

ISG Thought Leadership Paper

Payers Going Digital to Focus on Business Resilience and Outcomes in Healthcare

August 2020



NTT DATA

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The research and analysis presented in this report includes research from ongoing ISG research programs, including our global survey and interview work with user enterprise business and IT leaders, briefings with providers, and analysis of publicly available market information from multiple sources.

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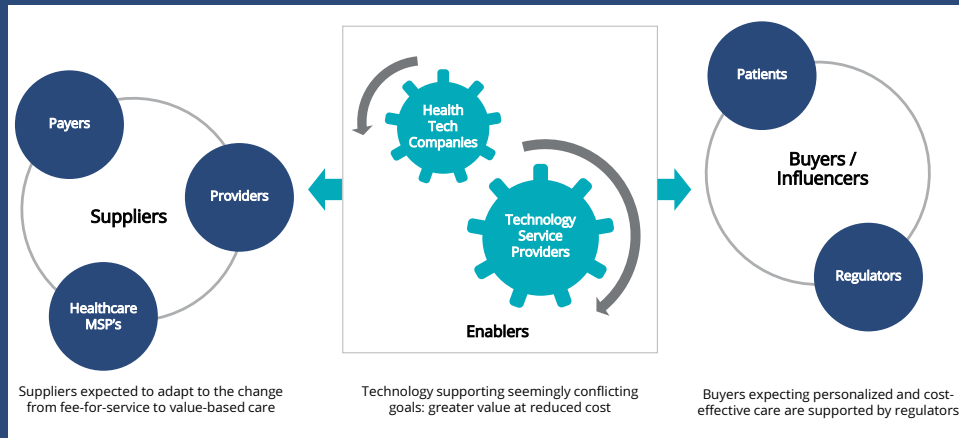
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OVERVIEW

The COVID-19 pandemic has brought about disruptive and permanent changes in business priorities of the Healthcare industry. Healthcare payers are increasingly focused on ensuring a resilient business that can serve members in both non-crisis and crisis situations. In the recent past, other industries have responded to crises with significant changes aimed at fostering resilience — most notably the U.S. Financial Services industry after the 2001 terrorist attacks. In 2020, resilience is increasingly about a family of digital services that enable improved clinical and financial outcomes. But, historically, providers in the Healthcare industry have relied on physical office visits and procedures, with paper records playing a significant role. The migration to electronic health records (EHRs) has certainly moved the Healthcare industry forward but is lagging compared with most other industries. Many temporary changes in regulations, triggered by the pandemic, are under consideration for longer term legislative adjustments. Digital transformation addresses many of the current and imminent industry challenges. ISG Index research estimates a growing need for services in the Healthcare market in the Americas, with an expected 13 percent annual growth in contract value for services in the second half of 2020.

Fig 1

The Healthcare Industry Landscape is Evolving



Source: ISG Research

TRENDS – THE PANDEMIC ACCELERATES CHANGES

The Healthcare industry is witnessing two concurrent and intersecting trends, primarily triggered by fast-changing industry dynamics, resulting from the COVID-19 pandemic, changing regulations and other government interventions, mergers and acquisitions (M&A), different types of partnerships and entry of new participant companies. Also, the major trends that began before the pandemic are now accelerating. The two trends currently being witnessed by the industry are: first, payers and providers are focusing on digital transformation to move to a member-centric model; second, technology companies are continuing to enter the industry, which will, in turn, enhance outcomes, lower costs and improve services and resilience. Subsequently, healthcare companies are increasingly able to use information about members in terms of preferences, biometrics, fitness and location to deliver custom experiences. They also use patient data for monitoring, recommending preventative care and improving outcomes.

The global COVID-19 pandemic is affecting all aspects of the Healthcare industry. In the U.S., some of the resultant changes will be structural and permanent. Providers, payers, and managed services providers (MSPs) in the industry work with health tech companies and technology service providers to embrace digital transformation to better treat patients, which includes cost effective care, and be more prepared for what might come next (Figure 1).

For example, the need to access healthcare records from multiple locations and by multiple stakeholders is leading to accelerated digitization and adoption of data sharing standards. Sharing patient data and easy access to EHRs helps avoid medication errors, reduces hospital re-admissions, and decreases the need for repeated testing. Data sharing also improves the abilities of public health officials to track contagious disease outbreaks such as the coronavirus. The U.S. Department of Health and Human Services (HHS) developed the Health Information Exchange (HIE) to improve standards, formulate policies and improve on technologies.

