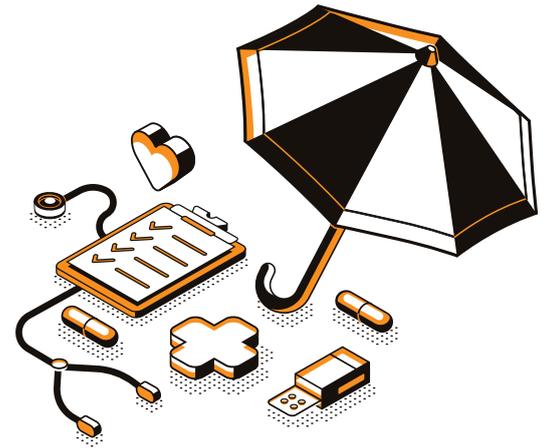


# Key considerations for health insurers/payers towards enabling digital adoption



## STATE OF THE INDUSTRY

The impact of COVID-19 and the ensuing economic downturn led to a significant amount of churn in the health insurance world - driven by the loss of commercial members and an increase in Medicaid enrolments. However, many payers benefited from lower reimbursements as providers either eliminated or reduced elective procedures due to the pandemic. Regardless, many top health payers aim to leverage digital technologies today to achieve operational efficiencies and reduce costs.

Based on a survey of top US health insurers, nearly 56% of the respondents expect digital channels to constitute up to 20% of their revenue by 2023<sup>1</sup>. Yet, the reality is that a lot of payers struggle to bring a substantial portion of their member base to digital channels (web, mobile, chatbots, etc.). Digitization studies with a few of our clients<sup>2</sup> revealed that the current registration rate of web/mobile portals hovers around 1/5th to 1/4th of the member base. It's a low number, considering how payers expect digital channels to be at the forefront of achieving the twin objectives of member wellness and reduced cost-to-serve.



So, what has caused the health insurance industry to lag as far as adapting to digital landscapes is concerned?

## Challenges to digital adoption

- **Scarcity of talent:** Digitization efforts required specific skillsets that payers usually cannot find in-house. These include design thinking, AI/ML, enterprise architecture, full stack development, DevOps, Agile, etc. Unfortunately, this talent is in short supply, and often individuals with such skillsets end up in other more technology-centric industries. Also, most health insurers still rely on traditional inbound job applications. But a research report suggested that only 4% to 5% of digital talent applies to job openings. Hence, payers rarely find the best digital talent.
- **Limited technology investments:** Healthcare is not among the top sectors when it comes to technology investments, and as a result, has accumulated significant headwinds. Most health insurers still take conventional approaches to infrastructure changes and are slow to adopt newer technologies like DevOps, ML Ops, AI/ML-driven advancements, etc. Another factor is that many healthcare providers have already invested heavily in legacy environments that may be too complicated to replace or achieve seamless connectivity with modern technologies.
- **Inability to quantify ROI:** One of the reasons for limited investments is the difficulty in associating dollar value to the benefits generated through digital initiatives. Also, most digital programs need time to realize value. For many initiatives, there is a failure to assess the time required to gain adoption internally and externally and realize ROI.
- **Cultural issues:** Success in any digital initiative depends on delivering an end-to-end user experiences that is persistent or seamless across functional boundaries. Unfortunately, the lack of organizational culture in incorporating agile technologies and experimental initiatives or cross-departmental collaboration can derail digital adoption journeys.

## How to address these challenges?

- **Roadmap of digital capabilities:** Healthcare organizations need to identify diverse sets of digital capabilities and break those capabilities based on dimensions such as importance, impact, implementation time, etc. Many break the roadmap into short-term, medium-term, and long-term capabilities.
- **Buy-in based on empathy, collaboration, and agility:** Adopting a Human-Centric Design (HCD) increases organizational buy-in of digital tools. It helps incubate a culture of design thinking, which unearths insights on the pain points of targeted users that need to be solved. The three main pillars of HCD are empathy-based problem finding, collaborative solutioning, and agile execution.
- **Agile experimentation by leveraging data and AI:** Being agile and experimentative have gone from being nice-to-haves to must-haves, given the roles that data and AI play in accelerating and streamlining digital transformation initiatives. Agile experimentation ensures short iterative cycles and ROI-focused results by accurately assessing outcomes vs. metrics.
- **Strategic partnerships:** Vendor partnerships assist in building capabilities and or/assets that can be leveraged for a long period of time. In addition, external partnerships can help understand payer organizations to gain better perspectives of other industry issues and better respond to emerging risks.

