

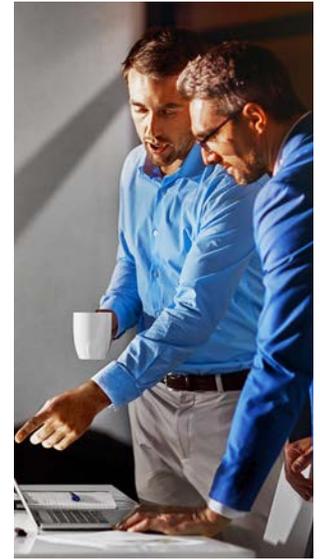


# Dissecting the Core of the Profitable Payer

A Radical Transformation Guide for Health Insurance

In these turbulent times for healthcare payers, taking control of profit margins seems extraordinary difficult or simply impossible. Executives responsible for claims management, policy administration, IT, and operations face the same dilemma: how to do more with less.

Many of these executives realize that digitization and automation can radically transform their organizations, but they're unsure of how to start. This strategy brief is a guide for those decision makers in health insurance. It starts with a broad overview highlighting three major steps for payers to increase their bottom line now and in the long run. Then the brief takes a deep dive into the specific operations Oracle Health Insurance Cloud Services can help transform: call centers, enrollment, billing, and much more. Find out how Oracle's technology and expertise equip healthcare payers to thrive in tough conditions.



## QUICKSAND OF ECONOMIC PRESSURES IN HEALTH INSURANCE

When US health insurers proposed giant hikes in 2018 premiums, people panicked. Rates in the individual market would jump sky high: 57 percent in Iowa,<sup>1</sup> 43 percent in Illinois,<sup>2</sup> 52 percent in Maryland.<sup>3</sup> Within the healthcare industry, the development came as no surprise. Raising premiums is only one way payers are trying to mitigate poor economic conditions, and it's not ideal. If people can't afford to pay increased premiums, they'll opt out of health insurance altogether.

Payers are under pressure to reduce costs from all directions: regulations, political battles, new competitors, and of course, the economy. In the US, healthcare costs are going up faster than GDP,<sup>4</sup> and prescription drug prices are skyrocketing faster than the cost of living.<sup>5</sup> Meanwhile, insurtechs are gaining traction on an entirely different playing field. They're likely operating at 80 percent lower costs and disrupting health insurance with innovative offerings, omnichannel experiences, and hefty venture capital funding. Competition is fierce, yet financial resources for most payers are increasingly scarce.

What happens when multiple priorities clash, especially for regional and midsize payers less inclined to increase premiums? Most payers postpone any initiatives that require an investment, including digital transformation. Healthcare payers end up in quicksand: the more they struggle, the deeper they sink. They avoid IT system upgrades, continue using legacy systems, and drain funds in maintaining the status quo—all while losing value in the market.

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<sup>1</sup> *The Des Moines Register*, "Iowa's Only Remaining Obamacare Insurer Seeks Another Big Rate Hike," 16 August 2017, <http://dmreg.co/2vDke6z>

<sup>2</sup> *Jacksonville Journal Courier*, "Illinois Residents Face Obamacare Rate Hikes of up to 43 Percent," 22 August 2017, <http://bit.ly/2vxqwwS>

<sup>3</sup> *The Baltimore Sun*, "Maryland Health Insurers To Announce Rates After Hike Request," 24 August 2017, <http://bsun.md/2iBo4Ma>

<sup>4</sup> Centers for Medicare and Medicaid Services, "National Health Expenditure Fact Sheet," 14 June 2017, <http://go.cms.gov/1O1cWhR>

<sup>5</sup> CBS News, "Prognosis for Rx in 2017: More Painful Drug-Price Hikes," 30 December 2016, <http://cbsn.ws/2wWHqRA>

Technology is at the center of managing health insurance today and the key to reducing cost. Healthcare payers can no longer afford more years of costly expenditures on legacy systems, IT infrastructure, manual data entry, and unnecessary IT labor. They must take bold steps to solve those problems with modern technology. For payers, radical transformation must be the top priority in order to reduce cost and increase profit margins.

### THREE STEPS TO REDUCE OPERATING COSTS AND INCREASE PROFIT MARGINS

As a technology innovator, Oracle has honed its insurance expertise helping more than 100 leading payers transform amid changing market dynamics. Oracle R&D teams are constantly testing, seeking input, and gaining a deeper knowledge in building profitable healthcare enterprises. Here is a three-step game plan for payers based on Oracle's health insurance expertise.

#### Step 1: Modernize core systems as a change agent

The first step is the foundation of all critical business activities: core systems. By replacing core systems as the first step, payers can finally eliminate unsustainable maintenance fees and unnecessary labor. A modern, flexible core administration platform by Oracle is at the heart of the solution architecture.



