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Thematic Report | Healthcare IT Services

Platform-based Modernization of Healthcare Payer

September 2020: Complimentary Abstract / Table of Contents

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- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

Contents

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Background

Enterprises have made digital adoption the bedrock of their growth strategy in recent years, to optimize processes, reduce costs, and deliver better customer experience, all in the pursuit of higher revenue growth and better operational efficiency. The healthcare payer industry is no exception. Modernizing legacy systems is the need of the hour for healthcare payers and requires immediate attention, with evolving market needs and upcoming regulatory changes.

Available point solution vendors are stepping up to provide best-of-breed capabilities to payers. Although implementing point solutions is cost-effective, having disparate plug-and-play point solutions results in high cost of ownership as well as causes payers' technology ecosystems to become fragmented and complex. Hence, to implement an enterprise-wide operational and business transformation, payers are taking a platform-led approach. In this report, we focus on how core administration platforms provide the right push and support in driving payers' modernization initiatives.

Topics in focus :

- State of payers on IT infrastructure and digital advances
- Platform-led modernization approach for healthcare payers
- Key platform vendor landscape
- Modernization roadmap and approach

Scope of this report:

Geography
Global (with focus on the US)

Industry
Healthcare payer

Services
Healthcare payer solutions

Summary of key messages

This report examines the current state of healthcare payers, which is necessitating the need for modernization. The report focuses on the key drivers for payer legacy system modernization, roadmap and approach for it, and the types of solutions available to help payers on their transformation journey – point solutions and core administration platforms

Some of the findings in this report, among others, are:

Need for legacy system modernization

- Core IT solutions currently utilized by healthcare payers fail to offer a completely integrated experience due to interoperability and scalability challenges
- Increasing operational complexities and high cost of maintenance and upgrades of the heavy legacy systems are adding up to the increasing financial and technical debt
- Need for automation and data & analytics, evolving regulatory landscape, and shift toward value-based care are the key drivers pushing payers toward legacy system modernization

Fragmented technology landscape with point solutions

- Point solutions deliver functionalities for only a specific business requirement and are preferred by payers for their cost-effectiveness and quick-fix nature
- However, point solutions' integration with other systems and core infrastructure is complex, which creates a fragmented technology ecosystem. With addition of more point solutions, data transparency decreases while the overall cost of ownership and maintenance increases for payers – making point solutions unsuitable for driving enterprise-wide modernization

Platform-based approach to modernization

- For enterprise modernization, healthcare plans should think of changing their legacy architectures or technical debt via an integrated core administration platform approach – that can help payers address the siloed, multi-vendor, and multi-technology challenge, marked by interoperability challenges, poor data quality, and limited business agility
- While platforms come with key challenges such as high upfront investment and vendor lock-in, end-to-end platforms can help payers simplify workflow, coordinate care, improve utilization rates, and drive data-based decision-making
- Most of the platform vendors offer claims management, care management, and network management as the key components of their core administration platform. These platforms are mostly cloud-based and provide functionalities for most of the Lines of Business (LOB)

This study offers three distinct chapters providing a deep dive into key aspects of platform-based modernization of healthcare payers; below are four charts to illustrate the depth of the report

Themes driving payers toward legacy system modernization

Cost-effective computing power
Expenses of running large systems and datacenters are huge. To mitigate these expenses, several payers are moving toward cloud computing

Consumerism in healthcare
Members are putting in greater effort to get a better understanding of their healthcare cost. To support them in making informed decisions, payers are expected to provide member-centric tools such as pricing information portal, medical history portal, and plan shopping portal

Value-based outcomes
With the healthcare market moving toward value-based reimbursement, the current payer IT infrastructure still lags in supporting configuration and administration of complex risk-sharing processes. Payers need modern infrastructure that can help in establishing a robust payer-provider network with better data structuring

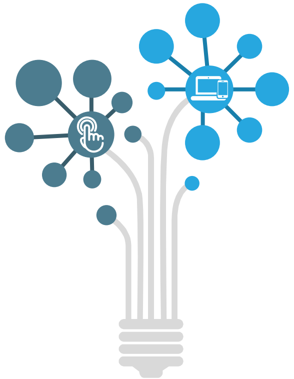
Regulatory changes
CMS and other agencies are strongly promoting data transparency and interoperability within healthcare systems. However, the current payer ecosystem is highly siloed – hindering seamless data flow. To support these changes, payers require a central database and connected systems

Flexibility to support future business needs
Payer IT infrastructure is fragmented with siloed data systems. This restricts payers from upgrading or implementing new features or capabilities. To accommodate future business requirements, payers require a flexible and scalable IT system

