

# HEALTH PLANS ON THE BRINK OF TECHNOLOGY ANARCHY

**Accenture research reveals  
a deepening divide between  
technology haves and  
have-nots**



**Healthcare continues to be an industry ripe for disruption. Integrated technology holds the promise to shift power to the companies that can extract information and generate insights to inform actions. However, health plans tend to be on one side or the other of disruption—the “haves” and “have-nots.” As part of Accenture’s Payer CEO research program, we spoke with <sup>30+</sup> health plan chief executive officers (CEOs) to learn how payers are designing their innovation investment strategies to deliver on their technology priorities and support business objectives.**

According to Accenture’s research, some CEOs are simply more attuned to embracing radical change to stay ahead and help combat competitive and market forces. The CEO of a leading multi-line healthcare enterprise said, “We are a technology company,” as he explained the business’s new strategy. These types of payers—the haves—are using data to get clarity on when a member becomes a patient, are more agile in responding to patient needs and are sharpening their ability to address the total cost of care.

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**“PAYERS NEED TO FOCUS ON HUMAN-CENTERED INNOVATION – SPANS OF SERVICES, PRODUCTS AND TECHNOLOGIES NEED TO BE BUILT AROUND THE MEMBER.”**

**– HEALTH PLAN CEO**

The have-nots are struggling to define their technology strategy due to the complexities of new technologies, tools and devices, while continuing to manage legacy platforms. These CEOs think disruption is a given, but the outcomes are unclear. One respondent noted, “Technology innovation in healthcare is harder than people think. We have limited capital and who’s to say what will actually work? Our tolerance for failure is low.”<sup>1</sup>

Payer inequality across investment capital, risk tolerance and tech-savvy creates a distinct advantage for organizations that harness

the power of technology. Some CEOs are “driving digital disruption and risk-taking into their DNA.”<sup>2</sup> One CEO said, “Analytics help us manage populations directly, preventing disintermediation from providers, creating improved sales and marketability, and enhanced services.”<sup>3</sup> Another CEO explained, “Our evolution to the future is dependent on our investments and technological trials. Payers will need to use all their data to successfully compete, innovate and engage with consumers.”<sup>4</sup>

<sup>1</sup> Accenture 2016 Payer CEO Survey

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*

# HAVES VS. HAVE-NOTS: A GROWING DIVIDE

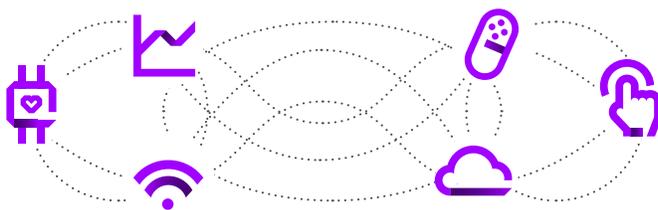
Health plans unable to build an integrated technology capability typically juggle multiple legacy platforms, use bolt-on data solutions and buy “shiny objects” to potentially delight digital consumers. CEOs without a technology integration strategy aligned to business priorities are pursuing everything from infrastructure upgrades, to big data analytic capabilities, to buying startups to catalyze innovation. Such measures fail to address the growing technology and innovation gaps between the **haves** and **have-nots**.

Innovating (and getting the funds to innovate) continues to be a major challenge. Quite a few payers are looking to venture arms and partnerships for their innovation and digital investments. Others just continue to invest in upgrading old systems, rather than having a technology strategy aligned with their business strategy. For example, two regional health plans are at very different positions on their technology journey. One has successfully simplified its core technology platform, going from

multiple disparate systems to a single unified solution. The company aligned its technology strategy to key business priorities, such as focusing on consumer experience, enhancing personalized interactions and digitizing broker networks. The other health plan struggled to manage a timely migration schedule, as its technology platform strategy was not fully grounded in a set of well-defined business priorities and a North Star that addressed their corporate strategy. (See Figure 1.)

