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Driving health care
modernization
Insights to guide
your journey

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Executive summary

Modernization. It's been both an overused term and underutilized strategy over the past five years in the health care industry. More a reactionary approach than part of an organization's DNA, modernization has often focused on rationalization and incremental technology upgrades versus digital and business transformation. This is a familiar reality in the health care industry, where plans and providers' capabilities often lag customer expectations for accessible and easy-to-use digital services. In the Change Healthcare-Harris Poll 2020 Consumer Experience Index, the vast majority of respondents said they want better, clearer, easier communications via more modern platforms and digital experiences that allow them to comparison-shop like they do for many other services—yet two-thirds of those same respondents said every step of the health care process is a chore.¹

The reality of the past few months (as the industry has wrestled with the global COVID-19 pandemic) has revealed that radical transformation of health care is not just imminent; it is upon us. As CEOs and CIOs across health care continue to grapple with the unique constraints of this hour, they are realizing these challenges are an opportunity to transform their organizations and the industry. Virtually delivered telehealth visits have seen a steep rise that is expected to continue, creating a new modality of care. According to Frost & Sullivan, the telehealth market in the United States is predicted to see a year-over-year increase in growth of 64.3% in 2020—and sevenfold growth by 2025.² Not surprisingly, the stocks of telehealth companies have skyrocketed as a result.

Digital triage and virtual care have the potential to drive radical market change and a sustained recovery of the industry and the economy. Research shows that a patient using telehealth versus in-office visits for nonemergent situations results in an average savings of \$125 in the ecosystem by helping providers and payers significantly reduce SG&A overhead while also saving valuable time for all parties involved.³ This time and money saved can be reinvested to shape the future of health and address what matters most—the physical and mental well-being of patients.

This market scan report shares the experiences and learnings from some of our health plan clients who have successfully undertaken modernization journeys with us over the past few years. We have parlayed these insights into forward-thinking principles that may help other organizations embrace necessary transformation and execute them successfully.

Building the future of health

What will the health care technology ecosystem of the future look like? How will it operate? And what can plans and providers do to be part of advancing it?

Ecosystems in the future of health would be more effective if they are digital-first, customer experience-led, and highly interoperable to unlock the potential of uber-collaboration.

An experience-led design puts consumer needs first, while radical interoperability will lead to a rich data supply chain (which, in turn, will lead to insights that drive informed decisions), and a digital-first approach will deliver highly interconnected, extensible systems.

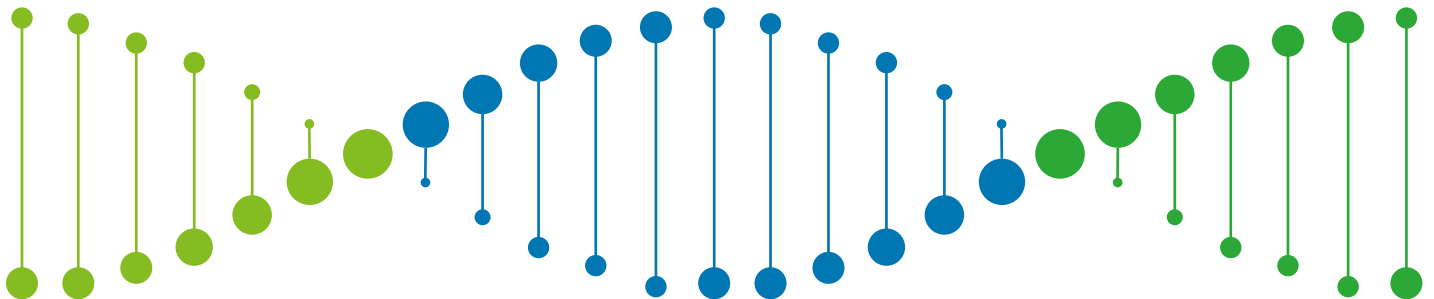
For plans and providers, choosing the right problems to solve at the right time to solve them, with the end consumer in mind, is essential in driving a winning business strategy.

To that end, modernization programs need to focus on product innovation, agility to market, and consumer-centric digitization to satisfy the needs of today and the future.