Digitization for data-driven outcomes
Health data volume is growing day by day, but current core systems still lag in providing data-informed insights. To address these challenges, payers need automation, advanced analytics, and AI/ML capabilities, which would require digitization of healthcare systems

Point solutions vs. platform

Payer solutions



Point solutions
- Target-specific business requirement
- Easy to integrate and fast to deploy
- More integration challenges with other external applications

Payment integrity solutions: CHANGE HEALTHCARE, COTIVITI

ProviderIQ™, provider credentialing solution: MEDVERSANT

Core administration platforms
- End-to-end solution, reducing interoperability challenges
- Support development and integration of new applications
- Require larger upfront investments

Cognizant TriZetto Healthcare Products, HEALTHEDGE, HM Health Solutions, Mphasis JAVELINA The Next Applied

Sourcing decision for a core administration platform

Digitally advanced over traditional platform
Payers look for digitally advanced platforms, embedded with technologies such as automation and analytics. While automation leads to increased productivity and quality while reducing errors, analytics allows enterprises to explore data in meaningful ways to improve operations. Additionally, payers look for cloud-based platforms as they allow seamless installation of updates with little downtime

Composable over proprietary platform
Proprietary platforms are inflexible, and it is a challenge for enterprises to add features to them, leading to version and vendor lock-ins. Composable infrastructure, on the contrary, allows payers to add functionalities suited to their needs. Open or ensure platform integration with core business software as well as third-party applications, without making architectural changes

Support multiple LOBs
- Platforms that have multi-business support functionality are preferred by business heads as this leads to savings in underlying architecture and simplifies executive decision-making
- A single platform approach enables payers to simplify workflows, coordinate care, improve utilization rates, and save on architecture costs

Pre-configured over bespoke platform
Bespoke platforms involve complete ground-up development of a system, accompanied by high upfront costs and time-to-market. Pre-configured platforms are preferable, as they come with a common set of functionalities, that can be customized, configured, and extended to suit payer needs. This model provides flexibility and accelerated time-to-market

Modular over end-to-end platform
Modular platform is embedded with best-of-breed modules that allow piecemeal implementation. Currently available end-to-end platforms fail to offer a completely integrated and scalable experience. One of the reasons why the existing end-to-end platforms are clunky is that vendors have not paid enough attention to individual modules, and they will do so once they adopt a modular approach

Support specialty plans such as vision, dental, and disability
- Business segments such as dental, vision, and behavioral health, formerly considered add-ons, are becoming a profit pool for health plans
- These specialty areas enable payers to increase their portfolio of offerings and move into lesser entrenched markets, thus increasing profitability

Modernization approach

Options	Description	Pros and cons	Use cases
Retain	Does not require "rip and replace," the API ecosystem can help put in place new systems without impacting critical legacy infrastructure	• Pros: Does not affect critical legacy infrastructure • Cons: Focus only on developing the interface. Does not maintain or upgrade the internal components of the legacy system	Modernization of existing platforms: updating obsolete technologies, advancing existing software assets, adding a new interface to a legacy component, etc.
Renew	• Components on monolithic legacy environment can be updated using cloud-based architecture • Make small changes to the code in order to adapt to a new solution, while keeping the code structure and features intact	• Pros: Scalability and cost-effective, with infrastructure improvement opportunity • Cons: Cannot provide capabilities for changing market needs beyond the renewed component function area	Movement of an existing platform to the cloud; use of web-native technologies
Replace	Platform adoption might require some cloud-native investments such as adding a microservices/API layer, talent movement, structural changes, etc.	• Pros: Faster developing time, better security, and customization by utilizing new coding techniques • Cons: High investment, resource-intensive, and time-consuming	Replacement of bespoke claims management / network management solution with a best-of-breed solution to enhance efficiency without changing the underlying platform architecture
Add	Flexibility to add bolt-on features to help payers unlock value from existing core platforms	• Pros: Regular updates as per market needs and better security • Cons: Staff training and change in few business processes to support new functionalities	Addition of functionalities such as support for specialty and/or new LOBs, value-based care modules, and addition of end-user portals

Research calendar
Healthcare IT Services (ITS)

