

Leveraging technology, experience to accelerate a plan, product or market launch

Speed to Market

To offset anticipated revenue losses in the wake of sweeping healthcare reform legislation, many insurance carriers are seeking out new market opportunities and establishing new sales and distribution channels. Most are also finding it necessary to re-tool business processes supported by more scalable technologies and slash administrative costs in order to comply with regulatory mandates such as minimum medical loss ratios and guaranteed issue while still maintaining profitability.

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Yet in many ways, much of the change being ushered in by passage of the Patient Protection and Affordable Care Act of 2010 is a continuation of trends that were already underway in the health insurance market. This includes carriers moving into the consumer-driven individual, small group and voluntary markets – a trend that will accelerate under healthcare reform.

An Era of Unprecedented Change

Driven by the ongoing recession, double-digit medical trends in private health insurance expenditures and the erosion of traditional customer bases, carriers have been undertaking major plan redesigns for the past several years.

Typical employment-related Preferred Provider Organizations (PPOs) now require substantial patient co-pays, growing annual deductibles and 20 percent or higher co-insurance.¹ Further, the employer-sponsored group health market that was once the mainstay of leading carriers has constricted in response to the turbulent economy and premium increases that in 2009 outpaced the rate of inflation.

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According to the Kaiser Family Foundation's annual Employer Health Benefits Survey, premiums for employer-sponsored family coverage increased by 5 percent in 2009, while the general rate of inflation decreased by nearly 1 percent. Average wages increased by just 3.1 percent. Of the responding firms that offered benefits, 21 percent report they reduced the scope of health benefits or increased cost sharing due to the economic downturn, and 15 percent report they increased the worker's share of the premium.²

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The nation's rising unemployment rate, which surpassed 10 percent in December 2009, is also taking its toll on group health sales.³ This, coupled with the costs associated with complying with reform regulations, has many smaller carriers struggling to survive.

In its July 2010 rankings, Weiss Ratings gave 16.2 percent of the 585 health plans it covered a ranking of D+ (weak) or lower. Another 31.8 percent received a ranking of C+, C or C- (fair), with Weiss noting that many could have difficulty absorbing the additional costs mandated by health care reform.⁴

To counter declines in group coverage, many carriers are exploring expansion of their Medicaid offerings to save their own market position. Others are pushing hard to establish themselves as leaders in the individual health insurance market, with 39 percent of agents reporting increased sales of new individual health policies between 2009 and 2010 and 62 percent expecting sales to continue rising through 2011. Those same agents reported the emergence of several niche products, including substandard health (12 percent), mini-meds (10 percent) and discount plans (10 percent).⁵

Outside pressures are just part of the equation. Insurance executives are juggling their own plan developments and business priorities. In an annual Celent survey, insurance Chief Information Officers (CIOs) say that business growth, cost reduction and product distribution were their top challenges. Distribution channels are expected to receive the largest amount of new assets – attention, talent and money.⁶ As a result, companies are looking to technology to achieve operational efficiencies and improved data mining.

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But technology and concerted effort alone can't overcome the industry's current slow, costly process to launch a product or move into a new market to keep pace with rapid changes and emerging challenges.

Payers and providers, who have traditionally stayed at arm's length, will be forced to work more closely together as patient and employer needs evolve. Regulatory, consumer and demographic pressures forcing carriers to better integrate multiple data sources across geographic divides to improve offerings and keep or grow customers.⁷

Carriers are also working to respond to employer-driven desires for plans that promote wellness and prevention. These plans would create access to and provide incentives for employees who seek lower costs, less intense providers like walk-in clinics and nurse practitioners. Both employers and employees want web-based, service-oriented applications where they can manage their plans. This includes everything from policy issuance to customer service support and renewal administration.

With the above being just a few of the challenges carriers face, it's easy to understand why technology and time-to-market issues put carriers in an uncomfortable position; one of needing to be flexible, fast and innovative in an industry that has traditionally found it difficult to do all three at once.

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Slow to Market

Time is often not on a carrier's side when launching new plans or entering new market segments such as individual health and voluntary ancillary products – life, dental, critical illness and cancer to name a few. Depending on the complexity, number of products, number of markets and unique business rules and state regulations, it can take more than a year and tens of thousands of hours to implement a new product strategy. Even with a "simple" plan, carriers are still looking at a minimum of nine months to launch; more than 18 months is more realistic to re-tool systems and acquire the necessary domain expertise.

Payers are encumbered by inefficient administrative platforms, geared to large group support and other work processes that are not nimble enough to respond to quick market demands. And providers neglect essential processes such as patient throughput, procurement and clinical resources management.⁸ Health care is ripe for innovation, and industry leaders are being pushed outside of their current box toward lean manufacturing techniques, like scheduling and queuing theory and just-in-time processes.

Health plan incumbents slow to seek new – even outsourced – options are creating opportunities for innovative competitors willing to focus on young, healthy consumers who are comfortable with lower-cost, high-deductible policies from niche players. Without a willingness or ability to improve time-to-market speeds for products and for moving into new markets, existing carriers will see their market share shift to companies who leverage faster and more cost-effective, technology-driven options for increasing their own footprint.

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Making Up for Lost Time

Outsourcing new market segment launches and administration for new product innovations is a solid option for carriers trying to move ahead on the flexible, fast and innovative continuum. Technology and service companies often specialize in specific health plan types, like fully-insured individual, small group and voluntary markets. Because of their dedicated focus, they can get a plan up and out to market dramatically faster than a carrier's internal teams.

