

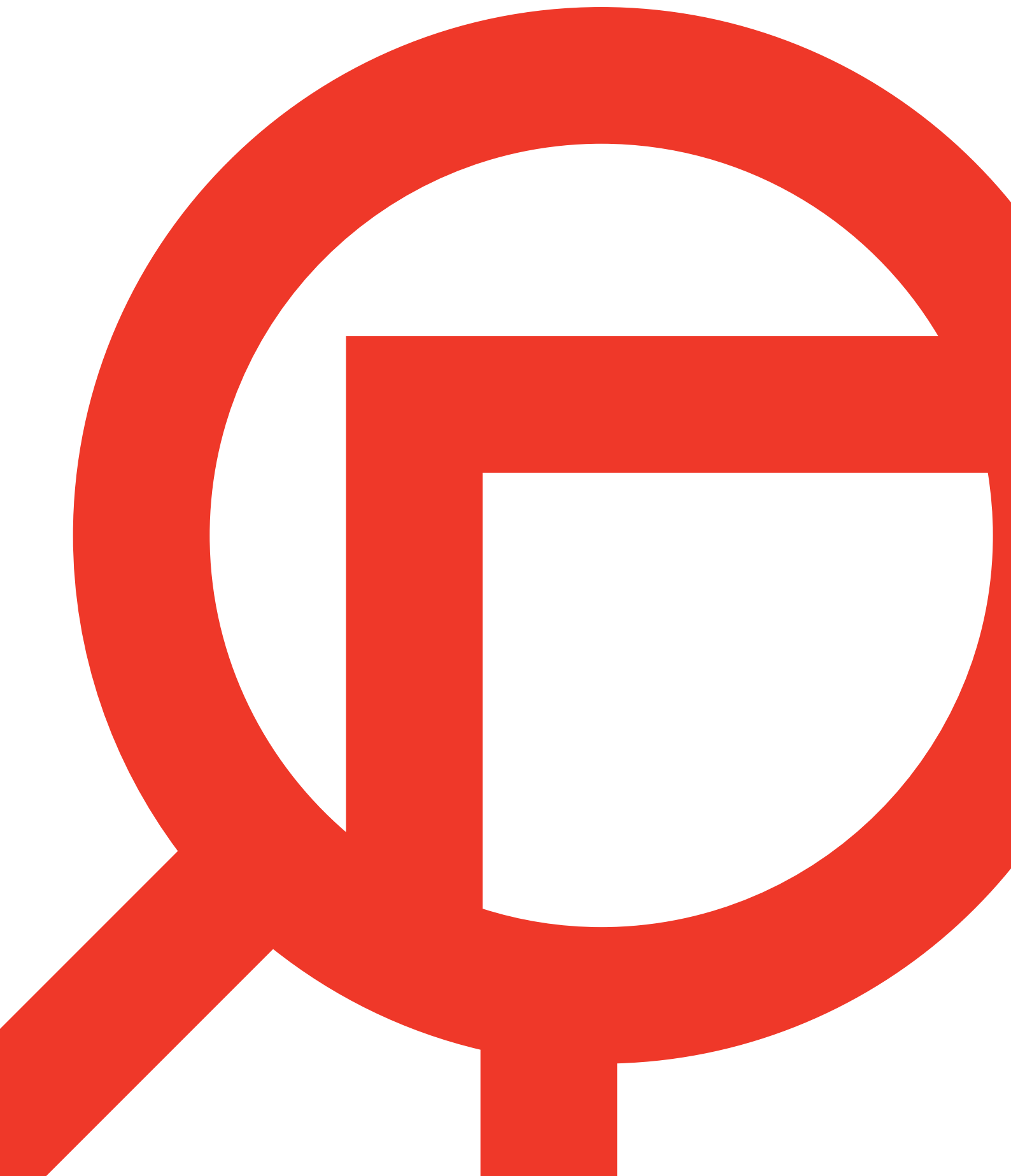
A New View of What's Possible for Health Care Payers


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Incremental capability improvements just aren't enough to push health care payers ahead of the competitive pack. Yet most payers are taking only small steps, deploying IT tools to streamline discrete activities like member servicing and care management. What's crucial now is an entire rethink of the payer model, borrowing from other sectors' successes with analytics and using

proven integrated health analytics that are receiving investment and attention by leading payers. The new approaches will put those leaders on a new competitive plane, driving radical innovation in products and processes and helping them differentiate their offerings. Here's a glimpse of what's possible—and what's necessary to remain competitive.

One day soon, a leading health care industry payer will start pulling noticeably ahead of its rivals—with resounding results not only for the payer's stakeholders and its cost structure but also for its members' loyalty—and for their long-term health.

