



SURVEY REPORT

Voice of the Market Survey Series

Modernizing Infrastructure: The New IT Mandate

The health insurance industry is currently undergoing a period of transformation at a significant pace and scale. A combination of factors — including new value-based reimbursement models, evolving regulations, experimental partnerships between healthcare and retail entities, shifting demographics, ever-increasing customer expectations, and emerging digital technologies — are disrupting traditional models and forcing health plans to transform their business and operations or risk being left behind.¹

These factors have helped elevate the role of information technology and given IT leaders more opportunities to offer their perspective on everything from business planning to execution challenges, as IT now sits at the heart of business strategy for health plans everywhere. “IT is fundamental to the new business challenges. It underpins new business models, products and services that are disrupting existing industries and creating new markets,” wrote Monika Sinha, Vice President Analyst, Gartner.²

HealthEdge Software, Inc.®, provider of the industry’s leading core administrative processing system for health plans, HealthRules® Payor, actively looks for input from a variety of channels so we can be responsive to shifting market dynamics and industry trends. Knowing the important role IT serves for health plans everywhere, HealthEdge wanted to hear directly from these experienced technology leaders. That is why HealthEdge, in conjunction with Survata, an independent research firm, conducted a survey in August 2020 of 245 IT executives at leading health plan companies. The goal of the survey was to learn how IT leaders are helping their organizations navigate this critical period of transformation. The survey identified their priorities, measured satisfaction with current infrastructure, and asked respondents to articulate their top challenges, planned purchases, and factors influencing their decision-making around new

technology investments. The results reveal a strong demand for technologies that support new value-based reimbursement models, drive operational efficiencies, and create better alignment between IT and the business.

Core Administrative Processing Systems (CAPS): The Key to Modernizing Infrastructure and Serving the Business

Today’s health plans face a delicate balancing act. They must ensure that infrastructure runs smoothly while protecting sensitive information and remaining compliant with industry regulations. They must also partner with line of business leaders on technology-enabled innovation that will drive real results. According to the Survata survey, IT leaders are focused on the following business imperatives:

- > Improving key business metrics, such as accuracy and auto-adjudication rates **(38 percent)**
- > Supporting value-based care/alternative provider payment arrangements/new products **(33 percent)**
- > Perfecting the consumer digital experience **(28 percent)**
- > Reducing employee turnover/attracting the right talent **(27 percent)**

- > Configuring new products/provider contracts to remain competitive (**27 percent**)

Furthermore, respondents at health plans with more than 500,000 covered lives are also interested in consolidating core systems to improve overall operations and cloud migration/technologies, which are indicative of the systems scalability objectives of larger health plans.

Regardless of their organization's size, IT buyers often encounter strong headwinds in tackling these business imperatives. The data reveals that the top challenges IT leaders face include:

- > Keeping information secure (**43 percent**)
- > Aligning IT teams to the organization's business goals (**40 percent**)
- > Quickly supporting new business models (**29 percent**)

To address these challenges and meet the demands of the business, IT leaders are looking to modernize their infrastructure. Survey respondents identified core administrative systems as an area of opportunity. When asked what are the most important steps an organization is considering, a majority of respondents (**52 percent**) are planning to evaluate their core administration processing system. Another **50 percent** are commissioning a separate innovation function to investigate new technologies, and **47 percent** are working with peer organizations to understand their best practices and experiences.

Investments in Technology to Increase in Next Two Years

Many IT leaders surveyed are working with legacy core administrative systems designed in a different era that do not offer the flexibility and speed needed to succeed today. Nearly

a third (**32 percent**) of respondents said their core administrative processing systems went live more than six years ago, while **36 percent** said their systems went live between four to six years ago.

Through our shared experiences working with and at health plans across the country, we know that obsolete or outdated technology can create a number of problems for IT departments. Survata survey respondents identified the following top five challenges with their core administrative processing systems:

1. Low claims accuracy and claims auto-adjudication rates (**29 percent**)
2. Lack of transparency for internal/external stakeholders (**28 percent**)
3. System cannot support value-based arrangements (**27 percent**)
4. Administrative and operational costs are still too high (**27 percent**)
5. People/time needed to configure (**25 percent**)

Nearly all IT leaders surveyed plan to evaluate their core administrative processing system within the next two years.

