NTT DATA

NTT DATA welcomed Dell Services into the family in 2016. Together, we offer one of the industry's most comprehensive services portfolios designed to modernize business and technology to deliver the outcomes that matter most to our clients.

The Consumerism Ultimatum: Imperatives for Health Plans

Executive summary

With Affordable Care Act (ACA) mandates, the health insurance marketplace is seeing a shift from being primarily business to business (B2B) to being increasingly business to consumer (B2C). Employer-sponsored health insurance has traditionally been chosen and paid for by the employer. Not surprisingly, this has resulted in a marketplace focused more on serving employers' needs rather than individual consumers. As employers embrace consumer-driven healthcare, they are essentially laying the groundwork for a consumer-driven marketplace.

Individual/consumer plans

Going forward, employers will have more cost-saving health insurance options for their workers. With an ACA provision that went into effect in 2014, insurance carriers must now accept all applicants for individual health plans regardless of health status.

From a market perspective, this evens the playing field between group and individual health plans, making individual health insurance much more accessible to all Americans, which will increase the market share.

Whether the strategy is to retain group coverage and move to a defined contribution approach with a private exchange or to transfer employees to the individual market, this shift to a consumer-driven healthcare model is likely to challenge the very nature of the health insurance value chain. Health plans will need to rethink their market focus, redefine the value they bring to their customers and reorganize themselves to serve an increasingly B2C market.

Understanding the new age of consumers

Consumerism and the profusion of smart mobile devices are fundamentally altering people's expectations about access to service and information. The evolution of alternate channels, such as IP telephony, web, emails, kiosks, chat, videoconferencing and social media, has created new challenges in effectively managing the channel ecosystem, as well as handling customer preferences and expectations.

Consumers today are using technology to add value to their day-to-day life. They have access to information 24x7 at their fingertips and want custom options that fit their unique lifestyles. They want less complexity. And they need to know they have a partner they can trust every step of the way.

This means they are looking for solutions, not products — and healthcare, not health plans. With the fierce competition for individual health plan members and the options available during open enrollment season, health plans need to differentiate themselves from the clutter of commoditized products.
This means a change in the way health plans design products, deliver information and engage with consumers. However, the question still: Are insurers ready for this consumerism ultimatum?

To be relevant in today's consumer market, health plans need to redefine their entire set of supporting processes — from market research and customer engagement to back-office and administrative efficiency.

Market research

In a health system that has traditionally focused on employers as the primary customer, it is evident that many insurers are unclear on the best ways to engage with individuals. Consumers have also found health insurers difficult to trust in the past due to a distinct lack of clarity on the total cost of care for specific procedures, as well as the details of their policy benefits.

Health plans need to focus on building a trusted relationship with consumers that will foster individual empowerment, engagement and personal responsibility. The goal should be to not only engage consumers, but to build a community of champions for the health plan.

Today, patients are seeking health information on the internet more than ever — such as for ailments and health conditions, procedures, treatment costs and drug side effects — often not consulting doctors. They are also comparing health insurance products and obtaining feedback on health plans online. These changing consumer behaviors and expectations need to be better understood and included to improve how health plans interact with consumers.

Consumers don't interact on a single channel from start to finish — they are using a rapidly evolving set of touch points and devices. This has profound implications for how health plans design products and organize themselves to serve today's consumers.

Market research	Obtain a new level of customer insight through research that includes: • Feedback and rating of the plan's performance • Competitive intelligence • Plan features • Analytics
Product design	Design a new set of products with market-leading benefits and price points using: • Competitive benchmarking of prices and benefits • Consumer-driven health plan designs paired with savings accounts • Standardization of products
Back-office process efficiency	Create new back-office process efficiencies by taking advantage of: • Cloud platforms • Increased straight-through processing • Global delivery • Automation
Strategic customer engagement	Move customer interactions from service to engagement with: • Seamless multichannel interaction • Marketing and product communication alignment • Continuous consumer education via multiple channels
New marketing/sales strategies	Address the exchange and digital marketplaces with strategies that integrate: • Interactions with agents/brokers • Product communication
Contain administrative expenses	Improve automation/touch points, as well as: • Decrease fraud, waste and abuse • Reduce medical loss ratio
Deliver care	Adopt new methods to deliver care, such as: • Telemedicine • Medical tourism • Wellness management

Figure 1: Health plans need to redefine their entire set of supporting processes to be relevant in the new age of consumers.