Already, several frontline payers are testing innovative new business models that use the kinds of deeply analytical approaches proven in other industries. They are going much further than the incremental moves seen to date—limited efforts to share electronic health records or to better integrate servicing models, for instance—as they move toward truly integrated health analytics frameworks on a much broader scale than anything in use today. The frameworks draw on multiple data streams from all over the health care ecosystem—from providers and third parties to the member's own behavior patterns—along with elements of entertainment marketing, social networking, expert systems, and sophisticated analytics engines.

Such a holistic approach can fundamentally change every aspect of a payer's business and decision-making processes. It can even become its own distinctive capability for payers, delivering sustained high performance in ways that rivals cannot easily match. In short, it can become a "killer app" for health care.

A glimpse of what's coming

Here's a glimpse of a highly sophisticated approach to member health management—an approach that Accenture knows is already possible. Imagine the interactions between a 38-year-old male (let's call him Dave) and his payer, a leader in the use of integrated health analytics. During enrollment, Dave fills out a "Total Health & Wellness Assessment" and opts into a personal wellness concierge service.

Dave is healthy and athletic; he runs several times a week, loves basketball, has never smoked, and drinks only the occasional glass of wine. But his family medical history, coupled with his being born prematurely, indicates some early risk of diabetes.

The first interaction with the payer occurs right after Dave fills out the health survey. Using its consumer-experience analytics tools, the payer congratulates him on his lifestyle choices, recommends that he join a social network of like-minded people, and—realizing that Dave is an analytical type—summarizes the financial benefits of his continuing on his current trajectory of behavior and offers an incentive, a discounted premium for continuing his health-conscious lifestyle.

Six months later, the payer's member health management analytics software reviews Dave's lab test results during his routine physical and discovers that his metabolic syndrome indicators are flashing yellow. A few days later, he receives an unexpected gift in his mailbox—a Nike+ SportBand coupon with an invitation to become a more active member in the payer's wellness concierge service. Leveraging its member health analytics and its consumer experience software, the payer joins Dave's physician as they actively coach Dave back to wellness using his real-time data. The ultimate goal is to teach him "how to fish" using behavioral outcomes that are predicted and measured in a continuous learning loop.

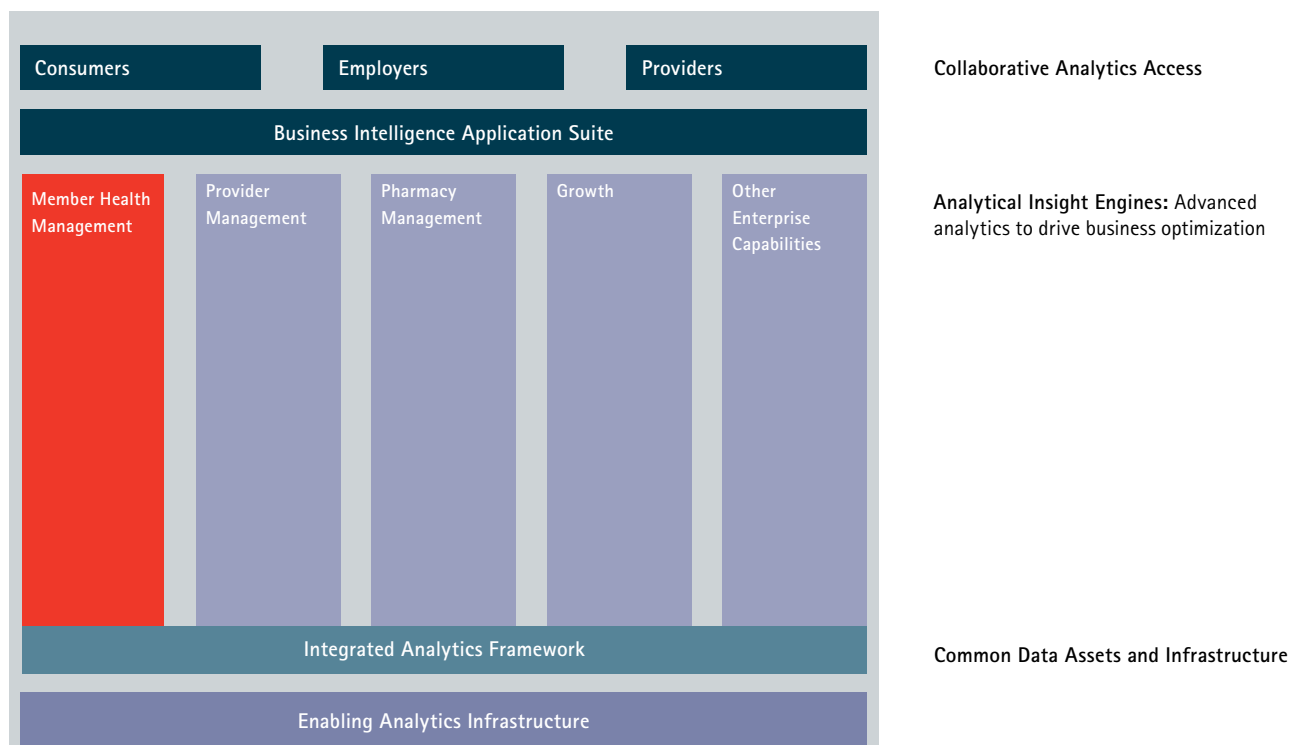
And if that doesn't work? Then the analytics engine may recommend invoking social network computing, perhaps applying subtle peer pressure with a prompt from one of Dave's close workout buddies. The system's content management software will customize its messages, using metaphors that it learns are relevant to Dave and his interests and circumstances, and maximizing the probability of him staying healthy and happy as long as possible.

