

A large, stylized blue chevron graphic pointing to the right, positioned behind the text "High performance. Delivered."

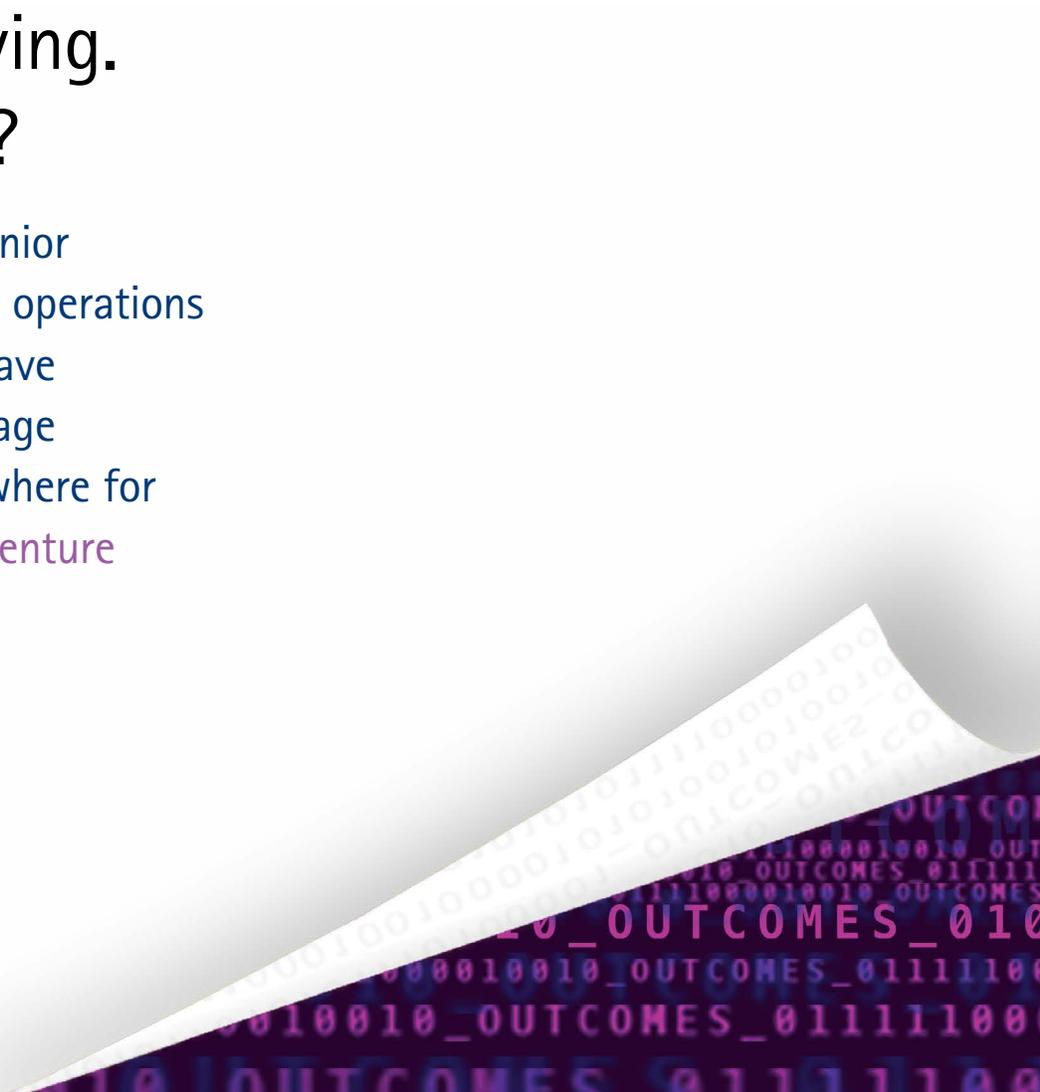
High performance. Delivered.

## Insight Driven Health

# Labor Arbitrage in Healthcare is Dying. So What's Next?

Seventy-two percent of senior healthcare/pharmaceutical operations executives say that they have exhausted the labor arbitrage model and must look elsewhere for value, according to an [Accenture and HfS Research survey](#).<sup>1</sup>

<sup>1</sup>Phil Fersht and Barbra Sheridan McGann, HfS Research, Beware of the Smoke: Your Platform is Burning, July 2015.

