

Six Ways Adaptive IT Systems Are Driving Healthcare Transformation

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EXECUTIVE SUMMARY

New realities in healthcare are forcing health plan CEOs and IT executives to face the loaded question, “Are we ready for transformation?” Figuring out how to approach the question alone can be a daunting task. Grueling regulations and rising costs are only part of the escalating demands on the industry. Today, all healthcare stakeholders are exploring alternative ways of doing things. Value-based payments, telemedicine, and retail health clinics are, by no means, considered fleeting trends. They’re making a monumental impact worldwide.

Healthcare payers must assess their technological preparedness. As insurers strive for competitive advantage amid widespread digitization and consumerism, industry leaders are looking to technology to adapt. Modern IT systems can help health insurers leverage these new developments as opportunities rather than obstacles.

Flexibility is the new gold standard in health IT systems, yet many payers remain ill-equipped with rigid legacy systems. In this white paper, we highlight six technical capabilities of adaptive health IT systems. We explore the new developments in healthcare, and illustrate how each capability can help payers undergo transformation.



WHAT EXACTLY IS TRANSFORMATION IN HEALTHCARE?

The term “transformation” encompasses many different ideas and ideal visions for the future. In healthcare, transformation is primarily about improving the quality of patient care. That includes making a concentrated effort to promote wellness and disease management, also known as population health. Transformation also refers to reducing the cost of healthcare—especially important for payers facing an unstable future.

Core business functions all rely on health IT systems. From enrollment and claims adjudication to

billing and reimbursement, every transaction relies on technology resources. Because of this, IT and optimizing IT costs are central to any transformation strategy.

THE KNEE-JERK REACTION PARALYZING HEALTHCARE PAYERS

In the United States, all signs are pointing to a repeal of the Affordable Care Act. With that, health insurers offering individual plans must prepare for the worst case scenario: the government eliminates subsidies and insurers end up with more sick members than healthy members. As U.S. healthcare policy remains in limbo, payers are hesitant to invest in new IT systems. IT executives understand their legacy systems aren't equipped to support healthcare transformation, yet many are inclined to put progress on hold awaiting answers from the new administration.

Upcoming instability is precisely why health insurers must be equipped with flexible, adaptive IT systems. They need technology to effectively transform with the times. More than ever, payers need to move with lightning speed and accuracy. They must be able to create new products, modify plans, execute new reimbursement models, and much more. The way in which a health insurer adapts to changing circumstances in the market, regulatory agencies, and the competitive landscape will dictate the company's future.

Cost savings will always be a top priority for healthcare payers. But as Pricewaterhouse Coopers asserts in a recent survey of insurance CEOs, the most urgent priority is figuring out where to allocate resources to stimulate growth and differentiation. Healthcare payers must be able to identify the capabilities that fuel profitable growth, as well as the low-performing activities and inefficient operations.¹ Examining these high and low performing capabilities is the first step to reducing technology debt and ultimately, focusing on winning new business.

In order for a healthcare payer to differentiate itself from competitors, the insurer must fulfill various prerequisites. They must sell innovative products, provide excellent consumer experience, have access to data, and much more. Modernizing health IT systems can help payers achieve these prerequisites. IT, therefore, provides the foundation for profitable growth.

SIX WAYS ADAPTIVE IT SYSTEMS ARE DRIVING HEALTHCARE TRANSFORMATION

No. 1: Creating New Business Rules Is Easy

Rules-based IT systems allow users to create new products and make changes without going into the source code. Users should be able to convert a health plan policy into a language the software can follow without relying on vendors or programmers.

WHY IT MATTERS: VALUE-BASED REIMBURSEMENTS AND TELEMEDICINE

Any IT system that helps healthcare payers become more agile and self-sufficient is especially valuable as payers develop new methodologies to reimburse providers. The general consensus among healthcare experts is that the antiquated fee-for-service model, also known as volume-based care, drives up healthcare costs. Value-based reimbursement is widely considered the ideal model to support transformation. Pay-for-value models, which are tied to patient outcomes, incentivize providers to deliver quality care at the lowest cost.