These challenges serve as a catalyst for a key finding from the survey: Nearly all IT leaders surveyed plan to evaluate their core administrative processing system within the next two years. Half plan to do so within the next year, and the other half within the next two years. The majority of respondents at larger health plans with more than 500,000 covered lives (**61 percent**) said they would evaluate within the next two years.

When evaluating their technology options, IT buyers are looking for solutions that will reduce costs, allow them to embrace new reimbursement models, delight their customers, and develop new plans/benefits/services — fast. According to the survey, their top three priorities when evaluating a core administrative system are:

1. Keeping costs low or reducing administrative costs (**27 percent**)
2. Utilizing modern technology (**22 percent**)
3. Realizing the shortest time to ROI (**18 percent**)

Keeping costs low or reducing administrative costs as the top priority comes as no surprise, as HealthEdge has heard this sentiment by health plan executives from organizations of all sizes. As regulations change and new costs are introduced into health plans, administrative costs go up and margins shrink. With less money and fewer resources to invest in innovative ideas and ways to enhance their offerings, health plans feel the financial pinch and routinely focus on ways to lower administrative costs.

For organizations offering Medicare Advantage and Medicaid lines of business, their top priorities are the ability to create new benefit plans faster (**21 percent**), and to better support value-based arrangements (**20 percent**). This is not surprising given the rapid growth in Medicare Advantage plans and the intense competition among health plans for those members. A 2019 HealthEdge survey found that **92 percent** of respondents who work exclusively in the Medicare and/or Medicare Advantage line of business indicated they are currently growing, or plan to grow, their Medicare Advantage businesses faster than their traditional Medicare business, and **96 percent** reported that the value-based model of Medicare Advantage significantly or moderately factored into their desire to grow this part of their business.

When it comes to core administrative processing system buying decisions, IT leaders are turning to trusted sources of information.

31 percent of IT leaders surveyed said that industry publications influence decisions the most, while another **29 percent** said that analyst reports are the most important factor. Respondents at health plans with more than 500,000 covered lives place even more emphasis on analyst research, with **44 percent** indicating that analyst reports are the most important factor in their decisions.

Creating stronger alignment with the business in a value-based world has become a new mandate, along with the familiar challenge of increasing efficiencies and lowering cost, and IT buyers are looking to their core administrative systems to help them address these business imperatives.

Key Takeaways

IT leaders today face a number of challenges and opportunities as the health insurance industry continues to evolve. Creating stronger alignment with the business in a value-based world has become a new mandate, along with the familiar challenge of increasing efficiencies and lowering cost, and IT buyers are looking to their core administrative systems to help them address these business imperatives. For health plans offering Medicaid and Medicare Advantage plans, the need to support value-based reimbursements is particularly urgent given the projected growth in those lines of business. One thing is certain, however — regardless of the size of the organization or the types of benefit plans they offer, value-

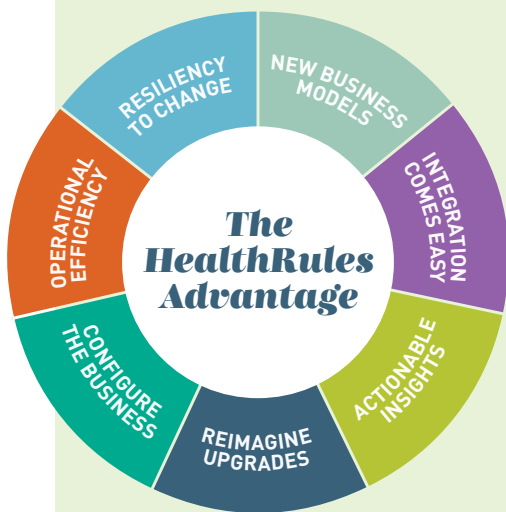
based reimbursements are here to stay and have become a required capability for health plans. The right technology platform can help plans quickly pivot to new products and support new reimbursement models, while driving greater levels of operational efficiency, reduced costs, and greater customer and employee satisfaction.

Turn Today's Challenges into Tomorrow's Opportunities with HealthRules Payor

HealthEdge's HealthRules Payor is a next-generation core administration system that provides transformational capabilities to health plans of all types and sizes. Notably,

Gartner cited HealthEdge as a Sample Vendor for its next-generation core administration system in its August 2020 Hype Cycle for U.S. Healthcare Payers Report, 2020 for the tenth consecutive year.⁴

Health plans implementing HealthRules Payor have been able to quickly address market opportunities and stay in front of their competition. They have done this with high levels of customer satisfaction and transparency by providing accurate, real-time information to everyone involved in the care continuum. And those health plans have also significantly lowered administrative costs resulting in an enhanced bottom line by simultaneously automating their critical manual business processes.