Telehealth will continue to grow even after the pandemic has been brought under control, as the need to serve people remotely is becoming increasingly relevant. In the U.S., Medicare payments now encompass telehealth, while the [Centers for Medicare & Medicaid Services \(CMS\)](#) has enforced a series of guidelines, enabling remote communications between healthcare practitioners and patients during the period of the public health emergency. Many are unable

or unwilling to meet a healthcare professional in person, and telehealth lowers the risk of spreading illness at healthcare facilities, while, at the same time, lowering costs for patients and saving time spent on getting to appointments. Both health record mobility and telehealth were advancing before the COVID-19 crisis and will become high priority for the Healthcare industry now.

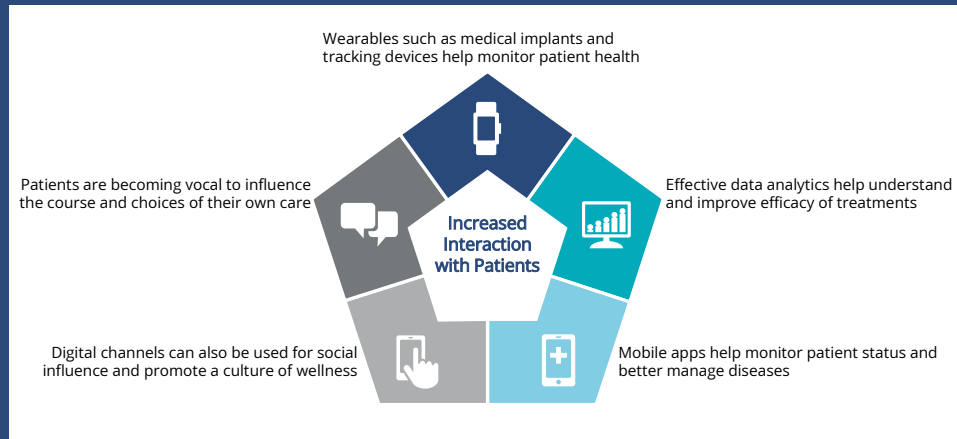
CMS is also fostering the Primary Care First (PCF) payment model, which was announced in 2019. PCF is a set of voluntary five-year payment options that ensure value and quality by way of an innovative payment structure to support the delivery of advanced primary care. However, many payers are struggling with it as they need to adapt existing processes, which would require acquiring new skills through training and modifying legacy systems.

For those in the healthcare industry able to work from anywhere (WFA), many shifted their presence quickly. Herculean efforts of their employers and their service providers enabled rapid deployment of needed equipment to employees' residences. In some cases, we saw thousands of home setups deployed in just a few days. After the social distancing restrictions lift, business leaders will evaluate whether WFA can be a cost-saving, employee wellness and productivity enhancing option to central office work.

Managing the many changes in healthcare organizations should be a facilitated effort for best outcomes. The coronavirus pandemic has created the opportunity to look beyond traditional hierarchies and take advantage of

Fig 2

Increasing Focus on Patient-centric Care



Source: ISG Research

the experience and insight of a cross-section of employees using organization change management (OCM) best practices. Collaboration with executives, human resources, communications, and IT personnel can work to develop a jump-start transformation plan supported by a long-term transformation strategy. This often includes a leadership-alignment workshop for senior management and the guidance leaders needed to prepare for new roles and to promote adoption of new processes and technologies. Another innovation involves remote design thinking workshops that bring together cross-functional teams from all organizational levels with multiple ecosystem partners to consider topics such as how to evolve customer service or how to improve relationships with suppliers, providers and partners. These sessions can produce high-quality, innovative ideas and make a material difference for any organization.

As the Healthcare industry focuses on patient-centric care, the traditional treatment avenues/methods are undergoing a major change. (Figure 2). As with other industries, the path to improved outcomes is being paved with digital data. Treatment, meanwhile, is seeing a revamp during the pandemic. What is needed is real-time diagnosis with the help of Internet of Things (IoT) devices to integrate health data

of patients, with automation and artificial intelligence (AI) enabling rapid and informed decision making. Concurrently, machine learning (ML) and AI-based models built using this data will help predict the onset and progression of diseases as well as treatment costs.

After the COVID-19 crisis, ISG expects the Healthcare industry to accelerate investments in As-a-Service solutions as they prioritize digital-first pathways to improve patient care.

