

Building the Healthcare System of the Future

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Introduction

The future of healthcare in the United States is changing rapidly. Health insurers are learning to adapt to a myriad of factors, not the least of which are the Affordable Care Act and as well as new and evolving payment methods.

An aging population has increased demand for services and the need to manage healthcare plans and benefits. Technology is becoming a major factor both in the delivery of healthcare and payment for services. Costs continue to soar and payers are faced with the need to keep premiums low while providing adequate coverage.

HMOs and PPOs have given way to new methods of payment and risk-sharing between insurers and providers. Despite all of the attempts to lower healthcare costs with subsidized fees or renegotiated terms, the United States still has one of the highest per capita spends in the western world. Unfortunately that spending has not produced better outcomes. This trend in healthcare spending and poor outcomes is unsustainable. The current economy cannot continue to spend more than it can sustain without having better quality and outcomes.

Today, no participant in our industry functions in a silo. Healthcare requires deep collaboration between multiple parties including healthcare providers, government officials, insurers, labs, pharmaceutical companies, and providers of specialized services and insurance like vision, dental, and mental health.

Multiple solutions are being put into play to help determine the future of healthcare. These ongoing policies will continue to evolve until there is a winning model that improves healthcare by creating quality and cost effective outcomes. It will focus on the care of the patients rather than the costs of their claims.

With the passing of the Affordable Care Act (ACA), Centers for Medicare and Medicaid Services (CMS) will focus on putting consumers back in charge of their health through implementing a requirement from the government to protect the payers' outcomes, lower costs and increase care. As a result, healthcare providers are adopting value-based payment methods to improve patient care and lower costs.

The commonality for healthcare delivery organizations is that they are asking themselves if they have the right technology. Healthcare providers and payers need the right technology roadmap to maximize their access to data, tools, efforts and time to carry out and build a platform for the future. The need for agile and open systems is crucial to the new market demand and more importantly to provide new opportunities for organizations as they meet the challenges that will continue come from this new paradigm.

Healthcare in Technology

Digital innovations have allowed immense progress of Healthcare in Technology. However, the healthcare system within the United States is not efficient in its current state. With over 1.7 trillion dollars invested annually in healthcare, current systems lack the functionality needed for what is required in today's market.

Current providers' systems cannot align themselves with new healthcare regulations, nor do they address many of the issues needed to accurately measure any information that is crucial for a patient's care. These systems do not have the capacity to accommodate a patient's need by sharing information, monitoring guidelines or improving performance with their current provider. The bottom line is that pre-existing solutions do not address the challenges of integration, data consolidation and operational efficiency.

Some legacy architecture was not built for the new business model and most companies do not have the luxury of replacing a system and starting over. Nor do they have the option of continuing to try and find workarounds within the current system. Integration challenges lead to a more complex and difficult environment to support, which can potentially drive the cost of serving customers as well as creating risky issues.

Integration, data consolidation and operational efficiency remain one of the many challenges for insurers. Many prevailing solutions do not address the challenges that are currently being faced by many customers. Those solutions put the burden on the insurer to bring all the disparate systems together. There is no prediction to which vendor will have the stability and products needed to stand the test of time.

Improved information systems within healthcare in technology will greatly improve the performance of insurers nationwide. Payers who embrace such systems would be rewarded with improved healthcare and increased savings.

There is a wide range of opportunities and options that would benefit many payers by decreasing the time spent on healthcare technology. A beneficial healthcare system that would impact the industry in any way would come at a steep price. Not only do insurers need to purchase a healthcare system the first time of use, but they would also need to cover maintenance costs over the years that would not be included in the first initial payment.

Systems will need to be capable of handling new payment models from the changing healthcare act. They will need to meet requirements in payment models, data, consumer experience, individual market, private exchange, operational efficiency and medical loss ratio.

Trends and Opportunities in Healthcare in Technology

The value-based payment models are aligned with better outcomes for the consumers and the healthcare providers are forced to work more closely with their patients.