Behind the scenes, in the system's "engine room," a flexible and sophisticated analytical engine has been analyzing data inputs, responses, probabilities, and trends, essentially acting as the traffic cop for the flow of information needed to ensure that Dave stays on the health trajectory

necessary to keep him in good condition—and to reduce the cost of care and therefore premiums. At the same time, the payer wins Dave's loyalty and trust. Not only are the systems helping him stay well but they are non-intrusive, easy to use and confidential.

This is a very simplified description of the power of integrated health analytics for member health management and the subject of this paper. However, Accenture sees a much greater opportunity to drive benefits and speed solutions across all areas of health management including member, provider, customer service, pharmacy or other enterprise capabilities (see Figure 1).

Figure 1. Accenture Integrated Health Analytics Solution



Source: Accenture.

Solutions now on hand

The elements of these solutions are available now—the sensors, the analytics software and the “engine” at the heart of the emerging integrated health analytics systems. The systems have four core characteristics that apply no matter which payer scenario the analytics capability is applied to:

- **Broad data sets** from many sources (including third parties) including wireless, point-of-sale, evidence-based medicine, actuarial, etc., from glucose levels sent wirelessly every day by the patient to care management records from the provider through to pharmacy purchases and actuarial data coming in flat files from an underwriter. The data is amalgamated and kept active in a consumer-centric metadata repository.
- **Predictive and proactive intervention:** using timely data about members and about relevant trends to take action before the member or his physician does. The system’s analytical “insight engine” is key here, going beyond simply monitoring the rhythm of the business to anticipating threats and presenting opportunities for appropriate intervention. Exploiting analytics in clustering, optimization, unbiased predictive modeling, and propensity-score shaping, the solution creates control groups to predict the outcomes likely to result from different kinds of interventions.

- **Emphasis on optimizing responses:** Once you have predictions, you can understand the menu of options that are available. In a resource-constrained world, an optimization capability helps to rationalize what to do given the trade-offs and ROI expectations. In the case of wellness management, this includes selecting the channels, content, and so on, across the entire patient population that will yield the greatest impact.

- **Outcomes-focused:** Across all of the scenarios, we want to encourage the use of rigorous ROI/outcomes analysis to drive decisions and help business leaders understand trade-offs. This is not trivial: It demands inclusion of not just the direct effects of an action but also an understanding of and accounting for unintended consequences.

Put it all together across the scope of a payer’s enterprise and it’s possible to glimpse how an industrialized integrated analytics suite can not only improve consumer health and identify where cuts in medical costs can occur, but it can continually help payers’ business leaders make the right investment trade-offs by advising on what works, what doesn’t and how to improve the operation continuously.

What makes a new approach possible now

Change is possible now because several factors are converging: the retailing of health care, the intensity of competition among payers and the imminent need for “someone”—federal government, state government, the private sector—to do something about a system that many perceive as broken.

There is a noticeable groundswell toward consumer-driven retail health care. Working directly with plan members will demand deep insights about members’ behaviors and their health factors as well as better products and improved customer service.

Advances in technology also make it practical to consider radically different approaches today. There’s a wealth of compelling examples—from tiny implantable defibrillators to advances in evidence-based medicine to wireless devices that serve as personal health monitors. Advances in information technology are allowing the democratization of sophisticated analytics. Cloud computing is enabling more IT functions (e.g., infrastructure, applications) to be migrated into the cloud, and mash-ups are allowing data integration to be done directly by enterprise user groups. Clearly, data is emerging as the most important asset for enterprises at large.

