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Transforming Your Business in an Era of Healthcare Reform (Part 2)

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When we discussed in our first series that complying with reform and increasing administrative efficiency were the two initial steps a payer should consider in order to achieve success, the next two steps to complete a successful process are to improve cost and quality of care, and competing to win.

Covering care for members comprises more than 80 percent of payers' costs. Inefficiencies in the delivery of care provide the greatest opportunity for improvement. Only in the last five years have most payers truly begun to target cost and quality of care processes for significant systems improvement. Now, healthcare reform legislation creates many new rules and programs to improve care quality and reduce individual consumer's costs. Within the new, detailed MLR rules, allowance is made for the inclusion of quality improvement expenses in the cost of care portion of the MLR calculation. These provide financial incentives for payers and others to invest in activities and tools that improve care. To do this requires a coordinated and systematic approach that aligns incentives to reward value instead of volume.



On the “demand” side for consumers, this involves developing value-based insurance design (VBID) plans. VBID is a strategy that incents individuals to use higher-value healthcare services and establishes financial barriers to potentially reduce the inadvertent use of lower value care choices. On the “supply” side for clinicians, value-based provider reimbursement (VBR) strategies seek to use reimbursement as a lever to change the way providers deliver care, to improve quality, and to help ensure that patients receive effective care. Most forms of VBR involve shifting risk from payers to providers who, ideally, are better positioned to manage risk. In particular, the Accountable Care Organizations (ACO), payment bundling, and the patient centered medical home (PCMH) take holistic approaches to risk. These approaches involve placing the right degree of risk in the hands of the party

best able to manage it and giving that party support to manage the risk for value and results, as well as for adherence to best practices and evidence-based medicine.

Although HHS has not yet created the specific rules or incentives for these approaches, many players across the healthcare industry are moving towards the ACO model, ahead of any legislative rules or incentives. As rapidly as this market strategy is developing, it is critical for payers to find a game plan for ACO participation. There are two key avenues. The first is to leverage payers' important role in processing payments to develop new partnerships that extend their reach further across the revenue/payment cycle. At the same time, payers can leverage their expansions in care management activities to play a bigger role in the care delivery cycle. The new MLR rules also provide encouragement for the application of predictive analytics and data-mining to care management. Value-based strategies, new care delivery models and analytics provide opportunities for payers to wring significant waste and duplication out of the system, and engage patients to improve health and wellness. Payers are well positioned to lead change that will have a dramatic impact on the long-term shape of the industry. Smart payers will lead the market by engaging in innovative, value-based strategies. It's important to look at a strategic agenda and determine the capabilities that will get you through the transitional period of the next few years and put you in a strong position to survive long-term transformation of the healthcare system.

Finally, in order to achieve success, become a retail expert who stands out from the crowd by leveraging your brand, improving your experience for prospects and customers, and being transparent. Build customer loyalty by designing smart products that add value and meet changing needs. Leveraging technology to achieve competitive differentiation is an excellent recipe for success in building relations with customers seeking long-term marketing strategies. Developing this approach can: attract and retain customer interest, increase transactional efficiencies and engage constituents. Reform is leading us into a retail health market with innovative products and stiff competitors. In this new competitive arena, payers will need to find innovative and cost-effective ways to acquire new business from the individual market.

When the PPACA takes full effect in 2014, payers will vie for millions of new insured individuals expected to come into the market due to the reform legislation. Much of that will happen through the 50 new state-run insurance exchanges, which will be built over the next three years. The result will be dramatically increased price transparency—and probably substantial price parity—between commercial insurers' offerings. That pricing uniformity will put greater emphasis on other competitive differentiators and purchase decision drivers such as service and reputation. To fully appreciate the effect of this, we can look at just one sub-segment of that large pool of individuals. The reform legislation's new requirement for all Americans to have health insurance, combined with the elimination of nearly all rescissions, is expected to bring a flood of new twenty-something's into the market. But, most payers have had little experience talking to this younger audience and are a long way from being "plugged-in" to the social media channels where our millennial generation spends its time. To compete in this retail environment, payers may need to create a single, integrated system that can automatically carry the customer from enrollment at the exchange to ID-card generation and post-sale service. Multi-payer architectures will likely be needed to integrate case installation and policy administration.

On the whole, the passage of reform has set a course for a long, challenging journey to a transformed national model of integrated patient care. It's important for payers to take quick action to navigate successfully through the sea-change of activity rolling through a system that will expand health

benefits to millions of more Americans over the next four years. While it's easy to concentrate on the negatives, healthcare reform provides an opportunity to thrive for those payers who move quickly to invest in technologies that enable compliance, administrative efficiency, and improve the cost and quality of care, to enhance their competitiveness. Solutions are available today to help payers address each challenge. TriZetto's industry leading core administration, advanced care and network management, and innovative constituent solutions can work independently to deliver superior capabilities—or as an integrated platform to share information and better align incentives among constituents. TriZetto software and services are scalable and flexible for payers of all sizes, to help drive administrative efficiency and improve the cost and quality of care. It's time to move ahead as you work to comply with reform, but also drive administrative efficiencies, improve cost and quality of care, and compete to win in the new market paradigm. Payers who forge ahead and take action on these four challenges will be well positioned to survive healthcare reform, outpace their competitors and benefit from real solutions that drive more value in healthcare.