The need for personalized and improved care is also creating a conducive environment for strategic business alliances, some of which were previously considered unlikely associations. ISG Research estimates that between 2018 and 2019, the Healthcare industry witnessed digital health M&A valued at more than \$17 billion. Most of these alliances were focused on advanced technologies such as AI, cloud, analytics and telehealth. Stakeholders in the industry such as payers, providers, technology companies and pharmaceutical companies are liaising to accelerate digital transformation. Some of the notable M&A in the recent years include: Walgreens partnered with Humana to boost enrollment in Medicare for geriatric population in the U.S.; Best Buy acquired GreatCall to offer home-based care; Amazon partnered with Berkshire Hathaway and JP Morgan to provide health insurance coverage to its employees in the U.S.

However, despite the alliances and industry efforts, poor customer experiences are all too common. Healthcare payers need the unified health record as the

foundation for coordinated, value-based care and health management. At the same time, systems need to handle policy changes and new mandates, which often require discontinuation of legacy investments in favor of digital transformation.

The current scenario represents the following challenges:

- **Inadequate legacy systems:** Often, enterprises, partners, and members cannot access data in paper systems in real time or near-real time. Also, maintaining and enhancing legacy systems are expensive.
- **Poor integration of new and old:** Multi-channel engagements imply access to the same information from various channels, which include the old and the new. Inadequate data access adversely affects how payers service both doctors and members.
- **Non-standard health information exchange:** The presence of legacy systems and poor integration of these systems with new technologies, combined with a lack of standards, further stalls digital transformation. The U.S. government's [Health Information Exchange](#) is one effort to improve the sharing of electronic patient information.
- **Inadequate security:** Apart from challenges related to compliance with data protection guidelines, risks related to security breaches can tarnish a company's credibility.

Concurrently, payer shortcomings lead to member stagnation or decline, with inadequate management of diseases. In a crisis such as a pandemic, these shortcomings can overwhelm the healthcare ecosystem. Healthcare providers face several issues because of inefficiencies inherent to the payer market. Doctors deal with multiple plans and networks, which becomes an administrative challenge as they struggle to manage large volumes of interactions and records within a short period of time and receive payments on time. Physicians and their offices often have trouble getting information related to member eligibility and conditions and other patient-related information to provide treatment effectively and at reduced costs. Also, information is not always delivered as requested and on time.

Digital transformation is the way forward for the Healthcare industry and is a holistic approach to improving the value chains using various advanced technologies and processes.

ADDRESSING HEALTHCARE INDUSTRY CHALLENGES WITH DIGITAL TRANSFORMATION

In the current pandemic situation, several factors are driving digital transformation:

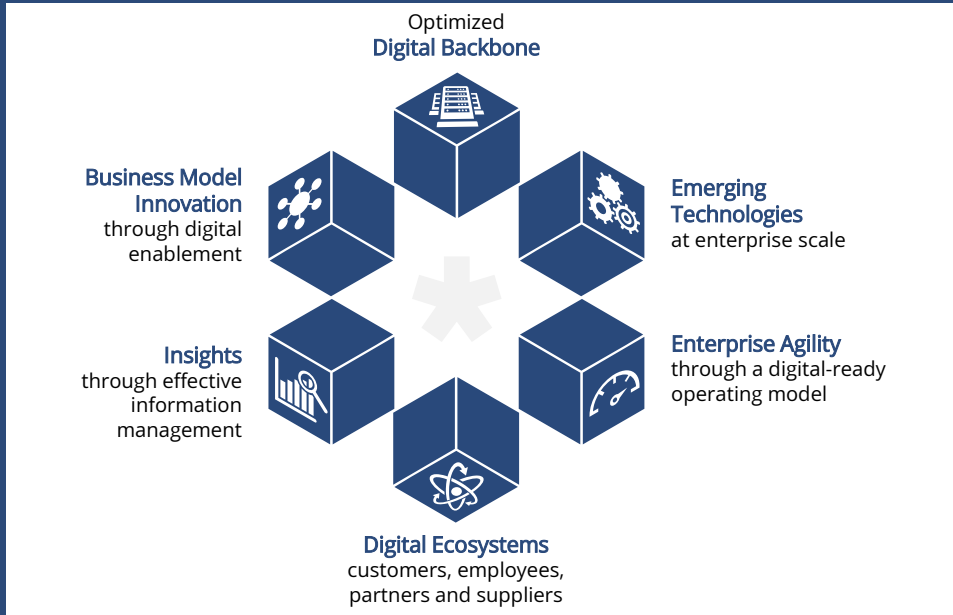
- **Time and cost savings:** Automation, integration of systems and process improvements, typically, lead to operational efficiency and cost savings.
- **Business resilience and scalability:** Business resilience and future proofing require secure and scalable infrastructure and advanced applications that can enhance user experience.
- **Speed to market:** For sustainability, in the light of industry changes, healthcare enterprises need to quickly adapt to new business models and move new products and services to the market.
- **Improve customer experience:** Member service is measured by way of ratings (e.g. Medicare Star and HEDIS) on quality of care.

