

Building the Healthcare System of the Future

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Introduction

Healthcare in the United States is changing rapidly. An aging population has increased demand for services and the need to manage healthcare plans and benefits. Technology is becoming a major factor both in the delivery of healthcare and payment for services. Costs continue to soar, and payers are faced with the need to keep premiums low while providing adequate coverage.

Despite all of the attempts to lower healthcare costs with subsidized fees or renegotiated terms, the United States still has one of the highest per capita spends in the western world. Unfortunately, that spending has not produced better outcomes. This trend in healthcare spending and poor outcomes is unsustainable. The current economy cannot continue to spend more than it can sustain without having better quality and outcomes.

Multiple solutions are being put into play to help determine the future of healthcare. These ongoing policies will continue to evolve until there is a winning model that improves healthcare by creating quality and cost-effective outcomes. But one thing is for sure: the future of healthcare will focus on putting consumers back in charge of their health through implementing a requirement from the government to protect the payers' outcomes, lower costs and increase care. This new approach will focus on the care of the patients rather than the costs of their claims.

As a result, healthcare payers and providers are asking themselves if they have the right technology for the future. Companies need the right technology roadmap to maximize their access to data, tools, efforts and time to carry out and build a platform for the future. The need for agile and open systems is crucial to addressing the new market demands and, more importantly, to provide new opportunities for organizations as they meet the challenges that will come from this new paradigm.



The Current State of IT Healthcare System

Players in the healthcare industry have been relatively successful at IT adoption, but they continue to struggle with successfully managing the myriad stakeholders, regulations, and privacy concerns required to build a fully integrated healthcare IT system. The IT healthcare system within the United States is not efficient in its current state. With over 1.7 trillion dollars invested annually in IT healthcare, current systems still lack the functionality needed to compete in today's market much less to compete in the future where players need to improve the quality of care and reducing the cost of providing care.

For example, on the providers' side, their systems cannot align themselves with new healthcare regulations, nor do they address many of the issues needed to accurately measure any information that is crucial for a patient's care. These systems do not have the capacity to accommodate a patient's need by sharing information, monitoring guidelines or improving performance.

On the payers' side, legacy architecture was not built for the new business model and most companies do not have the money, resources, or time to replace their core system and start over. Nor do they have the option of continuing to try and find workarounds within the current system. Integration challenges lead to a more complex and difficult environment to support, which can potentially drive the cost of serving customers as well as increasing the risk.

Integration, data consolidation and operational efficiency remain one of the many challenges for players in the healthcare industry. Many prevailing solutions do not address the challenges that are currently being faced by many providers and payers. That's why stakeholders in healthcare have been coming together to reshape the future of health care. Using new advancements in data, technology, and modern tools, institutions across the country are building a health care system that should work better in the future.

Trends and Opportunities in Healthcare Technology

As the focus in the future is on patient outcomes and decreasing costs, health insurers need to embrace transformation to digital health, which supports improving the quality of the care provided to patients, making wellness and disease management a priority and reducing the cost of providing care. There are several trends and opportunities related to this new paradigm.

» *Change in providers' compensation* - One of the main drivers of health care costs is fee-for-service payment that pays for the volume of services. Under this payment method, each visit, screening, and procedure is rewarded while other tasks such as discussing a patient's care plan with a specialist, or working with a nurse to address the side effects of a patient's medications are not compensated. These other tasks are essential in providing higher quality of care to patients and need to be compensated. As such, one of the trends in the future is to move away from fee-for-service to other methods of payments.

The opportunity related to this trend is for healthcare organizations to have a flexible system that can support not only fee-for-service payment but also other types of payments such as:

- » **Capitation** payment method, which is managed by a care organization to control the cost of health. This type of payment has fixed a payment amount that is usually determined by age, individual and services provided in a geographical area per time period.
- » **Shared Savings Program** that includes services established for Medicaid and Medicare, which is leading the way in value-based reimbursement plans. This program allows a more fluid process between providers and patients by improving and ensuring optimal healthcare for those under Centers of Medicare and Medicaid Services (CMS).
- » **Pay for Performance**, an incentive payment plan that is used to improve the quality of healthcare through a collective collaboration. The payment is measured through a variety of factors such as overall patient care and resources.

- » **Bundle Payment**, which involves a single payment made to providers or healthcare facilities based on treatments and conditions. This particular method of payment was designed to focus on improved care that providers could clearly follow in order to maximize their payments.

Healthcare organizations that have a flexible technology that can support these types of payments will be able to compete better in the future.

- » *Change in data sharing* – In the new paradigm, players in healthcare collaborate to create a coherent care experience. Currently, providers and payers capture patient data that can be used to reveal patterns in patient health, allowing for preventive rather than reactive measures. Unfortunately, data often can't move from one system to another because of incompatibilities between electronic systems. Even when there aren't technological barriers, health systems sometimes don't want to release the information. However, the trend in the future is to share this data so that everyone can use it to improve the quality of care provided to patients.

The opportunity here is to use technology to manage structured and unstructured data and to use analytics to evaluate provider and treatment effectiveness as well as analyzing claims to help identify patterns in a patient's health. The idea is then to share this data with patients and providers so that they can see everything that has or hasn't worked for a given condition and to improve patient outcomes.