Product design

The ACA and health insurance exchanges have commoditized health insurance products. These products can achieve limited differentiation through additional health benefits not included in the ACA-mandated benefits list for the product type. Health insurers can use quality provider network coverage and innovative, multichannel marketing and outreach strategies to help drive brand recognition and loyalty.

Over time in the public marketplace, health insurance products will become customizable, with baseline coverage options at ACA- and exchange-driven rates as well as add-on coverage being available for an additional premium. And ecommerce will become the primary channel to purchase these plans.

Additionally, health plans will need to become a care advisor to optimize consumers' investments in healthcare. This shift from just providing insurance to promoting all-around wellness (and delivering more value to consumers) is already happening. The products and approaches that will provide clear, long-term value remain to be seen. However, this change is not simple. The task of creating base-level products and providing consumers with the ability to pick and choose add-ons requires a comprehensive analytical backbone to price products that allow health plans to sustain margins.

Back-office process efficiency

With more price transparency in the marketplace, the way to achieving higher margins lies in an efficient back office. Legacy platforms are becoming unwieldy and irrelevant to new product types, requiring a strategic approach to ensure back-office efficiency.

Patients are seeking health information on the internet more than ever — such as for ailments, treatment costs and drug side effects — often not consulting a doctor.

Platforms are increasingly available on a pay-for-use model that offers a predictable cost structure and increased speed to market, enabling health plans to focus on product design and sales. But platforms are not the only issues that plague back offices. To reduce the overall cost of administrative processes dramatically, insurers need to:

- **Improve straight-through processing.** A robust administrative platform with a high level of auto-adjudication rates is key to reducing the total process costs. At the same time, there are multiple systems used for a variety of processes — from marketing and sales to enrollment and analytics. It is imperative that insurers reduce the redundancies between these systems through appropriate analysis and design.
- **Outsource solutions.** Outsourcing business processes — such as claims, enrollment and customer service to third-party administrators with global delivery capabilities — yields significant cost savings and is a prevalent, accepted industry practice. Core business processes, such as fraud, waste and abuse containment and care and utilization management, are also being outsourced to third-party providers. While technology evolution and service provider maturity enable health plans to outsource almost all business processes, they need to give careful consideration to the partners they choose.
- **Use robotic process automation.** Emerging as a key tool to reduce operations cost, the core ideology behind robotic process automation is to create a rules-driven process model that enables the machine to take increased responsibility over transactions being processed and reduces human effort. At NTT DATA Services, we believe it's possible to improve productivity and reduce costs by 30% to 40% with robotic process automation tools. And with evolving technologies providing a higher degree of cognitive skills, we could reduce manual effort by as much as 80% with tools like NTT DATA Automated Full-Time Employee.

A collaborative technology environment is one of the key success factors for health plans to engage with their customers. Contact center technology should enable cross-channel interactions by utilizing insights and creating a knowledge base to reduce the learning curve and deliver seamless service.

- **Take advantage of the cloud.** Cloud platforms could potentially enable health plans to launch new products faster, while reducing the overall technology cost. However, cloud technology is underutilized due to data security concerns, as well as a general lack of understanding about how cloud platforms seamlessly exchange data with on-premises or other cloud platforms. Cloud might be a great option to start smaller and more cost effectively as plans often don't have the cash they thought they would. NTT DATA Services supports health plans from mature business-process-as-a-service models through integrated platform and process solutions.

Strategic customer engagement — developing trusted relationships with healthcare consumers

Individual consumers are looking for information online to make their healthcare decisions, such as what a procedure will cost, what they will spend in out-of-pocket expenses of deductibles and copays, and how to choose the right plan for themselves. They are also comparing the cost and quality of service among providers. While a stronger provider network gives health plans the edge in the marketplace, it also necessitates a stronger technology backbone to deliver comprehensive price information to individual members for specific procedures.

