



Five Key Trends Reshaping the Future of Healthcare

Executive Summary

The healthcare industry's foundation is shifting from within. As we identified in our 2011 report, "Five Macro Trends Driving Healthcare Industry Investment in 2011 and Beyond," leading industry players have responded to forces such as growing public sectorization, increasingly commoditized services and the ubiquity of cloud-based technologies. They are reimagining their core strengths, the value they create and how best to deliver it. Payers, providers and pharmaceuticals are rethinking their business models, drawing on the power of today's highly connected world to rewire their organizations and reinvent how their highly skilled professionals serve healthcare consumers.

The five macro trends we've identified for 2012 flow from and capitalize on these fundamental philosophical and technological shifts. These trends include the re-distribution of accountability and risk; the expansion of retail insurance markets and direct-to-consumer sales channels; mobility; vertical integration, diversification and the emergence of healthcare conglomerates; and big data, artificial intelligence and next-generation analytics. Let's take a closer look at these five trends.

1 Trend 1: New accountability concepts are reshaping healthcare delivery models, with risk shifting from payers to providers and from groups to individuals.

Accountable care organizations (ACOs) and patient-centered medical homes (PCMH) encom-

pass a spectrum that includes physicians, hospitals, payers and vendors operating under a basic premise of shared risks and rewards tied to patient outcomes. Patient care turns away from an episodic model to a continuum, with an emphasis on prevention, wellness and management.

These concepts shift financial risk away from payers to providers through an array of new reimbursement models and capitation, including pay-for-performance, outcomes-based contracts, global pricing strategies and risk-based capitation.

Cognizant's perspective: The biggest challenge for ACOs and similar entities will be population care management – engaging individual members to stay healthy and/or successfully manage their chronic conditions. To better oversee population health, ACOs will invest in clinical decision-support and business intelligence tools to provide actionable information and alerts.

If ACOs succeed, fee-for-service models will decline, and capitation-style payments could become the norm. Businesses potentially could contract directly with ACOs for a range of services, bypassing payers. With traditional insurance functions relegated to ACO and similar entities, payers increasingly will step into "informational" roles by leveraging their infrastructure and technology investments.

With ACOs requiring customer relationship management (CRM), revenue cycle management (RCM) and analytics capabilities and tools, we expect to see new partnerships, acquisitions and/

or mergers among payers and provider organizations by year's end (see Trend 4). Breaking barriers among payers, hospitals, physicians and other players is a positive development for the industry to deliver quality care at lower costs.

2 Trend 2: Changing channels: Payers will market directly to consumers, expanding the retail insurance market and readying themselves for participating in health benefit exchanges.

The Affordable Care Act would result in 32 million more Americans having insurance coverage, with individual membership increasing from 11 million today to nearly 20 million. If the law is not overturned by the Supreme Court, marketing directly to these consumers will require insurers to make their products and services easy for individuals to understand and navigate. Payers would also need to become sophisticated about consumer behaviors and preferences.

These steps would also be prerequisites for success in the American Health Benefit Exchanges (ABEs) that each state would be required to

launch by 2014. Underwriting approaches, demographics, regional variations and network availability would likely create wide variations in plan participation from state to state.

Cognizant's perspective: Health plans that have historically focused on the individual market will be well-positioned to take advantage of the expected growth in this segment. By 2014, we expect to see some new – and some nontraditional – players dominating the health benefit exchange and individual insurance markets.

To succeed, plans must invest heavily in designing and implementing new individual consumer-oriented market segmentation strategies. Payers will continue to emulate financial services and insurance industry business models for consumer profiling, market segmentation and 360-degree customer views. Mass customization and personalized products will proliferate for the individual market. These will include “build-your-own benefit plan” approaches in which members can plug-and-play provider networks, benefit provisions and riders, modeling premium rates with real-time quotes.

Not surprisingly, creating these features will require substantial technology investments, with payers retooling their group-oriented core platforms to accommodate individual and member-centric products and services, as well as voluntary benefits.

Payers also should invest in CRM systems to support new customer service requirements, while new analytics capabilities will be required to evaluate product performance. Solution providers in the “quote to card” and “quote to bill” space will proliferate, with cloud platform-based business process outsourcing (BPO) solutions.

3 Trend 3: With an “app for that” available, all healthcare is not local. Experiments with “virtual care” models and telehealth will proliferate and accelerate throughout 2012 and beyond, disrupting traditional care models.

Rapidly evolving and increasingly powerful technologies like mobility, broadband, social computing, apps, “anything as a service” and cloud-based service models make it possible to deliver and receive care anywhere.

Rapidly multiplying mobile health apps collect and send vital signs from wireless and wired remote patient and personal health monitoring devices. More than 9,000 healthcare-related applications already are available to the public via smartphone.

Cognizant's perspective: Cloud technology, combined with advances in mobility and telepresence solutions, will create new “unwired” business models capable of providing care anywhere. That will enable new entrants to leapfrog bricks-and-mortar and go directly to virtual integrated healthcare delivery models.

Mobile and telehealth applications and remote monitoring devices will dramatically change how patients and providers interact. Mobility solutions will expand in provider and clinical settings, and care management strategies will be increasingly dependent on remote monitoring devices and remote interventions. Network development strategies will change to accommodate online networks and reimbursement models for e-consults.