#### Step 2: Reduce operating costs by moving to the cloud

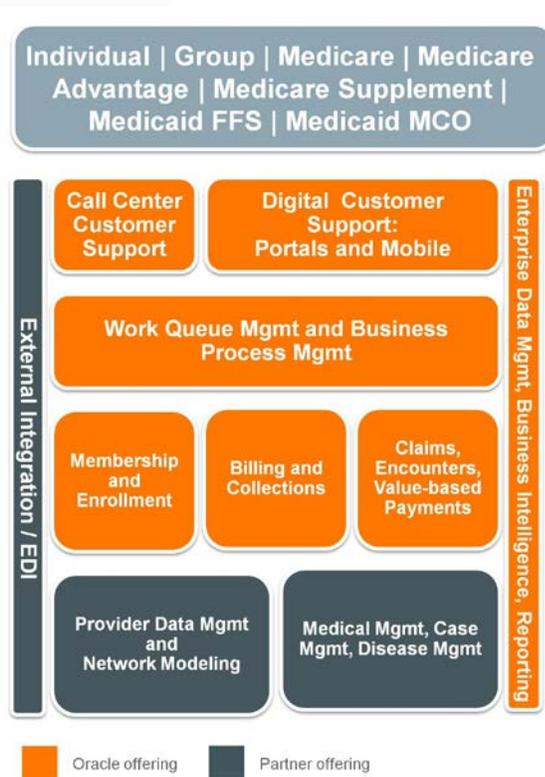
Transitioning to the cloud gives payers freedom. By moving to a secure and elastic cloud infrastructure powered by Oracle, payers no longer need to budget for IT infrastructure, data center maintenance, hardware, and labor. Decision makers can cut capital expenses and reallocate those funds to innovate further. Payers can also achieve economies of scale much faster through the cloud. In Oracle Cloud, there are up to 5.34 billion database transactions per hour.

### Step 3: Reduce administration expense ratio further with Business Process as a Service (BPaaS)

Outsourcing business processes also helps payers capitalize on economies of scale and cut the administrative expense ratio. Oracle offers seamless and dynamic integration with external business applications including provider management, medical management, and data platform analytics. BPaaS further reduces operational costs.

### COMPLETE CORE PLATFORM TO TRANSFORM PAYER OPERATIONS

Oracle equips healthcare payers with advanced IT solutions, so that payers can provide more value while reducing costs. Oracle Health Insurance Cloud Services is an adaptive cloud solution that enables payers to incrementally consolidate their systems, improve customer service, and reduce risk while optimizing business performance through a flexible, rules-based system.



Oracle's solution can help health insurers achieve all three steps. Here is a rundown of health insurance operations and how Oracle's solution can transform every detail while reducing operating costs.



### **Call Center Customer Support**

In an industry full of complex terms, pricing, and waiting periods, customers need clarity. Call center agents are finally equipped to provide that clarity with Oracle Health Insurance Cloud Services. They see a consolidated view of the member's account, which helps them respond to all kinds of inquiries. Most importantly, they can answer the common question "Why?" For example,

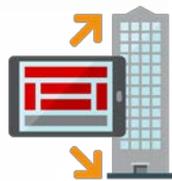
"Why did you reject authorization for this medical treatment?" or "Why did you pay only 20 percent of my claim?" Consumers want to understand. Oracle's solution tracks every step of the process. Insurance representatives can easily find how a payer came to a certain conclusion or calculation, and then explain to the customer.



### **Digital Customer Support: Portals and Mobile**

Consumers not only prefer online self-service, they've come to expect it from every industry. In health insurance, self-service is being able to submit claims, view eligibility, or find a doctor—all with a few mouse clicks. Oracle Health Insurance Cloud Services integrates with online portals providing members with instant support 24/7. Mobile-friendly portals are especially valuable for service on the go.

By integrating portals with the back end, Oracle's solution offers data capture from the first step of many processes, including enrollment. Members enter data into the portals, which then flow directly into the system for automated processing. Health insurance staffers no longer have to input data manually, which means no redundant work, holdups, or input errors.



### **Work Queue Management and Business Process Management**

Health insurers need to manage many moving parts and service stakeholders at all times. System delays or interruptions can result in grave consequences. That's why health insurers need an IT solution with a high-performance engine and 24/7 availability.

Oracle Health Insurance Cloud Services helps insurers radically increase productivity through straight-through processing and continuous processing, also known as trickle feeding. A claim, for example, gets processed from the moment it enters the system. There's no waiting period for night batch processing, which is common among legacy systems.



### **Membership and Enrollment**

For too long, health insurers have struggled with legacy systems designed solely for group health plans. Many of the older systems weren't built to administer individual health plans.

