

Insights to create an impact



Technology disruptions in the Healthcare Payer market: Five trends you need to know

The Healthcare Payer industry is experiencing a generational disruption. Contributing factors include changes in market focus, such as regulatory changes in government markets, population dynamics owing to an influx of citizens needing Medicare Advantage, technological upheavals like the advent of GenAI, stack integrations, etc., and consumer expectations.

So, what does the future hold for Healthcare Payers? Let's explore the key trends that will be significant for Payers.

Business and technology trends shaping the Healthcare Payer market

With the Healthcare industry leaning toward a consumer-centric and personalized approach, there's a shift toward digital-first and value-based transparent experiences—powered by technological innovations. This intersection between technological advancements and business strategies will outline how Healthcare Payers should function in the years to come.

1. AI value realization

Can AI and the emergent Generative AI (GenAI) help Payers step up their game? Insurance AI's burgeoning market^[1] has Healthcare Payers eager to harness its potential for elevating productivity across administrative, operations, technology, and clinical streams. Notably, 2024 will mark the mid-term for GenAI, with it picking up steam in the next four to five years.

But how will Payers benefit from AI (GenAI) integration?

From back-office operations to prior authorization and care management, Payer executives and CIOs can utilize AI to automate labor-intensive tasks and cut costs – by USD 150 billion^[2]. Payers can also deploy bots to simplify their enrolment and onboarding process or automate clinical and administrative data assimilation to augment Benefits Processing. GenAI, on the other hand, can enhance risk precision – providing better outcomes to both health plan firms and policyholders through optimized pricing options.

This year will see Healthcare Payers embracing AI and GenAI to deliver tangible value. The layered integration of AI across platforms and processes will thus lead to a significant boost in technology capability and continually expand the application of AI.



2. The Medicare Advantage (MA) reality

Medicare Advantage (MA) is expected to encounter challenges, including a peak in MA population additions, a rise in consumer options, and an aging population (an influx of 65-year-olds seeking increased care) leading to increased average care costs. Additionally, CMS regulations have intensified, making the MA business model more complex.

Moreover, MA enrolment is seeing a dip (5% annually, between 2022-2027)^[9], and there are fluctuating metrics in Star ratings (indicative of the plan performance). Hence, the Medicare Advantage business outlook is becoming more demanding.

Faced with these obstacles, Payers must maintain a heightened focus on effective risk transference. However, managing patient cohorts judiciously during this process is equally crucial. Engaging in selection biases, such as exclusively contracting out low-acuity populations while retaining higher-acuity memberships, could substantially erode value.

To tackle the effects, Payers are expanding their business models by partnering with non-traditional industry innovators. By collaborating with prime tech giants, telecom, and retail players, they are now incorporating a broader range of service delivery options. This diversification extends to home health, alternative care sites, pharmacy services, and more – reflecting the industry's commitment to enhancing Healthcare accessibility and effectiveness.

3. Reinforcing value-based care (VBC) for an elevated patient ecosystem

The call for VBC has resonated in the health chain for quite some time and has now moved on to the next phase. As Healthcare Plans extended their coverage to encompass higher acuity populations, the focus has shifted from mere utilization monitoring to adopting risk transference and value-based contracts.

An important thing to note is, while the business model progresses from a foundational layer to specialization layers, the complexity of these contracts has introduced interpretation and administrative hurdles. However, tech upgradation supplemented by streamlined analytics and context-sensitive data can help Payers overcome such roadblocks.

Looking ahead, VBC is poised to transition into its next generation, marked by increased specialization, maturity levels, and heightened complexity. This evolution prompts a crucial realization and acknowledgment – a new wave of technology like hyperscaler cloud platforms, superior data management systems, real-time analytics tools, and more is imperative to deliver the intended “value” in value-based care effectively.

4. Marketplace

Consumers across markets are getting increasingly vocal about their demands for better outcomes, and it is not very different in Healthcare. Like in retail, they want an expanded menu of offerings, more clarity in service costs and values, and greater transparency. Besides, the expansion of the digital health start-up ecosystem, the big tech focus, and the MA emphasis on member experience have brought forth a paradigm shift wherein Healthcare consumers are keen on making informed choices.

To tackle this transition, Payers have accelerated the 'retailization' of insurance – a trend that will continue to dominate the present and near future. CitiusTech forecasts an increased emphasis on industry consolidations to acquire memberships and provide a broad spectrum of Healthcare services. The critical success factor for this will be embedded in the effective execution of technology upliftment and robust data strategies.

