The Intelligent Future of Healthcare Markets

Exploring the Role of Healthcare Payers
as Catalysts for Change

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Healthcare Payers <u>are</u> Healthcare's Marketplaces

Payers fulfill a central role within the healthcare industry – managing patients or members, Providers, care coordination between them and staggering amounts of data. They are at the epicenter of the buying and selling of healthcare – and with that position comes the power – and responsibility – to catalyze significant change, not only within their own organizations, but across our industry.

Payers play a critical role in healthcare

- Allocate finite healthcare spending dollars and resources for healthcare's constituents.

- Optimize the buying and selling of healthcare services.

- Guide members and patients to the best care, at the best price, for the best outcomes.

- Support clinical healthcare workers with data.

- Respond to competitive pressures and government mandates in an ever-changing healthcare marketplace.

- Make consequential financial decisions that impact people's health and lives every day.

Payers are Ready to Transform the Healthcare Market

It feels like eons ago that we placed calls from a landline rather than an iPhone; rented our movies from Blockbuster instead of streaming them from the comfort of our couch; and navigated a road trip with a map rather than our car's GPS system. However, the reality is that these technologies – and countless others – have completely transformed daily life over an astonishingly short period of time. So much so that's it's difficult to remember life without them.

Information technology continues to revolutionize almost every industry sector, from entertainment to transportation, at an accelerating rate. By comparison, the healthcare industry has been slow to adopt new information technologies.

For too long healthcare Payers have been forced to accept this reality. They continue to operate with decades-old technology, all while shouldering a tremendous amount of responsibility to enable doctors, nurses, and other clinical healthcare professionals to do their heroic work every day.

For such an instrumental role in America's largest industry, there should be a large array of cutting-edge analytical tools and data available to enable Payers to do their jobs effectively. However, professional health market managers are limited to using outdated or inadequate information feeds and software, often gathering and analyzing data with spreadsheets for lack of better tools.

Payers
deserve better –
much better.
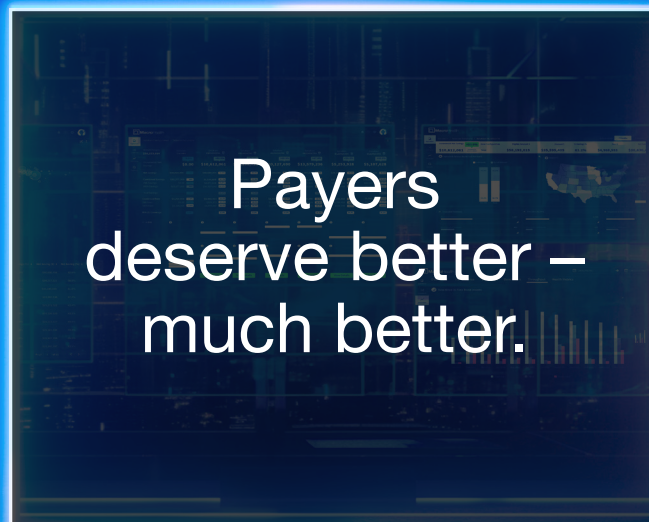
Payers have always set out to identify and pay for the best care at the best price for the best outcomes. However, as the pressure and barriers to doing so continue to mount, the time has come to usher in the transformation the industry has required for a long time.

The time for transformation has arrived – and Payers, who sit at the heart of the healthcare industry, are uniquely positioned to be the catalyst for this innovation. In this whitepaper we describe why transformation is critical to the health marketplace right now, what's possible with the right information technology in place, and how Payers can lead in bringing about these structural changes. Discover:

- The pressures driving transformation in the industry and why the time has come to challenge the market status quo.

- Why traditional technologies and processes aren't a sustainable solution.

- A new vision for the healthcare marketplace.

- How Payers have the power to catalyze transformation and drive innovation across the healthcare ecosystem.

The Forces Driving Transformation

Today, 40-year-old EDI technology serves as the information backbone of the industry responsible for our health and well-being. Inaccurate, inconsistent, and slow information ultimately contributes to inefficient health markets characterized by spiraling costs, poor access to care, and ultimately unacceptable outcomes.

Transformation is needed – but is now the right time? Market pressures have accumulated from many different directions, and it has become nearly impossible for Payers to address the following industry drivers with traditional 'insurance claim'-centric approaches.

Regulatory Pressures

The federal government wields significant influence in the U.S. healthcare industry as the largest healthcare buyer and primary driver of change. Currently, it is spearheading two major initiatives: health price transparency and health data interoperability. Today, consumers, employers, and health plan sponsors lack essential information about healthcare costs before, during, and after medical events. To address this issue, bipartisan efforts are underway to enhance pricing transparency among Payers, Providers, and patients.

Legislation such as the No Surprises Act and Transparency in Coverage rules requires hospitals and insurers to present prices and payment information for commonly used healthcare services in a clear and understandable manner.

Bipartisan efforts are underway to enhance pricing transparency among Payers, Providers, and patients.