- » Capitation payment method is managed by a care organization to control the cost of health. The fixed amount of money is determined by age, individual and services provided in a geographical area per time period.
- » Shared Savings Program includes services established for Medicaid and Medicare, which is leading the way in value-based reimbursement plans. The program allows a more fluid process between providers and patients by improving and ensuring optimal healthcare for those under Centers of Medicare and Medicaid Services (CMS).
- » Pay for Performance is an incentive payment plan that is used to improve the quality of healthcare through a collective collaboration. It is measured through a variety of factors such as overall patient care and resources.
- » Bundle Payment is a single payment made to providers or healthcare facilities based on treatments and conditions. This particular method was designed to focus on improved care that providers could clearly follow in order to maximize their payments.
- » Fee for Service is the specific reimbursement plan for an individual service provided to an individual. Payment is based on a formula and funding levels by what the patient wants to pay and the cost of service and type of service that is provided.

Healthcare technology will need to be capable of meeting basic data requirements that will ensure a successful system for the future. The advantage of capturing all data, both structured and unstructured is crucial for successfully managing the information in a timely manner. Insight, agility and operational efficiency are some of the requirements needed to impact the healthcare industry in a positive way. Healthcare payers seek the need to produce timely and actionable information is entirely dependent on their IT systems.

One of the key opportunities in the healthcare industry is the ability to see consumer information and insurance oversight through Medical Loss Ratio (MLR). MLR is a safeguard that ensures patients do not overspend by submitting data on clinical services and quality improvement annually. Having a successful system will protect insurers from failing to meet ACA policies.

In today's healthcare landscape, consumer experience is now a serious consideration for payers. The patient and caregiver relationship is reflected throughout much of the data that is gathered during a patient's relationship with an insurer. The new healthcare system delivers exceptional service for what it can "do" for a patient. It is focusing the

appropriate attention on patient rather than the care provider. The consumer experience will be elevated through strong communication and relationship management.

Under the Affordable Healthcare Act, individuals will have the ability to purchase health insurance regardless of their current health state. The individual market will for the first time be geared towards providing for patients in an affordable manner.

Private exchanges are predicted to rise, and by 2016, it is expected that more than 26 million Americans will be using exchanges. Under the ACA, the trend is towards private exchanges with individuals having the option of purchasing healthcare within the state where they reside. If a state does not have its own exchange, then a resident can shop for insurance on an exchange that is run by the federal government.

Another key opportunity that the future healthcare system holds is operational efficiency. Within a system, operational efficiency will be a huge advantage when providers need to meet the new healthcare policies. In order to meet the requirements, IT systems must smoothly transition from one operation to another, including managing payments to new business models.

All of these trends and opportunities rely heavily on the electronic data within every system. The future in healthcare is heading towards a paperless industry. The data collected from value-based payment models, clinical services, quality improvement and monitoring and adjustments of MLRs is needed for building the system of the future.

Building the Healthcare System for Your Future

Building a successful system within the healthcare industry takes agility and flexibility, which allows insurers the means to successfully navigate the future. Plans need to be able to

- » Consolidate disparate systems. Many insurers are trying to merge current local systems. There is a need to make these disparate systems work together or migrate onto new platforms.
- » Cost efficiency is paramount. Most insurers are expecting to reduce the costs incurred for healthcare with technology.
- » Systems need to be agile and flexible to handle legislative changes and market demands.
- » Security and privacy of health data is an integral element of any system.
- » Data becomes critical to manage costs and outcomes. There must be access to data and the ability to analyze and manage that data.
- » New methods of delivery such as the cloud also become important. A mobile global society will require the need to be able to transmit data electronically.

Key factors that will ensure the success of the future will include considerations such as agility and flexibility. Agility and flexibility will allow insurers the means to meet changing market demands. Systems must be open and scalable to handle increased membership, data as well as disparate system consolidation. Plans will be looking to shift IT costs from a capital expenditure to an operational expense. This will require different delivery models of software, and the cloud will become an important delivery model. Systems must allow health plans the ability to get to market in time to be ahead of the trend/requirement. In order to reduce costs systems need to create operational efficiency; this includes less human touch in claims payment, membership as well as easier access to data. Finally data is a new currency in this environment. There must be an ability to merge clinical and claims data to drive outcomes and payments. Data integrity and security will continue to be crucial to a successful plan.