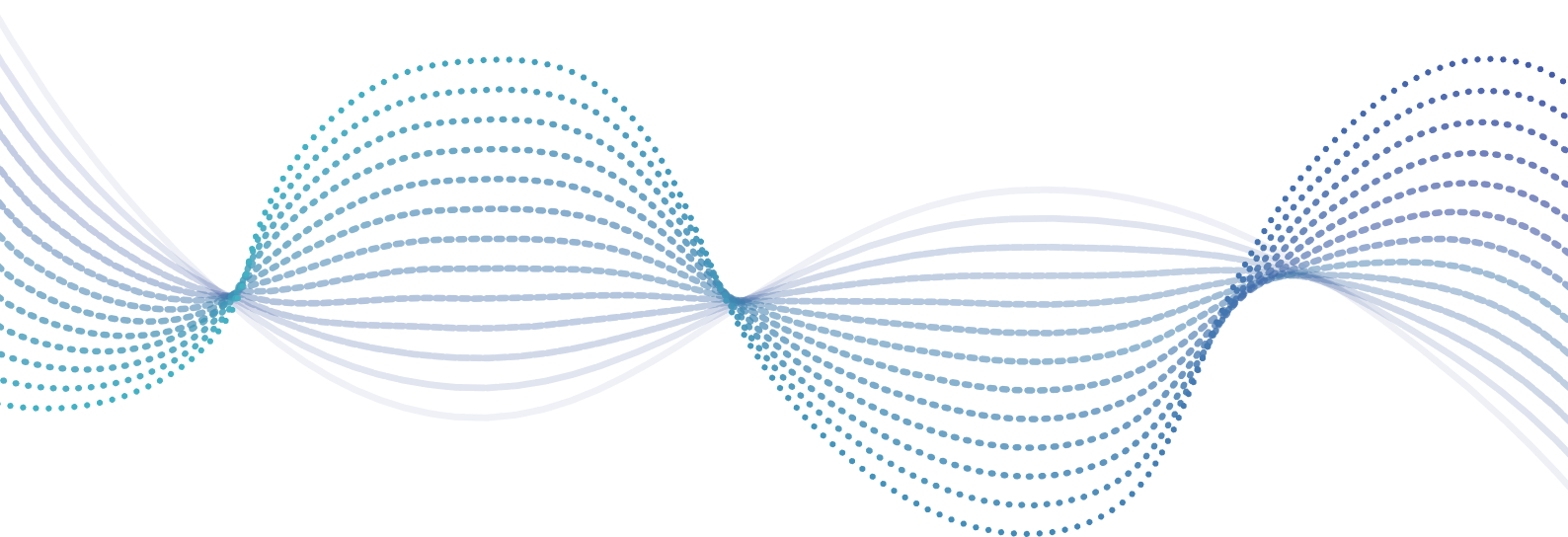
These will serve as pivotal prerequisites for Healthcare Payers to achieve their vision of transforming into a fully realized digital ecosystem, ensuring seamless integration and innovative service delivery to meet the evolving needs of both Providers and consumers in the empowered Healthcare landscape.

5. Stack integration

As we advance, Healthcare Payers will need to rethink their approach by prioritizing stack integration – marking a significant shift from years of disparate point solutions and fragmented stakeholder networks.

The culture of functioning in silos is fading as Payers recognize the pressing need for integrated tech stacks to push tech adoption and innovation. For instance, Payers are considering integrated stacks focusing on risk optimization and secure payment methods to boost their bottom line.

Our experts believe that Payers will double down on comprehensive stack integration to maintain a competitive edge and gain a more holistic perspective of their members. However, this will be a continuous process and will take many years of technology transformation and IT investments – to reach its zenith.



Forging tomorrow's Healthcare with seamless Payer systems

It's clear that the coming years will witness exciting transformations that will see hyperscaler adoptions, GenAI and stack integration, and data-driven decision-making for an interoperable Payer ecosystem. Industry consolidations will also be a key focus for diversifying Payer reach and impact – and for delivering transparent, personalized Healthcare experiences for members.

For sustained success, Health Payers and executives must collaborate with strategic partners and implement a roadmap to proactively build a digital-first Payer ecosystem.

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Reference links

[1] <https://www.precedenceresearch.com/artificial-intelligence-in-insurance-market>

[2] <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7325854/#:~:text=It%20is%20estimated%20that%20AI,management%20rather%20than%20disease%20treatment>

[3] <https://www.mckinsey.com/industries/healthcare/our-insights/what-to-expect-in-us-healthcare-in-2024-and-beyond>



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