The No Surprises Act is legislation that protects individuals with health insurance from surprise medical bills. It prevents situations where individuals may receive unexpected bills for emergency services, non-emergency services at in-network facilities from out-of-network Providers, or services from out-of-network air ambulance Providers. The Act aims to ensure that individuals are not faced with higher costs for out-of-network care and provides financial protection for patients.

Transparency in Coverage rules require most group health plans and issuers of group or individual health insurance to provide pricing information for covered healthcare items and services. This information helps consumers understand the costs associated with their healthcare before receiving care. The rules have been implemented in stages, with pricing information being made available from July 1, 2022. The rules enhance consumer access to pricing information, enabling them to make informed decisions and shop for healthcare options that best suit their needs.

While the objectives of healthcare transparency include greater market pricing efficiency, implementation and compliance within tight deadlines will require significant investment. Industry Payers are also reluctant to expose proprietary contract pricing openly in the market to customers, competitors, and their counterparty Providers. Conversely, with detailed competitor pricing data suddenly available, Payers are challenged to gather and leverage this data to remain competitive themselves.

The federal government has also introduced stringent requirements for healthcare data interoperability to facilitate seamless information exchange among healthcare Payers, Providers, and other stakeholders. These requirements aim to improve patient care coordination, enhance healthcare outcomes, and foster innovation within the industry. Healthcare organizations are now mandated to adopt certified electronic health record (EHR) systems that support secure, standardized, and bidirectional exchange of patient health information, as outlined by regulations like the 21st Century Cures Act and the Promoting Interoperability Program.

Healthcare Providers and Payers must enable patient access to their health data through application programming interfaces (APIs), empowering individuals to securely manage and share their information with other healthcare Providers, Payers, and third-party applications. These interoperability measures aim to create a connected healthcare ecosystem that enhances care coordination, reduces errors, and elevates overall healthcare delivery.

While achieving these interoperability goals brings significant benefits, it also requires substantial capital and time investments from Payers, including:

Upgrading information systems, data infrastructure, and interfaces to enable health data exchange with Providers and other stakeholders.

Prioritization of data governance and security measures to ensure the privacy and protection of sensitive health information during the exchange process.

Development and maintenance of robust APIs that adhere to interoperability standards.

Investments in API development, testing, documentation, and ongoing support.

Resources for employee training and education to ensure compliance with interoperability requirements, data standards, and protocols.

Competitive Pressures

The healthcare industry has historically deterred many technology companies due to its complexity, powerful entrenched interests, and the need for deep subject matter expertise. However, the current landscape is witnessing a significant shift. With healthcare accounting for nearly 20% of American GDP, major players such as Amazon, as well as non-traditional retail healthcare Providers like Walmart and Walgreens, are reentering the market, aiming to offer healthcare services.

Some Payers are swiftly acquiring healthcare Providers, capitalizing on the trend towards lower-cost care settings. These competitors have identified a vulnerability in the industry: healthcare's struggle to provide real-time, data-driven, and quality consumer experiences.

Consumer Pressures

Consumers are also increasing pressure on Payers. Consumers want healthcare experiences that are convenient, real-time, and personalized – just like the experiences they expect in other aspects of their lives. However, the U.S. healthcare industry's legacy administrative technology infrastructure is simply unable to support these expectations. Payer administration professionals find themselves with the impossible task of delivering a caliber of experience similar to that of an Uber app with outdated systems that rely on legacy EDI connections, resulting in limited real-time data updates and analytics datasets that are updated on a monthly basis.

The industry urgently needs modernization to provide the seamless experiences consumers demand.

Internal Payer Pressures

Payers occupy a unique position at the heart of the healthcare industry. Consumers access healthcare through Payers, and healthcare Providers typically interact with consumers through Payer systems as well. However, many Payer business leaders have traditionally focused on claims-centric approaches and technology investments, rather than a consumer-centric marketplace experience.

Payer CEOs and CIOs are increasingly questioning the value of their existing IT investments. Inflexible and monolithic claim-centric application suites are a barrier to agility and innovation and have a high cost of ownership. Unlocking the value of healthcare data is a top priority for Payers as the industry enters an era of consumer engagement, transparency, and personalized health.