Finally, the impact of these programs will depend on the ability of organizations to develop a visionary road map built on a robust business case that incentivizes success and build a lean, rightskilled organization that supports it.

Key drivers of modernization and transformation programs

Our research shows that health plans continue to push against the preexisting boundaries between plans, providers, and consumers (and their unique perspectives, circumstances, complexities, and challenges) by enabling them to interact in real time and at all points along the consumer well-care journey. Their transformational initiatives are driven by the following forces:



Health care product innovation

In our experience, plans stand to benefit significantly from looking under the hood and innovating the engine of health care insurance. Simplified, standardized, and modular product offerings (which provide consumers increased transparency and personalization, reduced cost of care, improved care delivery and outcomes, and increased maintainability) are gaining relevance at an accelerating pace.

Market agility and interoperability

Successful plans have shown an urgency to:

- Democratize and harness the power of health care data through interoperability and advanced artificial intelligence and machine learning capabilities;
- Derive direct and indirect implications from evolving care models; and
- Facilitate continued innovation across the care continuum.

Consumer engagement and experience

The age of digital transformation has given rise to the age of the consumer. With the convergence of consumer trends in the health care industry, plans and providers are scrambling to cater to consumers that are increasingly conscious and demanding of the care journey, not just care outcomes. The prevalence of higher-deductible plans is inciting an active interest in cost of care, and a data-driven approach to health care decision-making. To thrive, health care organizations have to learn to converge around the consumer.

The road to modernization

Complex transformations do not happen as single, point-in-time events. Rather, they are journeys consisting of a series of carefully planned, incremental steps. Each advance builds upon the previous one, and the journey must continually adjust to internal and external influences over time. Our experience helping organizations with the planning and execution of their modernization strategies has revealed four essential pillars in this journey:



System and business consolidation, particularly in the wake of mergers and/or acquisitions, to reduce inefficiencies and create opportunities for innovation

Cloud-enabled solutions for exponential scaling and rapid integration

A consumer-centric approach to digital transformation of the organization

Diversification of capabilities, products, and insights through augmented reality, virtual reality, facial recognition, and cognitive technology

Key factors in a successful journey

As we've learned in our modernization work with plans and providers, the success of these journeys is rooted in a set of key enabling factors.



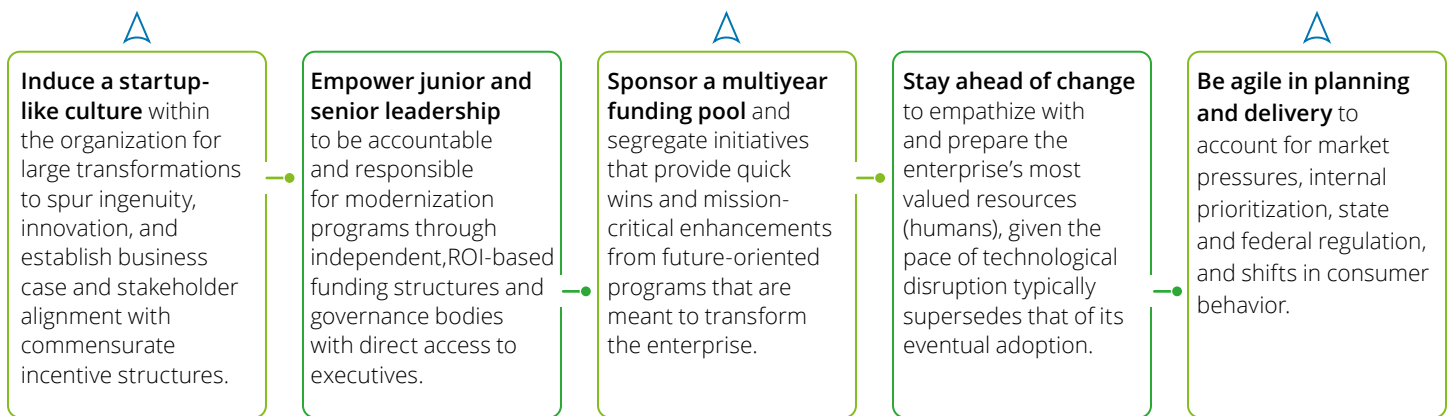
Transformation tip: *The program should be born out of leaders pursuing ideas and building business plans to receive executive sponsorship. Establishing alignment of objectives, stakeholders, and expected ROI should be a precursor rather than an afterthought.*



