

## Health Plan Business Model and Operations Excellence

### Positioning for the uncertain world of health care reform

Health plan leaders are facing enormous challenges – and many hard choices. They must find new ways to maintain positive margins while anticipating how health care reform and mandates will impact their products and markets, competitive position and business model. As part of this, they are addressing the Patient Protection and Affordable Care Act (PPACA), the reconciliation law, HIPAA 5010, ICD-10, Administrative Simplification and state exchanges. With many reform questions still unanswered, those who wait to start work may risk noncompliance – or may lose strategic advantage to competitors with more agility and foresight.

#### Are you ready?

Forward-thinking executives are creating new strategies to grow and diversify health plan revenue in new or expanded markets. They are rethinking how they can serve their customers, offer new products, reduce costs and improve efficiencies while complying with new mandates that increase their accountabilities. For them, mere compliance may not be enough as they look for ways to innovate and expand pockets of opportunity.

#### How we can help

Many leading health plans and health care organizations choose Deloitte because of our deep understanding of their sectors, market forces and the reform legislation shaping their strategies and operating models. We support our health plan clients by helping them tackle these areas:

- **Business model strategy.** Help create organizational strategies for addressing potential reform and market shift scenarios; identify opportunities for sustainable revenue growth; explore ways to reduce costs and improve efficiencies while improving service quality.
- **Core administration efficiency.** Help improve customer approval and lower costs through more efficient billing, claims and customer service processes and technology;

improve performance management and reporting; create flexible administrative solutions that allow the organization to more effectively respond to future changes and opportunities.

- **Medical management.** Help improve care delivery by creating incentives for providers and members that reward medical costs containment while improving health outcomes; develop solutions that provide clear, timely and correct patient information to providers, care managers and individuals; engage providers and members in providing the right level of care at the right time.

#### Bottom-line benefits

We help our clients generate benefits such as:

- Flexibility to address future business needs and evolving customer requirements
- Enhanced competitive position
- Compliance with health care reform
- Reduction of operational inefficiencies
- Reduction of administrative costs by 5% to 10%
- Reduction of medical costs by 1% to 5%



### Five ways to get more value now

**Take a step back.** Question basic assumptions about your value proposition in the wake of health reform. Then adapt, working to turn the tables to your advantage. Start by identifying the choices you have to make. Then take inventory of the capabilities needed to navigate the challenges ahead. Sequence the order and importance of those changes. Now, check again to make sure you have addressed escalating costs, more demanding consumers, heightened competition and new technology and business models.

**Turn your costs inside out.** Whether you're looking at a public option, an exchange or commercial offerings – do you have the required information to know how your administrative costs stack up? Payments to providers, enrollee services, marketing, quality measurement, medical management and regulatory compliance are fair game.

**Evolve the core.** Evaluate changes in core administration and systems. Have you moved beyond efficient claims adjudication and transaction processing? Are you demanding new capabilities such as medical quality assurance, sophisticated membership accounting and integrated pricing and underwriting? Do you have the advanced technology to support business intelligence, predictive modeling, integrated health management, advanced imaging and ancillary services, to name a few? Can you enable consumer-directed products and individual markets, customized benefit packages for large group purchasers and other changes driven by reform?

**Reevaluate the 80/20 rule.** Are your medical management resources still focused on the 20% of members driving most medical costs? Consider using new information sources like inbound calls and consumer data to support detailed member segmentation. Tailor interventions – such as enhanced member services, health coaching and clinically specialized programs – to help increase member engagement. And build a personalized health record to support their benefit and educational needs.

**Prepare for Medical Loss Ratios (MLRs).** What is the impact of MLR mandated minimum thresholds on your plan design, plan pricing, administration, network contracting, health management and profits? Take stock of your medical cost and care management strategies. Re-evaluate your book of business and markets to determine where you can maintain MLR minimums.

### Health Plan Business Model and Operations Excellence in action

- In response to the PPACA a large national health plan reexamined its compliance and profitability. Deloitte helped them to implement Early Effective Reform provisions, and to plan for longer term strategic opportunities in Medicare, Medicaid, exchanges, systems and operations, product/pricing/underwriting, insurance regulation and reporting, provider networks and payments and sales and broker strategy. Deloitte provided the client with the resources needed for a strategic roadmap; information to develop an understanding of the specific PPACA provisions impacting them; a model of potential moves in their membership base, and a medical loss ratio model.
- A coalition of health insurers, hospitals and employer groups wanted to curb rising health care costs in their state. Deloitte was tapped to help them reduce administrative complexity, attain comparative cost effectiveness and address the use of expensive and new disease treatments before their results were demonstrated. Based on a current state assessment, the client decided to take steps to streamline eligibility verification as their first area for results.
- An independent state agency that helps its residents find health insurance coverage launched a new health insurance product. Because the product was developed so fast, processes were not fully documented or well integrated with the existing organization. Deloitte helped identify process improvements for front-end operations such as employer group setup and employee enrollment, plus online and call center experiences. Product development and risk management issues were also covered.

### Related insights

- [Choices and Capabilities for Health Plans: Are you ready for reform?](#)
- [Six Months \(and counting\) of Health Reform: Lessons learned for health plans](#)
- [Health Care Reform: Patient protection, affordable care act and implications for health plans](#)
- [Strategic Flexibility for the Health Plan Industry: The next move for growth & innovation in an uncertain market](#)
- [Administrative Costs on Health Plans: A systematic review of current studies](#)

- [Medical Management: Competitive differentiation in an era of health plan commoditization](#)
- [Disease Management: A changing landscape calls for innovation in commercial health plans](#)
- [Medicaid Medical Management: A potential savings for states facing a budget crunch](#)

#### Related offerings

- [Acquisition Strategy and Due Diligence](#)
- [Corporate and Business Unit Strategy](#)
- [Customer Transformation](#)
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#### For more information

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