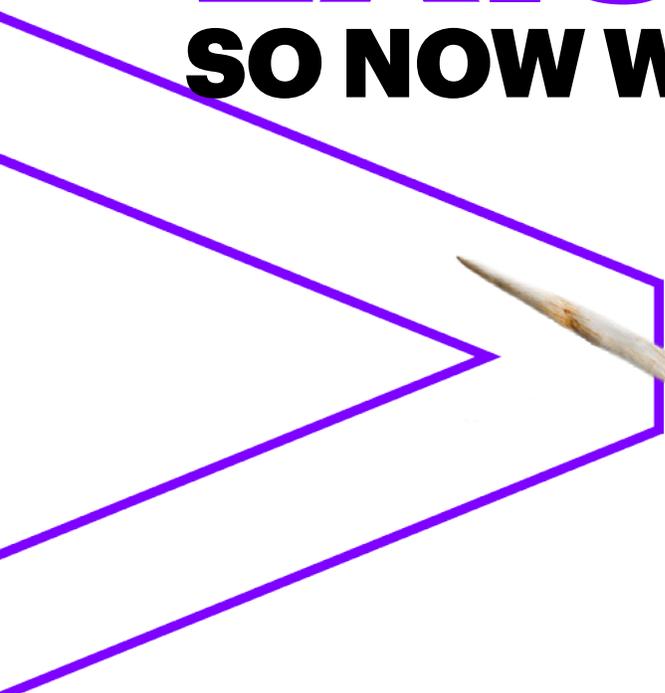


**A UNIVERSAL PAYER
BUSINESS MODEL
DOESN'T
EXIST,
SO NOW WHAT?**



A singular business model that creates value for payers and providers is a myth; health plans are exploring four main strategies, often in combination.

The future of health plans is rapidly unfolding. Health plans historically have functioned as administrative middlemen that focus on “communicating their value through accurate eligibility, plan administration, claims processing, settlement and customer service.”¹ Now, CEOs see themselves “under constant threat of disintermediation”² by new entrants, other plans, provider-payer collaborations or providers taking direct risk.

The threat is real. Since 2015, one non-traditional company has invested more than \$250 million in disrupting the traditional insurance market. The new health economy, rise of personalization and technology disruption are all challenging the effectiveness of traditional health plan business models.

These threats are on top of margin compression driven by healthcare reform and value migration from fully insured commercial lives to administrative services only (ASO), Medicare and Medicaid. Payers must reinvent themselves to survive in this complex new environment. But how? Based on Accenture’s CEO research, four dominant strategies are emerging to redefine health plan business models.

ACCENTURE 2016 PAYER CEO SURVEY

Accenture met with more than 30 health plan CEOs to discuss the shape of healthcare in 10 years, why transformation for health organizations is necessary, what the implications to managing the pace and magnitude of change are and what business models are emerging within the payer landscape. The findings reveal the future role of health plans and strategies for securing a winning position.

¹ Accenture 2016 Payer CEO Survey

² Ibid.

