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Digital Business

From Chaos to Catalyst: Five Imperatives for Healthcare

COVID-19 could be the catalyst for lasting change throughout the industry—if providers and payers make the right moves to respond to ongoing waves of the virus, reset operating models and reimagine their future roles in a world reshaped by the pandemic.

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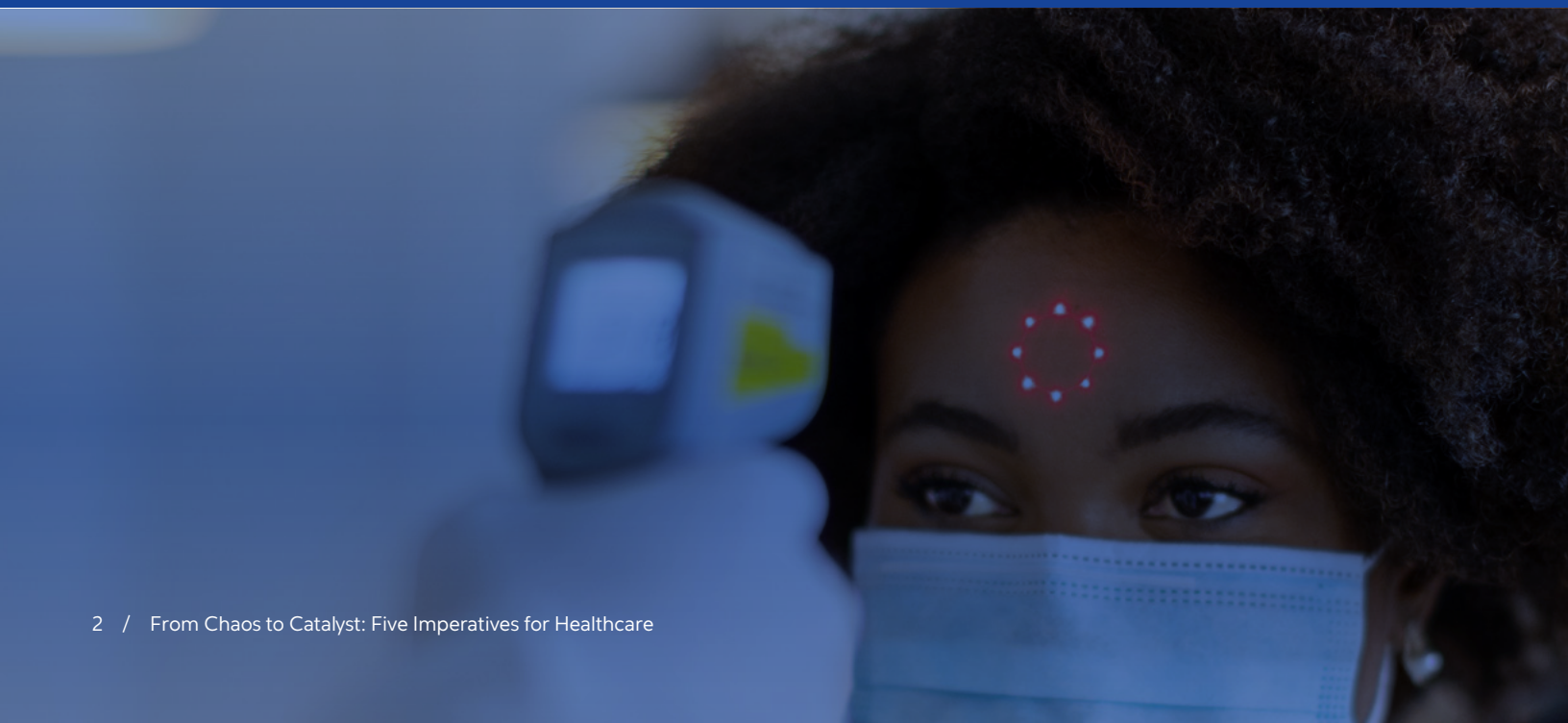
Executive Summary

While no one knows what the long-term impact of the COVID-19 pandemic will be on society and business, we can make educated forecasts based on initial indicators. In healthcare, the virus has forced providers and payers to adopt new ways of working, from wider adoption of telehealth consults to breaking down state barriers for care. Simultaneously, a historic drop in healthcare service consumption is creating serious new financial stresses on many institutions. Providers could lose over $200 billion in just the first half of 2020.[1] Meanwhile, consumers seem to be adapting to new tools that support virtual and in-home care delivery. Taken together, these forces are creating unparalleled opportunities for the U.S. healthcare industry to reimagine its current operating model to reduce systemic inefficiencies and catch up with other industries regarding digital transformation.[2]



At the same time, providers and payers must deal with the unfolding crisis in the short term. That will mean contending with the pandemic well into 2021 and determining the usage, efficacy and potential side effects of forthcoming vaccines. The industry can address its immediate needs while simultaneously investing in the capabilities required to emerge from this pandemic with new, more efficient models of care and better engagement with patients and members. The key is selecting the right areas in which to invest now to manage the current and future "new normal." We recommend that payers and providers address the following five imperatives, adapting these to their business vision, local market conditions and financial strength.