A decorative graphic at the bottom right of the page. It features a white, curled-up corner of a page that reveals a background of binary code (0s and 1s) and the word "OUTCOMES" repeated in a stylized, glowing font.



## Payers must take bold steps

Large national payers have long relied on labor arbitrage models to reduce operating costs and worked with traditional outsourcing providers to improve processes. While payers have lowered cost profiles with these methods, they must do more to improve business results.

Many factors—such as the Affordable Care Act, healthcare consumerism and digital technology—are rapidly transforming healthcare. Survival is about more than driving out costs. It demands a whole new way of doing business, supported by agile business operations.

Payers have historically used sourcing primarily to leverage labor arbitrage. Now they must switch gears to a new partnership model of consumption-based, innovative and flexible arrangements. Payers will need to rethink how they select partners to help them with the short-term goal of cost take out **and** long-term plans to adapt to digital technology, new reimbursement models, and the migration from lower cost labor to outcomes-based labor.

Robotic process automation (RPA), analytics and As-a-Service are connected and complementary elements that can deliver progressive levels of business value. They can reduce cost structure and transform parts of the business that labor arbitrage cannot touch, adding greater value to the sourcing model.



## Automation: Where humans and machines meet

Automation removes the human element from manual, repetitive and predictable process work to increase productivity. It also introduces learning into processes to predict transaction results, providing more insight into business outcomes.

Automation optimizes productivity, using a spectrum of technologies—from simple automation (or minibots) and RPA to virtual assistants and artificial intelligence/cognitive computing. By automating repetitive tasks, payers can standardize and speed up processes while refocusing staff for tasks that add value, deliver insight and enhance business outcomes.

Accenture experience shows that automation can increase productivity and quality from 10 to 50 percent, delivering direct cost savings. One automation tool improved the quote-to-card process—reducing processing and turnaround time by at least 20 percent. The payer reduced costs and serviced new members more quickly; and members received coverage faster.

Automation provides end customers with improved and timely service and predictable results, which can increase loyalty and market share for payers. The type of contractual arrangement between payers and service providers may dictate how automation is implemented and how benefits are realized. Payers will ultimately benefit from service provider relationships that encourage deployment of automation to achieve better outcomes. For example, payers will enjoy lower labor costs and higher efficiency from a service provider relationship that rewards processing more transactions per hour with greater accuracy.

Automation has yet to fully take off with payers for a variety of reasons. In fact, across all industries, [HfS Research reports that just 11 percent of enterprise buyers have direct experience with robotic process automation.](#)<sup>2</sup> This reveals what an emerging growth area it still is, despite heavy investment on the part of service providers.

Why the slow adoption? Automation can mean interfacing with legacy systems, which requires collaboration with IT. Introducing new interfaces or feeds into already burdened and inefficient systems is a common road block. What's more, contracts created for low-cost labor do not allow for automation or allow only for a one-sided benefit. The habit of status-quo ways of working has also inhibited payers and providers from processing transactions in new ways.



## Analytics: Toward more intelligent operations

Payers are hungry to understand how to use their data better to drive out costs, improve compliance and quality, and increase market share. Automation offers a new approach to analytics. It provides higher quality, digitized data for enhanced analysis of payers' business. This can inform continuous process improvement and large-scale change.

Put simply, access to better operations data for analysis means better insights, which payers need to manage their business. Case in point: 44 percent of healthcare and pharmaceutical survey respondents say they plan to invest in analytics within the next 24 months to reach their operations' objectives, according to the Accenture and HfS survey.

Data insight from workforce, predictive and transaction analytics can help payers drive business outcomes by uncovering opportunities for improvement. Payers can experience a lift in administrative functions, enhancing transactional quality and costs, creating process efficiencies and reducing medical cost leakage from waste, fraud, abuse and errors.

In addition to administrative transaction processing, payers and their sourcing vendors are using analytics to improve insight into more back office functions than ever before. Traditionally, analytics focused on volumes of work received in enrollment, claims or the call centers. Output of people was measured and small step-change productivity was improved. It was more analysis than analytics.