FOUR BUSINESS MODELS REVEAL OPTIONS

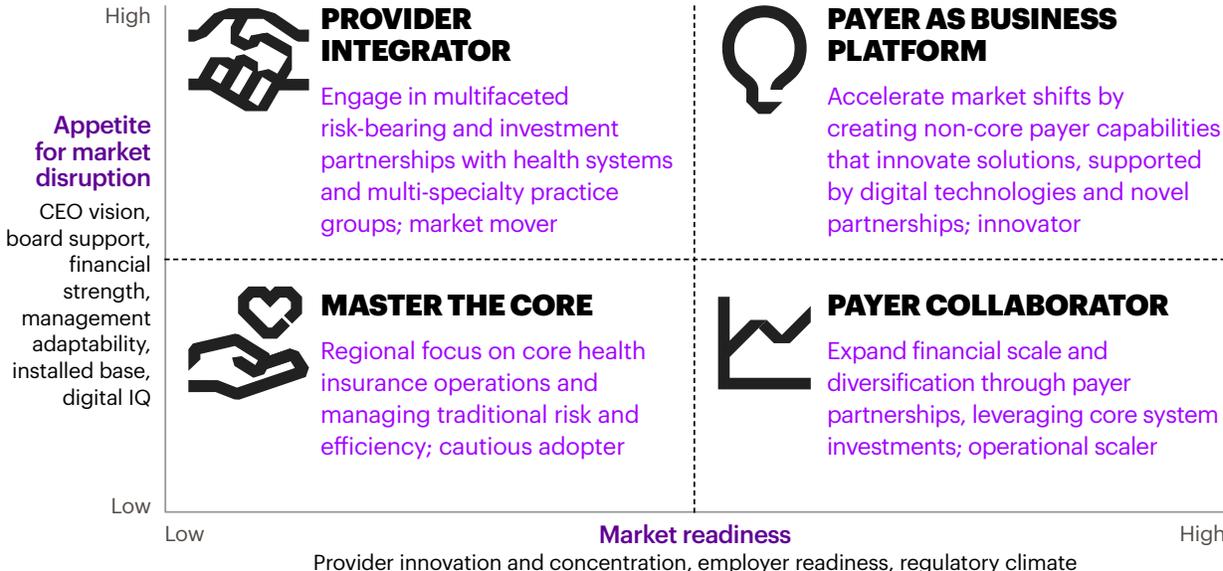
Every health plan is on a different journey influenced by many variables such as organizational agility, market maturity and capability set. Some plans are slowly and naturally evolving over the long term, and others want to quickly leap to a more dramatic transformation. Figure 1 illustrates that the pace and certainty of business model transformation is based on how CEOs view their appetite for market disruption and the degree of readiness in the markets in which they operate.

“THE MAGNITUDE OF CHANGE RIGHT NOW IS HISTORIC, AND WHEN THE MUSICAL CHAIRS END WE MIGHT NOT HAVE A SEAT.”

- HEALTH PLAN CEO

Accenture sat down with 32 health plan CEOs to learn how they think about their own organization’s journey. The discussions revealed that each market behaves and operates in a unique way, so it is important to evaluate the health plan’s specific circumstances before beginning the journey to select the right business model(s).

Figure 1. Four health plan strategies are emerging



Source: Accenture 2016 Payer CEO Survey

CEOs are exploring **four distinct business models** that provide strategic direction amid a rapidly changing health plan environment. Each quadrant (see Figure 1) is not entirely exclusive, with certain plans spanning multiple quadrants. Placement within quadrants is heavily defined by local market characteristics, such as readiness and the appetite for disruption. These business model strategies include:

1

MASTER THE CORE. Stay the course with leaner operations that leverage efficient processes across the traditional value chain to maximize cost performance. Health plans doing so are using sophisticated market and consumer data to understand their customers better, create differentiated products and engage the market in new ways. They are applying new technology to improve processes and reduce costs. Lower cost and greater plan relevance improve value-to-premium ratios and membership growth.

2

PROVIDER INTEGRATOR. Health plans following this path are exploring health system partnerships, gaining access to capital and driving systemic change. This path builds on the previous approach, but moves aggressively toward reconfiguring the payer business model and entity structure. Advanced examples of this approach include new product launches with providers organized around membership growth, digital adoption in partnership with providers, and non-traditional risk arrangements that yield an “incentive- and information-driven”³ provider network.

3

PAYER COLLABORATOR. To diversify revenue and forge new markets, several CEOs are selling their core competencies as a service to other plans, thus becoming outsourcing service providers. Medicaid, ASO, ancillary products and core administration are examples of solutions being offered to other plans. One regional health plan in the Northeast is retooling functions and offering them as services to other health plans. Offerings such as core claims platforms, call centers, nurse triage and virtual medicine can radically change a plan’s bottom line.