A checklist for COVID-19 catalyzed change includes:

- Take out costs.
- Deliver care@home.
- Implement low-touch healthcare.
- Accelerate digital transformation.
- Improve collaboration.

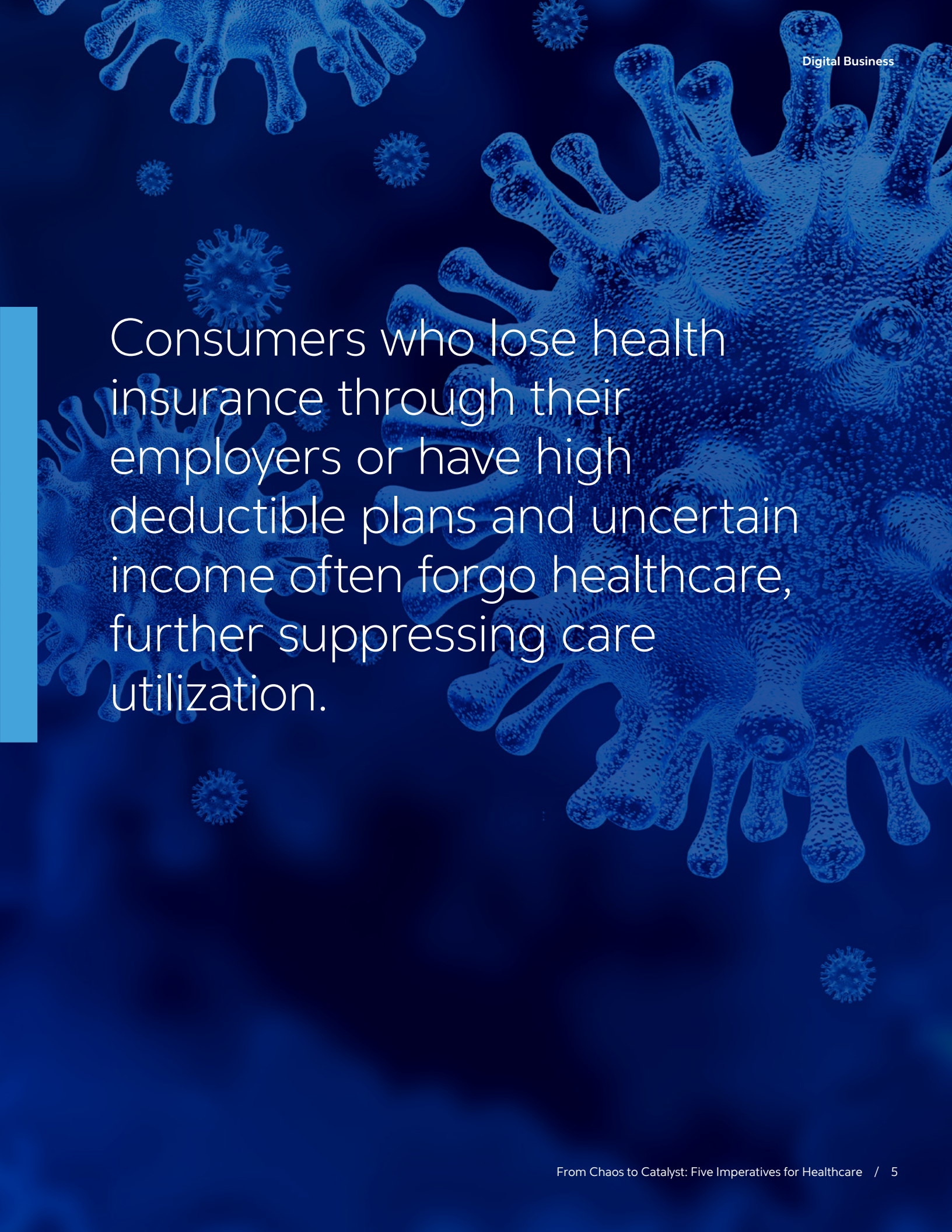
Imperative 1: Take out costs

The healthcare industry faces pressure to reduce costs from multiple directions. The perennial challenge is reducing the cost of care while improving the quality of outcomes and patient and member experiences. The COVID-19 pandemic creates additional financial stress. Prices have risen for personal protective equipment and other critical supplies.[3] As these costs increase, care utilization rates dropped by 38% through April 2020 compared to the previous year.[4] Consumers who lose health insurance through their employers or have high deductible plans and uncertain income often forgo healthcare, further suppressing care utilization.[5] In addition, the pattern of insurance coverage may change from employer-covered to a large increase in the Medicaid-covered population.[6] Some providers may need short-term cash-flow improvement to address immediate financial pressures.