Although current value-based payment models are still based on fee for service, that will shift in the coming years. The evolution from fee-based to value-based payment models has already gained

"Where paper contracts and clumsy amendment processes sufficed before, payers will be running into providers coming to the contract negotiation table armed with analytics, models, and proposals for a variety of payment models, and payers must be prepared."

IDC¹⁶

¹ PricewaterhouseCoopers, 20th CEO Survey: Key Findings in the Insurance Industry, February 2017, <http://pwc.to/2INL6QM>

¹⁶ IDC, "IDC PlanScope: Value-Based Reimbursement Demands Payers Execute an Exchanges-Like Level of Effort," June 2016, <http://bit.ly/28nNddP>

much traction. According to a study referenced by IDC, 90 percent of healthcare payers and 81 percent of hospitals have already implemented a mix of value-based reimbursement and fee for service.²

Healthcare payers need flexible IT systems that can adapt to new, upcoming value-based payment models such as bundling (both prospective and retrospective), capitation, shared savings, pay for performance, and other risk models for accountable care organizations.

The growing popularity of telemedicine also opens the door to strategic pricing options that payers must be able to accommodate. More states are enacting laws requiring private insurers to cover telemedicine services comparable to in-person care.³ In 2016, 44 states introduced more than 150 legislative actions related to telehealth, many of them addressing reimbursement from private payers and Medicaid.⁴

Regardless of the why payment models are changing, healthcare payers should be able to rely on their IT systems to execute changes rapidly. IDC stresses the importance of flexible software and agile workflows: “Where paper contracts and clumsy amendment processes sufficed before, payers will be running into providers coming to the contract negotiation table armed with analytics, models, and proposals for a variety of payment models, and payers must be prepared.”⁵



No. 2: Reduce Risk and Cost Step By Step

Modern health IT systems give healthcare payers the option to implement individual components rather than requiring a full rip and replace of the entire system. System components perform specific functions such as membership, authorizations, claims pricing, and others. Modern components should be able to integrate seamlessly with the payer’s existing applications, thus preserving existing IT investments for as long as possible.

Transforming health IT systems through phased implementation also reduces risk for the payer. By replacing system components one step at a time, the payer eliminates the risk of interrupting business activities.

WHY IT MATTERS: TIGHT BUDGETS, POLICY INSTABILITY, AND COMPLIANCE

Insurers are under pressure to conserve financial resources for many reasons. Many are bracing for potential market disruptions triggered by policy overhauls. Lingering low interest rates and new compliance requirements are also contributing to tighter budgets. Healthcare payers need a low-risk, low-cost way to modernize their legacy systems. By prioritizing the most pressing issues and opting for phased implementation or partial modernization, payers can transform their systems without

² <http://bit.ly/28nNddP>

³ American Telemedicine Association, “State Telemedicine Gaps Analysis,” February 2017, <http://bit.ly/2lcWkhe>

⁴ Public Health Institute Center for Connected Health Policy, “State Telehealth Laws and Medicaid Program Policies,” March 2016, <http://bit.ly/2laqMWL>

⁵ <http://bit.ly/28nNddP>

burdensome expenses upfront.

The individual components of an advanced system can contribute to a powerful end-to-end solution. Ultimately, modern technology will cost less to maintain, empowering healthcare payers to climb out of technology debt and pursue business goals more boldly.

No. 3: Scale Up, Integrate, and Consolidate

Health IT systems based on SOA are better equipped to handle various growth scenarios. Systems designed with scalability and integration in mind help payers manage increased membership and system consolidation.

WHY IT MATTERS: M&A, RETAIL HEALTH CLINICS ON THE RISE

Healthcare mergers and acquisitions continue to impact the industry, as major players aggressively pursue new markets. Despite the recent judicial rulings that blocked the Anthem-Cigna and Aetna-Humana deals, industry experts predict healthcare payers will target new partnership deals in the near future.⁶ The big insurance companies will likely attempt to acquire smaller insurers to avoid the same level of regulatory scrutiny the failed megamergers attracted. Acquiring small insurance companies may help the buyers gain access to rapidly growing markets, as well as niche markets.⁷

As healthcare payers partner up and acquire other entities, they'll need to consolidate disparate IT systems, integrate with existing applications, and handle large influxes of new members. Only those companies with modern, transformative IT systems will be able to facilitate smooth transitions.