- » *Change in cost structure* – one of the focuses in the future is to reduce the cost of providing care. Many payers within the healthcare industry know that they need to invest in technology in order to compete in the new reality, but they cannot afford a complete overall with new hardware or software that is necessary to compete in the future. Instead, many companies are currently trying to salvage their age old systems with various tweaks to meet the new market demand. However, this model doesn't work because the tweaks that are made today will require more maintenance in the future. In addition, these legacy systems are not flexible, agile or operationally efficient. There is opportunity for healthcare organizations to reduce their spending while still keeping the business competitive. They can shift their expense from capital to operating expenditure by outsourcing part of their business or using cloud-based technology. There are many well-known benefits of cloud computing services, and they all contribute to cost reduction. The cloud eliminates the need for companies to configure new hardware, manage updates, run data centers, and much more. Essentially, the cloud breaks through the barriers and allow organizations to adapt to market changes quicker and take more risks, as they are no longer bound by legacy IT constraints.

Building the Healthcare System for Your Future

The changes in the way payers compensate providers, share data and reduce costs are transforming healthcare in the future. To be able to compete in the future, insurers need to take into accounts these trends. So building a successful healthcare system need to have several key components such as:

- » *System agility and flexibility* – Agility and flexibility allow insurers not only to meet changing market demands but also to support the emergence of value-based contracting models. Insurers need a technology solution that is quickly configurable to support traditional models, evolution of traditional models towards newer models and completely new models. Current and emerging approaches require flexibility in terms of setting up value-based models, getting the sources of information for triggering payments, calculating amount to be paid, and making payments. The system should fully automate the processing of traditional models and value-based models so that changes can be brought to market faster.
- » *Data infrastructure and analytics* – Managing large amounts of data to identify past patterns opens windows to the future and makes it possible to improve patient outcomes by providing best practices. Data becomes critical to manage costs and outcomes in the future. For this reason, data analytics play a vital role in evaluating various provider and treatment course effectiveness today and into the future. Insurers need technology that allows them to manage structured and unstructured data and to combine, read, interpret, and act on data from clinical and claim information.
- » *Cloud delivery model* – Insurers will be looking to shift IT costs from a capital expenditure to an operational expense. This will require different software delivery models, and the cloud will become an important option. The cloud perception is slowly changing as industry-specific, core SaaS applications are becoming widely available in the healthcare industry. Cloud adopters have proven that the benefits of going off-premises are too numerous to ignore. Greater agility, cost savings, and strengthened security are a few of the advantages that the SaaS model



provides to the healthcare industry. Multiple studies show resounding agreement among analyst firms, research organizations and IT experts that the future is in the cloud.

Finally, the healthcare system for the future needs to leverage the latest technology and should have an open, web-based architecture that is compatible with many insurers' architecture and technology requirements. It should provide easy integration with other back-office systems and existing legacy systems. The system also needs to be able to integrate with other components and come with standard integration points and a number of web services that support the real time exchange of provider records and network structures such as a self-service provider network.

Oracle Solutions

Oracle offers flexible, modern solutions for the healthcare industry. The products and services are designed to meet the needs of the health insurers of the future. Oracle takes a strategic approach to the healthcare industry by combining the best of high-performance industry technologies with vertical capabilities integrated into every level of Oracle's stack of solutions. Oracle offers a service-oriented architecture with the flexibility for health insurers to choose only the components they need to satisfy their business requirements.

To take advantage of the opportunities created by changes in the healthcare business, it is critical that health insurers look to a strategic partner that can provide a solid IT foundation. Health insurers need an adaptive IT foundation that provides the agility and flexibility to respond to a changing market. Oracle solutions are:

- » **Easy to configure and flexible** so insurers can launch new products faster to meet shifting market conditions and capitalize on new opportunities
- » **Open and scalable** to handle increased membership, managing both structured and unstructured data as well as to consolidate disparate systems
- » **Intelligent** to provide insight into specific products, markets, populations, and providers essential to continued growth
- » **Cost effective** so that insurers can use the system not only to increase operational efficiency and automation but also to implement different delivery models such as cloud

Oracle's health insurance applications and services are built on a service-oriented architecture that provides insurers with the flexibility needed to implement them in the method that best meets the insurer's unique requirements, whether that's on premise, in the cloud, or a hybrid model. Oracle solutions are component-based solutions, developed specifically for healthcare vertical, and easily integrated with underlying technology and mission-critical applications. The component based approach gives insurers the flexibility to continue adding solutions as they need them and as the industry continues to evolve.

Conclusion

The landscape continues to change rapidly for health insurers. There is no question that the changes in providers' compensation, data sharing, and cost reduction will present significant risk and opportunity for many insurers. It is up to healthcare providers and payers to evolve and adapt in order to succeed in these opportunities of the future. Their success and survival depends on having insight, agility and operational efficiency. In order for insurers to maximize their outcomes they need viable solutions, that include systems that provide support for value-based payment models, data analytics and cloud delivery model. Oracle provides health insurers with flexible, modern technology to accelerate speed to market, reduce overall risk and prepare for the new business paradigm.



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Integrated Cloud Applications & Platform Services

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