- The financial effects of the steep drop in elective procedures have been widely calculated and reported. The American Hospital Association estimates U.S. healthcare systems will lose $323 billion in 2020 from COVID-19's impact.[7] Further, despite a 20% increase in Medicare payments, health systems could lose between $1,200 to $8,000 per COVID-19 case.[8] Finally, the estimated costs of treating COVID-19 commercial, Medicare Advantage and Medicaid managed care patients over the next 12 to 18 months range between $180 billion to $546 billion, wiping out shared shavings for the current reporting year and creating major losses for accountable care organizations.[9] It is no surprise that more than 70% of CFOs are making changes to long-term investment plans.[10]

- During the most recent J.P. Morgan Annual Healthcare Conference, about one-half of the health systems' executives talked about how their operating margins are lower than those of their industry peers, indicating less efficiency. COVID-19 is forcing healthcare executives to tackle that immediately in the face of declining revenues.

- High and fluctuating unemployment means providers' payer mixes are changing rapidly and likely to result in fewer commercial insurance patients and more Medicaid and uncompensated care.



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- ✔ Benchmark operations, including revenue cycle, patient contact centers, and the supply chain against industry peers to identify cost-savings opportunities.
- ✔ Consolidate and standardize clinical and non-clinical applications in the IT portfolio to reduce IT operating costs. Create strategies for retiring and/or modernizing legacy applications.
- ✔ Reduce IT operating costs by moving to cloud. Cloud-based platforms put many leading-edge technologies within reach with minimal infrastructure investment and volume-based operating costs.
- ✔ Evaluate outsourcing non-core operations such as revenue cycle, supply chain operations and others and moving to outcome-based or volume-based pricing models to optimize operating costs consistent with volumes.

- ✔ Accelerate the implementation of business process automation and self-service initiatives. Develop member- and provider-facing high-value automation use cases, such as taking advantage of interoperability to automate prior-authorizations based on business rules and new members' past claims histories.
- ✔ Increase productivity by automating processes using artificial intelligence (AI) and machine learning (ML), and ensure optimal performance from best-in-class modular applications by making data from core administrative systems available via an orchestration platform.
- ✔ Assess portfolio applications for scalability and support quality. Some software solutions implemented ad hoc to address immediate COVID-19 work-from-home needs and other demands may not be able to scale to enterprise quality.
- ✔ Streamline IT operating models. Automate IT and improve its productivity with DevOps and service management. Move away from traditional project-based software development models to more iterative, member-centric, product-based models, and reevaluate which IT investments will deliver the greatest returns.
- ✔ Move to cloud to shift infrastructure investment from a capital expense to an operating expense model.

Imperative 2: Deliver Care@Home

COVID-19 has forced the high-scale adoption of telehealth. Care@home is the next evolution of virtual care in which healthcare providers offer a wider range of services virtually. Implementing this imperative will give greater freedom to providers to serve their patients, optimize total cost of care and improve member and patient engagement.

- COVID-19 has demonstrated telehealth is a viable channel for care delivery. Consumers are becoming more comfortable using virtual consults and practicing in-home care.[11]
- Many chronic conditions can be monitored in remote care settings, and some outpatient procedures and follow ups can be virtualized. For example, dialysis sessions may now be done at home.
- In fact, McKinsey & Company estimates that about 20% of ambulatory care can be virtually delivered, creating a value pool that is worth approximately $250 billion in 2020 alone.[12]
- Leveraging telehealth capabilities as part of a care-at-home strategy enables health systems to decouple care delivery from the constraints of their physical infrastructure. That also allows healthcare settings to be optimized for patients requiring in-person care.

- ✔ Evaluate existing telehealth capabilities and performance; determine what additional services could be delivered in home via virtual channels.
- ✔ Ensure the telehealth workflow is integrated into clinical workflows and electronic health record (EHR) systems to capture documentation needed for reimbursement and care management.
- ✔ Extend virtual care to patients with chronic conditions such as congestive heart failure and COPD.
- ✔ Create a differentiated care-at-home experience for pregnancy and patients with gestational diabetes and hypertension.