Powered by the patented English-like HealthRules Language™, HealthRules Payor helps transform health plans looking to grow, innovate and compete beyond any other core system today.

See the HealthRules Advantage:

BE RESILIENT TO CHANGE

React to the latest regulatory shifts, competitive pressures, opportunities for expansion and more to be successful

ACHIEVE OPERATIONAL EFFICIENCY

Drive new levels of speed, automation, and accuracy. HealthEdge customers regularly achieve auto-adjudication rates over 90 percent with at least 99 percent accuracy

CONFIGURE THE BUSINESS WITH EASE

Quickly and accurately configure virtually any benefit plan, provider contract, or other core business process

DEFINE NEW BUSINESS MODEL

Swiftly configure and launch new contract arrangements and benefit plans including value-based arrangements

INTEGRATE EFFORTLESSLY

Seamlessly integrate with key applications within your ecosystem in real-time via APIs and integration technologies

OBTAIN CRUCIAL INSIGHTS FOR THE BUSINESS

Provide robust, comprehensive, and actionable data in real-time to key stakeholders in the healthcare continuum

REIMAGINE UPGRADES

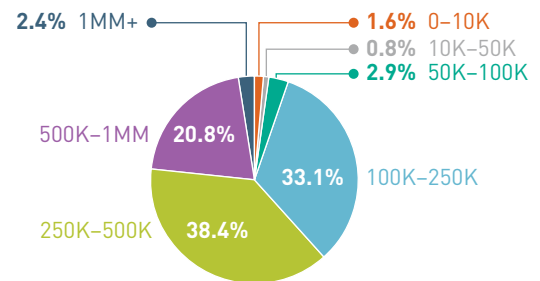
Take advantage of the latest technology with ease, incorporating custom code with standard new functionality

About HealthEdge

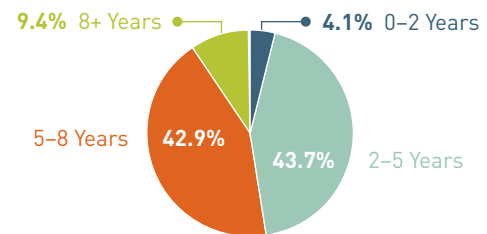
HealthEdge provides modern, disruptive healthcare IT solutions for core administration and care coordination that health insurers use to leverage new business models, improve outcomes, drastically reduce administrative costs and connect everyone in the healthcare delivery cycle. Our next-generation enterprise solution suite, HealthRules™ is built on modern, patented technology and is delivered to customers via the HealthEdge Cloud or onsite deployment. An award-winning company, HealthEdge empowers health insurers to capitalize on the innovations, challenges and opportunities that await in the new healthcare economy.

Survey Results

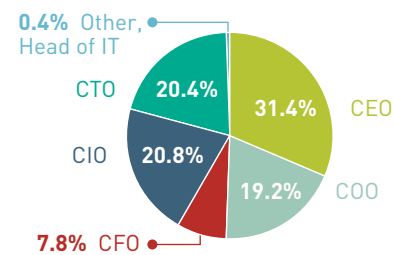
1) What is the total number of covered lives at your current health plan organization?



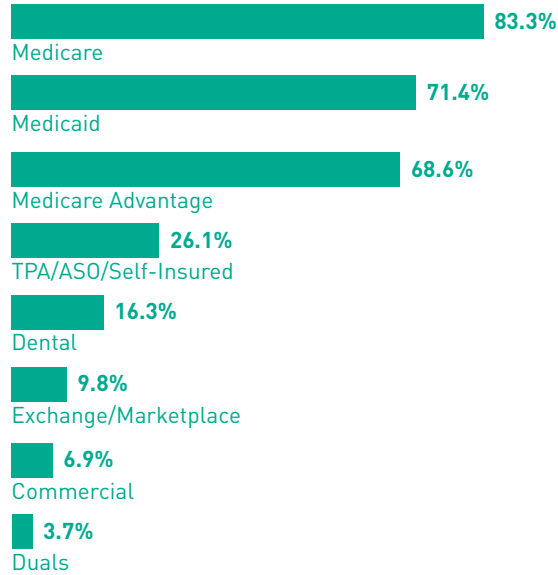
2) How long have you been in your current role?



