



# Payor Market Analysis

# PAYOR MARKET ANALYSIS

While the public's attention is often focused on local healthcare providers, the evolution of healthcare payors plays a significant role in shaping the future of healthcare. Payor leaders are under more pressure than ever as they work through new ideas and investment opportunities to address the realities of the recent coronavirus pandemic and create modern, multiyear business plans.

To develop a deeper understanding of opportunities and challenges payors face, Huron surveyed 300 leaders from across U.S. commercial and federal payor organizations. The research shows leaders' most urgent pain points, current and future investment priorities, and the impact of the coronavirus pandemic.

## Inside This Report:

- ▶ Overall, payor leaders exhibit a strong desire to improve technology, acquire enhanced data analytics capabilities and build more robust digital infrastructures. Leaders believe a strong technology approach will allow them to transform their businesses, make more informed decisions and develop better risk-sharing models.
- ▶ The coronavirus pandemic has substantially shifted payors' most pressing business challenges and has prompted most to delay all other priorities.
- ▶ In developing long-term strategies for repositioning their businesses after the pandemic, payors have an untapped opportunity to better connect with consumers.
- ▶ Changing payor-provider relationships is the industry trend with the highest immediate impact for payor organizations. Specifically, payors are focused on new reimbursement models. And though payors and providers seem to be approaching reimbursement from opposing angles, payors are confident that technology can enhance communication and partnership between the two entities, particularly when it comes to sharing information.
- ▶ Payors are clear on their current investment and innovation priorities, but they expect these priorities to radically change within the next three years.

# TRENDS SHAPING THE PAYOR LANDSCAPE

## Payor-Provider Relationships: Risk and Reimbursement

On the surface, payors report having positive working relationships with providers; 78% of respondents express that their organization's relationships with providers are "effective" to "extremely effective." However, 22% of respondents also note that changing the dynamics of payor-provider relationships will have the largest impact on the payor industry this year, indicating that despite positive ratings, payors still see room for improvement.

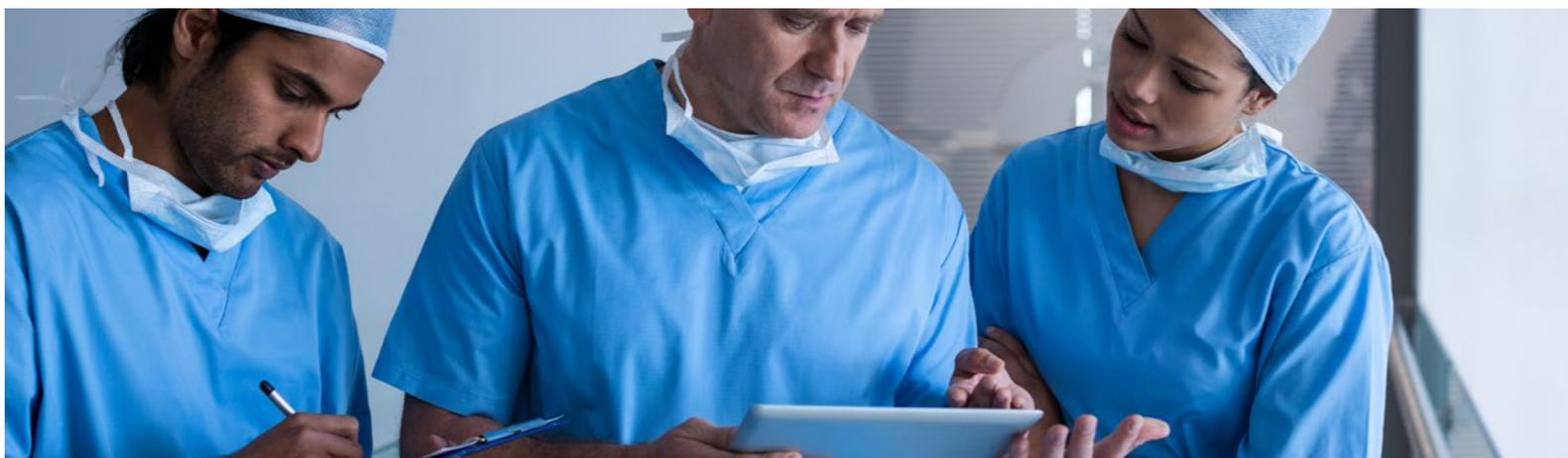
One such area for improvement is risk-sharing models. Huron's research finds that 59% of respondents say better negotiating of risk-sharing models would improve their working efficiency with providers; however, adoption of such models has been slow. Though providers have been working with value-based care models for years, nearly 70% of payors say that the vast majority of their claims are paid using a fee-for-service model. Only 2% of respondents, however, think fee-for-service is an ideal reimbursement model and hope to move to pay for performance, bundled payments

or global capitation in the coming years. Until payors and providers are aligned on how they view and account for healthcare services, reimbursement will continue to be a major pain point for both entities.