Goals that should be developed when evaluating and prioritizing systems include:

- » Insight, agility, and operational efficiency in IT systems
- » Ability to successfully capture structured and unstructured data
- » Tracking and saving performance
- » Drive down total cost of ownership (TCO)
- » Faster time to market products
- » Flexible architecture for long term success
- » Private and secure

Delivery Models

Within the tech industry, information technology is taking on increase importance and with this comes a massive change in systems. With new payment models and healthcare policies many companies are finding new ways to meet their own IT needs. Many payers within the healthcare industry cannot afford new hardware or software that is necessitated by the requirements of the new law. Instead, many companies are currently trying to salvage their age old systems with various tweaks to meet the new market demand. However, this model doesn't work because the tweaks that are made today will require more maintenance for the future. In addition, these legacy systems are not flexible, agile or operationally efficient.

These issues of inadequate systems put a halt in moving forward with the future. Without an operational system, the healthcare industry will be at a disadvantage because there will be difficulty in successfully capturing data in a timely and secure manner.

In order for there to be a thriving system, IT needs to reduce their spending and can do so in a few different ways:

- » A shift from capital to operating expenditure
- » Cloud-based technology
- » Outsourcing functions

The result would lead to a huge leap in both systems and technology. Using a cloud-based system would not only reduce TCO by limiting your spending, resources and maintenance, but it would have the capacity to alter a business through lower spending, agility, innovation, costumer service, and additional reporting.

Oracle Solutions

Oracle's solutions have revolutionized the healthcare industry. The products are designed to meet all the needs of the health plan of the future. We're taking a strategic approach to the healthcare industry by combining the best of high-performance industry technologies with vertical capabilities integrated into every level of Oracle's stack of solutions. That enables us to offer a service-oriented architecture with the flexibility for insurers to choose only the components they need to satisfy their business requirements.

When working with Oracle as a strategic partner, integrations and lowering complexity becomes our problem as well as our commitment to you.

Our industry leading applications and solutions are built as a service-oriented architecture that provides organizations with the flexibility needed to deliver their services and solutions in the method that best meets their unique requirements, whether that's on premise, in the cloud, or a hybrid model. We provide choices to support your specific needs. And we make it possible to integrate any of them, so all systems talk to each other. That lowers



costs, takes the overhead out, and helps you stay at the cutting edge of the technology you need most. We're able to do all this because of our wealth of experiences working with other organizations across the globe.

Many payers and providers are forming partnerships to meet the new requirements within the healthcare industry. As a result proactive companies are finding added benefits when aligning themselves with Oracle. Quick reimbursements, faster time to market and private and secure systems are paving the way for success within the changing market.

With the emergence of the ACA, payers are faced with an increased responsibility to provide for patients, which leads to more pressure for accurately recording all data. But payers are only successful if they have the technology that allows them to be agile and adapt as quickly as new models are introduced and includes analytical capabilities. Oracle offers all of this and more. To take advantage of the opportunities created by changes in the healthcare business, it is critical that your organization look to a strategic partner that can provide a component-based solution, developed specifically for your vertical, and easily integrated with underlying technology and mission-critical applications. This will help you solve the challenges accompanying the new individual market, and give you the flexibility to continue adding solutions as you need them and as the industry continues to evolve.

Conclusion

The Affordable Healthcare Act is paving way to a new future.

Value-based payment models are on the forefront of this change and are only just the beginning. Current payer systems need to be modernized to handle the new business paradigm.

In order for payers to maximize their outcomes they need viable solutions, that include systems that provide support to improve effective quality, measuring goals and accomplishments and facilitating communication between all parties involved.

The delivery system needs to be designed to support such measurements, beginning with the IT and analytics department. Cloud-based solutions can optimize data and track patients' care. This powerful electronic database needs to meet market depends to merge data claims to accurately determine payments.

Change is happening and it is up to healthcare providers and payers to evolve and adapt in order to succeed in the opportunities of the future. Their success and survival depends on having insight, agility and operational efficiency as their business plan.



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Hardware and Software, Engineered to Work Together

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