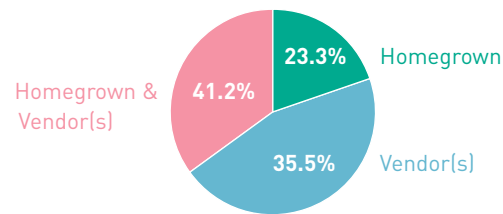
3) Who do you currently report to?



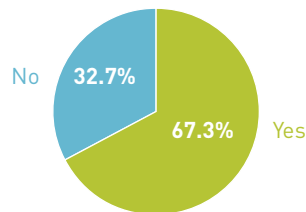
4) What lines of business does your organization currently offer? Please select all that apply



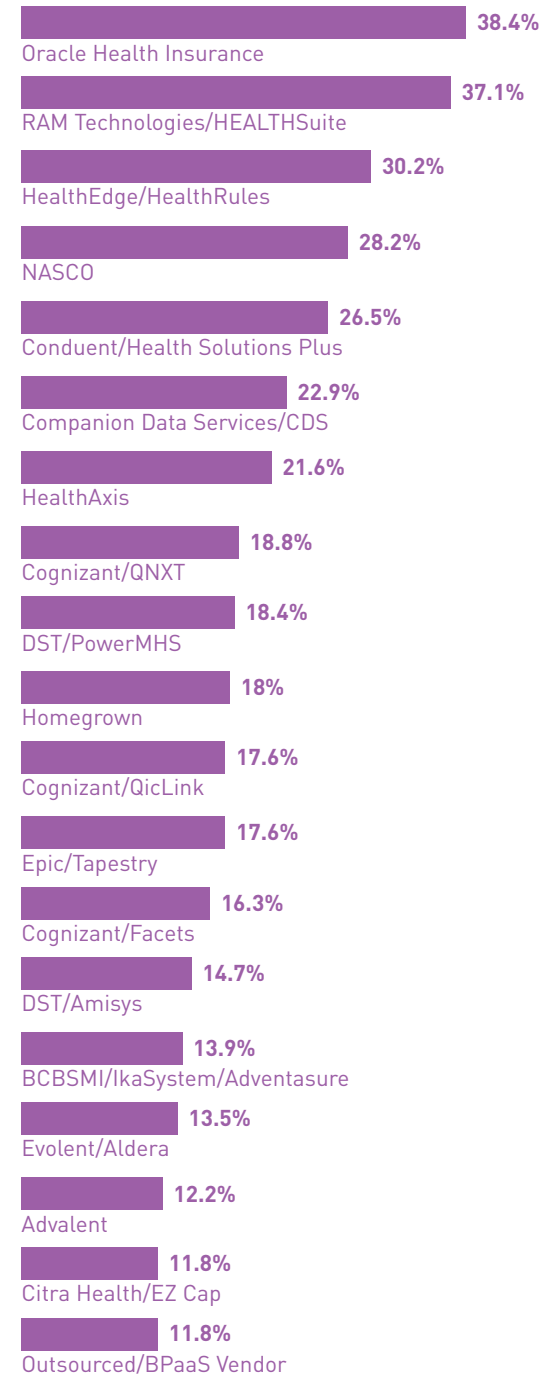
5) Is your core administrative processing system homegrown or through a vendor?



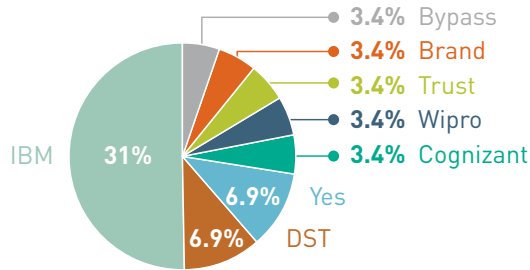
6) Do you outsource BPaas?