In addition to spikes of M&A activity, the growing popularity of retail health clinics gives payers another reason to evaluate the scalability of their IT systems. On-site health clinics at retailers like CVS, Walgreens, and Walmart offer a convenient and cheaper way for people to get treated for low-acuity conditions such as bronchitis or urinary tract infections. Consumers are catching onto the benefits in droves. A recent report by Blue Cross Blue Shield states that visits to retail health clinics have nearly doubled in the last five years among its commercially insured members.⁸ Accenture predicts that by the end of 2017, the number of U.S. retail clinics will exceed 2,800—a 46 percent increase since 2014.⁹

For payers, that's good news because services through retail clinics cost less than emergency room visits or physician appointments. Accenture recommends payers introduce copayment plans and other incentives to encourage members use retail clinics. As more people turn to retail clinics for healthcare service, payers will need to make sure their IT systems can scale up to handle the increased activity.

No. 4: Higher First Pass Rates Gets Things Done and Reduces Claims Processing Costs

Insurance CIOs and IT managers are intimately familiar with the constraints of legacy systems. Work-arounds, inefficient workflows, and limited functionality are often to blame for the sluggishness of routine tasks. Batch processing in older systems, for example, typically must run at night. Systems that can achieve high first pass rates eliminate these bottlenecks. Advanced systems can process a claim, for example, as soon as it gets entered into the system.

Ideally, a payer should be able to automate manual processes. Highly efficient adjudication eliminates

"Visits to retail health clinics—a low-cost option for consumers seeking convenient care for simple, acute conditions—have nearly doubled over the past five years among commercially insured Blue Cross and Blue Shield (BCBS) members, increasing from 12.2 visits per 1,000 members to 24 per 1,000 members."

BLUE CROSS BLUE SHIELD¹⁷

"Consumers want the best they can get, as quickly as they can get it, so long as insurance sufficiently covers the cost."

DELOITTE¹⁸

6 Bloomberg, "After Two Megadeals Blocked, Health Insurers Plot Next Moves," 8 February 2017, <http://bloom.bg/2lpXguQ>

7 Reuters, "U.S. Government's Bid to Block Insurance Mergers Could Spawn New Ones," 22 July 2016, <http://reut.rs/2a5tETH>

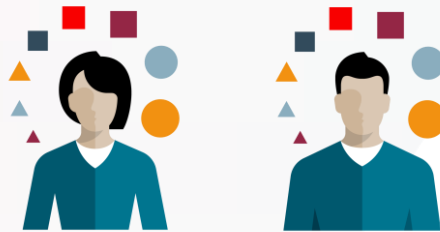
8 <http://bit.ly/2lksTda>

9 Accenture, "U.S. Retail Health Clinics Expected to Nearly Double by 2017 According to Accenture Analysis," 2015, <http://bit.ly/2lRDObF>

17 Blue Cross Blue Shield, "Retail Clinic Visits Increase Despite Use Lagging Among Individually Insured Americans," 18 January 2017, <http://bit.ly/2lksTda>

18 Deloitte, "Health Plans: What Matters Most to the Health Care Consumer," 2016, <http://bit.ly/2layQGZ>

human intervention and in turn, helps decision makers focus on growing the business rather than administering it.



WHY IT MATTERS: SPEED, EFFICIENCY, AND HIGH CUSTOMER EXPECTATIONS

Systems with higher first pass rates come with many benefits. By reducing unnecessary manual intervention, these systems inherently reduce errors and increase financial accuracy. These advanced systems also reduce turn-around times, which can make a significant impact on the customer experience. For consumers, speed is crucial. Immediacy plays an essential role in the transformation of healthcare. If patients have questions about billing or claims, for example, they expect to access a live customer service agent who can resolve their inquiry right away.

Convenience and cost transparency are top priorities among health care consumers, according to a Deloitte report. As the report states, “Consumers want the best they can get, as quickly as they can get it, so long as insurance sufficiently covers the cost.”¹⁰ Providing customers with immediate resolution inevitably strengthens customer satisfaction. In the long run, that satisfaction translates into customer loyalty and steady profits for the healthcare payer.