Developing trusted relationships with consumers today is as much a science as it is an art. Organizations need to strategically utilize various channels — such as social media, video, web, chat, member and provider portals, smart apps and mobile/text messaging — to engage in meaningful, outcome-driven conversations with healthcare consumers.

Responsiveness has taken on a new meaning. Customers are expecting health plans to react in near real time and to solve their problems easily — often online. The challenge is to track the needs and reactions of each customer and engage in a meaningful, value-creating dialogue. These dialogues should also generate a new level of customer insight, which can only be achieved through a strong data aggregation backbone.

Focus on creating a brand experience anchored on the core tenets of customer service and proactive/ preventive care, and that is delivered consistently across digital and physical brand properties.

Upgrading contact center technology, creating seamless experiences across multiple channels, delivering next-generation care management services and providing proactive counseling on preventive care are some of the areas screaming for attention. Utilizing new technologies — such as software-as-a-service and cloud-based applications, cloud-based contact center infrastructures, and partnerships with integrated IT and business process services providers – are some of the options health plans can exercise to keep costs down.

Marketing and sales strategies

When employers were solely funding health plans, the marketing and sales model was based on them, segmented by size and desired healthcare benefits, with group health insurance sold by brokers and consultants. With the shift to individual-focused plans, the market is rapidly evolving, and the roles of the key stakeholders in the sales value chain are changing dramatically.

What's more, the annual open enrollment season creates pressure on customer retention and re-articulation of product positioning.

With the move to proactive, preventive care, health plans need to invest in digital transformation to create strong brand perception and deliver value to consumers. This digital ecosystem — the plan's website, digital collateral and a physical presence in terms of retail kiosks, member portals, mobile apps, emails and other web channels — creates a seamless brand experience. The ecosystem should include not just the channels used by the health plan, but the channels owned by their partners, as well.

Consumerism in healthcare

- **Consumerism and the profusion of smart mobile devices** are fundamentally altering people's expectations about access to healthcare services and information.
- **Social media/digital marketing** is blurring and redefining the lines of personal, social and work behavior.
- **Virtualization and cloud computing** are creating new opportunities to design frameworks for connecting with customers beyond the traditional contact center.
- **The ability to combine and analyze data** in multiple formats (for example, audio/video/text) is helping provide deep insights.

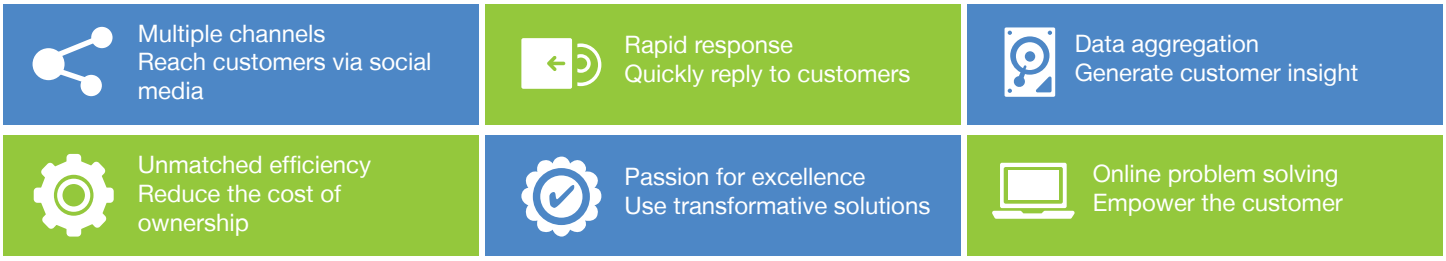

Figure 2: Health plans need to strategically utilize various channels and new technologies to engage in meaningful, outcome-driven conversations with consumers and to keep costs down.

Contain administrative expenses

The ACA requires insurers selling individual and small group policies to focus on maintaining a minimum medical loss ratio of 80%.* What this means is that 80% or more of a health plan's revenue should be spent on healthcare or improving healthcare quality.