Healthcare payers must become more agile and adaptable to compete amid disruptive technology and market forces. However, with restrictive budgets, limited internal resources, and a finite timeline to innovate, Payers are unable to build the solutions needed to accomplish these goals themselves.
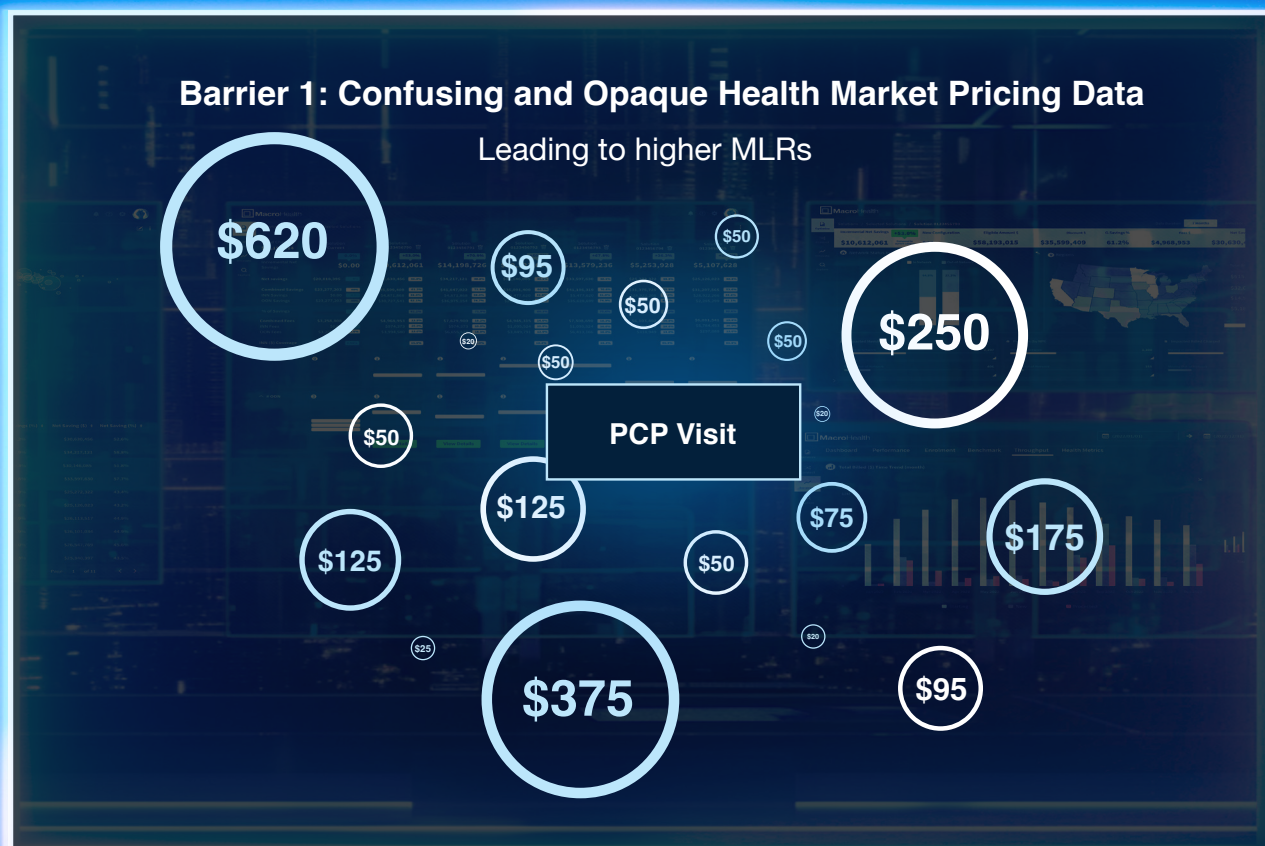
> While these collective challenges are daunting, they are also exciting opportunities for healthcare leaders to improve healthcare for everyone. However, in order to do so, they'll need to look beyond traditional technology and approaches.

