Everest Group

Health Insurance Mobility

Myriad B2B and B2C Opportunities for Payers throughout the Value Chain

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Introduction

In the past several months, mobility in the health insurance industry has received unprecedented levels of attention. All major IT service providers have expanded their service offerings to include a number of specialized initiatives on mobility enablement, a myriad of high-tech startups have rushed to capitalize on the expected spike in spending, and everybody in the industry is talking about it. How much of all this is just hype and what is the actual potential of mobility in the health insurance vertical?

Before we start talking about specific opportunities for mobile solutions, let's agree on several basic elements. First, advancement of mobility is not a self-serving goal. In the predominantly for-profit healthcare payer industry, which already experiences huge cost containment pressure from increased regulation and the troubled economic conditions, there must be clearly identified benefits that justify potentially multi-million dollar investments in mobile solutions. Second, the drivers for mobility adoption often differ for business to business (B2B) and business to consumer (B2C). B2B applications are primarily focused on efficiency, while B2C is more diverse, with focuses on improving efficiency, profitability, health, and membership growth. The B2B benefits are direct, while the B2C benefits are somewhat longer term and thus more dependent on building brand loyalty.

B2B Mobility

While the natural inclination is to first view mobility through a B2C lens, those processes that are predominantly B2B can provide substantial increased operational efficiency returns. Examples of such mobility use include distributed data operations, real-time alerts, automated data capture/exchange and up-to-date information provision to mobile workforces.

Since the processes within the healthcare payer value chain differ in terms of criticality, value-creating ability, level of individual consumption, and mobility-driven potential for internal operational improvements, let's look at each process separately.

Product development includes not only actual product development, but also product mix management, competitive analysis, and customer segment analytics. In a B2B context, mobility can be a valuable product enhancement, especially for those employers who are eager to use the wellness attributes of mobility (detailed in the B2C section below) along with innovative measurement and positive and negative incentives to compel employees to improve wellness metrics (body mass index, blood pressure and glucose levels, etc). Mobility here also helps provide an additional data stream to better target plan offerings. Plan administrators may see value in broad analyses of how their employees utilize the various aspects of mobility (e.g., wellness, provider selection, payments, scheduling, and compliance). Since this utilization can ultimately reduce costs and/or improve health, employers will likely encourage or even incentivize their workers to embrace mobility. Structuring an impactful tool can easily become a source of competitive advantage for those payers that do it properly and/or ahead of the competition.

The next value chain activity, **network management**, includes not only initial selection of in-network providers, negotiation of rates, and tracking of performance, but also pre-approval of procedures and benefits. Payers benefit in multiple ways, and some in-network providers may even support payer mobile investment/promotion efforts to help capture this additional patient flow.

Let's now jump to **medical claims processing**, the foundational industry function that accounts for roughly 80 percent of the industry cost structure, which is inherently B2B since its core processes – from primary claims initiation to adjudication – and their supporting activities – from fraud detection to litigation – involve payers and providers of healthcare services. While mobile data entry and bar code automation will primarily benefit providers in efficient patient-side entry, the right built-in error changes and validations could reduce errors and need for special handling/adjudication at the payer end. This provider-side benefit should help drive out the remaining remnants of costly paper-intensive processes.

Even the more consumer-focused payer processes can achieve significant B2B benefits from mobility:

Sales process as a value chain activity for healthcare payers presents clearly measurable potential since any mobility investment in this area will directly relate to incremental revenue. Mobility can have direct benefits in wholesale sales through real-time, content-rich access to client information, free-ranging live-data scenarios, and mobile demonstrations of the impactful mobile applications and tools both for employers and their employees. While it is predominantly a dollars and cents game at the employer level, the customer experience and health enablement, which can both be enhanced through mobility (see the B2C section below), do factor in payer/plan selection.

While sales today is primarily a wholesale process, the Obama administration's Affordable Care Act will expand it to a hybrid model with quite a substantial retail component. While Everest Group does not expect purchaser growth to be as high as some aggressive forecasts, the retail market does present an attractive new revenue stream to pursue. We'll explore the numerous B2C initiatives later in this paper, but it's important to note here that empowering payers' retail sales forces/brokers with the content rich mobile tools described above will boost their impact and accelerate closing sales. Each payer's appetite for investing in sales-enabling mobility solutions will be defined by its overall strategy and positioning. But as the top industry players will inevitably chase both the enterprise and retail segments, they will have to develop these capabilities just to maintain their market share.