Published Planned Current release

Flagship Healthcare ITS reports	Release date
Healthcare Payer State of the Market – Key Trends, Service Provider Performance in 2019, and Outlook for 2020	February 2020
Healthcare Provider State of the Market – Key Trends, Service Provider Performance in 2019, and Outlook for 2020	March 2020
Provider Digital Services PEAK Matrix® Assessment 2020	June 2020
Provider Digital Services – Service Provider Profile Compendium	July 2020
Salesforce Health Cloud Services PEAK Matrix® Assessment 2020	Q3 2020
Salesforce Health Cloud Services – Service Provider Profile Compendium	Q3 2020
Healthcare IT Services – Industry Challengers PEAK Matrix® Assessment 2020	Q4 2020
Healthcare IT Services – Industry Challengers – Service Provider Profile Compendium	Q4 2020

Thematic Healthcare ITS reports	Release date
Big Tech in Healthcare: What it Means for CIOs?	November 2019
A Platform-based Roadmap for Healthcare Payers	February 2020
Unpacking the Rise of Telehealth	July 2020
Data Monetization in Healthcare	July 2020
Platform-based Modernization of Healthcare Payer	**September 2020**
Cloud-first Approach: Futureproofing of EHR Solutions	Q3 2020

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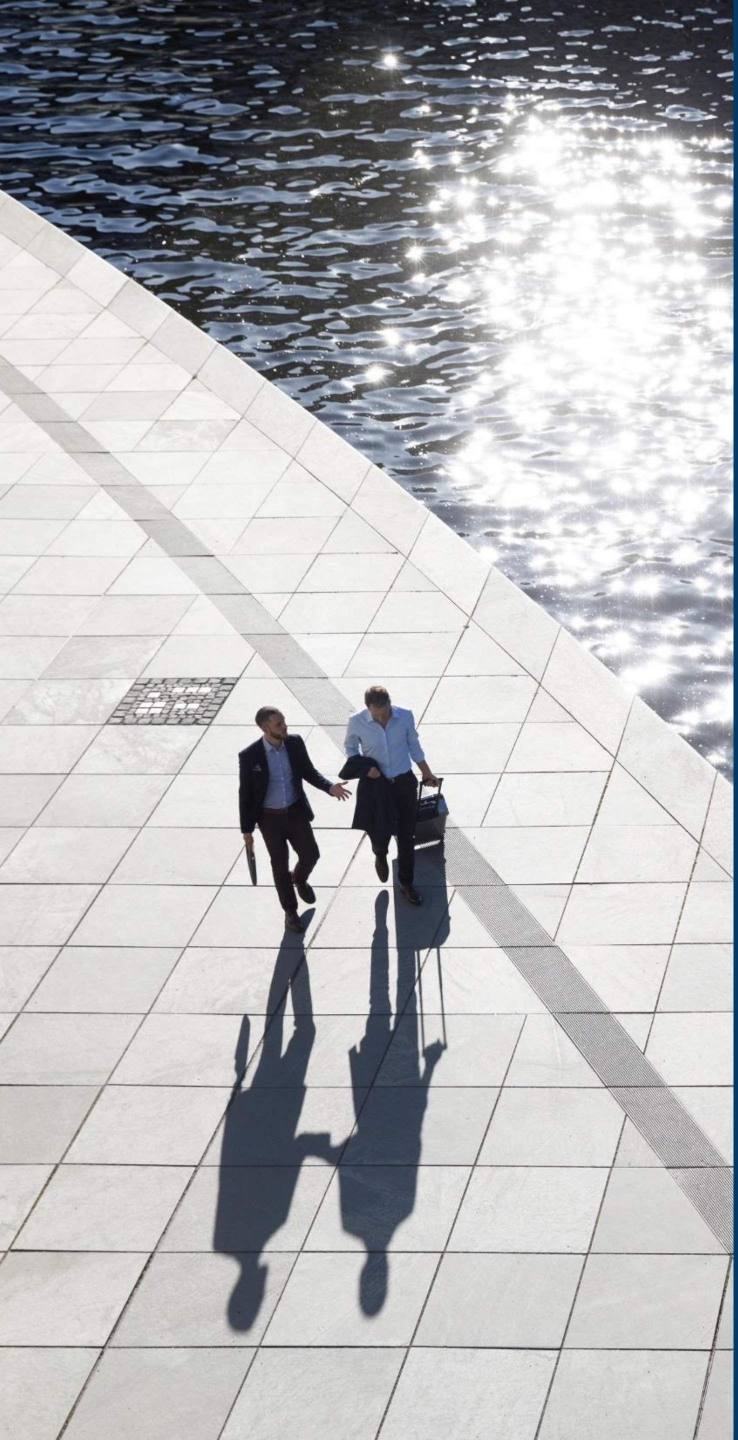

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