that path? But at the end of the day, everything that we want to do is guidance and support. We spend a lot of time on experience at our new technology center in Florida. Both our associate experience, our recruitment experience and our client experience.

CDMR: So, speaking of insurers, have you made any inroads yet in terms of getting plans to sign on, especially the national carriers?

Steve: We've made a ton of progress. We're really excited about the opportunity. Because the health plan, I think, is really in a unique position to leverage the medical side, and then personalize and use consumer funds. And the consumer funds are the key. We're really starting to understand that consumer funding is really the engagement point. And is the stickier component than the medical, which is starting to become commoditized. You could see that in the Optum purchase of Wells right? That is a great opportunity for them. So the nice thing, again, is differentiation for us.

Our platform is the carrier though. Our platform is the TPA. One of the best compliments I had from one of our midsized clients is that our platform actually gives them the ability to compete against billion dollar businesses. Multi-billion dollar businesses. And for each one of our clients, it allows them to take what they do best and then tune it. To come up with a very unique experience for their employer and their consumers.

How? It's the API. The real-time API capability. The multi-bank custodial capability. Because it really does put our client back in control of the experience. Back in control of the record keeping, and then allow choice of banking. And that's with our clients. We never go direct to the employer. We never go direct to the consumer. We're the engagement platform. No limits.

If you look at the platform, we allow them to customize the web. We allow them to customize the mobile. We allow them to customize the call center experience. We allow them to customize text messages, email alerts, notification alerts. We allow them to pick the banking. That's where we feel our differentiation is. It's a consumer engagement platform. It's a consumer activation platform that is all focused on funding. ■■

Consumer Driven Market Report

P.O. Box 6226 / Northwest Station
Washington D.C. 20015
(202) 277-1994
ipropubs@gmail.com