Finally, **wellness and care management** is the most intriguing area for mobility advancement. While it is inherently B2C, there are some interesting B2B opportunities. Driving active linkages to wellness partners could drive B2B cross-funding and even revenue flows for payers. Using mobile-enabled remote sensors can facilitate care delivery in lower cost non-hospital and extended care facilities, and even less costly home care management. These savings clearly benefit payers' bottom lines, while potentially improving the member experience.

B2C Mobility

Focusing now on the B2C segment, mobility will accelerate the emerging consumerization of healthcare. Payers that position themselves to extend mobility advantages to consumers will boost growth and profitability. Profitability will come from the efficiencies of direct mobile solutions, as well as the longer-term improvements in member health and wellness. Payers that do this in uniquely advantaged ways will bind consumers to their offerings and reduce churn, which will be especially important as the Affordable Care Act increases the breadth of the buyer base. In addition, highly mobile-ready solutions are more likely to attract demographic segments that tend to be less costly (e.g., younger, more educated).

As we did with B2B mobility opportunities, let's look at each process in the B2C healthcare value chain separately, starting with three industry processes in which the consumerism driver is not typically thought of as paramount.

In **product development** – which, as explained above includes not only actual product development, but also product mix management, competitive analysis, and customer segment analytics – developing cost-effective and consumer-appealing products is pivotal as the Affordable Care Act expands individual consumer purchasing of health insurance. Brand image becomes even more vital when individuals are making the buy decisions on more than just dollars and cents. Differentiated mobile solutions can draw in more consumers (potentially lower cost demographics for payers) who seek the convenience and empowerment of mobility. In addition, there is a crossover "halo-effect" that may pull in consumers who do not currently use mobile solutions but view payers offering them as more advanced and thus somehow better, particularly in the United States where consumers are trained to associate advanced medical technology with better care.

B2C mobile solutions for **network management** can guide consumers to choices that are most favorable to the payer, e.g., location finders that point consumers to preferred in-network providers that have better outcomes and less costly (to payer) provision of care. Additionally, mobile solutions can uniquely exploit their GPS-enabled positional awareness. This is especially valuable for last-minute situations in which the ubiquity and context/positional awareness attributes of mobile solutions make them the advantaged solution.

As noted above, **sales** is today primarily a wholesale process, but it will rapidly expand into a hybrid model with a substantial retail component due to the Affordable Care Act. Indeed, the retail market presents an attractive new revenue stream for payers to pursue, even though Everest Group does not expect the shift to be as extreme as some of the aggressive forecasts that estimate 100 million individual purchasers of healthcare benefits by 2020.

As any B2C service requires mass advertisement and direct marketing, the door for mobility as an enabling solution is opening widely. Mobility solutions, such as wellness applications, mobile alerts/reminders, and mobile education tools, can make for dynamic and enticing ads to draw in individual consumer buyers. Since retail sales of health insurance coverage will likely require the same tactics and strategies that are currently being employed for other retail-heavy insurance products, (e.g., automobile coverage), mobility solutions can be a key part of brand image differentiation. Providing retail brokers and direct sales force members with content-rich live demonstrations can lead to more sales with fewer cycles. While, as noted above, each payer's level of investment into sales-enabling mobility solutions will be defined by its overall strategy and positioning, those insurance companies focusing on retail segments will have to invest more than their enterprise-focused counterparts because of the different magnitude of the required change management effort.

While **medical claims processing** is primarily B2B in nature, mobile solutions can guide individual consumers to smarter, less costly choices at the very front end of care, which is especially critical for those who are on the various forms of consumer-directed healthcare plans. Involving consumers upfront may also reduce the costly (both in dollars and brand image) cycles of appeal. This can certainly be accomplished today without mobile solutions, but the ubiquity and the real-time content rich data exchange of mobile devices extends consumer empowerment, and thus more informed decision-making, to the point of service. In addition, mobility could streamline payments for payers that process Health Reimbursement Accounts directly for members, since mobile devices (e.g., smart phones) tend to be always with the consumer while special payment cards may be left at home. Paying through mobile devices is one of the many mobility solutions that again will most likely appeal to the more desirable demographics.