On premises, heavily customized CRM and RCM infrastructure will hamper many institutions from capitalizing on these trends. Privacy and security issues will grow alongside the use of mobile devices and greater consumer connectivity.

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Cloud computing solutions will be critical to delivering scalable, reliable and secure mobile and remote solutions that enable new business models and a rewired healthcare workforce. “Virtual ACO” solutions will spread; expect “ACO-in-a-box” offerings from IT consultancies and software houses to address the technology needs of these new entities. Cloud and various IT-as-a-service models will fundamentally change the capital expense and operating cost equations associated with software, services and hardware, creating opportunities and eliminating barriers for new entrants to the mobile and virtual health marketplace.

4 Trend 4: Vertical integration, diversification and the emergence of healthcare conglomerates: With lines of demarcation among industry sectors blurring, healthcare players have new opportunities to work together to rethink business models to capitalize on each others’ areas of expertise and share the risks and rewards of new ways of delivering care.

Post-healthcare reform strategies will reshape the healthcare industry landscape. New deals from traditional players will combine the care experience of providers, the analytics and risk management expertise of payers and the outreach infrastructure of life sciences and pharmaceuticals. This activity could involve suppliers buying providers; health plans teaming with providers; and pharmaceuticals becoming involved in services along care pathways. Mergers and acquisitions will increase, with companies looking for growth, as well as to fill in services along the continuum of care.

Cognizant’s perspective: Adaptable, agile health plan business models that can accommodate accelerated transformation through rapid-cycle change management, innovation and virtualization will be in the best position to exploit the business opportunities in a post-reform market.

Business and technical agility will drive sustainability and profitability. In particular, M&A and integration capabilities will be paramount, with vertical market M&A activity dominating the market this year. Payers and other industry stakeholders must be proficient at quickly absorbing and/or launching lines of business.

More health plans will differentiate themselves based on the solutions they offer and outcomes

they enable with their technology and applications. Health plans will grow revenues by offering their care and disease management, claims processing and/or business and IT capabilities as services. Payers also will acquire provider technology platforms and applications to accelerate vertical integration. Further, they’ll leverage existing IT capabilities as revenue drivers in international markets, as well as at home.

5 Trend 5: Healthcare will begin unlocking the value in big data, artificial intelligence and next-generation health analytics and business intelligence. As the healthcare system removes structural barriers to data access and sharing – and puts the right incentives in place to encourage the same – tremendous value will be unleashed.

The digital universe will expand by a magnitude of 44 in the coming year, with 5.3 billion mobile subscriptions and millions of apps generating petabytes and beyond of data.¹ Next-generation analytics tools and artificial intelligence are being unleashed on these data stores across the economy.

“Big data” in healthcare could create opportunities in comparative effectiveness research to develop optimal treatment pathways; medical loss ratio (MLR) improvement and measurement; and ACO enablement and management, as well as clinical decision support systems. Analytics will also enhance industry stakeholder capabilities for customer analysis, care and risk management at the population level, leading to innovative product design. Aggregated data collections from remote monitoring of chronically ill patients should drive significant cost and quality value. Enhanced data will also be useful to the CMS Innovation Center and the Independent Payment Advisory board, as they sculpt outcomes-based reimbursement designs.

That said, opportunities for generating clinical insights, improving care delivery and reducing costs through big data will depend on how well healthcare organizations and policy makers deal with structural, security and privacy barriers to using data.

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Greater investment in superior analytics also will sharply increase the “speed to business value” of ICD-10, meaningful use and ACOs.

Cognizant’s perspective: The healthcare market will start to segment, with organizations capable of leveraging the power of analytics demonstrating clear advantages in market share and trend management. Data mining technology today supports predictive modeling and risk stratification and will continue evolving. Plans using near-real-time data will improve MLR management and offer more competitively priced products.

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Health plans will make IT investment decisions with these priorities in mind, keeping them firmly within the context of broader information management (IM) strategic road maps that encompass data management and business intelligence.

Payers must invest in health exchanges to be competitive. To reduce capital expenses and better manage operating costs, plans will access platform-based, cloud-powered BPO for “on-demand” analytics and “knowledge as a service” offerings.

Additional and Continuing Trends

In addition to the five major trends for 2012 discussed above, the industry continues to address the following:

- Integrated health management focusing on population health and care management.
- Driving business value from ICD-10 implementation.
- Increasing efficiency and effectiveness across core processes, including claims, utilization management, enrollment and billing.
- Globalization and expansion to international markets.

The emerging trends for 2012 complement these ongoing initiatives. Taken together, they indicate a significant reshaping of healthcare’s landscape in the coming year. New thinking about business models and the availability of powerful mobile and cloud technologies are both driving and enabling these industry shifts toward differently wired, streamlined, vertically integrated entities that are able to deliver care anytime, anywhere, with higher quality, better outcomes and lower costs.

Footnote

¹ “The World in 2010: ICT Facts and Figures,” International Telecommunication Union, Oct. 20, 2010. www.itu.int/ITU-D/ict/material/FactsFigures2010.pdf

About the Author

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