4

PAYER AS BUSINESS PLATFORM. Platform business models connect new products, services and engagement models to end users while collecting and sharing end user data with current and potential business partners to increase value. A regional health plan in the West is launching its health plan platform focused on human services. The platform is expected to curate end-to-end services for related events in people’s lives, and focuses on seamless experiences.

³ Ibid

The new healthcare market does not allow for every payer to employ the same strategy for success. There are differences in market dynamics and models should be adapted to fit the specific market, the needs of consumers and the plan's capabilities.

ONE SIZE DOES NOT FIT ALL

As health plans pursue various business strategy models, several factors influence CEO direction on which path to pursue.

The CEOs Accenture interviewed believe scale plays are a short-term fix and a foundational move. One CEO commented, "Plans can be efficient at any size." Regional plans are successfully achieving scale by partnering with others to create clear and compelling value propositions tailored to the local region. A survey participant said, "You can artificially build scale by partnering for non-consumer-facing capabilities."

And while health plans seeking diversification want to move away from managing risk and administering benefits, their market will dictate how quickly they can adopt fee for value and complex financial arrangements, and build the right capabilities.

"UNEQUAL INVESTMENT CREATES A SYSTEM OF HAVES AND HAVE-NOTS, WHERE DISRUPTION IS A GIVEN BUT OUTCOMES ARE UNCLEAR."

- HEALTH PLAN CEO

CareFirst, a regional health plan in Maryland, has used the "provider integrator" business model to foster greater integration with primary care providers, and bend the medical cost curve by changing patient behavior. [In 2014, health care costs for members covered by CareFirst's patient-centered medical home \(PCMH\) were \\$345 million less than projected, with 80 percent of all primary care providers in CareFirst's service area participating in the program.](#)⁴ This winning business model balances provider trust, consumer needs and health plan capabilities by infusing PCMH design elements such as measuring quality of care, rewarding strong performance, aligning on global excepted care costs and setting up medical panels.

⁴ CareFirst. Quality Remains Strong as Cost Increases Slow Dramatically for Members in Patient-Centered Medical Home Program; July 30, 2015

Business models built on a market-relevant information can expand capabilities and create long-term sustainable value through a combination of out-of-the-box thinking about roles and targeted mergers and acquisitions (M&A). Traditional provider partnerships, outsourcing relationships and self-managed technology platforms are no longer enough. Some plans are using their positions as integrated delivery networks to operate as provider integrators and payer collaborators to diversify their revenue streams.

Northeast regional health plan [Independence Blue Cross \(IBC\)](#) pursued a business model that makes the organization a critical component of the local innovation fabric. As the plan masters its core, it is migrating into the payer collaborator space. The company launched the IBC Center for Health Care Innovation. One of the center's initiatives is [DreamIt Health](#), a health tech accelerator in Philadelphia, that is a partnership with University of Pennsylvania Health System. IBC aims to keep pace with the disruptions affecting traditional health plan business models.

ADAPTING TO THE “NEW”

Market-making CEOs indicated the need to combine different business models to design a winning enterprise strategy. Navigating this journey requires balancing market readiness with market agility using the appropriate set of capabilities.

A significant number of regional and niche plan CEOs Accenture surveyed discussed a transformation journey that begins by mastering the core, as it allows them to safely take risks while evolving. Now, plans are using continuous improvement and automation to master the core and spend less time on complex administrative processes—but is that enough?