Even as health plans focus on improving administrative processes, they are under pressure to invest in reporting and data collection requirements under the ACA. This means additional IT investments and creating a more seamless transaction processing environment. Figure 3 lists some of the options available to reduce administrative costs.

Going beyond claims — outsourcing medical management

In general, payers have adopted healthcare business process outsourcing (BPO) strategies to reduce the total cost to process claims. However, a stronger impact could be achieved by focusing on medical management functions (utilization management, disease management and case management) and outreach to members and providers. Some of the potential benefits include:

- **Reducing readmission rates.** Achieve dramatic reductions by reaching out to patients for post-acute care support. The proactive identification of post-acute care facilities, as well as ensuring the quality of care and patient satisfaction from care received at these facilities, can potentially reduce medical care costs by millions of dollars.
- **Optimizing medical costs.** This can be accomplished via better utilization management and care coordination services.
- **Utilizing telemedicine, medical devices and wearable technology.** There is an abundance of medical devices available with Bluetooth technology and the ability to provide critical healthcare data to remote monitoring systems. Even as critics question its efficacy, there is no denying that telemedicine offers immense potential to collect patient data, particularly from seniors. In many cases, telemedicine enables preventive care, reducing the total cost of care. And telemedicine is evolving, getting bigger and better with each passing day.
- **Launching outreach campaigns for preventive care.** By reaching out to members, including the senior population, health plans can proactively remind them of screenings and preventive care mechanisms.

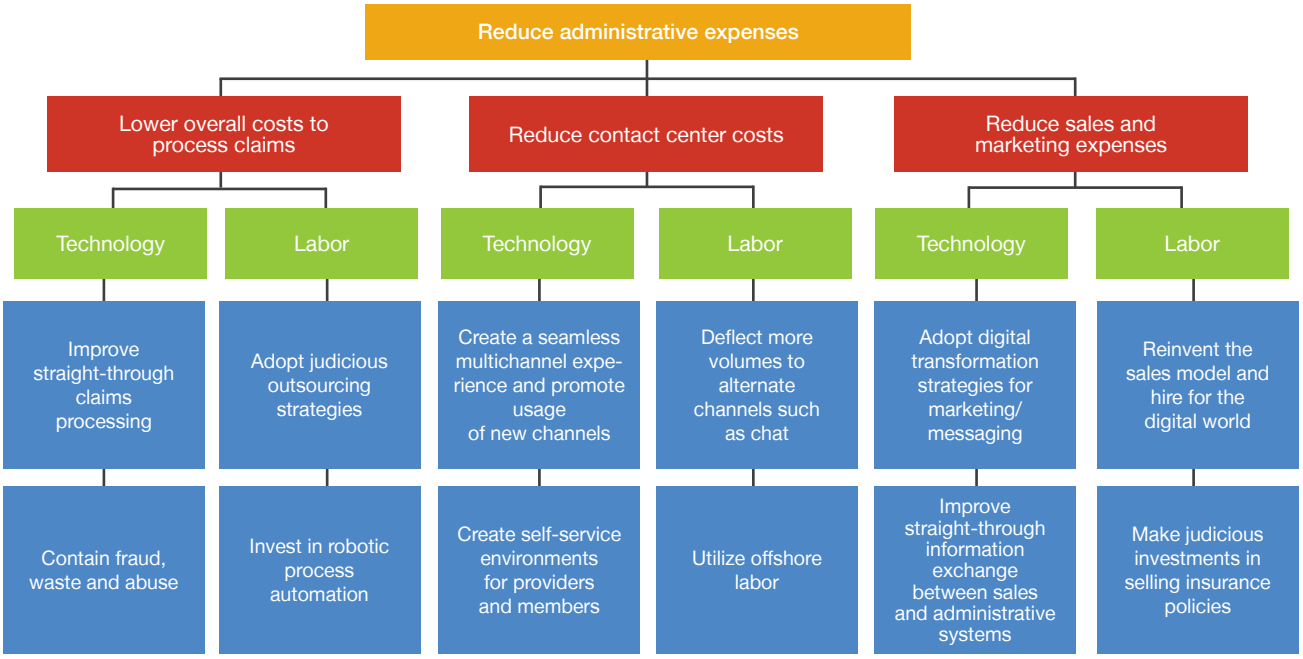

Figure 3: Options available for reducing administrative costs.