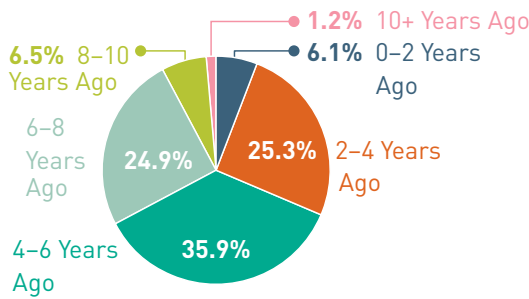
7) Which vendor(s) do you currently use? Please select all that apply



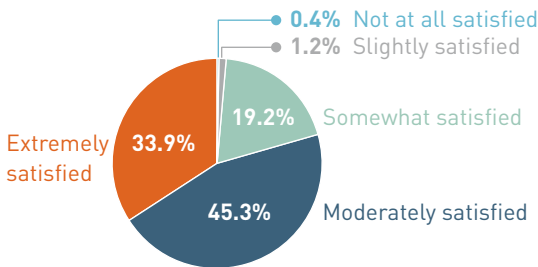
8) Could you please specify the Outsourced/BpaaS Vendor?



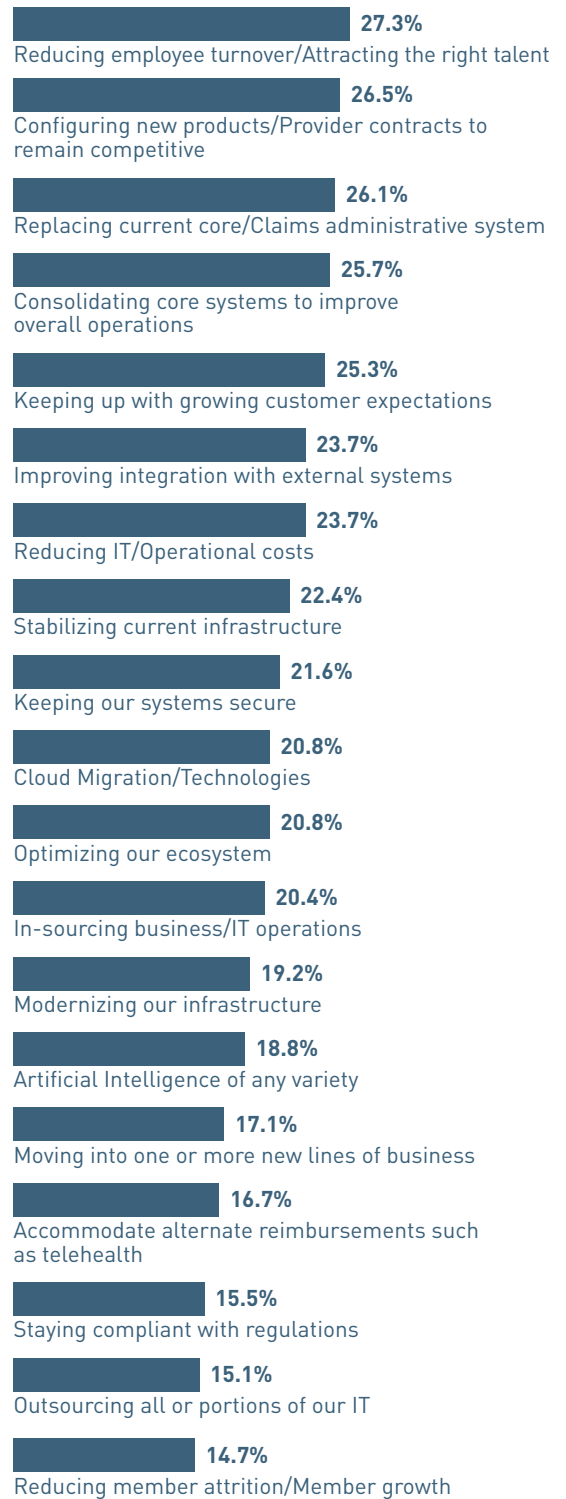
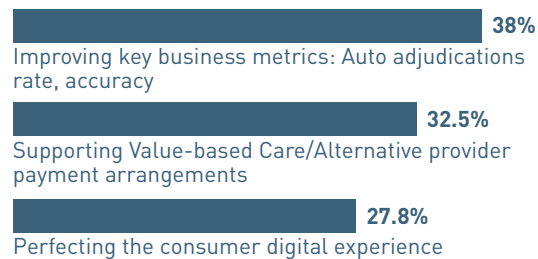
9) How many years ago did your core administrative processing system go live?