Payers and their service provider partners are using analytics in areas such as care management and clinical reviews to do more than reduce administrative costs. Analytics tools provide insight to reduce medical costs and identify other opportunities to lower costs or grow revenues. For example, an analytics tool can create and prioritize a standardized clinical review list. Using this tool, health plans typically realize 15 to 40 percent in administrative cost savings and up to 15 percent in medical cost savings based on Accenture experience.

<sup>2</sup>Horses for Sources, How Robotic Process Automation has Become a Right Dog's Breakfast, September 3, 2015.



## As-a-Service: The next level of business value

The game changer is As-a-Service, the next level of business value. While automation standardizes and digitizes processes, and analytics provide visibility into them, As-a-Service moves the focus to flexible, consumption-based models purely focused on outcomes.

Think of the As-a-Service model as the next step in payer transformation that allows for a flexible, adaptable business model. Technology, data, analytics and talent combine to deliver value through on-demand, highly-scalable, plug-and-play services that eliminate complexity and manual processes. Work is transitioned in hours, not weeks. It is about driving results, not filling seats to process transactions. Relationships move from paying for people to paying for outcomes—a longstanding desire for most payers that has been challenging to define.

Growth at payers in new markets such as Medicare and Individual has allowed some payers to dabble in As-a-Service models. As payers have introduced new lines of business, they have developed turnkey relationships using new technologies and partners to support them, managing these arrangements separately and distinctly from their legacy business. This has improved speed to market with minimal capital investment thanks to the cloud, and a focus on distinct metrics around cost per member and quality of service.

As payers see the benefit of As-a-Service for new lines of business, they are likely to expand their use of As-a-Service models over time. Eighty-four percent of healthcare and pharmaceutical survey respondents believe that their core enterprise processes will be delivered As-a-Service within the next five years—or sooner, according to the Accenture and HfS survey. This is second only to entertainment, media, and high tech respondents in projected speed of transformation.



## Adapt to thrive— and survive

Payers risk their very survival if they do not make bold moves now to modernize to stay relevant to consumers. This demands more than labor arbitrage in healthcare. Only payers that embrace the next wave in managing operations outcomes—the triple play of automation, analytics and As-a-Service—can survive and thrive.

Figure 1: The Attraction to As-a-Service: Top 3 Drivers for Healthcare/Pharmaceutical Executives

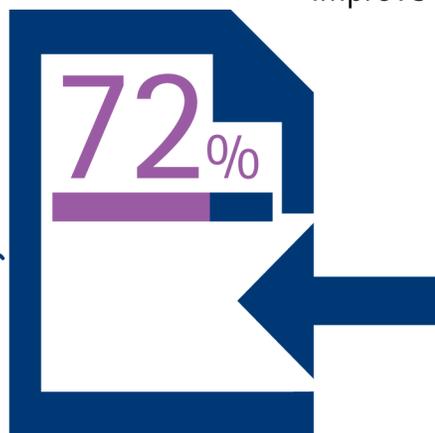
## What are the most significant drivers in your move to the “As-a-Service Economy”?



Reducing the overall cost of process delivery



Access better data to improve our business



No more value to be found in the current sourcing model

Source: HfS Research, The Eight Ideals of the As-a-Service Economy

## For more information:

### Robert Murphy

robert.j.murphy@accenture.com

### Theresa Gaffney

theresa.m.gaffney@accenture.com

## Follow us on Twitter:

 @AccentureHealth

## Methodology

In May 2015, HFS Research, with input from Accenture Operations, surveyed 716 enterprise service buyers, advisors and service provider executives, including 129 in healthcare/ pharmaceutical, to understand how they perceive the importance of As-a-Service, how much progress their organizations are making to achieve As-a-Service, and their priorities for partnerships and investments.

## About Accenture Insight Driven Health

Insight driven health is the foundation of more effective, efficient and affordable healthcare. That's why the world's leading healthcare providers and health plans choose Accenture for a wide range of insight driven health services that help them use knowledge in new ways—from the back office to the doctor's office. Our committed professionals combine real-world experience, business and clinical insights and innovative technologies to deliver the power of insight driven health. For more information, visit: [www.accenture.com/insightdrivenhealth](http://www.accenture.com/insightdrivenhealth).

## About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world's largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 373,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at [accenture.com](http://accenture.com).

Copyright © 2015 Accenture  
All rights reserved.

Accenture, its logo, and  
High Performance Delivered  
are trademarks of Accenture.

