Engaging the consumer is key to delivering better patient outcomes and curbing healthcare cost trends. Payers are acutely aware that a disconnect in the consumer experience has created an opening for industry disruptors to deliver value with flexible, resilient technology.

How Can Payers Prepare for Digital Transformation in 2020 and Beyond?

October 2019

Questions posed by: IBM Watson Health

Answers by: Jeff Rivkin, Research Director, Payer IT Strategies

Q. How can payers move the needle on member engagement?

A. Member engagement is the major driver for enhancing a payer's internal infrastructure and enabling cooperation between payers and providers. Member engagement can be defined as:

- Empowering members to be accountable for their own healthcare
- Increasing connections to medical and social services
- Enabling access to convenient care
- Enabling shopping for medical care with transparent outcome ratings
- Personalizing messages about care or administration
- Pricing in a way that is transparent to consumers
- Providing care coordination through a member's episodes of care, including pre-op and post-op care
- Enabling real-time and clear communications about administrative transactions

Consumers want convenient, personalized care at an affordable price. This sensitive mix of "high tech and appropriate touch" requires cooperation, a robust "member 360"–based data and workflow infrastructure, and shared technology between payers and providers.

Q. How can payers and providers best align on value-based care and payment?

A. Unifying the fragmented health system will require the sharing between payers and providers of data. This sharing is among electronic health records; hospital systems such as admissions, discharges, and transfers; and care coordination services (wellness, disease management, and care plan management).

Additionally, payers and providers are forming interoperable processes around scheduling and payment, communicating the status of bundled procedures, and monitoring care of chronic patients or episodic events. They are also opening their siloed architectures. Using Fast Healthcare Interoperability Resources (FHIR)– and application programming interface (API)–based standards, data platforms, and hybrid cloud components enables a 360-degree view of the member to the benefit of all.

While there is much work to do, there is acknowledgment between payers and providers that they must collaborate and work together which wasn't the case in years past. In the next three to five years, we see data platforms, blockchain, robotics, artificial intelligence (AI) and machine learning, and industry health clouds serving as breakthrough technologies in care and the administration of health.

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Q. What disintermediating forces do payers face?

A. Historically, health insurers were the ultimate middlemen who ensured that administrative and financial aspects of health insurance were managed for purchasers (members, employers, government). Insurers have traditionally offered three functions: underwriting risk, setting up networks of providers that offer discounts in return for volume, and processing of claims and payments. These functions are becoming commoditized by new entrants, new business models and technology. Payers face many aggressive disrupters, including the following:

- **Employer direct healthcare.** Self-insured employers with significant geographic concentrations of employees are tempted to contract directly with large integrated healthcare delivery systems for care services. These direct contracting arrangements typically offer specified services, often packaged with a fixed-fee schedule such that self-insured employer costs are more predictable.
- **Consumer sharing networks.** Peer-to-peer companies allow policy owners to form small groups. Premiums are paid into a cash-back pool that allows group members to get money back at the end of the year (if they don't file any insurance claims).

- **Alternatives to insurance products.** Many alternatives are evolving in the marketplace. For example, medical service discount cards can be used to pay for physicians, hospital services, or prescriptions. Discounts offered with the use of these cards can be substantial, up to 80% or more. Another alternative is "primary care concierge membership" where physicians offer services based on a flat monthly fee, like a gym membership. States bypass traditional insurance with state-sponsored medical assistance programs where the government entity contracts the operation of the program to a private, not-for-profit entity. In addition, free health clinics avoid insurance as they provide rudimentary care for low-income residents and those without health insurance at little or no cost, or perhaps for a donation.
- **Governmental intervention.** Credentialing clearinghouses, government administration of provider data, government administration of "public option" plans, and "single payer" via state or federal mandate are examples of legislation and regulatory requirements wrestling with the mutually inconsistent goals of "caring for all" and "controlling spending." Government intervention is gathering momentum, and its effect on the current payer and healthcare landscape is obvious.

To pivot, health insurers need new value propositions for their stakeholders. Digital transformation is the key to payers pivoting and responding to market disruptors. Payers need to invest in data platforms; interoperate with FHIR, API, and cloud; and abstract their processes with rules-based and AI-driven methods. Those elements enable an agility that can compete with external forces.

Q. How will blockchain collaborations disrupt healthcare?

A. A trust and efficiency engine such as blockchain technology has the potential to drive radical change in the health insurance industry while improving transparency and outcomes across the entire value chain. Some say that payers are intermediaries and should be troubled by blockchain. IDC Health Insights suggests that intermediaries or "trust brokers," like payers, do not have to be written out of the equation — or disintermediated; rather, they can become early adopters of the technology. Payers can ward off disintermediation by getting on the technological bandwagon before their competition (or other non-industry-invasive disrupters) with accelerating technologies such as blockchain, robotic process automation, and machine learning.

For payers, blockchain could be the silent infrastructure and middleware catalyst buried inside a profound restructuring in how health insurers access and leverage data. While the whizbang promises of medical data exchange are bandied about, core payer administrative data and processes can also work faster by eliminating or streamlining administrative processes among insurers, providers, and members. Ultimately, integrating blockchain into core applications could give a boost to a payer's bottom line by reducing costs, increasing sales, and improving retention.

Payer "care" collaborative use cases around consent, identity management, document management, personal/longitudinal health records, care plan management, medication management, wearables, and genomics are being explored, piloted, and concept-proofed by vendors, health systems, and provider-owned health plans.

In parallel, internal payer "administrative" use cases are evolving. They include assisting provider credentialing, speeding pre-authorizations and claims, and streamlining provider contracting. Blockchain may also help members shop, enroll,

renew, and reconcile accumulators and FSA/HSA balances. In the back office, blockchain will help payers manage providers, contracts, directories, and provider payment.

Q. What are the benefits of deploying strategic technologies?

A. Payers often have significant, usually homegrown legacy systems and siloed, fragmented infrastructures that will impede efforts to effectively deploy enterprise technology. A solid modern data platform, cloud architecture and a network built for speed and agility are imperative for successful deployment. Projects should take an enterprise architecture–based, data-centric approach, not a "one and done" approach. It is necessary to establish an open and common data and communication backbone as well as a spirit of "multiyear, multi-project, flexible, and data centric" to combat the point solution forces of organizational units. Such an esprit de corps means that technology innovations can be plugged in more easily as new processes and alignment are organizationally necessary.

Therefore, enterprise architects are sponsoring or actively promoting data platforms, customer relationship management (CRM), FHIR, microservices, secondary backbones (both data and communications), and a ubiquitous workflow that knits together enterprise applications in a private or hybrid cloud to meet the agility challenge. Such technologies are incrementally but subtly breaking down these silos to enable the agility required to survive in the payer market.

About the Analyst

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Jeff Rivkin is Research Director of Payer IT Strategies for IDC Health Insights. In that role, he is responsible for research coverage on payer business and technology priorities; constituent and consumer engagement strategies; technology and business implications for consumer engagement; front-, middle-, and back-office functions; value-based reimbursement; risk; and quality-based payment and incentive programs, among other trends and technologies important to the payer community.

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