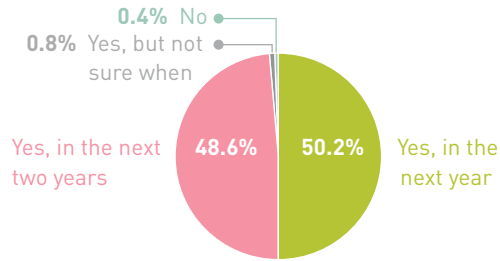
10) How satisfied are you with your core administrative system(s)? Please select 1-5 with 5 being extremely satisfied



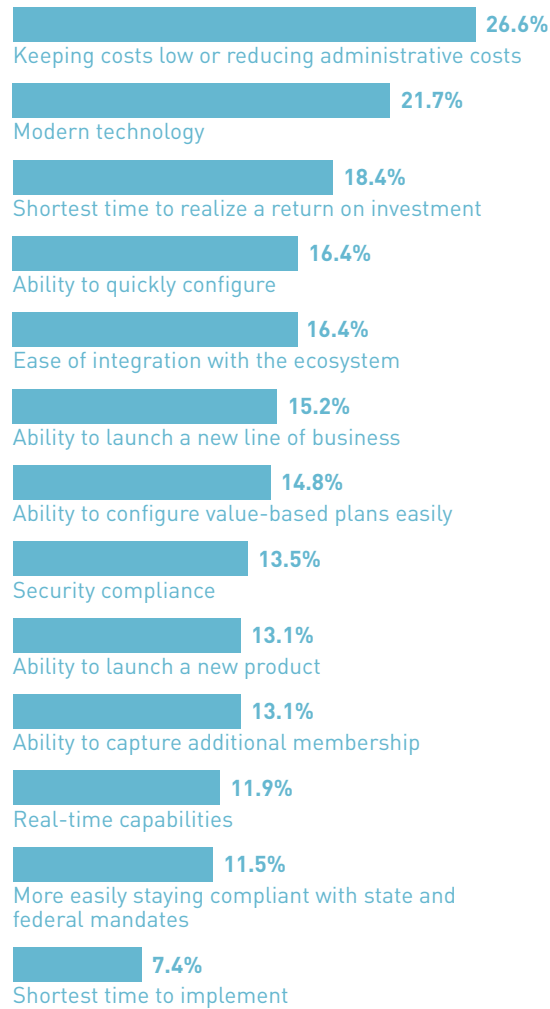
11) What strategic business imperatives are you most focused on today? Please select top five



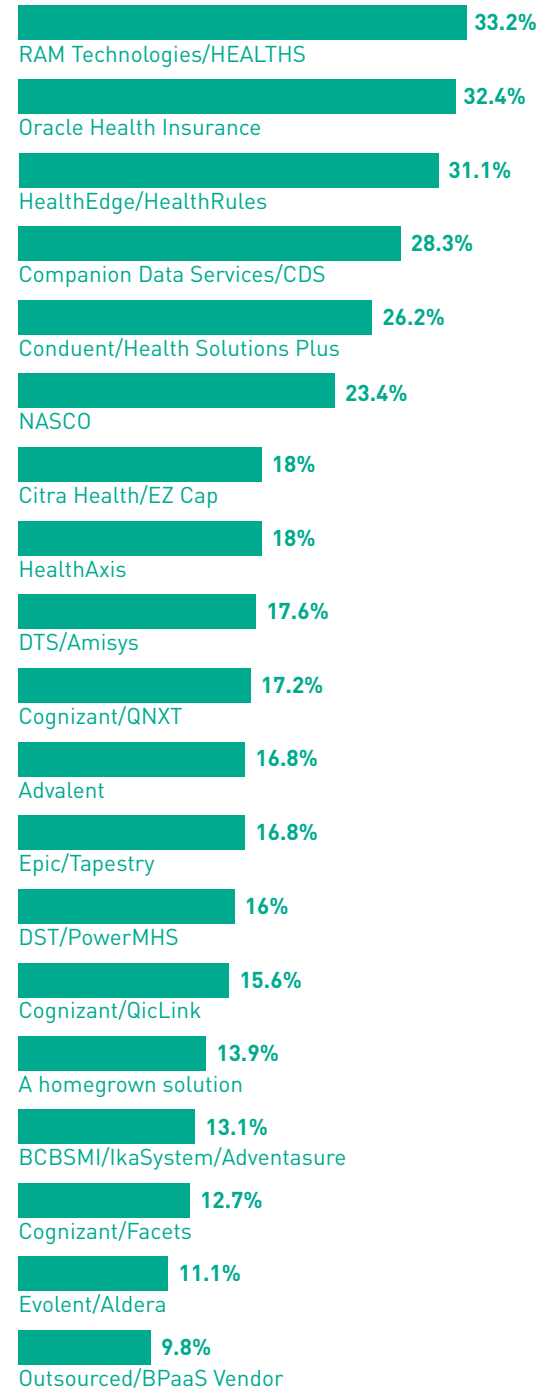
12) Are you planning to evaluate your core administrative processing system?