While these are proven ways to overcome digitalization challenges, it is pertinent to understand that they cannot be overcome in a short period as a whole. But does that mean that you must wait until your digital transformation journey is complete in order to reap the benefits? The answer would be a resounding “No!” Instead, you can follow an incremental approach by effectively leveraging AI, analytics, and data to achieve measurable business outcomes.

# AI, ANALYTICS & DATA: ENABLERS OF HEALTH INSURANCE TRANSFORMATION

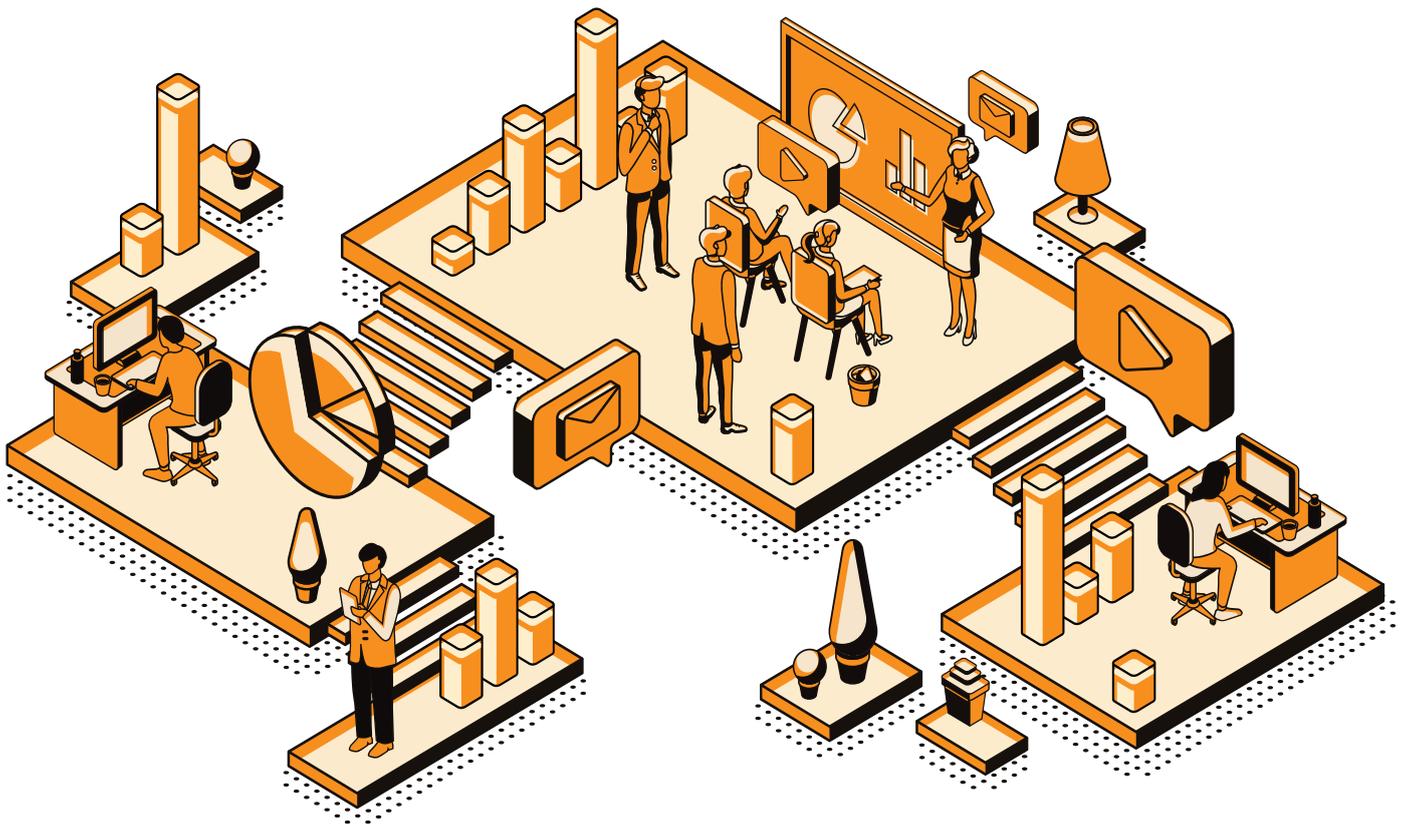
## Leverage external data to generate value