No. 5: Discover Valuable Insights with Analytics

Health IT systems equipped with analytics help healthcare payers uncover new insights about their products, claims, customers, and much more. Advanced systems allow users to set up dashboards for various roles and run reports on hundreds of predefined KPIs. Suppose, for example, an insurance executive needed to figure out why a specific group had a low auto-adjudication rate. An advanced analytics tool would allow that person to analyze the data and drill down into specific claims.

WHY IT MATTERS: CUSTOMER INTELLIGENCE AND THE B2C PERSPECTIVE

Health insurers need good data in order to make critical business decisions. Having the ability to organize and view data more effectively can shed light on previously uninformed areas. Advanced technologies are also making information sharing easier in all industries. Healthcare transformation is moving toward a more expansive ecosystem, where clinical data and claims data merge to determine quality of care and patient outcomes.

Management consulting company West Monroe highlights the tremendous impact advanced analytics could potentially have on the insurance industry: carriers and brokers could identify new revenue opportunities, improve the customer and agent experience, perform operational diagnostics, and improve control mechanisms.¹¹

Customer intelligence, in particular, helps insurers to understand their individual policyholders on a deeper level. As the health insurance industry broadens its sales focus from business-to-business

“We recommend insurers place the highest priority on using data and analytics to enhance the customer relationship and accelerate product personalization, with resulting revenue lift providing the potential to fund additional data asset investments over time.”

WEST MONROE¹⁹

¹⁰ <http://bit.ly/2layQGZ>

¹¹ <http://bit.ly/2ksmkW5>

¹⁹ West Monroe, “Data Driven Insurance: Harness Disruption and Lead the Way,” 23 January 2017, <http://bit.ly/2ksmkW5>

(B2B) to business-to-consumer (B2C), customer intelligence becomes even more beneficial.

Improving customer experience is the leading potential benefit of advanced analytics, according to West Monroe's recent report. The report characterizes data as a business accelerator for the insurance industry, highlighting additional benefits such as reducing claims costs and increasing sales. West Monroe recommends that insurance companies consider new tools and systems to help aggregate data in more cost-effective ways including lean analytics.¹²

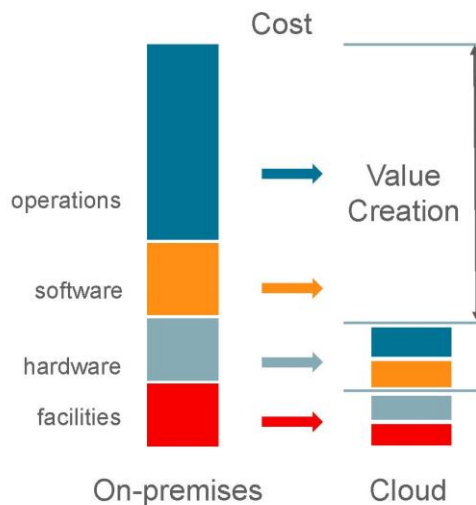
No. 6: Boost Business Agility Through the Cloud

Core systems on the cloud enable payers to use IT systems through a subscription. Essentially, cloud adopters rent instead of own tech resources. They do not need to buy hardware and infrastructure, maintain software, or manage data centers. In the SaaS model, the cloud provider manages maintenance and upkeep, and users can access the latest version of the software online from any computer.

WHY IT MATTERS: COST SAVINGS, SECURITY, RAPID BUSINESS OUTCOMES

The cost of maintaining legacy core systems has become unsustainable for many companies. An average of "80 percent of time, energy and budgets are consumed by the care and feeding of the existing IT stack," according to Deloitte.¹³ On-premises systems require far more than the annual support fees, upgrades, and infrastructure to run. They also pose heavy burdens on IT departments. IT managers must provide their organizations with sufficient technical staffing to monitor on-premises systems. The cloud, on the other hand, allows companies to outsource functions outside of their core competencies.