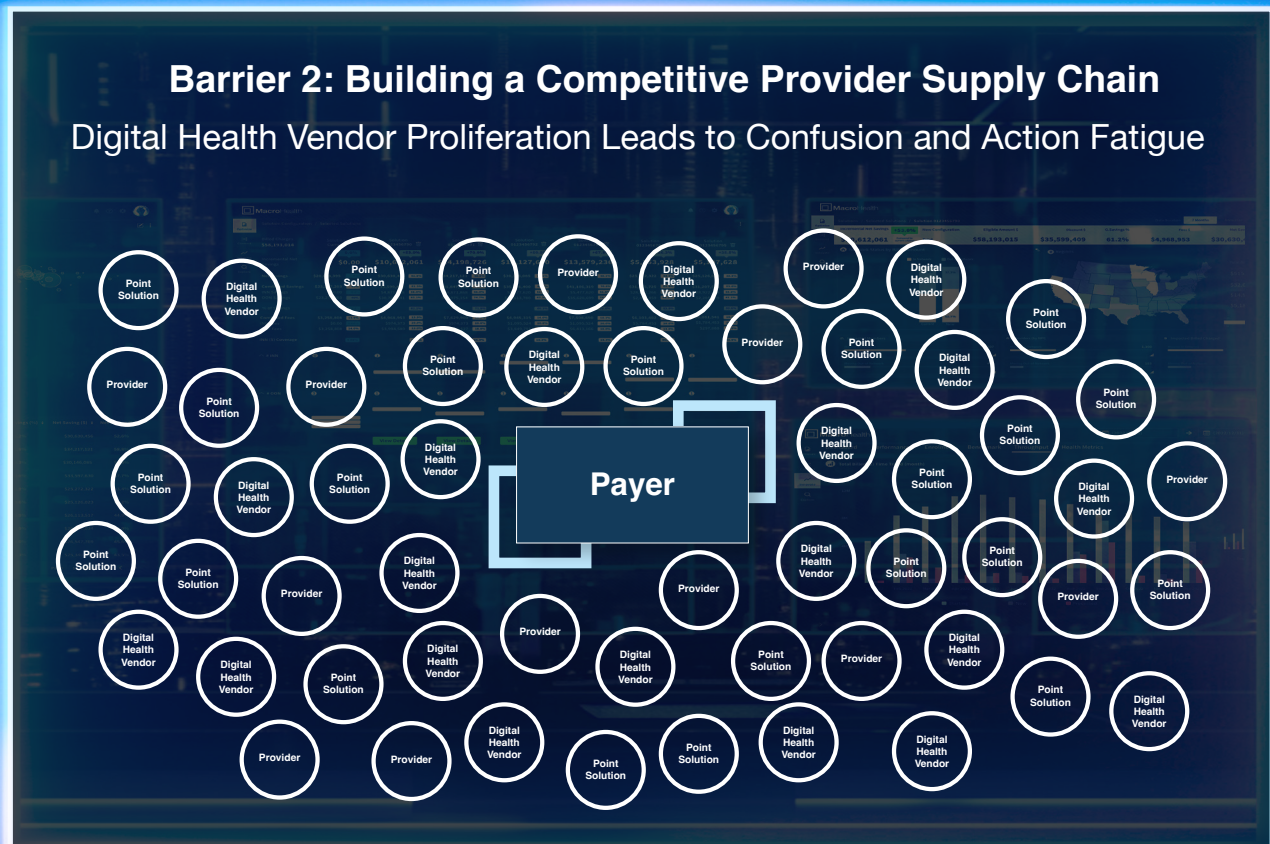# Current Technology and Processes are Unsustainable

As Payers strive to address the mounting pressures from government entities, competitors, consumers, and within their own organizations, they are realizing that their legacy technology, processes, and perspectives are explicitly impeding their ability to meet the competitive access, price, and service expectations for their customers. These challenges become clear when trying to meet new government regulations for transparency or providing a customer-centric purchasing experience within their existing ecosystems. All of this is occurring during a period of unprecedented, accelerating change in our industry, requiring Payers to take actions that are deliberate and focused.

The IT solutions that Payers have relied upon for years to address their marketplace challenges are no longer sustainable and, in many cases, are adding unnecessary complexity to their operations. While the external pressures on Payers are substantial and multifaceted, there are three large and related challenges that prevent every Payer from buying healthcare optimally.

Barrier 1: Confusing and Opaque Health Market Pricing Data
Leading to higher MLRs

$620 $95 $50 $50 $250 $50 $50 $50 PCP Visit $50 $125 $75 $175 $125 $50 $375 $95

The first hurdle is healthcare's perplexing and opaque pricing structure, which ultimately leads to unsustainable medical loss ratios. With countless network and healthcare Provider options available, Payer organizations face the challenge of limited time, data, and analytical capabilities needed to evaluate these options and make optimal choices for their member populations. The absence of actionable pricing intelligence results in higher costs for Payers, Plan Sponsors, and Members.

Barrier 2: Building a Competitive Provider Supply Chain
Digital Health Vendor Proliferation Leads to Confusion and Action Fatigue

Second, Payers must build out a Provider Supply Chain that is customized and optimized for their unique member populations. To compete, Payers have no choice but to build out their Provider Supply Chain from 1.8 million potential sites of care. To organize so many sites of care, Payers must choose amongst more than 11,000 intermediary provider networks, point solutions, and digital health vendors, making it difficult or even overwhelming to thoroughly evaluate options and ultimately select best-fit solutions for their member populations.