Oracle's solution gives health insurers the flexibility and transparency they need in their enrollment and membership functionalities in both group and individual lines of business. That flexibility goes even further in accommodating all kinds of situations for the member and the insurer. For example, if a member enrolls late or an employer offers a cafeteria style health plan, Oracle's solution knows how to manage without human intervention.

High-volume health insurers can rely on Oracle's solution, which is benchmarked to handle 100 million

policies. One Latin American payer servicing 13.5 million members uses Oracle Health Insurance to process 32 million data intake records per month and up to 6 million on any given day.



### **Billing and Collections**

Part of the digital experience that consumers expect is accurate, timely access to billing data. Oracle Health Insurance automatically calculates the premium upon enrollment, sends out the bill, and updates the system when the policy is paid.

The payer can easily configure the system to automatically respond to a given situation. For example, if a member does not pay a premium, the user can set up the system to deny claims, put claims on hold, or allow a grace period.

Through automation and integration, Oracle's solution improves financial accuracy and eliminates errors resulting from manual processes. It also supports specific needs such as ASO arrangements and stop loss billing. Insurers can manage billing and collections for large group, small group, and individual lines of business. Healthcare payers can process premium bills for 56 million policies in a single day.



### **Claims, Encounters, and Value-based Payments**

Because Oracle's solution is equipped with straight-through processing, most routine claims no longer need a single human being for processing. In addition to saving significant funds, automation leads to higher accuracy rates and more capabilities. Health insurers can simply do more without draining resources. Automation enables healthcare payers to manage innovative, value-based payment models including bundled payments, pay for performance, and traditional capitation. Authorizations and other tasks related to hospital visits also speed up through automated processes. One nonprofit health plan in New England achieved an automated claims processing rate of 90-92 percent after implementing Oracle Health Insurance. A nonprofit health insurer in the Netherlands reduced operational costs by 30 percent because of Oracle's automated claims processing.



### **Provider Data Management and Network Modeling**

Through Oracle partnerships with quality business process outsourcing (BPO) providers, health insurers can integrate with platforms to expand capabilities even more. Connecting with a business process as a service (BPaaS) provider enables insurers to save costs while storing provider data such as contact information, credentials, and network models.



### **External Integration/Electronic Data Interchange (EDI)**

Streamlining claims submission and cutting out unnecessary steps are critical for all health insurers. Oracle's solution can integrate with BPO providers offering EDI, enabling health insurers to submit claims electronically in a standardized format. EDI, an essential part of the automated process, allows insurers to receive an 835 format and produce claims in an HIPAA-compliant 837 format.

### **Medical Management, Case Management, and Disease Management**



Patients with chronic conditions like diabetes or cancer have unique needs that health insurers must be prepared to handle. That includes managing medications, case workers, and behavioral health. In order to serve those patients, payers must be able to integrate population health capabilities with their claims and policy administration systems. Oracle integrates with medical management, case management, and disease management systems specifically designed to handle ongoing care.

### **Enterprise Data Management, Business Intelligence, and Reporting**



Healthcare executives need powerful, yet easy-to-use analytics to uncover previously hidden patterns and unknown trends. They need to be able to mine data in order to pinpoint what areas need improvement and make more informed decisions. For example, “How much time does the average claims process require?” “What are my team workloads?” “What’s the typical amount of time between a claims submission and a claims payment?”

Oracle’s solution includes a rich set of business intelligence dashboards that are ready to use. In addition to the 100+ predefined KPIs with drill-down analysis, healthcare payers can easily create their own ad hoc inquiries and create reports. A small Netherlands-based health insurer had once been among the slowest in government reporting. After implementing Oracle’s solution, the payer’s reporting took a 180-degree turnaround. The payer received a government award for being the fastest reporting healthcare payer in the Netherlands.

### **WHY ORACLE?**

Oracle can help health insurers restore profitable growth through radical transformation. With more than 35 years of bringing innovative technology solutions to market, Oracle has the financial stability, strength, and expertise payers need.

More than 100 leading healthcare payers run Oracle applications including 10 of the top 12 Fortune Global 500 healthcare organizations. They are reaping the benefits of Oracle’s \$350 million investment in core insurance applications. These payers also have access to the broader Oracle ecosystem. Oracle is the only large-scale cloud provider that builds the entire stack in-house: hardware, firmware, software-defined networks, and business software.

As more healthcare payers adopt cloud computing, many are recognizing how Oracle rises above the other cloud providers. Oracle has been managing enterprise solutions in the cloud since 1998—nearly two decades ago. Oracle provides a secure environment through its data centers and is fortified with heightened security and compliance based on an ISO 27000 framework.

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