The proliferation of new data types (i.e., sensors, unstructured text, video, audio, business processes and personal data) is propelling analytics beyond the math Ph.D.-filled back rooms and embedding them at scale across the enterprise for everything from budgeting to forecasting, sales promotion to customer intelligence, pricing to member health and so forth. Finally, increasingly sophisticated analytical software and techniques (predictive modeling, simulation and optimization technologies) are unlocking insights and actions that are faster, at scale and more accurate than today's business intelligence solutions.

And more refined business processes are now flexible enough to tie together disparate data inputs from an ever-evolving mix of participants. The future health care information supply chain will necessitate dynamic information sharing for collaborative product design, health/wellness, and care decisions.



More payers are beginning to use analytics that make extensive use of data, statistical and quantitative analysis, and predictive models to drive better fact-based decision making and more effective actions.

Why payers still have far to go

Payers are everybody's partner and nobody's friend. In a sector that as a whole is under terrific strains with soaring costs, increasing government activism, and shortages of skilled staff to name a few, payers are under the fiercest scrutiny of all. And many payers now worry that if they do not act soon, Google, or another of the information giants outside of the health care sector, will disrupt the current ecosystem by capturing vital health care data streams.

What's encouraging is that more and more payers are beginning to use analytics that make extensive use of data, statistical and quantitative analysis, and predictive models to drive better fact-based decision making and more effective actions. Their initiatives are indeed helping improve performance

in discrete areas—from care management and patient wellness to billing efficiency.

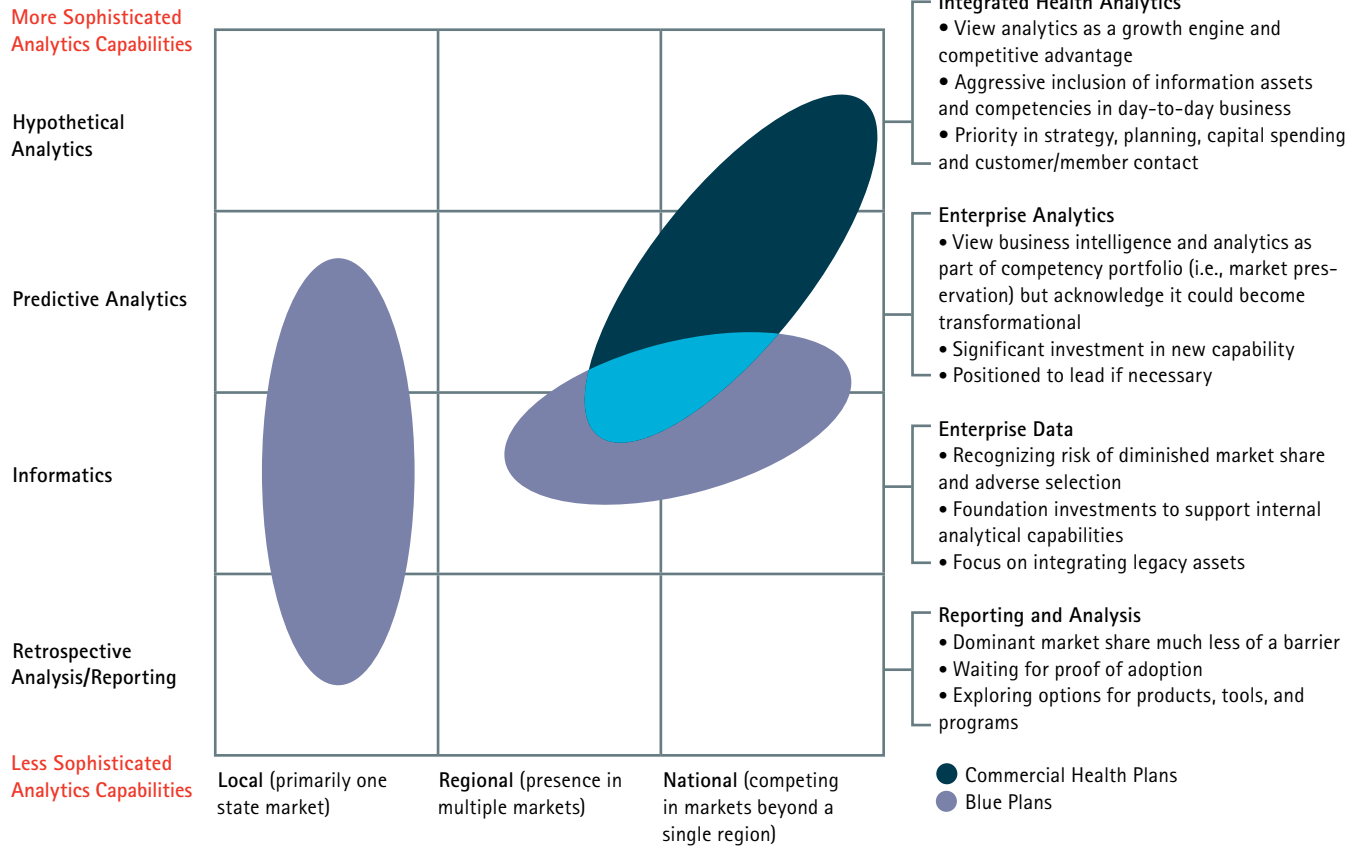
But Accenture's research into high-performance businesses shows that most payers have far to go—and plenty to learn from analytics exemplars in other industries. That's as true of for-profit payers as it is of non-investor owned organizations. By our calculations, payers are leaving on the table between 2 and 5 percent of medical costs—just one of the value levers that have yet to be fully exploited. They struggle to engage and incentivize consumers. And they struggle with investment decisions because of the high walls and siloed data that have grown up between business functions and throughout their supply chain and distribution channels.

