A2 - The Health Insurer of the Future: Consumers’ Advocate, Providers’ Partner

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Today’s presenters

Thom Bales
Principal,
PwC Health Industries Advisory

Laura McLaughlin
Senior Manager,
PwC Health Research Institute
The health industry, including the insurance sector, is experiencing uncertainty as powerful forces reshape it, and as a new administration settles into Washington, DC.

Success during these uneven times demands resilience which is built by focusing on what is known – healthcare’s increasing drive to be value-based, consumer-focused and technologically-enabled.

To thrive in the New Health Economy, health insurers will need to embrace these trends fully by adopting new ways of doing business rather than tinkering with the traditional model.

HRI identifies five models for the health insurer of the future that balance better engaging consumers and collaborating with providers to help keep the cost of care down.

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About the research

This report is based on:

- A survey conducted following the 2016 presidential election of over 100 executives from commercial, Medicaid managed care, Medicare Advantage, and provider-owned health insurers, TPAs and CO-OPs
- A survey of 1,750 American consumers conducted in September 2016
- Insights from interviews with healthcare leaders from across the industry
Overview of today’s presentation

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The health insurer of the future: Consumers’ advocate, providers’ partner

Why today’s health insurer model won’t work tomorrow

Forces transforming health care

- **Shift to value-based care**
- **Rise of the consumer**
- **Advancement of technology**

Why health insurers will need to change

- **70% of clinicians** reported that they do not participate in risk-based, incentive-based or shared savings reimbursement models.
  
  “Employers aren’t convinced that all the best solutions are coming from insurers and increasingly are looking outside for innovators that are challenging the status quo.” – Mike Thompson, CEO of the National Alliance of Healthcare Purchase Coalitions

- **1/3 of consumers** reported that they don’t think health insurance is worth what it costs.
  
  “There is a truism that needs to be acknowledged. We are spending one out of every five dollars on healthcare, and that’s completely unsustainable.” – Rajeev Singh, CEO of Accolade

- **68% of consumers** reported rarely or never using the consumer-centric tools offered by their health insurers.

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Source: PwC Health Research Institute health insurer executive survey, 2016-2017
At the beginning of May, House Republicans passed the American Health Care Act (AHCA), a first step toward repealing and replacing the ACA. However, health insurer executives say that certain forces show no signs of abating in the years ahead, regardless of the new administration.

74% The shift to value-based reimbursement will either accelerate or not be impacted by the new administration.

69% The consumerization of healthcare will accelerate in the coming years.

69% Providers and consumers taking on more risk will continue to accelerate.

Executives said the shift from fee-for-service to value-based reimbursement models will have the greatest impact on how they do business in the next five years.

Regardless of where health reform lands, health insurers recognize they will need to increase collaboration with providers and better engage consumers to succeed moving forward.

Source: PwC Health Research Institute health insurer executive survey, 2016-2017
HRI’s five models of the health insurer of the future.

The model – or models – an insurer pursues should be based on identifying areas for innovation by enhancing current strengths.

Consumer Advocate:
Empowers consumers through easy-to-understand, simplified plans and increased access to information. Often digitally enabled.

**Why should you pursue this model?**
- Addresses the consumer's increasing role in healthcare.

**What health insurer today should consider this model in the future?**
- Focus in the individual market.
- New entrants in the market (i.e. health insurance start ups).
- Strong technology capabilities.
- Locally or regionally focused.

**What are potential investments to be made?**
- Simplified plan design.
- Price transparency tools.
- Artificial intelligence technology.
- Self-service solutions and other consumer-facing technologies.

**Which markets could be targeted?**
- Tech-capable consumers to include healthy adults, seniors and families.
**Bridge Connector:**
Facilitates the relationship between patients and care providers. Plays an active role in getting consumers the right care. Uses technology to enhance the provider and patient experience.

- Reduces medical costs for potentially expensive populations through increased communication between providers and patients.
- Meets providers' demand for deeper connection with patients.

**Lean Operator:**
Prioritizes gaining efficiencies with core health insurer functions. May partner with company specializing in consumer engagement or provider enablement tools.

- Reduces costs by eliminating inefficiencies within core insurance and administrative functions.

**Why should you pursue this model?**
- Focus on Medicare and Medicaid.
- Strong presence in communities with access to community resources and strong provider relationships.
- Locally or regionally focused.

**What health insurer today should consider this model in the future?**
- Data analytics.
- Non-clinician health professionals.
- Retail storefronts to create consumer touchpoint.
- Telehealth to connect consumer and provider.

**What are potential investments to be made?**
- Blockchain to streamline claims processing.
- Identifying points of inefficiency.
- Partnering with companies that specialize in provider or consumer relations.

**Which markets could be targeted?**
- Consumers with complex chronic conditions or a desire for high-touch care, such as the frail elderly.
While insurers to date have largely invested in more traditional technology capabilities such as cybersecurity and data analytics, they are considering investments in some emerging technologies in the next five years.

