Over half of the leading US health insurers are surviving on short-term gains and not adapting to the digital world.

Digital technologies were once shiny objects for health insurers. Intriguing, but not integral to the business. Not today. Health insurers are realizing they must make big commitments to the digital technologies transforming the industry—including cloud, artificial intelligence, mobile, the Internet of Things and security.

In fact, 56 percent of health insurance executives say they are investing in digital in some areas, while 37 percent are making broader digital investments as part of the overall business strategy. But are insurers actually using digital technologies to achieve the performance impacts that they need to compete?

1 Accenture Technology Vision 2017 survey
ALL DIGITAL INVESTMENTS ARE NOT ALIKE

New Accenture research reveals that the vast majority of US health insurers are not yet translating their digital investments into better financial performance and new business growth. Most are investing in digital technologies to create business efficiencies, and stopping there. Health insurers can achieve short-lived gains this way. But they cannot unlock new sources of value for sustained improvements in financial performance over time, which is critical to thrive amid massive healthcare industry change.

JUST GETTING BY IS NOT GETTING AHEAD

Returns on digital investment are notoriously difficult to identify. This is why Accenture created the Digital Performance Index (DPI) to help companies better understand the interplay between digital and financial performance.2 The index categorizes companies into four distinct groups:

- **Digital Business Leaders** have strong digital performance and strong financial performance.
- **Digital Leaders** have made progress in digital, but have not translated it into financial strength.
- **Business Leaders** have achieved strong financial performance without prioritizing digital.
- **The Rest** have survived in the past without building up digital capabilities.

Accenture assessed 16 leading US health plans as part of this cross-industry research initiative.3 Just 19 percent are Digital Business Leaders, 6 percent are Digital Leaders, and 19 percent are Business Leaders. A stunning 56 percent are The Rest—companies that have not achieved leadership in digital or financial performance.

Digital Business Leaders—none of which are digital native companies born digital in a digital industry—stand out from Everyone Else (Digital Leaders, Business Leaders and The Rest combined) in an important way. They have 19 percent better financial performance and 17 percent better digital performance (Figure 1). Rather than investing in digital for the core business alone, Digital Business Leaders harness digital capabilities to transform their business models while simultaneously breaking into new, innovative markets.

FIGURE 1.
Digital Business Leaders outperform Everyone Else in financial and digital performance

![Graph showing Digital Business Leaders vs. Everyone Else](source)

Source: Accenture research

3 Accenture assessed nine public companies and seven private companies.
It is one thing to say that investing in digital technology is a strategic business priority. It is another to do it. Our review of publicly available investor materials reveals that 94 percent of health insurers include digital enablement in their strategic vision. Yet most plans are simply not executing on this stated vision.

Accenture analysis shows that few health plans use digital to reinvent their business, the sweet spot for future financial performance. A look across the value chain shows that most health plans are not currently using digital to drive the growth strategy (Plan), create new revenue generating services (Launch), enhance member experiences (Sell), or transform businesses culture and operations (Manage) (Figure 2).

**FIGURE 2.**

Health insurers are not embedding digital across the value chain
As a result, Everyone Else underperforms Digital Business Leaders in every dimension of the value chain, from strategy through operations (Figure 3).

**FIGURE 3.**
Digital Business Leaders have the best digital performance across the entire value chain

Source: Accenture research

This is a wake-up call for the industry. Despite ongoing and important digital investments, few health plans have a clear and disciplined focus on transforming their core business while also entering new markets and ecosystems. Only Digital Business Leaders are beginning to demonstrate such strategic ambidexterity—the ability to transform the core business and grow it in new, even unexpected, ways.

Without redefining their business model or breaking into new markets using digital innovation, too many health insurers surrender future growth potential for today’s gains. Considering that the pace and extent of industry disruption will only accelerate, this is a sacrifice they cannot afford to keep making.
Digital Business Leaders’ strong digital savvy, relative to peers, is paying off. Unlike Everyone Else, they have gained significant profitability associated with their digital investments. They even outperform Digital Leaders financially, largely thanks to a more targeted and systematic approach to executing their digital strategy. This is a departure from Digital Leaders’ tendency to invest in digital to preserve the core business without simultaneously expanding into new digitally contestable markets.

Digital Business Leaders’ digital acuity gives them staying power too. They are the only group of health insurers now positioned for consistent growth. According to Accenture analysis, while Digital Business Leaders have 8 percent higher three-year profitability, they have 44 percent better consistency of growth over five years compared to their peers (Figure 4).

FIGURE 4.
Digital Business Leaders have higher profitability and consistency of growth from digital

Source: Accenture research
Digital Business Leaders are using digital technology as an enabler and a driver of change. They do the yeoman’s work of exploiting the core businesses while growing into the “new.” They know that the alternative—exploiting the current—is too risky amid shorter product and business lifecycles, faster speed of market collapse, and the crowd of non-traditional competitors.

**How to Transform Talk Into Action**

Health insurers should embed digital into the growth strategy with intention, not on an ad-hoc basis. This is not about launching a consumer pillar or taking small steps in pockets in the organization. It is transformational thinking—and doing—supported by increasing resource allocation to the “new.” Leadership should emphasize and execute a sound digital strategy that focuses on uncovering and acting on new opportunities afforded by digital, both in streamlining operations and developing new markets.