That by itself is not a big surprise to the top teams at most large payers. Their belief is that their current IT investments can solve many of those challenges. The trouble is, those investments are positioned to solve the smaller problems—exactly the kinds of initiatives that competitors are tackling too.

Leading payers are turning the corner

Leading payers are moving toward an enterprise-wide view of analytics by applying integrated capabilities—moving beyond transaction and data management so they start to tie information together across the company and use the resulting insights to

Figure 2. Health Plan Analytics Maturity Curve (Illustrative)



Source: Accenture Research (2007): US Health Plans only.

differentiate their offerings and themselves (see Figure 2). Their management teams view integrated analytics as a growth engine, enabling the business model to shift the company toward becoming analytically competitive. In other words, integrated analytics becomes a radical driver of innovation that can transform payers into high-performance businesses that compete on an entirely different plane.

To reach this new plane, payers have to integrate, innovate and industrialize. They have to do so because the points of need are distributed more widely, timing of services delivery is becoming

more important and relevant data is coming from many more new and non-traditional sources. Their integrated approach extends across the health care ecosystem: providers, patients, insurers, employers, pharmacies, consumer data firms, and more. This requires the "industrialization" of analytics—the convergence of scale, robustness and automation—so the payer's analytics systems become self-sustaining.

Putting payers on a higher competitive plane

These are very big ideas—beyond most current thinking about the use of technology. But they are now being aired by a few of the sector's most innovative players—as Accenture has seen in its work to help improve the analytical capabilities of seven leading commercial payers and 10 of the major Blue Plans.

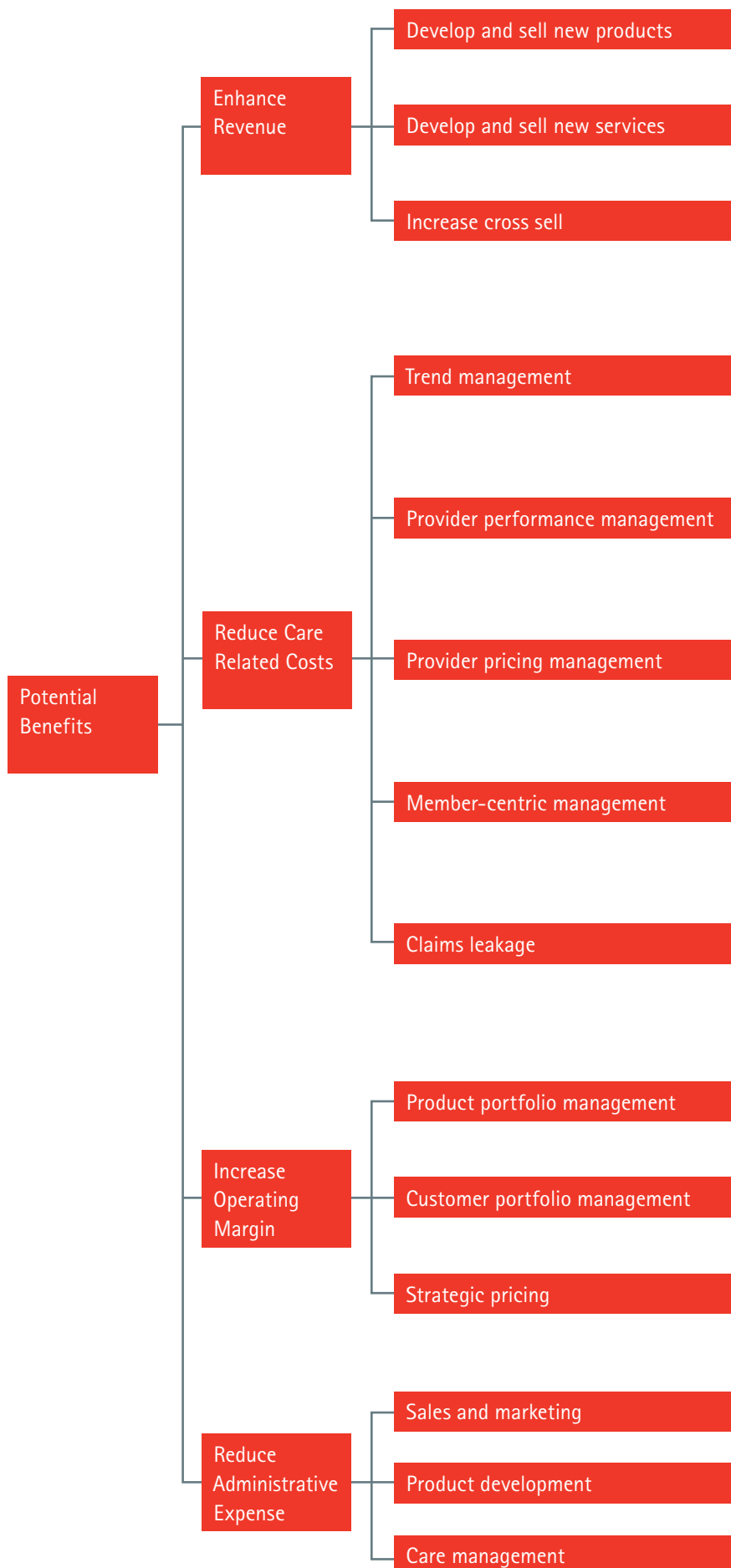
Leading payers are realizing the opportunity in catering to those who are, for the most part, in good health.