Transformation tip: *Allowing modernization programs to have the necessary independence, void of current-state prejudices and bias, increases the likelihood of their success.*



Transformation tip: *Start slow and continually pressure-test the program to make sure stakeholders remain committed to the end vision and that the business case and ROI remain intact before accelerating forward.*



Induce a startup-like culture within the organization for large transformations to spur ingenuity, innovation, and establish business case and stakeholder alignment with commensurate incentive structures.

Empower junior and senior leadership to be accountable and responsible for modernization programs through independent, ROI-based funding structures and governance bodies with direct access to executives.

Sponsor a multiyear funding pool and segregate initiatives that provide quick wins and mission-critical enhancements from future-oriented programs that are meant to transform the enterprise.

Stay ahead of change to empathize with and prepare the enterprise's most valued resources (humans), given the pace of technological disruption typically supersedes that of its eventual adoption.

Be agile in planning and delivery to account for market pressures, internal prioritization, state and federal regulation, and shifts in consumer behavior.



Transformation tip: *It is critical for leaders on the ground to feel empowered with a sense of ownership toward the program and have access to information from executives so they can make decisions for the program in the context of the organization as a whole.*



Transformation tip: *Change management and a mind and culture shift begins before the inception of the program, allowing "people" in the organization to organically coalesce with the rapidly changing "process" and "technology."*

Lessons learned from transformation success stories

✔ Set an achievable business case

Successful programs set an **achievable business case** that factors in near-term wins, scalability for the future, and extensibility for forward-looking capabilities. An achievable business case usually indexes on an annualized SG&A reduction to **deliver continuous value** and **balance expectations** with **delivery risks**.

The business case must be focused on unlocking exponential growth potential as opposed to incremental wins. For example, reimagining how products and plans are designed and configured into system-consumable benefits could result in immediate SG&A reduction (reusable components, rules-engine framework) and sustainable top-line growth (designing and selling more profitable products).

✔ Define a North Star with a nimble delivery model

Modernization programs are more likely to be successful with a strong executive sponsor who can define and set a clear **North Star** and facilitate alignment across key stakeholders. Program scope, delivery model, and timelines need to be **flexible and responsive** to changes in the enterprise, technology landscape, and business realities. For example, emerging market opportunities may outweigh preplanned capability releases and require replanning to better handle change management and delivery risk. While a desire to stay true to the original scope is critical, successful programs have

also found the right way to **balance it with agility** keeping the focus on enterprise value generation. It's important to note that being agile cannot be a future aspiration achieved in phases; the organization, as a whole, has to embrace the methodology and adopt its ways in order to transform.

✔ Spend enough to justify spending at all

Our experience tells us large-scale health care modernization programs require **commensurate spend** to ensure consistent and meaningful returns year over year while mitigating impacts on core business functions. Incremental spend often results in **suboptimal interim states** (e.g., multiple applications performing the same function, nonstandard operational workflows, or disjointed market capabilities) and rarely delivers on the promise of true digital transformation, while overspending doesn't guarantee the **right return on investment** (e.g., investing in technology upgrades before addressing gaps in the business model and processes they enable). Co-owned core solutions have lower perceived technical debt. At the same time, caps put on key investments have often led to conflicting objectives and outcomes.

✔ Invest future-forward

We are seeing health plans spending **significant portions of their SG&A** on modernization programs, yet barely **moving the needle on digital transformation** (such as cloud enablement and experience-driven platform design). This is due to residual work they need to complete on platform rationalization and legacy technology upgrades and, in our opinion, indicative of a **lagging digital maturity** across health plans. Following through on digitization and not stopping at system rationalization and legacy modernization has yielded the most return on investments made.

*Domains: Claims, enrollment, billing, commissions, membership, provider, finance, benefits and product, customer service, and sales.

Contact us

Learn more about how Deloitte's Health Care practice can help you start and succeed in your modernization journey.



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