Moving on to the consumer-centric processes within the health insurance industry, member management, and wellness management provide a broad range of opportunities for creative and impactful mobility solutions.

Member management and associated **CRM support** present another good opportunity for mobility in the B2C space. Even though there is segregation between the enterprise purchasing decision point and the point of service consumption, quality of service and ease of use/access to the records and/or benefits description can serve as sales differentiation criterion. This is a win-win proposition, as pushing CRM to the self-service level reduces the cost of traditional labor-intensive CRM support (e.g., call centers). The ubiquity, immediacy, and unique engagement of mobile devices will encourage use of self-service; and as long as the underlying workflow is intuitive, this should lead to a superior customer experience as compared to the traditional desk-bound Internet or the much costlier phone-based CRM support. Essentially, as customer preferences for mobility solutions evolve in terms of maturity, mobile-based customer portals will be a "must have" type of functionality. Payers can clearly differentiate themselves though through smart workflow design to support ease of use.

Last but certainly not least, **wellness/care management** is already one of the most dynamic areas in B2C mobility; consider the proliferation of mobile applications and tools already on the market, ranging from very basic calorie guides to medication alerts to more interactive exercise trackers that utilize mobile's GPS and the connectedness of social media to encourage its users. However, most of today's mobile wellness solutions are still very narrowly focused, utilize only a few of mobility's unique attributes, are largely disconnected from health records/care givers, and thus have limited impact. Nevertheless, even with the current offerings, there are potentially significant wellness gains. Payers can exploit the creative explosion by leveraging external parties' efforts, highlighting and potentially linking to the best applications to extend their own brand without having to spend all the development dollars.

While the holy grail of wellness is to shift payers' existing members away from critical or at-risk conditions to healthy status, attracting already wellness-focused populations as new members represents a vastly easier and more immediate benefit. It's a given that someone with a healthy lifestyle and doesn't have a serious/chronic medical condition is a much more profitable, and thus more attractive, client for a health insurance firm than a couch potato with diabetes. Attracting healthy lifestyle new members, nudging others with existing conditions and/or poor habits to improve their health through wellness promotions and incentives – such as reduction in fees for gains in wellness indicators including body mass index and blood pressure – and other pre-emptive measures will lead to superior long-term payer profitability and reduced risk.

There are, however, two major obstacles that make mobility a less straightforward value proposition. First, not all wellness campaigns are easily quantifiable in terms of targeted benefit. The healthcare industry figured out long time ago that subsidizing flu shots is much cheaper than paying out for resulting doctor visits. But many other illnesses and diseases require a much more complex break-even analysis, especially if a large upfront investment is required while the perceived benefit is spread over an extended period of time (when members may no longer even be part of the payer's plan).

Second, trying to accomplish a goal of universal access to healthcare, President Obama's reform indirectly introduced a number of disincentives and impediments for payers' proactive measures. Even if "Joe" is overweight, doesn't want to quit smoking, and has already developed a number of serious medical conditions, insurance providers cannot reject him as a client. Moreover, they cannot sufficiently reward a healthy lifestyle through a hefty premium discount for "Jane," as the law now limits price discrimination to predetermined price variations - 3:1 for age difference is the biggest, while for tobacco use it is only 1.5:1.

However, increased attention on all levels of our society to the existing healthcare problem puts a lot of pressure on healthcare payers. Similar to how oil companies cannot afford not to look "green," health insurance companies are expected to drive the wellness agenda. So whether payers can fully optimize their cost structure or simply view wellness incentives as a prerequisite of staying in business, insurance firms will be implementing various wellness programs requiring customer engagement and, therefore, triggering a host of mobility initiatives.

Conclusion

Mobility presents great potential opportunities and gains for the healthcare payer industry. While there are inherent differences between the B2B and B2C segments across the healthcare value chain processes, those payers that leverage the right opportunities for their unique strategic growth plans stand to reap significant rewards.

About Everest Group

Everest Group is an advisor to business leaders on next generation global services with a worldwide reputation for helping Global 1000 firms dramatically improve their performance by optimizing their back- and middle-office business services. With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of global services in their pursuits to balance short-term needs with long-term goals. Through its practical consulting, original research and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies and management approaches. Established in 1991, Everest Group serves users of global services, providers of services, country organizations, and private equity firms, in six continents across all industry categories. For more information, please visit www.everestgrp.com and research.everestgrp.com.

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