Our work indicates that such elevated approaches to integrated analytics have tremendous value at many points across a payer's value chain (see Figure 3).

The scenario cited earlier—a proactive approach to wellness for 38-year-old Dave—begins to show what is possible. It also underscores the trend in the payer industry away from processing claims to managing wellness. Today, wellness programs enjoy strong support from both payers and employers. Most programs provide incentives to reward healthy behavior—either direct financial incentives or indirect benefits such as points that can be used to buy goods or services.

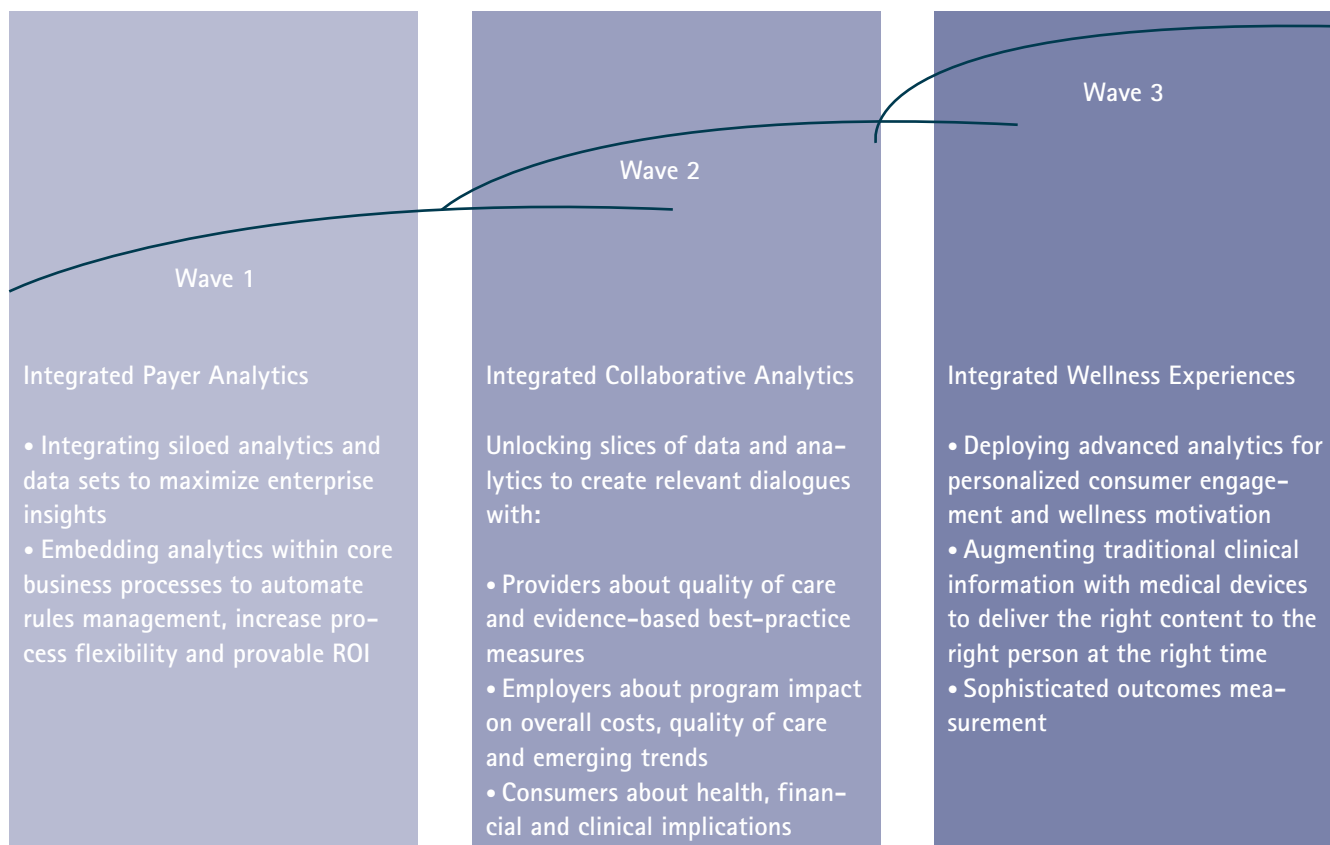
Leading payers are realizing the opportunity in catering to those who are, for the most part, in good health. The systems with which they are now experimenting are helping payers know which members to “touch,” when to touch them and how—targeting the right members with relevant incentives through channels that will engage them. In short, integrated analytics systems are enabling payers to make sure that healthy plan members stay that way—and remain profitably enrolled—as long as they can.