There are multiple external data sources – both free and paid that can be exploited along with internal data, especially for any propensity-related studies. External data contain lifestyle, behavioral and demographics data at both the individual level and aggregated levels. A few common sources include Merkle, Acxiom, KBMG, etc. These are paid sources, and these vendors can provide information even to individual PII levels.

Other free sources are available in the US census bureau or PEW research that provide some of these data at an aggregated level, usually at age or county/zip levels.

## Maximize channel reach and propensity with insights

- **Digital propensity:** External data contains several attributes which can serve as key drivers of digital propensity. Usage patterns of various online functionalities can also be assessed to increase adoption and usage. Members can be segmented based on usage frequency, and usage patterns can be analyzed to understand bottlenecks. Therefore, health insurers can determine members likely to use digital channels and create targeted campaigns.
- **Channel insights:** AI/ML can identify customers who are likely to shift from offline to digital channels, and CSR can use this to nudge relevant customers. In addition, voice/text analytics can be applied on call transcripts to train CSRs to influence customers. It can also help understand which digital channels (Web, mobile, chatbots) are better suited for diverse customer/member groups, and IVR can be optimized to ensure minimal contact center resources are deployed for member needs.



## **Harness AI and analytics to create superior customer journeys**

AI/ML-driven workflows collect, analyze, and interpret social and behavioral data. They help build a clear and concise view of what customers want and when/where they need it. AI is also instrumental in improving the data quality and learning from the information that it analyzes, thereby making it easier to predict customer behavior by taking contextual decisions than ever before.

It's why AI and analytics are gaining prominence in an increasingly digital world in which customer experience represents a make-or-break moment. For instance, some of the phases of the journey that can be impacted are customer acquisition, customer retention, and customer engagement.

# KEY DRIVERS OF MODERN DATA-LED INSURANCE EXPERIENCES

Despite the prevailing low digitization rates mentioned earlier, the way forward for healthcare payer and provider organizations depends on their ability to increase and manage digital adoption. The below figure captures some of the key drivers that can enable the adoption of digital tools.

<b>Increase digital adoption</b> 	<b>Improve engagement of existing members</b>	<ul style="list-style-type: none"> <li>✓ Improve digital customer experience</li> <li>✓ Enhance functionalities and features</li> </ul>
	<b>Increase new registration into digital channels</b>	<ul style="list-style-type: none"> <li>✓ Improve/enhance/simplify registration process</li> <li>✓ Identify members likely to register/use digital channels</li> </ul>

Let's look at three of the most crucial drivers.

## 1) Increased customer retention

While bringing members to digital channels is imperative, it is even more important that members are engaged effectively when using digital channels such as web/mobile/chatbots. Health insurers should look to increase engagement using the below levers.

Key steps to improve digital customer experiences

- **Understand member journeys:** A typical journey encompasses interactions at several steps, and it is important to measure satisfaction at each of those steps to understand outcomes at each step. Armed with this understanding, the payor can assess its current performance, identify improvement opportunities, and prioritize improvement efforts based on value potential and strategy.
- **Understand customer needs:** Insurers should analyze and segment the customer base, assess which journeys are important to diverse segments, measure performance across journeys, and, if required, redesign the journeys by developing the cross-functional capabilities required to design and implement new journeys.