*Medical Loss Ratio (MLR). HealthCare.gov Glossary. https://www.healthcare.gov/glossary/medical-loss-ratio-MLR/

- **Improving member experience.** Overall improvement in the health plan's perception leads to improved member retention, reduction in overall medical costs through proactive care delivery and the potential to earn incentives under the ACA.
- **Proactively processing service requests.** Enable members to find care facilities by processing their requests in a timely manner.
- **Partnering with wellness providers.** Health plans should look at partnering with not-for-profit health management organizations to improve the overall health outcomes related to chronic conditions related to breast cancer, the heart and diabetes, among others.

Traditionally, health plans have outsourced administrative functions to BPO service providers, but there is growing incentive to include medical management functions, as well. Over the past two decades, healthcare BPO service providers have not only delivered administrative processes, but have also been able to provide value beyond cost containment by positively impacting the organization's brand and enabling them to make investments in technology, people and processes. Now health plans can look at outsourcing some of the more repeatable aspects of medical management.

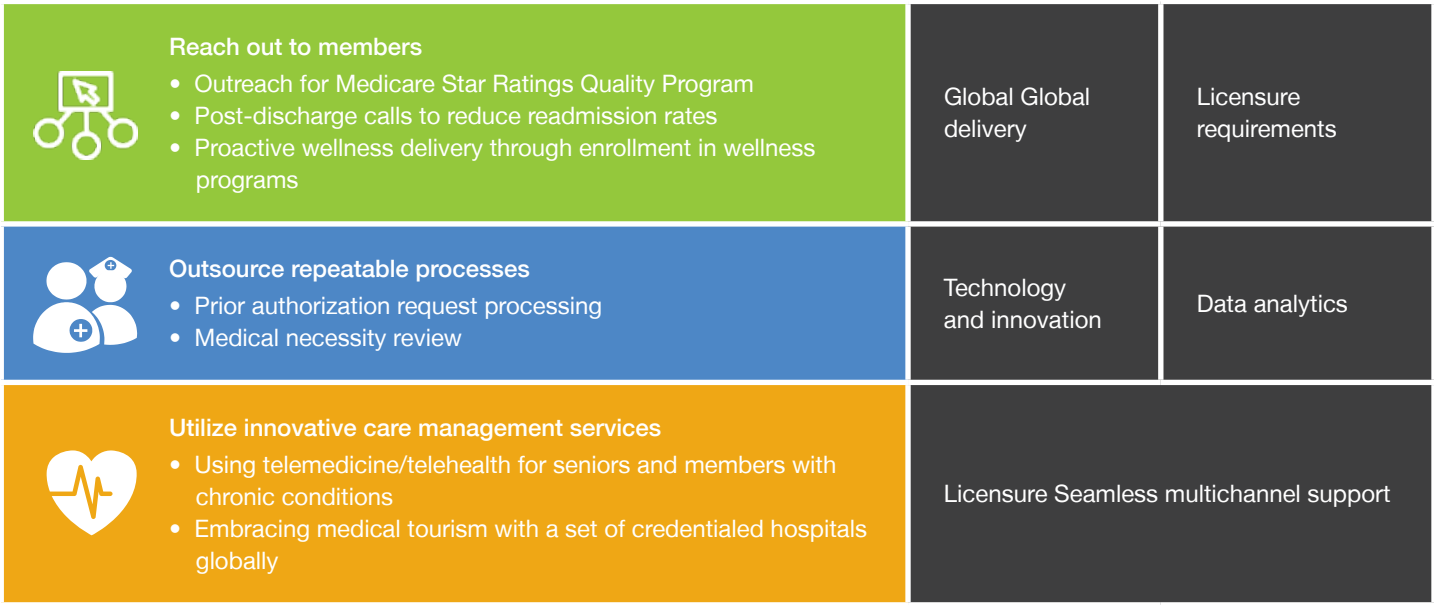

Figure 4: Utilize additional medical management outsourcing options.