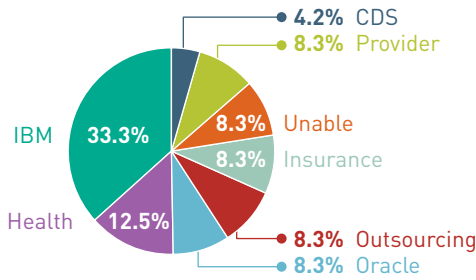
13) What are your top priorities when evaluating a core administrative system?
Please select two



14) Which systems would you be interested in evaluating? Please select all that apply



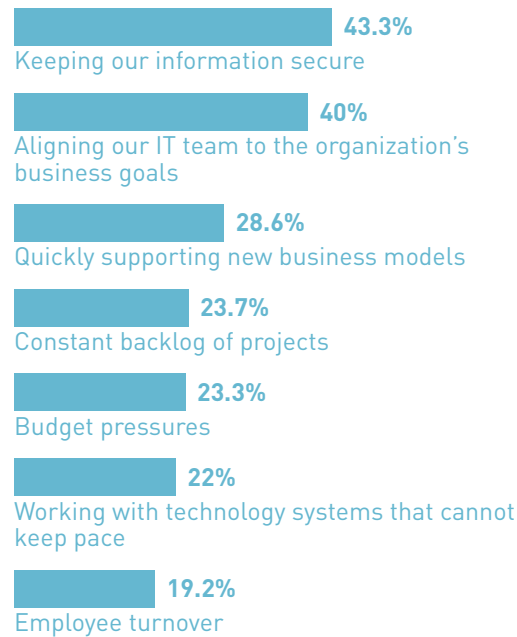
15) Could you please specify the Outsourced/ BpaaS Vendor?



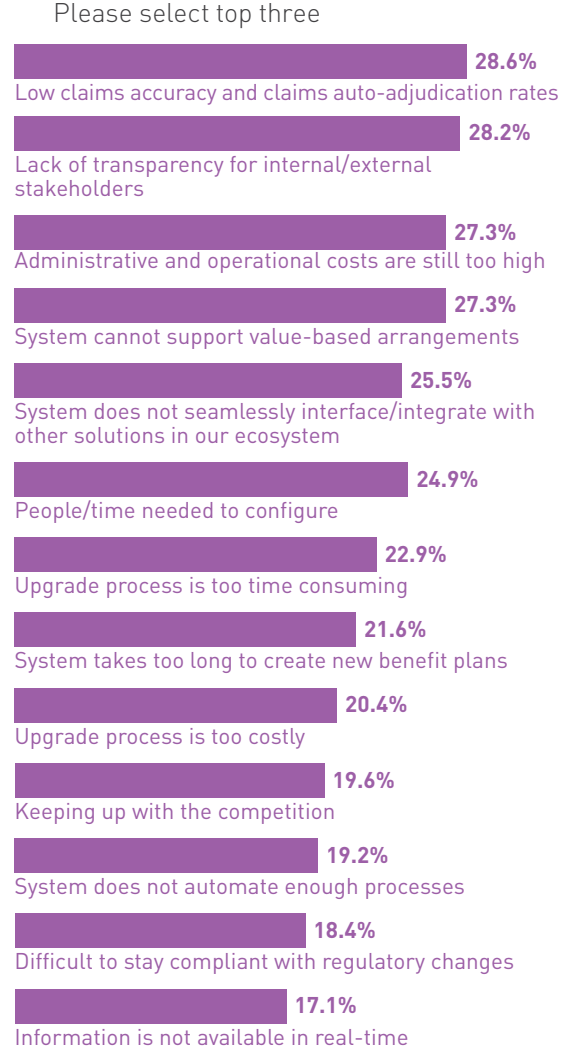
16) Why? Please select all that apply



17) What is your biggest challenge as an IT leader at your organization? Please select top two



