Health Plan EDI Outsourcing White Paper

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Today, Health Plan providers **have no shortage of challenges when it comes to strategic** prioritization, resource allocation, and an increasingly competitive environment. Commercial, Blue Cross Blue Shield, and Medicare and Medicaid organizations are confronted with increased commoditization **and** the need to migrate their more traditional expertise toward patient-centric, inter-operable services. Meeting these needs requires a far more robust IT **infrastructure**, updated employee skill sets and **a subscriber base demanding more actionable financial and clinical information.** These things, combined with new reimbursement models, and emerging needs for clinical data exchange, business intelligence enablement, predictive analytics, and mobile and open applications, **make** decisions around in-sourcing and out-sourcing that much more crucial.

There are fundamental questions to be asked and answered, as health plans evaluate these options, and move ahead in the decision making process:

●What are and are not strategic differentiators in your business? There is not a great deal

of debate here; **business** intelligence, predictive analytics and clinical data exchange are in fact strategic differentiators; EDI is not. More health plans are understanding that. Additionally, the critical need to shift and augment resources away from traditional legacy services are proving to be a difficult challenge for many reasons; one of which is attracting quality people to back-fill in a business segment that is neither sexy nor strategically significant.

●Is it critical to the effective running of your organization to evaluate the outsourcing of non-strategic assets like EDI operation? The answer is yes.

  The great paper to digital push culminated 20 years ago. End to end, EDI is **now** the standard in today's healthcare ecosystem. This, however, is not a great reason to devote precious internal resources to managing it. Finding the right and committed outsource partner is now under serious consideration with many health plans. The challenge has been the lack of

flexibility and dependability from the remaining gargantuan vendors, who have spent the

last 20 years focused on acquisition and market cap; not on being better partners.

●What are the key factors and metrics needed in selecting an EDI outsource partner? Cost?

Service? Your retention of control? Dependability? **The simple answer to all is yes**

- Are there more strategic endeavors to which your organization could/should allocate resources? There is no question about it. The challenge is finding the balance between what to in-source and what to outsource, and then finding the right partners to help achieve your goals. That is not new news, but it continues to frustrate and confound many plans.

 Even the core administrative commodity transactions such as claims, eligibility, claim status inquiry, etc. are essential to your business. At the same time, you must consider what is coming, and what competitive positioning demands of your organization.

According to the IBM Global Services Group, the increasing shift toward a consumer and retail mindset will have a profound impact on administrative costs, and a rapidly increasing need for health plans to be flexible and agile. These challenges become more and more acute, as health plans are driven to provide a wider variety of highly customized services and deliver results through new and different distribution channels.

For health plans, the decision to outsource your legacy technologies should be easier today than ever before. The challenges relating to these decisions lie in achieving sustainably lower costs, finding flexible and agile vendors/partners, maintaining control and ensuring enhanced service levels. Over the last twenty years, significant vendor consolidation has left the industry with large, inflexible and often more expensive options. Many health plans have opted to keep their EDI Gateway Services in house, though a significant number have formally evaluated and continue to evaluate their in-source and out-source options.

In order to remain competitive, health plans must evaluate and augment resources, and determine the appropriate strategic allocation of them. The chart below organizes this evaluation process by segmenting it into five key categories, and ranks the urgency of each from low to high.

Competencies	Capacity: Low to High	Health Services Optimization	Processing Capabilities
Member Empowerment	High	High	Medium-Not a differentiator
Provider Collaboration	Medium: Likely more about contracting and network development	High	Low

Innovation	High	High	Low
Operational Efficiency	High	High	High
IT Engagement	High	High	Low/Medium

Consider some basic yet essential criteria:

- Cost
- Quality
- Availability and Reliability of Production Capacity
- Price Stability over time
- Opportunity Cost
- Strategic Resource Allocation

Over the next 10 years, projections indicate that health plans will enroll an additional 32 million members. This will drive the need for more and more complex utilization management, care planning and intricate care review (Managed Healthcare Executive) solutions.

The Gartner Group is adamant that the continuation of past and existing IT and operational practices will result in the extinction of health plans that are unable to adapt. They maintain that evolutionary and sometimes dramatic change will be required to survive in a chaotic and unpredictable market. They also suggest that all organic IT investments should be directed toward those capabilities and services which have direct transformative value.

Health plan IT focus must shift away from traditional legacy services, and move toward the enablement of business intelligence, predictive analytics and mobile and open applications.

Industry estimates suggest that commercial insurers, government payers, ACOs and provider-sponsored plans are stepping up their business and technology outsourcing efforts. Health Plan outsourcing has already grown from a $5 billion industry in 2014 to $8 billion in 2016. These trends are expected to increase in 2017/2018.

Furthermore, data suggests that 87 percent of health plan leaders list their priorities as follows: software-as-a-service, chronic care management assistance, data aggregation and interoperability, predictive analytics, clinical health information exchange and data security. It is not thought that network and trading partner management, and the management of data interchange will provide any competitive advantage, but all agree that it must work well, and be administered at a market competitive price.

More than 50 percent say they would certainly outsource EDI, but for three factors:

- Dependability of the "usual suspects"

- Ownership structure of the dominant market EDI outsourcing companies

- Cost containment

In the end, the momentum of and for dramatic change is underway. Health plans, risk bearing provider organizations, integrated delivery systems and ACOs are now confronted with the reality that doing the same old things will unquestionably lead them to the same fate as the stagecoach and the video store. Now is the time to redefine how your organization operates and to move forward with revisions that reflect the changing market landscape ahead.