Cost Comparison: On-premises v. Cloud



Insurance executives are urgently looking for ways to economize while attracting new business. The cloud enables organizations to work toward both objectives simultaneously. Cloud solutions eliminate capital expenses, licensing fees, and software management costs for necessities like patching and integration. They also reduce IT operations costs because IT staffers no longer need to monitor and maintain systems.

¹² <http://bit.ly/2ksmkW5>

¹³ Deloitte, "Tech Trends 2015: The Fusion of Business and IT," 2015, <http://bit.ly/2l8ErwF>

As cloud computing becomes more prevalent in various industries, enterprise organizations are beginning to realize that the top cloud providers abide by industry security and compliance standards. In a recent survey of IT and security professionals by Cloud Security Alliance, 65 percent were confident that the cloud had equal or greater security than internal IT systems.¹⁴

Cloud computing fundamentally boosts business agility. Healthcare payers that run core systems in the cloud have tremendous advantage over their competitors because cloud adopters are better positioned to adapt. Enterprise leaders can design new business strategies with a sense of immediacy. Cloud solutions empower insurers to expand to new markets, offer new lines of business, or deploy new systems, for example.

By eliminating capital expenditures and implementation delays, the cloud enables payers to achieve more at phenomenal speed. That's why analysts overwhelmingly agree that the future of tech systems is in the cloud. IDC predicts that overall public cloud spending will experience a 21.5 percent compound annual growth rate over the 2015-2020 forecast period. That's nearly seven times the rate of overall IT spending growth.¹⁵

ORACLE'S COMPLETE IT SOLUTION FOR HEALTHCARE TRANSFORMATION

Oracle offers health insurers an opportunity to lead the industry in transformation. Oracle Health Insurance is a product line of best-in-class applications designed to usher payers into the modern era of digitized healthcare. Built specifically to address the needs of health insurers, Oracle Health Insurance offers a core platform of flexible, rules-based systems.

Oracle understands that healthcare payers have a turbulent road ahead. They need IT systems that adapt to emerging business needs, changing market conditions, and new regulatory requirements. That's why Oracle's solution was designed for configuration over coding. The rules-based engine gives users the power to configure their rules without having to change the base code. This prime differentiator speeds up product development and plan changes, and embeds transparency throughout the system.

Not all modern systems were designed with this unique architecture. Code generators, for example, require heavy IT involvement and long implementation periods. Parameter-based systems are the least configurable and rely heavily on the vendor to implement changes.

Available on-premise and through Oracle Insurance Cloud, Oracle Health Insurance components include membership, authorizations, claims pricing, claims adjudication, value-based payments, and claims analytics. Healthcare payers have the option to deploy Oracle's HIPAA-compliant components independently alongside their legacy systems or as a comprehensive suite. Because the Oracle solution is SOA-based, users can easily integrate with existing applications, scale up, and consolidate systems.

Oracle's \$350 million investment in core insurance applications continues to strengthen its insurance industry experience and implementation expertise. The company's elevated standards for straight-through processing and analytics, along with many other features, attract the leading healthcare payers to Oracle solutions. Oracle Health Insurance Analytics comes with a rich set of business intelligence dashboards and more than 100 KPIs to analyze. Components like these empower decision makers to focus on growing the business rather than administering it.

¹⁴ Cloud Security Alliance, "State of Cloud Security 2016," <http://bit.ly/2mmotPx>

¹⁵ IDC, "Worldwide Public Cloud Services Spending Forecast to Reach \$122.5 Billion in 2017, According to IDC," 20 February 2017, <http://bit.ly/2ma7VuV>



THE JOURNEY

The recent healthcare developments explored in this white paper are merely a handful of trends making massive waves around the globe. The critical question “Are we ready for transformation?” will constantly evolve in meaning. The discussion will encompass new developments including wearables, the Internet of Things, artificial intelligence, data sharing, blockchain technologies, and much more. The healthcare IT ecosystem continues to expand.

Healthcare payers can no longer hold off on technological readiness. The way in which insurers respond to changes in the market, regulatory requirements, and the overall industry landscape will define their future. Healthcare transformation is a journey, and payers will constantly need to assess their circumstances. The key for insurers is to stay focused on their business imperatives and use technology to execute business strategies.

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