ISG research shows that payers are integrating telehealth in their plans, automating several business processes and including insurance coverage for COVID-19. Providers are also adopting telehealth and using robotics to reduce contact between patients and caregivers.

In a digital world, the confluence of processes, data and technology makes information, specific to context, available. For example, a doctor can send walking directions to their clinic to a patient via smartphone when they are nearby, or an insurer can quote coverage immediately via a consumer's smartphone. Traditional batch applications, in which master data is often updated overnight, are incompatible with the enablement of these types of digital experiences. Many established healthcare enterprises – both B2C and B2B – must transform themselves into digital enterprises to offer enhanced customer experiences and find a competitive edge over native players.

Fig 3

ISG's Digital Cube Is A Simple Way to Visualize Digital Transformation



Source: ISG Research

A FRAMEWORK FOR DIGITAL TRANSFORMATION

The digital transformation of an enterprise encompasses affects all stakeholders, systems, applications and processes. The ISG Digital Cube showcases the six key elements of the digital transformation (Figure 3).

Enterprise digital transformation is built on the following critical elements:

- 1. Digital Backbone:** A digital backbone is built based on micro-services and application programming interfaces (APIs) that embrace the cloud and leverage new data analytics. *In healthcare, a strong digital backbone enables the needed integration of legacy and modern applications and data to improve information flow and response time.*
- 2. Emerging Technologies:** The ability to adopt emerging technologies at scale enables an organization to increase innovation and productivity through a seamless physical-digital integration of personnel, processes,

applications and machines. *In healthcare, innovation is seen in many forms, including wearables with 5G connectivity for reliable patient monitoring, online communication for remote care, use of virtual reality (VR) for doctor training and pain management, and AI for rapid analysis of interoperable data for improved decision making.*

- 3. Enterprise Agility:** Applying the right delivery model at the right time enables an organization to adopt agile and adaptive operating models to accelerate innovation. *Agility in healthcare can apply to many processes, including improved adaptability to everyday treatments as well as crises. Digital transformation will require enterprise agility to achieve its full potential.*
- 4. Digital Ecosystem:** The right interaction between customers, employees, partners and suppliers enables an organization to rapidly leverage market innovations at scale. *The disjointed elements of healthcare applications and connected devices need to come together to deliver the promises of a digital transformation. The healthcare digital ecosystem is morphing with the entry of hyper-scalers, data interoperability and the incorporation of advanced features/ functions in healthcare solutions.*

- 5. Insights:** Predictive analytics and the subsequent insights derived from robust data enable effective decision-making and proactive digital security and risk management. They also enable prediction of disease onset and progression as well as treatment costs. *Valuable insights derived from effective data analytics mean better patient outcomes and at lower costs in the Healthcare industry.*
- 6. Business Model Innovation:** Building competitive differentiation in today's digital economy requires innovative business models to accommodate change and apply digital technologies. *To tie together what is needed to deliver the benefits of digital in the Healthcare industry means rethinking outdated business models to reflect current market realities.*

At first, digital deployments focused on the technologies enabling digital business such as customer-facing websites and mobile apps. But this resulted in a mix of disparate solutions that did not communicate or provide measurable benefits or did not adequately serve business needs. Today, the focus of digital is increasingly shifting to measurable business outcomes. Enterprises are analyzing not only internal systems but also processes to determine how they can be fundamentally transformed/connected to meet emerging needs.