## Enhanced Analytics Capabilities: Transformation

Payor leaders view technology and analytics as critical tools for transforming their businesses as the industry places greater importance on value-based care, consumer preferences and preventative care. Specifically, payors are seeking to:

- Increase efficiency with virtual tools such as automation, chat bots and machine learning.
- Make better business decisions with data collection, sharing and analysis.
- Expedite claims processing and achieve better patient outcomes with telehealth.



While payors are committed to making these transformations, they also acknowledge they lack the tools and data they need to do so. Payors and providers have a wealth of valuable patient data that is typically siloed within each organization; this explains why 67% of respondents want to improve the exchange of information between payors and providers. By forming relationships based on trust and open exchange, payors will be better positioned to respond to the industry's shift toward more preventative care. Greater access to information will also allow payors to better understand consumers and develop long-term plans to meet their needs.

## Digital Infrastructure: Interoperability

Interoperability is a major challenge for many healthcare organizations. For payors, improving interoperability is not just about optimizing their own internal operations and processes, but also for increasing the efficiency of the work they do with providers. Sixty percent of respondents say they are creating or expanding their digital infrastructures in part to improve the sharing of information between their organizations and providers, in the hopes of streamlining communication, claims processing and reimbursement.

Top Payor Trends With Immediate Impact	
1	Payor-Provider Relationships
2	Enhanced Analytics Capabilities
3	Digital Infrastructure



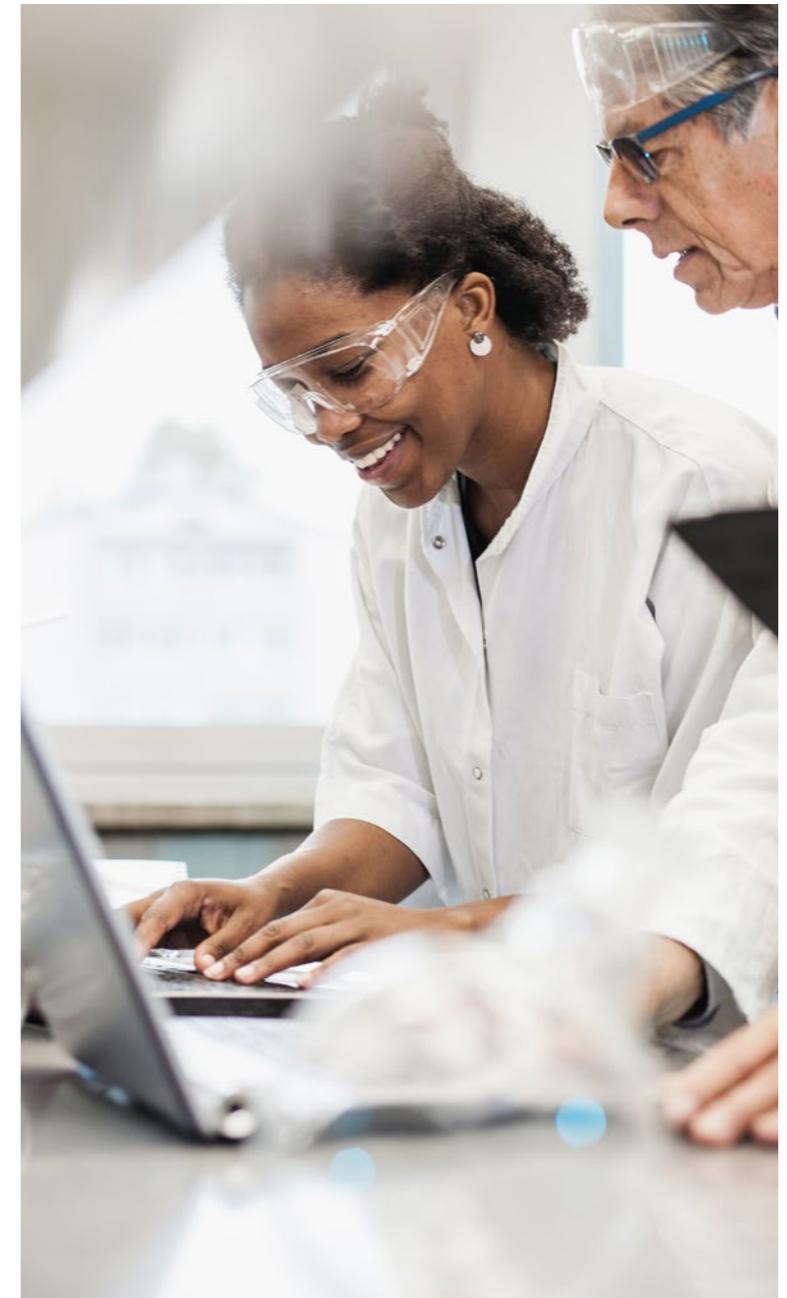
### RECOMMENDED READING:

- ▶ [Accelerating Interoperability](#)
- ▶ [Healthcare Data Analytics: Leverage Assets Now to Prepare for What's Next](#)
- ▶ [Use Digital to Improve Healthcare Today While Creating a New Tomorrow](#)

# SHIFTING PERCEPTIONS OF CHALLENGES

The coronavirus pandemic has significantly shifted payors' perceptions of their most pressing business challenges, and responding to the pandemic is now the top concern. While consumer-focused priorities such as alternative care delivery, consumer experience and improving care have stalled, data for decision making and digital infrastructure has substantially grown in importance. Cost containment, risk-sharing models and navigating government regulations have all retained their high-priority status, revealing that, like many other healthcare organizations, payors are grappling with the financial repercussions of the pandemic.