What plans does your organization have to implement each of the following over the next five years?

**Analytic Sensor:**
Uses data analytics to give providers insight into the health of populations and provides solutions to help manage them. Pushes providers to value based models to encourage keeping patients healthy.

Why should you pursue this model?
- Addresses demands for data analysis and increased focus on population health management.
- Provides opportunities for diversification into non-regulated lines of business.

What health insurer today should consider this model in the future?
- Strong relationships with providers.
- Strong technology platform and analytics, or capital to invest in them.
- Broad geographical reach with large market share.

What are potential investments to be made?
- Data integration and analytics.
- Relationships with community resources.

Which markets could be targeted?
- Employers and providers looking to deploy population health strategies and individuals looking to reap benefits from leading a healthy life.
In the next five years, most health insurers will increasingly focus on supplying providers with data insights to manage population health

What best describes the work your organization is primarily doing with providers today? Which will best describe the work your organization expects to primarily be doing with providers in five years?

**Care Integrator:**
Integrates vertically to align incentives, improve care coordination, tackle utilization and keep medical costs low.

**Why should you pursue this model?**
- Reduces medical costs due to lack of provider-payer alignment.
- Addresses providers’ interest in provider-sponsored health plans and vertical integration.

**What health insurer today should consider this model in the future?**
- Robust financial reserves and revenue sources.
- Strong leadership.
- Locally or regionally focused.
- Densely populated market with strong market share or a provider with strong brand.

**What are potential investments to be made?**
- Acquisition of providers (hospitals, clinics, physicians) to integrate along care continuum.
- Data integration.
- Technology focused on enhancing continuity of care.

**Which markets could be targeted?**
- Consumers who highly value continuous care and convenience, to include healthy families as well as consumers with complex care needs.
**Health insurers that thrive in the future will recognize that a one-size-fits-all approach won’t sufficiently meet consumers’ needs and expectations.**

<table>
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<th>Consumer Group</th>
<th>US population in category</th>
<th>Health insurer of the future model that fits best</th>
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<tr>
<td>Frail elderly</td>
<td>5.9M</td>
<td>Bridge Connector</td>
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<tr>
<td>Complex chronic</td>
<td>24.8M</td>
<td>Bridge Connector</td>
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<tr>
<td>Chronic</td>
<td>173.1M</td>
<td>Bridge Connector</td>
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<td>Mental health</td>
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<td>Healthy families</td>
<td>65.4M</td>
<td>Consumer Advocate, Care Integrator, Lean Operator</td>
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<td>Healthy adult enthusiasts</td>
<td>22.6M</td>
<td>Consumer Advocate, Analytic Sensor, Lean Operator</td>
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<tr>
<td>Healthy adult skeptics</td>
<td>12.5M</td>
<td>Analytic Sensor, Lean Operator</td>
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Source: PwC Health Research Institute analysis of 2013 Medical Expenditure Panel Survey and Health Research Institute consumer survey, 2016

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**What do American consumers want?**

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**An in-depth comparison of health consumer markets.**

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Source: PwC Health Research Institute analysis of 2013 Medical Expenditure Panel Survey and Health Research Institute consumer survey, 2016
**Recommendations**

**1. Focus on the fundamentals to build trust**

Consumers and providers continue to have low levels of trust in insurers, a major barrier to overcome. Doing so will require that insurers focus on the fundamentals—delivering digital tools that are easy to use and rethinking core functions like prior authorization.

**2. Layer technology with human support**

Consumers want to speak with a person when making health decisions. These interactions cannot be replaced by technology. The health insurer of the future should, instead, invest in technology that supports and enhances such interactions.

**3. Help providers focus on delivering care**

By supporting and automating processes like patient eligibility and prior authorization, insurers can relieve some of providers’ administrative burdens. Doing so will help insurers send the message that they are providers’ partners and will give providers more time to focus on their most important job: caring for patients.

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**Recommendations**

**4. Hire – or borrow – the right talent**

Health insurers of the future will need to diversify its workforce with people from industries such as tech, hospitality and social services. They will need workers with customer service and people management skills as well as those experienced in data analytics and advanced technologies like artificial intelligence and blockchain.

**5. Become resilient to uncertainty and change**

It is no longer enough for health insurers to merely survive. They should be resilient and turn uncertainty into strategic advantage. Companies that adopt six attributes of enterprise resilience—adaptive capacity, agility, relevance, reliability, rust and coherence—likely will stand a better chance of evolving in a new environment. Identify risks, understand their relevance to your business, confront or avoid those risks, and create teams ready to make necessary changes.

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Questions?

Thank you!

Thom Bales
Principal, Health Industries Advisory
thom.bales@pwc.com

Laura McLaughlin
Senior Manager, PwC Health Research Institute
laura.r.mclaughlin@pwc.com
Twitter: @LauraRMcL

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