HOW BUSINESS PROCESS AS-A-SERVICE ENABLES DIGITAL TRANSFORMATION

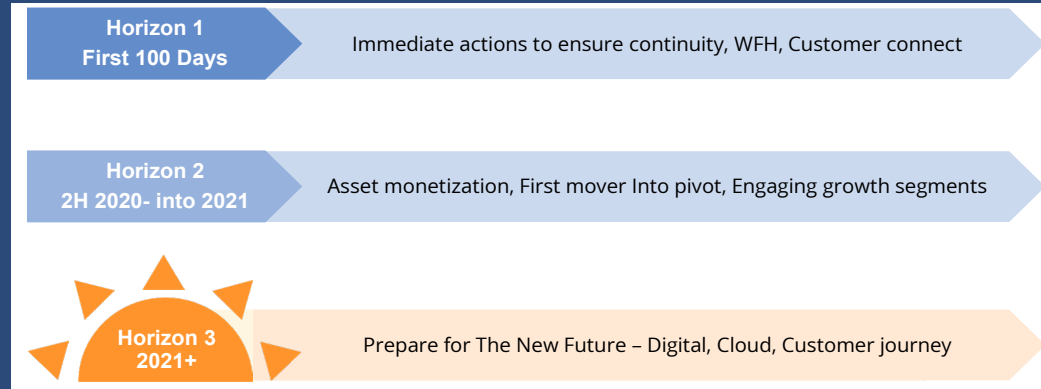
A future-ready, flexible architecture sets the foundation for an enterprise to address upcoming digital requirements. To get there requires not just technologies but also revisiting business processes. As enterprises focus on business outcomes to make purchase decisions, finance and other business leaders are increasingly driving digital transformation. While some enterprises make this shift on their own, others use business process-as-a-service (BPaaS) solutions to undergo a digital transformation. Using outcome-based arrangements, payers can mitigate risks on capital. For example, they can focus on areas such as claims processing, use technology to help identify members and, finally, on care management. Accurate claims payment means savings that can be directed toward new and improved technologies and services.

Reporting and analytics are critical components of digital platforms and services. Payers gain strategic insights through analyses and integration of data. Users can accelerate data-driven decisions through real-time key performance indicators (KPIs), visualized on dashboards and scorecards. These enable executives to summarize key metrics and targets that align to company or department objectives and initiatives.

ISG also notes that Business Platforms-as-a-Service is owned and run by technology hyper-scalers. The technology companies collect patient data by partnering with hospitals to develop a healthcare platform. Emerging technologies can support business processes to ensure improved member care, better patient outcomes and business growth. Services embracing emerging technologies such as automation for claims management are of top priority among healthcare enterprises during the COVID-19 crisis. Even prior to the pandemic, some payers leveraged AI to increase operational efficiency, reduce administrative costs drastically, reduce penalties, foresee chronic conditions, predict treatment costs and improve outcomes for members.

Some payers use ML learning to derive insights from patient data for disease prediction. Such analysis can also extend to improving member health and reduce payer costs with customized preventive care.

Fig 4 Road to Resiliency



Source: ISG Research

RECOMMENDED ACTIONS

ISG contends that all payers will need to navigate their way toward three “horizons” over the next 18 or so months, while they continue to strengthen business continuity plans, weed out unnecessary costs and boost efficiency (Figure 4). Horizon 1 was the first 100 days and includes determining how to recover and resolve changes over the next six months. Responding to the lifting of stay-at-home restrictions falls in this first horizon. ISG research indicates that 60 percent of clients expect to return to what they consider to be normal operations within 90 days. Horizon 2 is

building operational resilience and competitive advantage in the post COVID-19 economy that will involve more waves of infection and new contagions. Horizon 3 is preparing for a new future, beyond a year from now. Focusing on these horizons will encourage thinking that is appropriately focused on the need to build more resilience in how work gets done — what we call an operating model for resiliency.

Payers should take the following steps to build resiliency:

- **Ensure Critical Process Continuity:** During the pandemic, inefficiencies in supply chain has been noted. Therefore, assessing the Healthcare supply chain is critical. Digital applications that are member facing need more attention. At the same time, remote care/monitoring has emerged as an important component of healthcare and needs adequate attention and management.
- **Assume Virtual Employees:** Security requirements are different for payer employees working from anywhere. The virtual scenario improves employee engagement via online learning. As payer companies plan their returns to offices, ISG surmises that this will happen with different requirements in physical office layouts than what it was prior to the pandemic. It is critical that this transition is made easy for employees while supporting partial time working from home.
- **Build Partner Ecosystem Resiliency:** To support the changes to an enterprise through the three horizons (mentioned above) requires flexible partners that can be easily connected to systems and processes. ISG expects various platform models to gain traction here.