The reason for this enhanced speed-to-market is that technology and service oriented solutions companies, like HealthPlan Services (HPS), have developed standards, technologies and best practices that can jump start the process. HPS, for example, has extensive experience in implementing, supporting and providing a full scope of outsourced services, including:

- Sales and sales support, including marketing
- Broker, employer and individual web tools
- Automated enrollment

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- Medical underwriting
- Policy administration
- Multiple product billing aggregation
- eBilling
- Renewal administration
- Commissions processing
- Customer care call center services
- Policy/document generation
- Claims processing

HPS can provide comprehensive services or unbundle them so the company is managing only those processes that make the most financial sense for the carrier. This is where HPS' consultative approach comes into play. Its business analysts sit down with each client and evaluate specific needs, expectations and business requirements to develop a strategy that delivers maximum value for their outsourcing investment.

Since HPS works exclusively in the fully insured individual, small group and voluntary markets, the company has established proven processes that speed time-to-market by streamlining the requirements-gathering, configuration and testing processes. By leveraging existing best practices, HPS can shave months off the time it takes to deliver a product to market.

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Another advantage HPS offers over other traditional third party administrators (TPAs) and Business Process Outsourcers (BPOs) is Platypus, the company's patent-pending proprietary technology platform.

Platypus was specifically designed to support multi-product/multi-carrier proposal generation through billing aggregation and cash allocation to various constituents. Platypus was developed internally by HPS' long-tenured and knowledgeable staff. This combination – Platypus and experienced consultants – means HPS has unmatched expertise that allows the company to quickly ramp up new programs, whether based on fully customized business rules and processes or a hybrid of existing best practices and client-specific requirements.

Too, because HPS owns Platypus and can dedicate resources exclusively to each carrier's program, the company can respond more quickly and efficiently to market, regulatory and even plan changes than other outsourced providers and even the carrier's internal IT team.

TPAs and BPOs typically utilize third-party applications, not their own technologies, and are therefore limited in their ability to respond quickly to changes. Meanwhile, a carrier's internal IT teams must fit changes in with multiple other corporate priorities.

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Moving (Rapidly and Seamlessly) Ahead

Getting up and running quickly gives carriers a competitive advantage when moving into new markets. Industry trends point to an acceleration in the use of IT and communications technologies that will lead to a greater openness and a greater reach for multi-national companies.⁹

Insurers that focus on bridging customers across the globe will have the first advantage as the economic market swings back to center. In fact, more than 86 percent of the 1,000 businesses participating in Accenture's High Performance Research Study report that they plan to expand sales beyond home markets.

Carriers who want to gain market share must be poised to move quickly into regional, national and even international markets. The experience and sophistication of U.S. health plans is in high demand in emerging markets like China, India, the Middle East and some European countries as these governments and employers balance issues that U.S. insurers know well – flexible, affordable access to healthcare.¹⁰

Outsourcing services such as enrollment, underwriting, claims processing and customer service present a tremendous opportunity for U.S. insurers – between \$3 billion and \$5 billion now and as much as \$50 billion and \$90 billion by 2015.¹¹ Much of this growth depends on understanding regulatory reform and having the experience to move services to market when an opportunity first presents.

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The market potential alone makes a strong case for carriers to carefully consider an outsourcing partner especially since companies like HPS brings substantial speed-to-market advantages. Specifically, when HPS leverages its proven processes, best practices and knowledge of rules and regulations, it can streamline a carrier's requirements-gathering and testing phases. All of which are key to moving a plan to market quickly.

Advanced technology, flexibility, speed and experience make HPS a reliable choice for carriers...

Selecting the Right Solutions Partner

With outsourced solutions, carriers should carefully review options and identify compelling reasons to select one company over another. Careful vetting is critical to ensuring that carriers actually improve their speed and reduce their costs to market.

Leading service and technology solutions providers should have a proven track record highlighting how and when they've quickly adjusted to market changes, including time-to-market costs. In addition, they should offer carriers flexibility in how much of the plan or new market launch is outsourced.

HPS' consultative approach to client services ensures that proven best practices will guide a carrier's mix of custom and standard rules and regulations for each product or market launch. By evaluating components like eligibility, waiting periods, even modeling cost impacts, HPS can help companies determine how much and when to outsource.

Advanced technology, flexibility, speed and experience make HPS a reliable choice for carriers that want to capitalize on economic, market and technology opportunities.

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About HealthPlan Services

HealthPlan Services (HPS), a Water Street Healthcare Partners affiliate, is the largest independent provider of service and technology solutions to the insurance and managed care industry. Since 1970, HPS has offered customized administration and distribution services to insurers of individual group, voluntary and association plans, as well as providing valuable solutions to thousands of brokers and agents that sell into this market. HPS proprietary, scalable technology provides innovative consumer-facing solutions that are turnkey self-service tools for our insurance carriers and distribution partners. HPS offers an ever-expanding array of services to a diverse and growing client base, and administers products that include Medical (PPO, HMO, indemnity, consumer-driven), Dental, Vision, Life, Disability, Long Term Care, Limited Medical, Medicare Supplement and Medicare Part D, as well as various other ancillary insurance. HPS is committed to providing extraordinary service to its customers.

Learn More About HealthPlan Services

Visit us on the web at healthplan.com, or email us at solutions@healthplan.com.

HPS At-a-Glance

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Year Founded: 1970

Employees: More than 700

Current Customers: 30 Health and voluntary insurance carriers
and industry associations

Members Served: 1.4 million nationwide

Inforce Premiums: More than \$1.3 billion

Distributing Agents: 100,000

Services

Sales, Distribution & Member Retention

Benefit/Billing Administrative Services

Claims Processing

Customer Services

Professional Services

Software & Technology

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