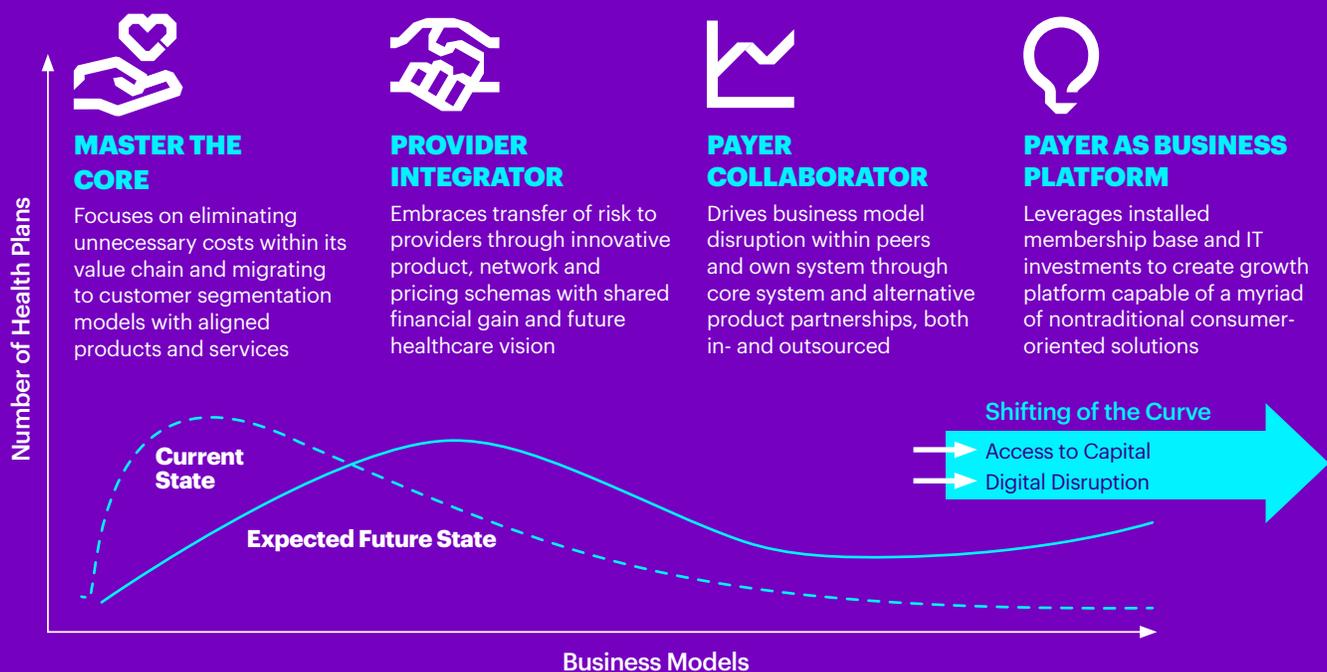
Regional plans are aggressively trying to become closely aligned to their providers, as they have local market density and focused M&A that can accelerate capability development. GuideWell has created [an innovation center in Lake Nona](#), a “medical city” designed for health startups. By innovating and creating living services locally, GuideWell is able to strengthen its competitive position in retiree state Florida, and it's able to better serve the region's growing over 65 population.⁵

⁵ “For health start-ups, a new innovation space opens in Lake Nona;” Orlando Sentinel; December 7, 2017

MAKING MOVES

Accenture’s 2016 Payer CEO Survey indicates a shift in the dominant strategies health plans use to create value. The majority of health plans have streamlined their core value chain for decades through a relentless focus on cost. While cost has historically been the greatest concern for a payer, the changing market has now put extra focus on outcomes, quality and keeping the patient at the center of the healthcare universe. Accenture expects a greater number of CEOs will shift their business models to achieve these goals (see Figure 2).

Figure 2. A new future is emerging for health plan business strategies



Health plans can combat disruption and put themselves in a stronger competitive position by choosing the right business model(s). Research, analysis and leadership engagement should inform these critical choices. Selecting a new path is hard and fraught with uncertainty. Making such bold moves will call for breaking old paradigms—changes that affect the health plan’s people, structure, governance, rewards and culture. However, in the end, the right strategy can create value for all constituents.

“WINNING PLANS WILL BE DETERMINED BY THEIR CEOS’ ACTIONS TO ADDRESS NOT ONLY SHORT-TERM SURVIVAL, BUT ALSO LONG-TERM FINANCIAL VIABILITY.”

- HEALTH PLAN CEO

FOR MORE INFORMATION



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