Barrier 3: Inefficient Point-To-Point Connectivity
Leading to higher administrative costs
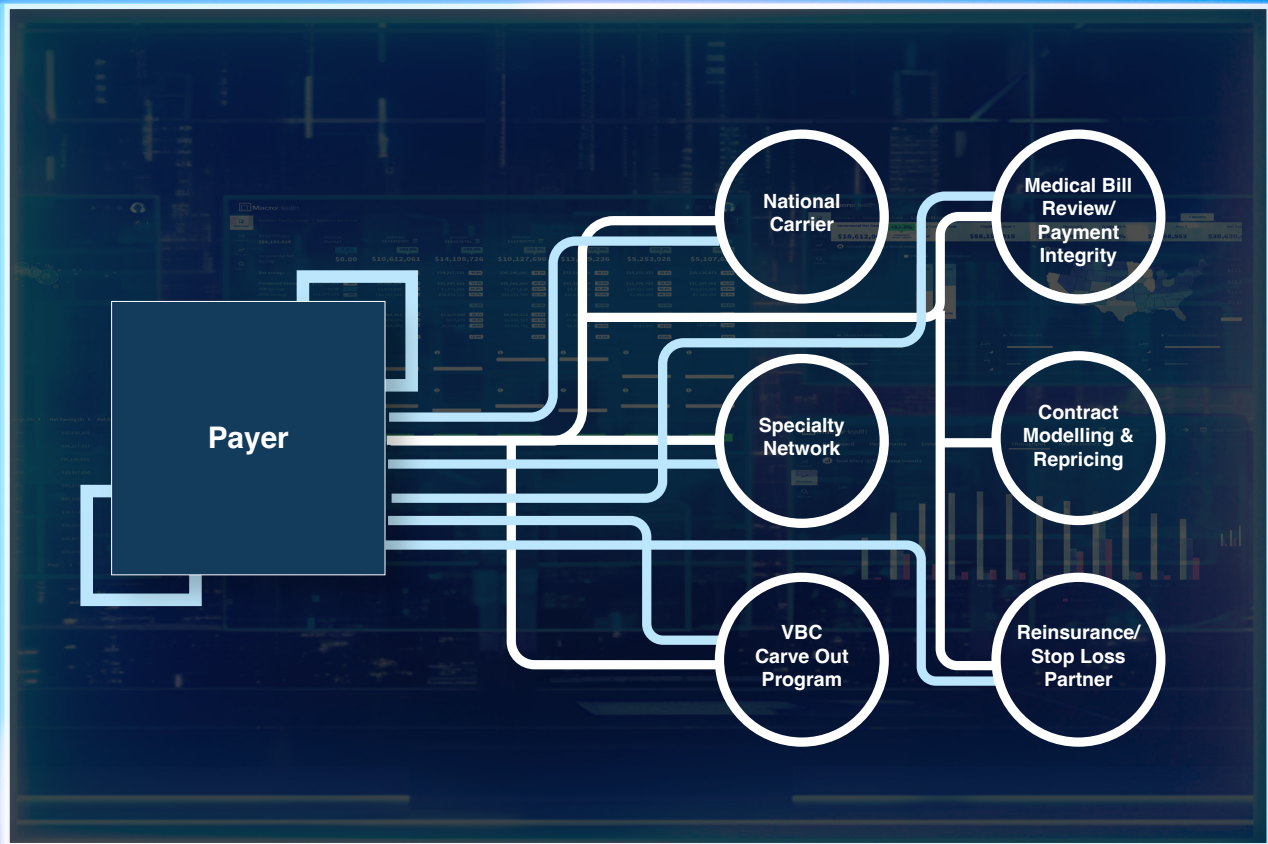
The third issue faced by healthcare Payers is inefficient point-to-point system connectivity. Each Payer must build and maintain custom-code connections with multiple suppliers, constantly adding more over time. These fragmented connections are inflexible, non-reusable, and typically impede data aggregation, analytics, and reporting capabilities. As a result of these structural inefficiencies, Payer and industry administrative costs rise.

The current state of healthcare interoperability prohibits the real-time connectivity of data and services. Incredibly, the U.S. healthcare industry operates on legacy technologies[1], such as the X12 EDI standard, to complete billions of transactions each year.

That's $4 trillion of spending hindered by decades-old technology.

Addressing these barriers requires a fundamental departure from legacy technology, processes, and perspectives. Healthcare will never be able to provide the seamless and modern customer experience that consumers expect until healthcare data is readily available and usable across their entire healthcare ecosystem. At the same time, Payers and healthcare Providers won't be able to provide the best care and care options possible throughout their patients' health journeys or stop the rise of skyrocketing healthcare costs.

What if Uber only updated once a day?

Imagine standing on a bustling street in a major city during a torrential downpour, desperately trying to hail a randomly passing taxi. You extend your arm, hoping for a stroke of luck, but it's a hit-or-miss situation. Today, you would opt for the convenience of booking an Uber from the comfort of a dry spot using your phone. With Uber, you gain certainty about your ride's arrival time. If it's ten minutes away, you can comfortably wait indoors, shielded from the elements. The stark contrast between these experiences lies in the timely and reliable updates provided by Uber's app. Behind the app, Uber's infrastructure is coordinating information about your location, your driver's location, your destination, and the traffic in between, along with payment, trust, and other data for thousands of other passengers and drivers – all in real time.

In healthcare, the outdated technology infrastructure is incapable of supporting this level of service. Payers currently rely on technologies that are nearly four decades old, with their systems typically receiving data updates once a day. This archaic setup prevents them from embracing the data-driven decision-making processes and innovative customer experiences that are now expected in other industries, including transportation, communication, and finance. The healthcare industry lags behind, unable to provide the same seamless and efficient experiences that Uber effortlessly delivers.

An Uber-caliber experience will only be possible within healthcare when we leverage accurate, real-time data to enable real-time experiences.

Healthcare Reimagined: The Intelligent Health Market

The pressure is high for Payers to deliver transparency, better customer experiences, reduced costs, innovation – and to provide the best care at the best price for the best outcomes. In today's healthcare ecosystems, this has become increasingly challenging.