- **Design for New Customer Preferences.** People will continue to consume healthcare services differently even after the pandemic. They have benefitted from digital connections, including telemedicine, and, therefore, a demand for these will continue. Of course, in-person care remains necessary or will be preferred for some conditions. Healthcare payers and providers need to understand member touchpoints and how they are best connected and updated.

These steps require assessments to know where an enterprise is with business processes, employees and systems, together with risk assessments for each. Also needed is a framework for funding these changes, which would require an evaluation of the cost of making the changes. Also, they need to consider how soon to act to stay relevant in the industry. Enterprises can then model the changes based on these assessments and risk analysis, embracing BPaaS if and where appropriate.

As with other projects, after planning for digital, it is critical to deploy integrated solutions, measure the results regularly and then fine tune for optimal outcomes. When considering service providers for BPaaS, the dramatic changes in the Healthcare industry mean payers and providers should revisit their service relationships as part of resilience planning. The service relationships can make

the difference between success and failure. First, ISG recommends determining service provider experience in the Healthcare industry, including industry applications and accelerators. Next, enterprises should evaluate the digital IQs of service providers as digital proficiency affects speed to market, and includes technology alignment (AI, analytics, automation) and the tools ecosystem.

During the pandemic, ISG has noted that several enterprises have been restricted by contracts that have limited their flexibility to respond to the crisis. Healthcare enterprises must manage risk in the BPaaS environment by scouring contracts before signing, assigning clear responsibility, including the challenges of unwinding or decoupling based on a future business-change scenario.

Any service level in a BPaaS environment should do the following six things:

- Align with business outcomes.
- Be measurable throughout a period, and not just at period end.
- Establish objective measures of quality service.
- Proactively guide the service provider by setting targets in advance.
- Be adaptable enough to leverage new technologies and business needs without re-negotiation.
- Encourage continually improving service provider performance year after year.

The Healthcare industry is changing, and digital transformation is needed for payers and providers to best serve people both during and after the pandemic. To get there, enterprises often need to engage service providers that can help determine strategies and deployments, while integrating technologies and data. They must have the experience needed to steer payers and providers toward successful journeys in digital transformation.

NTT DATA SPONSOR PERSPECTIVE

Empowering Health Plans to Meet the Next Normal

Accelerating the shift to digital has been a critical strategy during the COVID-19 crisis. Our clients have had to shift rapidly, and NTT DATA is proud to help. For health plans, we recommend three goals — stabilize, simplify and redesign — to meet the demands of the “next normal.”

Stabilize your operations

Although the initial phase of the crisis has passed, great uncertainty remains. Stabilization isn't a “once and done” job. Outbreaks can happen anywhere, at any time, impacting partners or even your own locations. The key to stabilizing operations — and taking the burden off members, providers and employees — is leveraging self-service and automation technology across multiple channels. When rapidly deploying new technology, it's important to understand not only how it will integrate with existing systems but also how the technology complies with existing policies. And when doing so, don't forget security. The onset of this crisis, in March 2020, demanded quick action; now it's time to double-check that the appropriate compliance and other protections are in place.

Simplify your environment

Health plans haven't been as disrupted as most entities, but healthcare has. Do your part to support providers by revisiting not just customer-facing processes for automation opportunities but also internal ones. Some processes likely broke (or had to be reworked)

when moving to work from home, so reassess them to see which ones need to be repaired and how they, or others, can be automated. Also look for toolsets that perform duplicative functions — a common issue with customer relationship management platforms and even some core administration systems.

Resiliency requires modernization, which is made more difficult with monolithic legacy systems. By adopting modular components (and only using applications for their core intended purpose), you can swap out applications that aren't working and connect components using a single platform. The NTT DATA Nucleus Intelligent Enterprise Platform can do just that — helping you create smarter digital solutions via automation and artificial intelligence.

Redesign your business

If businesses are to excel in the next normal, they need to learn from their rapid COVID-19 adaptations and prototype solutions to longer term challenges. We see clients and their trusted partners, including NTT DATA, working together in new ways to solve critical challenges. By focusing on cloud, security, automation and analytics, we're innovating alongside our clients, investing in future capabilities for new channels of revenue and redesigning for long-term resiliency. We'd like to join you on your journey.

Visit nttdataservices.com/healthplan to learn more.

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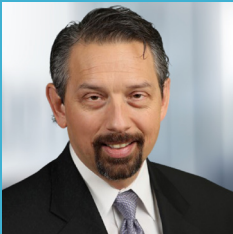
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