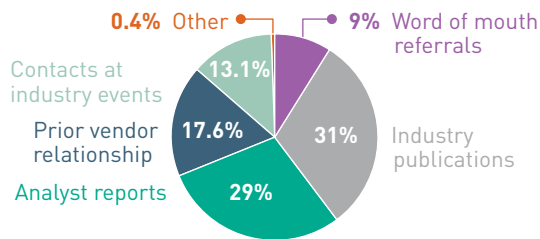
18) What is your organization's biggest challenge with your current core administrative processing system? Please select top three



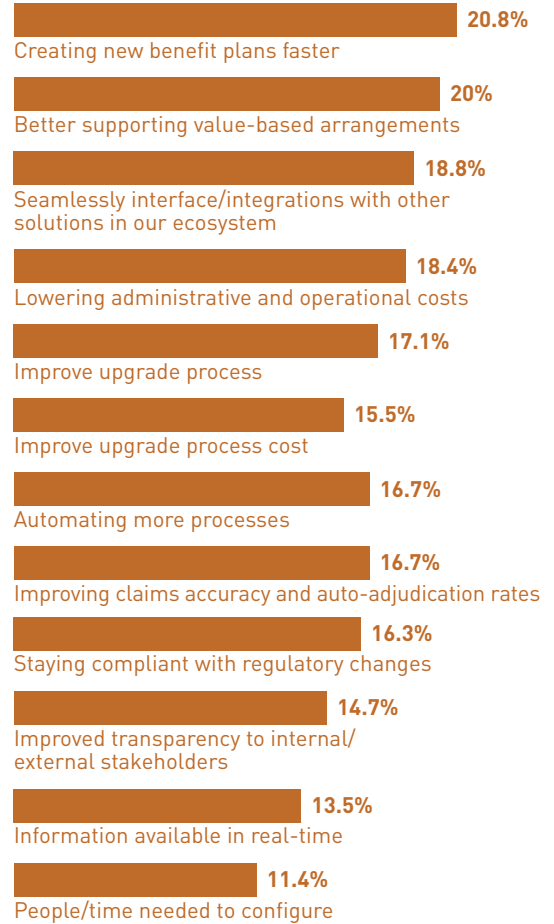
19) What are the most important steps your organization is considering to modernize infrastructure? Please select all that apply



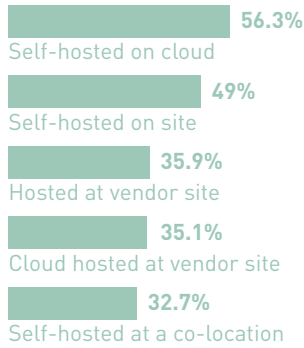
20) When evaluating a new core administrative processing system, which resource influences your decision-making process the most?



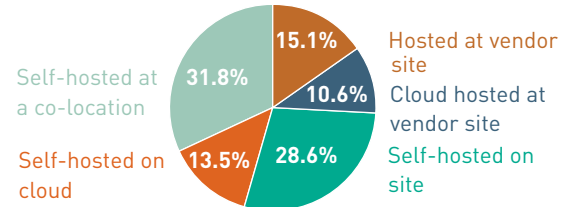
21) What are you most interested in improving with your core administrative processing system? Please select two



22) Is your core administrative processing system currently system hosted? Please select all that apply



23) Ideally, where would you like your core administrative processing system hosted?



1. [healthcare.mckinsey.com/seven-healthcare-industry-trends-watch-2020/](https://www.healthcare.mckinsey.com/seven-healthcare-industry-trends-watch-2020/)

2. www.gartner.com/smarterwithgartner/how-cios-can-ensure-a-seat-at-the-enterprise-strategy-table/

3. go.healthedge.com/2019.07.WEB.VMR.Medicare.LP.html

4. Gartner, Inc. "Hype Cycle for U.S. Healthcare Payers, 2020" by Jeff Cribbs, Bryan Cole, Mandi Bishop. 05 August 2020 ID G00444809 (Prior to 2015, this report was previously called "Hype Cycle for Healthcare Payers")

METHODOLOGY DETAILS

This survey was commissioned by HealthEdge and conducted by Survata, an independent research firm in San Francisco. Survata interviewed 245 online respondents in August 2020. For further information, contact us at info@healthedge.com.

For more information, visit: healthedge.com or call: 781.285.1300