It's time to reimagine healthcare for what it could be if Payers broke free of the constraints of siloed, legacy technologies and created something new. It's time to build an Intelligent Health Market.

Professional healthcare purchasers go online and enjoy a guided shopping experience that allows them to select the ideal combination of best-of-breed Provider networks, pharmacy, behavioral, virtual, and digital health solutions for their unique populations of members or employees.

These decisions are made powerful through real-time data, intelligence, and transparent pricing information, ensuring that their selected solutions optimize cost reduction, health care options, and access, and deliver the highest quality care.

The Payer can seamlessly connect to their selected solutions. Data and transactions from those solutions are interoperable and available in real-time enabling a seamless experience for the member or employee across their ecosystem of healthcare partners.

The consumer's healthcare data and transaction information is available across any channel required by the consumer or Payer, enabling prudent, timely, and effective decision making.

By transitioning to an Intelligent Health Market, these competitive capabilities – and many more – become possible.

What is an Intelligent Health Market?

A mature, **optimized, and connected** health marketplace ecosystem is an Intelligent Health Market.

Optimized refers to using data science and analytics to achieve increasingly optimal levels of performance for cost, access, and quality, as benchmarked versus prior results, peers, and what is possible.

Connected refers to using industry standard interoperability to connect the information systems of marketplace partners within an ecosystem. The goal is to achieve real-time data liquidity and visibility. This is necessary to deliver the experience that consumers demand.

An Intelligent Health Market brings the power of a marketplace to healthcare, using data to provide a guided purchasing experience of solutions that are specifically designed for each Payer. Equipped with a holistic view of the Provider networks and Health Market Partners that bring the greatest value and best fit the needs of a Payer's specific member population, the Payer can select actionable solutions that reduce costs and improve healthcare quality. Health market vendor selection becomes easier, faster, and more holistic.

An Intelligent Health Market should also enable a healthcare Payer to connect their entire ecosystem of preferred partners through a single, cloud-based software platform, performing seamless data and operational exchanges across multiple partners. This provides the flexibility to integrate with best-in-class service Health Market Partners, drive down the cost of system integration and maintenance, and deliver richer, actionable data.

In an Intelligent Health Market, a Payer can proactively identify market pricing inefficiencies to create actionable savings opportunities and leverage those savings to fuel innovation and growth within their healthcare ecosystem. When a Payer is able to centralize control of their entire health market ecosystem onto a single cloud environment, it becomes easier to stay in compliance with government regulations, offer greater transparency, and deliver better customer experiences. This holistic approach enables Payers to realize the transformative power of a marketplace.

Every Payer builds out an ecosystem – a marketplace – of Providers, provider networks, point solutions, and health market vendor partners to serve their plan sponsors and members.
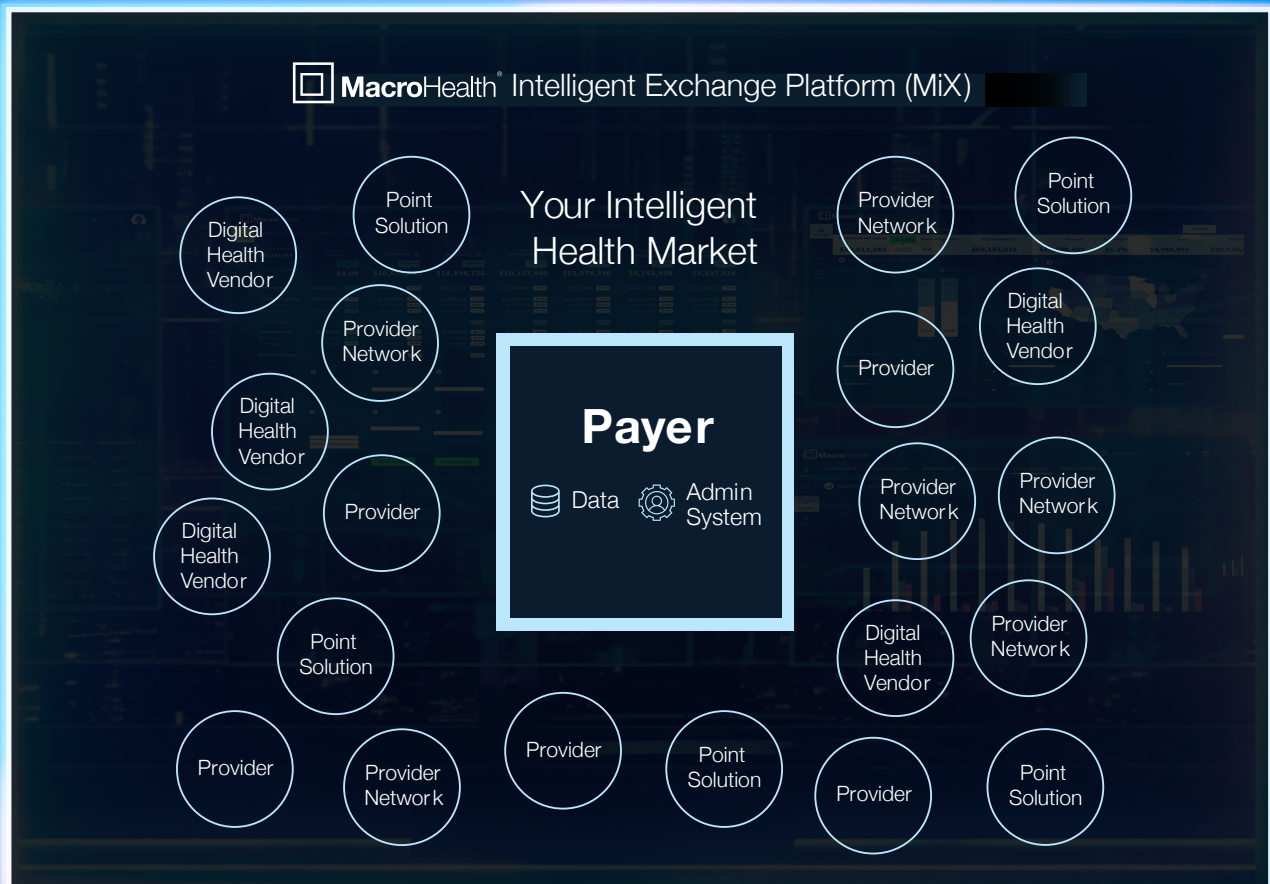
The Power of a Marketplace in Practice