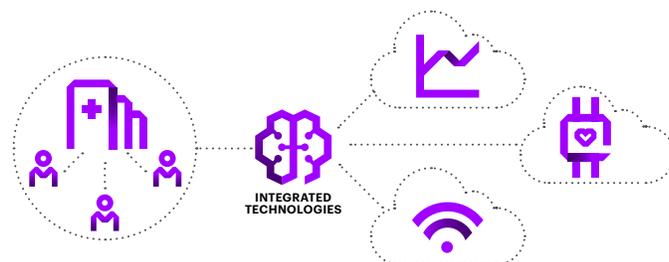
**FIGURE 1** Technologies creating health plan disparities

## ACTIVITIES OF THE HAVE-NOTS



- Forced spend on legacy solutions
- Shiny object mindset
- Makeshift and internal builds
- Postmortem analysis
- Data used to solve issues

## CAPABILITIES OF THE HAVES



- Simplified consumer experiences
- Intelligent process automation
- Delivery of instant gratification
- Targeted sales and market analytics
- Data that drives behavioral change

Source: Accenture 2016 Payer CEO Survey

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**“TECHNOLOGY NOT ONLY REQUIRES  
STARTUP CAPITAL, BUT SUSTAINED  
INVESTMENTS THAT INCLUDE TALENT,  
CULTURE AND THE ORGANIZATION.”**

**– HEALTH PLAN CEO**

## **WHO IS MAKING THE RIGHT MOVES?**

**While the majority of CEOs view technology as critical to their company’s long-term survival, only a few market-making health plans have effectively balanced innovation risk profiles, capital constraints and organizational talent gaps to sustain their commitment to technological innovation.**

Potential innovation models vary in degrees of risk tolerance and capital investment needs. (See Figure 2.) While the haves are better positioned to make large investments, many leading CEOs said they use “smart bets” to personalize these innovation investment models and plan their technology journey.

**FIGURE 2** Health plans use varied innovation strategies to combat technology inequalities

	 <b>INTERNAL 'SKUNK WORKS' OPERATIONS</b>	 <b>EXTERNAL PARTNERSHIPS</b>	 <b>INDEPENDENT SUBSIDIARY</b>	 <b>AFFILIATED INVESTMENT ARM</b>	 <b>NEW ENTERPRISE LAUNCH</b>
<b>Investment Needed</b>	\$	\$-\$\$	\$\$-\$\$\$\$	\$\$\$	\$\$\$\$
<b>Keys to Success</b>	Mission of radical change	Data sharing and integration	Internal wall between entities	Targeted investment aligned to goals	Differentiated approach and delivery
<b>Common Pitfalls</b>	Fear of failure	Collaboration challenges	Governing conflicts	Misaligned value proposition	Limited transparency

Source: Accenture 2016 Payer CEO Survey

“Skunk works,” or internally grounded innovation, may be the easiest option for small- and medium-sized plans. For instance, these plans may train middle management on design thinking to prototype innovations that can be applied to the company’s day-to-day operations. Larger national plans can work differently to find innovation and fund investment. One large healthcare company purposely kept a newly acquired wellness-tech company separate from the parent, allowing the newly acquired organization to maintain the pace of an early stage company and escape any potential limitations of the parent.

[Aetna](#) has sought out innovation in the Accountable Care Organization (ACO) space through partnerships instead of internally or through a subsidiary. Through its partnership with Inova to create Innovation Health, [Aetna has been able to achieve a 13 percent reduction in medical costs and a 12 percent reduction in avoidable inpatient admissions.](#)<sup>5</sup> The partnership involved choosing the right provider partner, sharing extensive amounts of data and embedding nurse case managers. The sharing of data aspect highlights the key role of technology in this disruption. More data can mean more insights and more power for those that harness it.

On the regional side, multiple interviewees recognized the power of data sharing and partnership in remaining relevant in the market. Even if they are not able to partner at the same scale, simply recognizing the power of technology can help a plan pull ahead. For one regional CEO, “harnessing the power of big data and analytics is key to avoiding disintermediation.”<sup>6</sup> For this company in particular, that means partnering with larger plans and providers to create a vast data warehouse, enabling analytics to continue the direct and meaningful interactions with members.