- **Provide integrated experiences:** Payers must leverage digital technologies to deploy the integrated health capabilities and design principles to provide exceptional member experience. Vertical integration can help lower costs of care for members, which can drive significant member experience. Certain payers like UPMC Health and Kaiser Health have already tried vertical integration of capabilities from the payer, provider, PBM, etc., to provide an integrated experience to members.

## 2) Improved customer acquisition

If a significant proportion of members are not even registered for web/mobile access, the lack of awareness could be the primary reason. Therefore, insurers must increase awareness among the users through innovative campaigns and explain the benefits to the users, thereby increasing new registrations and subsequent adoption.

### Streamline registration process:

While working with one of our clients, we identified that the processes involved to register new/existing members to the web/mobile portal were not very straightforward.

So, we conducted a process reengineering exercise to enhance the registration process enabling increased registrations.



### **Identify members likely to register:**

Health insurers can enhance the number of newly registered members by leveraging analytics to identify members with a propensity to register and use digital tools. Some members are more likely to use the web or mobile. Assessing the channel use can drive both awareness and the eventual registrations.

- **Improving communication effectiveness** is key to raise more awareness among members. Digitization studies conducted recently with one of our life insurance clients revealed that 13% of registered customers log into the portal but do not access any of the functionalities or features. A further deep dive revealed that overall communication effectiveness was sub-optimal. For e.g., older demographics may have difficulty in accessing or using certain functionalities.
- **Influencing contact center reps to channelize low-value calls to digital channels** is an impactful way of ensuring customers use the digital channel. Many members continue to use contact centers for minor activities/low-value actions, which increases offline interactions - leading to higher cost-to-serve. We observed that nearly 40% of communication-related expenses come from low-value calls. Even a marginal reduction in expenses due to low value calls and result in significant cost savings.

### **3) Enhanced customer engagement**

Whether engaging new, existing, or even prospective customers, the key to enhance digital engagement is to never treat any interaction as a one-off conversation. Each one is part of a larger journey that needs to be factored in while catering to customer demands or communicating brand messages. Hence, AI, analytics, and data are imperative to predict customer intent based on deep-dive insights before accelerating the pace at which their demands are met.

## **Enhance functionalities and features**

Health insurers who aspire to be at the forefront of digitization must understand the features/functionalities that members need. For e.g., during pandemic times, virtual care as a functionality became important for a large population in the US. Hence, consumer-facing digital access points such as portals, messaging interfaces are critical in providing information to members.

## **Stay on top of ROI expectations**

Based on industry research<sup>3</sup>, it is evident that improving customer experience and member engagement can strengthen financial performance in many ways.

**Reduced churn rates:** The research found that the likelihood consumers would renew their current health insurance coverage increased with their level of satisfaction. Satisfied customers were five times more likely than dissatisfied customers to renew their plan. In addition, evidence suggests that customer satisfaction increases the likelihood that people will stay with the same insurer when switching between segments.

**Administrative cost reductions:** Satisfied customers are more likely to be well informed about plan coverages and make decisions that follow plan requirements. In addition, they are usually better able to handle routine administrative tasks on their own and are less likely to call service centers or file complaints.

**Total cost of care:** Insurers with a good understanding of the customer needs can use member engagement to lower medical costs while improving health outcomes. For e.g., health insurers can guide members to appropriate sites of care and encourage them to take control of their health, thereby enhancing customer experience

## About the Author



### **DINESH RAMAN**

Dinesh is an Associate Director, Consulting with a focus towards financial services, insurance and healthcare industries. He brings over 14 years of experience in delivering novel analytics solutions for various financial services and technology firms. He has helped several top tier institutions design analytics strategies and build AI led solutions to deliver significant value. Dinesh holds a bachelor's degree in computer science & engineering from Anna University.

### **References:**

- <sup>1</sup> <https://www.cognizant.com/whitepapers/the-work-ahead-for-healthcare-payers-gaining-a-foothold-in-the-digital-health-future-codex6472.pdf>
- <sup>2</sup> Clients included in the studies consist of both Life and health insurers
- <sup>3</sup> <https://healthcare.mckinsey.com/great-customer-experience-win-win-consumers-and-health-insurers/>