Similar marketplaces are already leveraged in other industries, including finance. For example, consider consumer financial applications like Robinhood, a real-time trading and investment tool accessed through online apps. Enabling Robinhood behind the scenes is a company called Plaid, Inc. that has established connections with almost every bank across the United States. By integrating with the Plaid platform, businesses like Robinhood can connect once and instantly access a network of 12,000 financial institutions across the country. Trying to establish individual connections with each banking institution separately would be a slow, expensive task that would be virtually impossible for any single-consumer financial application.

The creation of Intelligent Health Markets can transform the healthcare industry by providing Payers with a centralized marketplace where they can efficiently connect with and evaluate a wide range of Health Market Partners. This approach eliminates the need for wasteful custom-code point-to-point connections and enables a Payer to access a broader array of solutions so that they can focus on continuously optimizing their health market ecosystems for their members.

> Plaid, Inc. provides the plumbing for more than 8,000 of today's most popular financial apps.

The Power of the Payer

Payers are well-positioned to be catalysts for change

Consumers → ← Payer → ← Healthcare Provider networks and specialty networks

At the center of healthcare, Payers have the power to create their own Intelligent Health Markets

How can healthcare business leaders overcome their marketplace challenges?

The solution begins with a change in mindset and strategy. Industry pressures and marketplace challenges are compelling Payers to shift away from claims-focused business models, where investment and activities are based on retroactively paying claims. Instead, industry leaders and analysts are evolving to ecosystem-based strategies – where they are proactively procuring healthcare services using sophisticated data and modern software platforms.

According to Gartner,[3] Payers need to "enable ecosystem partnerships and participation across industries by prioritizing investments that contribute to real-time, interoperable, automated data and workflows."

Further, "Healthcare Payers must adapt their business and operating models to diversify their ecosystem roles and deliver more value in a disrupted market."[4]

Payers have been working toward this for years by managing their own respective systems of Providers, third party provider networks, point solutions, and vendors – building their ecosystems for healthcare.

> "Years ago, Gartner introduced the health value management framework, which recasts Payers' ecosystem role from healthcare payment processors to health outcome facilitators."[2]

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However, to effectively compete now and in the changing environment ahead, they need to build out increasingly sophisticated, optimized, and connected Provider supply chains – an intelligent marketplace ecosystem – to optimize the buying of healthcare services for their members and plan sponsors.

To do this, Payers need data and interoperability. They need software, which is built to optimize and connect their marketplace ecosystems, unlike the legacy claims and clearinghouse technology being used today.

They need to create their own Intelligent Health Market.

By creating their own Intelligent Health Market ecosystem, a Payer will have a connected and interoperable ecosystem of solutions that are optimized for their member and employee populations. With this interoperable ecosystem and the actionable, real-time data it can provide, a Payer will be able to deliver a total consumer experience aligned with modern consumer expectations.

Positioned at the center of the healthcare industry, Payers have the power and position to do this – bringing about real change in healthcare – modernizing it to work with (and work for) the connected world we live in today.

Intelligent Health Markets give Payers the power to…

Reduce costs

With the entirety of the Payer's ecosystem – and opportunities – visible and accessible, Payers can identify the optimal combination of Provider networks and Health Market Partners for their member populations. This means finding the best care for the best cost. The ultimate goal of an Intelligent Health Market is to deliver actionable market insights in real time.

Innovate

The ability to identify cost-saving opportunities in real time means Payers can continuously analyze and optimize for their unique member populations. With the savings gained, they can reinvest in their business, innovating and driving organizational growth.