Figure 3. Integrated Health Analytics Value Tree—Medical Cost and Revenue Generation



Source: Accenture.

Figure 4. Analytics as a Catalyst for Enterprise Transformation



Source: Accenture.

An approach to take now

The best starting point for payers is to recognize the scope of what is now possible. The next logical step is a shift in mindset from "spot" applications of analytics—focused on improving transaction efficiency—to the application of integrated and industrialized analytics that leverage cross-industry innovation to build a self-sustaining high-performance organization.

The required mindset shift is best prompted with key questions for payers' executives to ask themselves—questions such as: What kind of data are you using to identify good prospects—employers and individuals? How do you price benefit products? How do you assign financial metrics to benefits? (See sidebar: "Key questions for Monday morning" on page 14.) The shift in thinking will benefit from looking far

outside health care to see what top-notch analytics players are doing in other industries. Working with top analytics performers in a wide variety of sectors, Accenture sees leaders such as Harrah's that use their data skills as a strategic foundation.

With the right executive mindset in place, payers can start tackling the fundamentals of integrated health analytics excellence. Taking a page from the playbooks of analytics leaders in other industries, they can identify and organize sources of analytics talent within their four walls. Another key step: taking an inventory of the data they already have available as well as the data they can easily access. Most payers already have many of the data assets they need to start becoming true analytical competitors.

While a shift in actual implementation is likely to show a steady progression (see Figure 4) the shift in mindset has to happen soon. It also has to come with a long-term commitment from payers' business leaders. And it calls for a concerted shift from creating products that match competitors' offerings to an innovation stance in which the organization proactively creates new products that use tiered networks, real-time consumer utility testing, and system-driven benefit optimization routines while balancing predicted risk and projected profit.

The current trajectory of investments in analytics suggests that payers' data silos are indeed being broken down and that fact-based analysis is steadily replacing intuition-driven decision making. There is a clear move toward predictive modeling and toward enterprise management models that extend to other health care partners.

But there's a huge difference between enabling and transforming. Disruptive change doesn't come just from doing better what you are doing already—which is why several leading payers are actively exploring integrated wellness experiences.

The opportunity for lasting differentiation is enormous. The chance to transform the US health care industry is alluring. What's your plan for being on the front lines?

Key questions for Monday morning

There is of course no one true way to tackle implementation of a capability as complex as integrated health analytics. But there are key mindsets for payers that can help lay the groundwork for implementation. Accenture is currently using a questionnaire with payers to help executives think in ways that they haven't done before. Here is a sampling of the questions:

Sales and marketing

- What kind of data are you using to identify good prospects—employers and individuals? What additional data would you find indispensable in helping you do your job better and faster? Why don't you have it now?
- How do you measure broker performance? Is their performance consistent over time? What will it take to get past brokers and go direct to end customers?

Actuarial and underwriting

- How do you verify the accuracy of underwriting applications filled out by individuals, both real time and over time?
- What are your small-group underwriting processes? How do you quantify and reflect competitive pressure? Deal with regulatory constraints?