- ✔ Work with network providers and health systems to create a set of policies and benefits to incentivize adoption of care-at-home.
- ✔ Streamline referral and prior-authorization processes to make access to in-home care smoother.
- ✔ Work with health systems to generate insight from additional data created, and leverage the insights to create more tailored health management programs for specific populations.

Imperative 3: Implement low-touch healthcare

The continued risk of COVID-19 infection is forcing providers to reduce physical contact during care delivery and related administrative processes. A critical challenge is delivering a personalized, human experience while practicing social distancing and contactless processes.

- Caregivers, employees and patients must be safeguarded while COVID-19 remains a threat.
- Providers must convince patients that medical office buildings, clinics and surgery centers are safe to visit. Similarly, payers must ensure that members have access to care, especially those managing chronic diseases or cancer.
- The pandemic presents a new opportunity for the industry to achieve its longtime goal of paperless physician practices.

- ✔ Expand virtual care. Delivering virtual care anywhere is increasingly possible through the rise of sophisticated in-home monitoring tools, smartphones equipped with high resolution cameras and even diagnostic devices such as portable ultrasound units.[13] Data from these inputs, plus AI agents, could power direct-to-consumer care, coaching and services. Such services would help healthcare organizations build closer patient relationships with daily and weekly health coaching and care management interactions. Larger organizations could offer virtual ICU monitoring and remote-care and disease-management services for rebranding to smaller and/or rural providers.
- ✔ Redesign office processes to increase patient comfort levels and protect against virus transmission. Typical areas of focus should include:
  - Scheduling and check in. Enable patients to schedule appointments and then check in for those via portals or their devices.
  - Notifying patients. Most physician offices do not have enough space for social distancing and or resources for frequent cleaning of chairs and surrounding area. One way to address this is to allow patients to wait in their cars and be notified via their smartphone when they may enter the office.
  - Prescreening. In addition to collecting patient information and consent, healthcare providers should check body temperatures and ask screening questions to ensure proper protocols are followed to stop the accidental spread of the virus.
  - Check out. Enable digital delivery of visit summaries and orders and digital scheduling of follow-up appointments.
  - Payments. Enable touchless payments, including Apple Pay, Google Pay, and others, at the point of care or before or after the visit to avoid physical handling of paper and surfaces.
  - Redesign the physical layout of waiting areas to maintain appropriate social distancing, especially for elderly and other high-risk patients.

Imperative 4: Accelerate digital transformation

Shifts in consumer behavior, combined with regulatory easing and powerful new technologies and their accelerated global adoption, create a perfect environment for change.

- COVID-19 has forced all businesses to adopt at least some virtualization. As a result, technologies and behaviors that were slow to catch on, particularly telehealth, appeared poised to become mainstays.[14] Forrester Research estimates that video visit volume will reach 1 billion transactions in 2020, up from a projected 38 million transactions before the pandemic. Furthermore, McKinsey & Company estimates that approximately $250 billion — roughly 20% of all estimated Medicare, Medicaid and commercial outpatient, office and home health spend for 2020 — could be virtualized.[15]
- Post COVID-19, significant changes will be required in core business processes, including:
  - More efficient provisioning and localized delivery of care for members and patients.
  - Greater interaction and data sharing with partners.
  - Ability to sustain consistent member and patient experiences even as care sites grow more distributed.
  - Ensure employee, patient and member safety through contact tracing, touchless experiences and public-health surveillance.
  - Provide greater self-service options to reduce costs while improving convenience.
- These new processes must interact seamlessly with EHR and claims engines; older systems may not be flexible enough to support new services and data flows.
- Vendors are also upgrading their software to facilitate digital transformation. Healthcare organizations with legacy systems and processes will find it difficult to get full value from these new capabilities.
- New regulations, including interoperability and price transparency, will break down industry silos and make data flow more fluidly among healthcare organizations.

- ✔ Create a broad care ecosystem around existing EHR investments that will enable care anytime, anywhere. This may mean creating a scalable and agile architecture around prioritized use cases such as public health surveillance or remote health monitoring and ensuring that an organization's EHR vendor can support the same.
- ✔ Implement a digital front-door strategy that delivers a consistent set of experiences for patients regardless of their entry point into the healthcare provider's system. A robust workflow behind a digital door should integrate patients into the healthcare system and all its offerings at the first interaction. With good integration, patients will

be recognized throughout the system and their health data will be readily available to all providers. These frictionless experiences will help improve patient loyalty by increasing their satisfaction.