Improve care for members

Intelligent Health Markets allow for Payers to discover and assess more combinations of Provider networks and Health Market Partners than was previously possible – and at lower cost. That means they can find healthcare that better aligns with the needs of their members.

An Intelligent Future For Healthcare

The healthcare industry finds itself at a pivotal juncture, where the challenges of the present demand solutions that transcend the technology, processes, and mindset of the past. While other industries have already leveraged modern information platform technology to enable life-changing advancements, healthcare has fallen behind, relying on outdated systems and processes. However, Payers now possess a distinct opportunity to act as catalysts for transformative change. Positioned at the heart of the industry, Payers are ready to shape its future by ushering in the era of Intelligent Health Markets.

When a Payer builds their own Intelligent Health Market to power their health marketplace ecosystem, they can begin leveraging actionable data to optimize and connect solutions that reduce costs while improving the overall quality of healthcare for everyone. They will receive a comprehensive view of Provider networks and Health Market Partners that was not possible before – enabling faster and more informed decision-making. It will deliver real-time analytics so the Payer can continuously optimize and reduce costs without cutting down on care. These cost savings and time savings drive increased power to innovate and grow.

It is time for marketplace transformation in healthcare. By leveraging the technology and marketplace-centric mindset that other industries have successfully adopted, healthcare business leaders will be able to effectively respond to emerging competitive, regulatory, and consumer pressures, transforming healthcare in the process, making it more accessible and more affordable for millions of consumers.
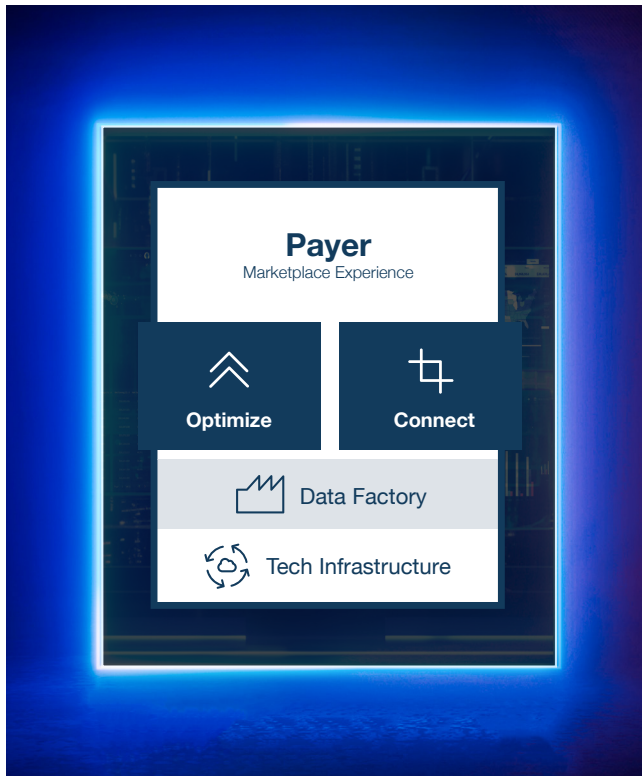
It is time for marketplace transformation in healthcare.

MacroHealth Creates Intelligent Health Markets

If you lead, or want to lead, transformation in your organization, we can help.

MacroHealth creates Intelligent Health Markets. Here's how:

This is the MacroHealth Intelligent Exchange (MiX) platform.

The MiX platform provides your organization with a marketplace experience for Payers to access and shop for strategic Health Market Partners in a way that's more data driven and actionable than what was previously possible.

There are two main components which support and drive the marketplace experience: Optimize and Connect.

The Optimize component shows you the macro view of your health market ecosystem. It enables you to identify optimal Provider networks and Health Market Partners for your member population – identifying solutions that measurably increase access and reduce costs.

The Connect component enables you to activate your preferred networks and Health Market Partners validated by the Optimize module. For Payers, integration with Provider networks and health solutions partners has always been a slow and expensive process, requiring significant time, cross-company collaboration, and scarce IT resources. By connecting through the MacroHealth Intelligent Exchange, you will leverage a simple, single-point connection to your entire healthcare ecosystem.

This single platform interface also allows you to understand and control the holistic performance of your ecosystem solutions. With centralized and actionable data, your team can create feedback loops of continuing opportunities to innovate and differentiate your network solutions to deliver increasingly high-quality, cost-effective care.

Underneath Optimize and Connect, the platform relies on our Data Factory and technical infrastructure to enable and support the marketplace platform. The MiX Data Factory is a data lake composed of your data, 3rd-party data (including CMS and MRF data), and MacroHealth data. The MiX Data Factory powers your ability to make actionable decisions and get in-depth reporting.

The MiX platform infrastructure has been built to run securely, with SOC II and HiTrust certification.

Together, these components form the MacroHealth Intelligent Exchange Platform, creating a seamless and intelligent marketplace for health services. An Intelligent Health Market.

Contact us to learn how MacroHealth can bring the power of an Intelligent Health Market to your Payer organization.

MacroHealth®

Sources

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