Health insurers should use digital to unlock new revenue streams. This can mean digitizing the existing portfolio to enrich the value of a commoditized product. Or it can be developing new digital products and services for existing and new markets. Visionary health insurers are already launching complementary health technology and services businesses in areas like health management, analytics, digital content and platform services. These players have fluid boundaries between core and new businesses, embrace unconventional ecosystem partnerships, and make offensive moves to compete with start-ups hungry for market share.

Digital is vital to helping health insurers transform customer experiences by engaging and anticipating individual members’ needs—and delivering them cost-effectively at scale. To truly engage customers, health insurers must go beyond digitizing isolated customer touchpoints. They should create integrated customer experiences across channels, using analytics to understand and act on customer preferences. They need the agility to adjust and pivot ahead of customer expectations to distinguish themselves from competitors. Digital tools can also help health plans improve the security and transparency of customer transactions.

Cultural change should underpin all of these shifts. This means actively fostering a cultural fit with the digital agenda at all levels of the organization, from the top-down and from the bottom-up. Health insurers should be prepared to restructure their organizations to adapt to the digital agenda. Everything is fair game—from how the business operates to how funding and resources are allocated. Leadership will need the fortitude to make difficult choices and challenge entrenched beliefs about who does what, how and why within the organization.

Health insurers that want to improve digital and financial performance should model the behaviors of Digital Business Leaders from within and outside the industry. There are several fundamental shifts to be made:

- **Plan**: Health insurers should embed digital into the growth strategy with intention, not on an ad-hoc basis. This is transformational thinking—and doing—supported by increasing resource allocation to the “new.” Leadership should emphasize and execute a sound digital strategy that focuses on uncovering and acting on new opportunities afforded by digital, both in streamlining operations and developing new markets.

- **Launch**: Health insurers should use digital to unlock new revenue streams. This can mean digitizing the existing portfolio to enrich the value of a commoditized product. Or it can be developing new digital products and services for existing and new markets. Visionary health insurers are already launching complementary health technology and services businesses in areas like health management, analytics, digital content and platform services. These players have fluid boundaries between core and new businesses, embrace unconventional ecosystem partnerships, and make offensive moves to compete with start-ups hungry for market share.

- **Sell**: Digital is vital to helping health insurers transform customer experiences by engaging and anticipating individual members’ needs—and delivering them cost-effectively at scale. To truly engage customers, health insurers must go beyond digitizing isolated customer touchpoints. They should create integrated customer experiences across channels, using analytics to understand and act on customer preferences. They need the agility to adjust and pivot ahead of customer expectations to distinguish themselves from competitors. Digital tools can also help health plans improve the security and transparency of customer transactions.

- **Manage**: Cultural change should underpin all of these shifts. This means actively fostering a cultural fit with the digital agenda at all levels of the organization, from the top-down and from the bottom-up. Health insurers should be prepared to restructure their organizations to adapt to the digital agenda. Everything is fair game—from how the business operates to how funding and resources are allocated. Leadership will need the fortitude to make difficult choices and challenge entrenched beliefs about who does what, how and why within the organization.
It is old news that the health insurance industry is being disrupted by digital. But a news flash for many health insurance executives is that cautious responses to digital disruption are insufficient. The inclination to digitize core operations for competitiveness today through lower cost structures and leaner operating models is understandable. Health insurers face intense cost pressures and hyper-competitive markets. The reality is that these approaches leave value untapped. Value that is critical for improved performance over time.

Health plans can go beyond standard cost cutting or channel expansion and use digital capabilities to release trapped value in three ways:

1. **Improve the Business**
   Digital fuels new business efficiency, such as process enhancement, and value creation, such as speeding new product and service launches.

2. **Improve the Value Chain**
   Digital improves the value chain by enabling new platforms and extended ecosystems, allowing for new ways of operating at lower cost.

3. **Redefine the Value Chain**
   Digital brings newfound agility to anticipate and act on wholly new value chain alternatives and partnerships that blur roles and boundaries.

The healthcare insurance industry is only just beginning to take full advantage of digital technologies to improve finance performance and competitiveness. Even health plan Digital Business Leaders are laggards compared to other industries. It was not so long ago that insurers could squeak by on the status quo, growing membership from portfolio reallocation into expanding Medicare or Medicaid businesses. Times are changing. If health insurers do not transform their digital talk into sustained digital action, they will run out of runway on growth and diversification in the core business—sooner than many C-suite leaders think.
ABOUT THE RESEARCH

Financial performance was measured with the Accenture High Performance Business framework. Under each of five components, companies are scored and graded based on their industry peer group position, along a normal distribution. Digital performance was measured with the Accenture Digital Performance Index (DPI), a cross-industry assessment framework developed by Accenture. It is based on a comprehensive review of publicly available information contained in investor materials (annual reports, financial filings, presentations, etc.), articles, interviews and corporate websites, to check for evidence of digital enablement in specific activities and metrics within each of four business dimensions: Plan, launch sell, manage. Forty-two further business activities and 117 detailed behavior metrics are also evaluated to support the DPI framework. A scale of one to four was used to rate company performance on each activity. A score of four indicates very strong evidence was found, while a score of one indicates no evidence was found.

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