- ✔ Modernize how employees work from home with automation that enables a paperless office, no-fax processes, etc.
- ✔ Modernize data infrastructure to:
  - Get a coherent view of operations, identify areas to take out costs and lay the foundation for growth and optimization opportunities such as effective syndromic surveillance.
  - Pool clinical data and administrative data from payers to disease surveillance systems for faster response to outbreaks.
  - Leverage AI and ML to drive better clinical and operational outcomes.

- ✔ Provide a simplified experience to members to facilitate finding and financing care. Help members select the best value by comparing prices that providers publish under price transparency rules.
- ✔ Modernize and retire any remaining large legacy mainframe systems. If that is not practical, componentize and modernize parts of those systems in a manner that aligns with the business priorities.
- ✔ Transform the IT operating model to align better with the organization's business objectives and by moving to a product-oriented consumer-focused mindset.
- ✔ Create strategic partnerships with established vendors with experience and scale as well as niche product vendors to take advantage of the best capabilities of each.
- ✔ Build new strategies around increased and improved data flows, including greater availability of longitudinal data, and use AI and analytics to:
  - Identify members and populations likely to be at greater risk for complications from COVID-19, then use that information to monitor for and predict outbreaks and adjust resources accordingly.
  - Discover, during enrollment processes, which members would benefit from care management.
  - Integrate social determinants of health initiatives into population health management strategies for better and sustainable outcome improvements.

Imperative 5: Improve collaboration

Payers and providers have an opportunity to work together to engage members and patients to control costs. They can create a model of joint operations to maximize operating efficiency, reduce waste and duplicated effort, maximize information delivery speed and improve patient care.

- COVID-19 has forced a dramatic shift in how members and patients consume healthcare services.
- Health systems that are dependent on elective procedures are struggling as patients and/or local authorities postpone these.
- Payers' medical costs are less than expected, but they eventually will feel the impact of COVID-19-related expenses.[16] One estimate puts the cost of COVID-19-related testing, treatment and care in 2020 at $34 billion to $251 billion for commercial payers alone.[17] The ultimate financial impact will depend on the financial assistance that all healthcare organizations receive from federal or state agencies.
- Providers with capitation contracts with payers have been affected less compared to providers with greater share of fee-for-service payments.
- Proliferation of digital in healthcare along with high deductibles in many employer-sponsored plans may result in rethinking traditional healthcare benefits, especially new types of benefits coverages that can be designed based on digital channels exclusively with no deductibles.
- Furloughs and layoffs are pushing a larger share of the population to Medicaid plans, which are fundamentally less profitable for both payers and providers.
- In addition, a sizable number of previously healthy patients may end up having persistent health problems due to COVID-19.[18]
- High COVID-19 fatality rates among people 65 and older are likely to disrupt actuarial models.[19] Health insurers may need to revisit assumptions about the size and needs of populations that they serve.
- Incentives must be aligned between regulatory bodies, payers and providers to support new care-delivery models, such as services delivered virtually or via care@home, with appropriate reimbursements.

- ✔ Create a financial recovery roadmap by each payer contract to sustain operations for the new normal.
- ✔ Embrace digital transformation and start dialogues with payers to prove that this new model of care will reduce total medical costs.
- ✔ Show leadership in discussing broad technology adoption. Many payers are hesitant to implement new technologies such as automation because they are concerned about provider adoption. Many of the new technologies have tremendous promise to streamline operations, making this an appropriate time to launch these initiatives.
- ✔ Leverage interoperability to create true clinical-data-sharing agreements for clinical insights and decision-making.
- ✔ Traditional inefficiencies in traditional payer-provider models such as prior-authorizations can be eliminated almost completely by automating with newer technologies. Health systems can take the lead in adopting these technologies by collaborating with their payers.
- ✔ Tap into furloughed healthcare worker pools in collaboration with payers to find quality candidates to take care of patients at their homes. Use excess nursing home staffing to provide greater engagement with patients and have a seamless transition from human to digital channels.

- ✔ Reach out to major contracted health systems and understand the financial impact and resulting imperatives that COVID-19 has created for them.
- ✔ Help providers migrate to a greater share of capitation-based contracts.
- ✔ Create mechanisms to jointly invest in practices or create value-based programs leveraging new care-delivery models that can incentivize the provider community to invest in more continuous engagement with patients.
- ✔ Work with providers to jointly evaluate high-risk patients and educate them about the risks of postponing elective surgeries, screenings and outpatient procedures, and plan to safely conduct those based on preparedness of the health system.

Endnotes

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