External partnerships with nontraditional partners have become an appealing option for many regional health plans that want to strengthen their local footholds. For example, [Independence Blue Cross \(IBX\)](#) which serves southeastern Pennsylvania, along with Penn Medicine, invested in [DreamIt Health](#), the region’s first healthcare business accelerator. To keep pace with technology and innovation in the future, payers need to have either operating scale or investment scale—or they risk becoming irrelevant. As M&A becomes increasingly difficult due to government regulation, the only option will be investment

<sup>5</sup> Joszt, L., “Moving towards value-based care”, AJMC-Managed Markets Network, March 2017. <http://www.ajmc.com/conferences/amcp-2017/effectively-moving-toward-value-based-care>

<sup>6</sup> Accenture 2016 Payer CEO Survey.

scale. For larger payers, this means broadly investing in innovative technologies that will disrupt healthcare. For regional plans, it means targeting investment where innovation can be multiplied to fuel more disruption. Either way, as one CEO stated, “Technology will enable the change.”<sup>7</sup>

## MAKING INTEGRATED TECHNOLOGY A PRIORITY

**Today’s have-nots must aggressively pursue an innovation strategy that aligns to their market position. Many CEOs believe the path forward requires identifying the right external partnerships, incorporating digital disruption into the core business and increasing comfort with risk taking.**

Health plan CEOs surveyed reported the most valuable part of the innovation process is creating a culture of risk taking and personalizing their own technology integration strategy. According to one CEO, “There are lots of shiny objects. The question is, what do we need the shiny object for and how can we either use it in our system or adapt our system to fully create value from the investment?”<sup>8</sup> For example, a health plan in the Northeast specifically identifies early-stage technology companies with emerging capabilities aligned to the organization’s needs, and then either partners with them to become a client or make capital investments in the company for long-term gains.

Plans need to have a clear goal in mind for technology innovations. Understand the potential value of the tool, define a clear time horizon and fully appreciate what people, workflow and process changes are needed to maximize value. “It is the repeated exercise

of the innovation muscle that creates the ability for an organization to be agile and become rapid consumers of change,” said one interviewee.<sup>9</sup>

The [Independence Blue Cross Center for Health Care Innovation](#), created in 2014, is home to the company’s widening range of innovation initiatives, including its partnership with [Penn Medicine](#) and DreamIt Ventures. Since it launched in 2013, DreamIt has helped nearly 60 startup companies hone their go-to-market strategies and raise funding. Twenty-one of those companies are based in Philadelphia. To drive innovation in the payer space, health plans must have a strong idea, and equally strong execution. Insurance is a hard race to win, and lack of experience can make it harder, even with a disruptive idea.

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**“TECHNOLOGY WILL HELP PLANS TO LEAP FROG, AS WINNING PLANS WILL ADDRESS WELLNESS, AFFORDABILITY, RELATIONSHIPS AND CONNECTIVENESS.”**

**– HEALTH PLAN CEO**

<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*

# INTEGRATION OVER ANARCHY

Payer CEOs recognize the phenomenon of technology disruption—digital solutions are sweeping across industries and shifting massive economies. Now, technology and innovation are changing the full landscape of health services. But not every organization is able to harness the power of technology for themselves and their consumers. The resulting “paralysis gap” is creating an ecosystem of haves and have-nots. One CEO warns, “We simply must learn from other industries and dismiss the notion of healthcare being somehow protected by our parochial nature. Our own arrogance will be our downfall.”<sup>10</sup>

**To start this journey of aligning technology with business priorities, health plans will need to:**

## **DEVELOP THE STRATEGY.**

Health plans will need to evaluate and integrate technology and business priorities to develop the right personalized strategy for the enterprise. A sound strategy will unleash innovative technologies while successfully moving away from shiny new objects. While a variety of investment models can help accelerate the development of a robust technology strategy, ultimately, the right strategic decisions require research, analysis and a leadership team centered on innovation aligned with business objectives.

## **DE-EMPHASIZE HERITAGE IT SKILLS.**

Future business-driven technology demands new skill sets and capabilities for most health plans. Professionals such as data scientists and analytic strategists will become increasingly valuable while the roles of traditional IT and program managers will change. Successful companies will reskill their workforce to ensure they have the talent and knowledge necessary to deliver distinctive expertise across a set of different projects. They also will use rewards and recognition to motivate and inspire people to continue to deliver on the business strategy.

## **INVEST WISELY.**

To complement their new talent strategy, payers should invest in targeted technologies that enable them to have better insights to inform better decisions. This can bend the medical cost curve once mature and fully implemented.

With disruption cutting so deeply and broadly in the payer space, sitting on the sidelines is not a viable option. Change takes courage, discipline and determination, but it is the only way to successfully close the gap between the haves and have-nots.

<sup>10</sup> *Ibid.*

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## ABOUT THE 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 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.

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