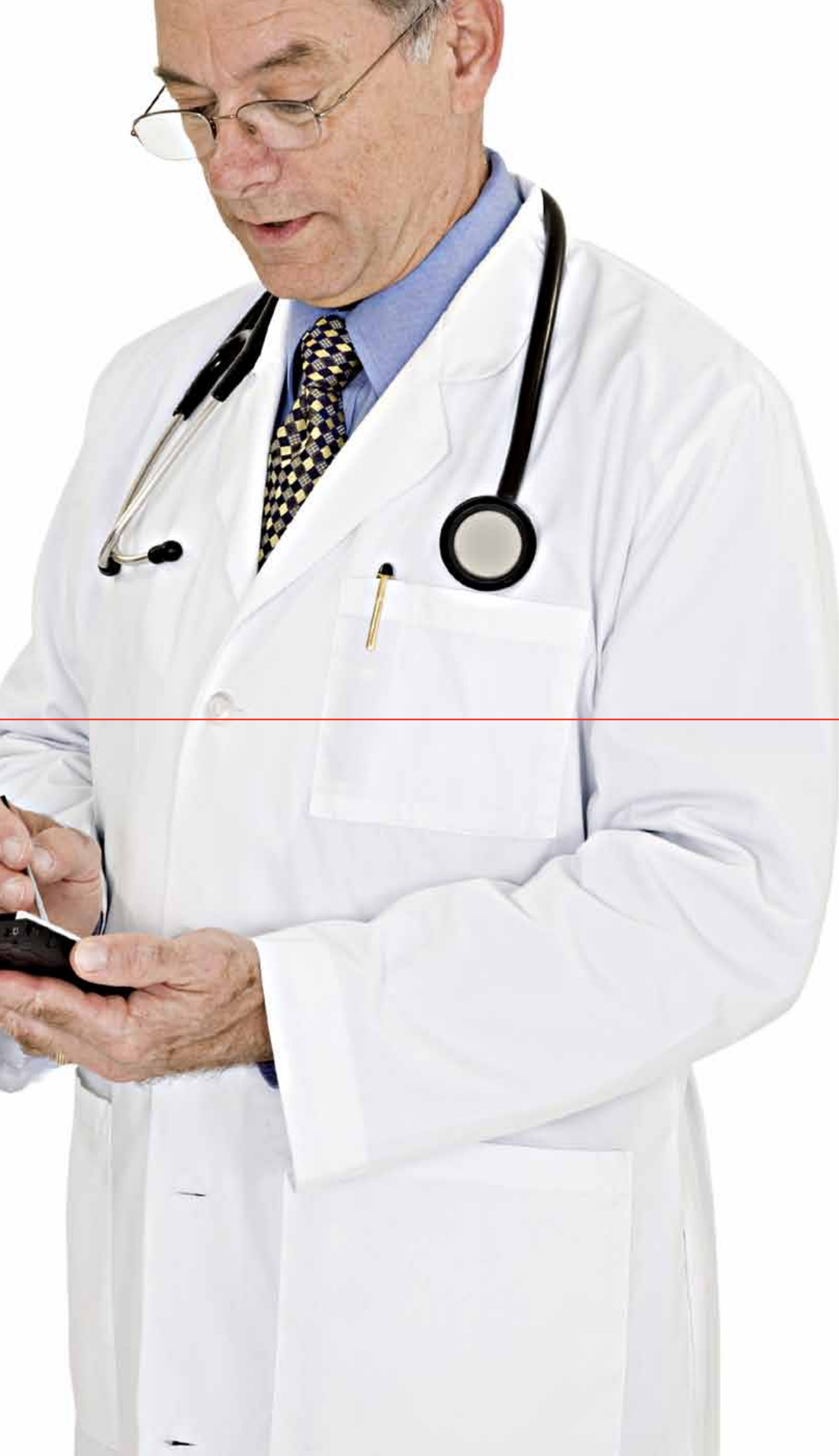
- How do you price benefit products? How do you assign financial metrics to benefits? Can an employer experiment with a benefit-design tool in order to design a tailored product?

Products and member enrollment experience

- What's the product-selection and enrollment process for a consumer?
- How much self-reported data do you collect during enrollment? In what areas? How do you use that data?
- How do you flag new members with urgent needs for care management?
- How do you identify members with social-networking potential to form friendly coaching partnerships?
- How do you measure consumer experience during enrollment? How do you identify gaps and areas of improvement?

Care management

- What are your current processes for identifying and stratifying members? What are the relative strengths and weaknesses of those processes?
- How do you identify intervention opportunities? How do you rank them? What are your key performance indicators for clinical touch programs?
- What programs do you have for the healthy 70 percent-plus of your member population?
- What additional data do care managers collect during calls? How are they used in analytics?
- What are your current processes for measuring and evaluating outcomes? How do you reconcile non-intuitive or contradictory numbers? Do you perform drilldown outcomes analysis?
- How do you assign at-risk members to various clinical programs?



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