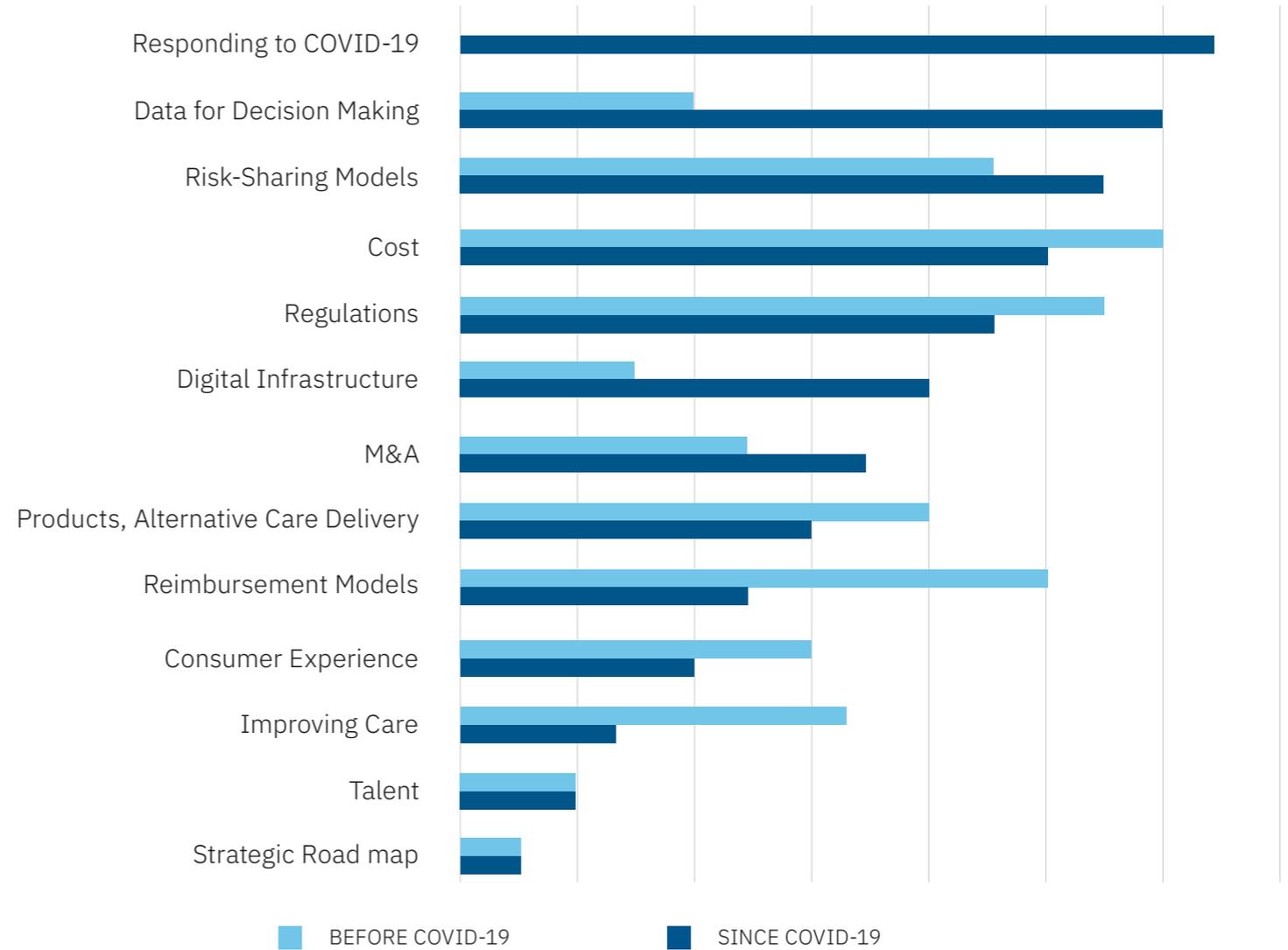
Payors have had both an internal and external response to the pandemic. Internally, organizations have focused on expanding their own information technology (IT) capabilities to work remotely, which may contribute to the sharp increase in the importance of digital infrastructure. Externally, payors have focused on streamlining patient claims for providers, anticipating and preparing for shifts in population health, granting payment extensions, and keeping a watchful eye on the latest state and federal mandates for expanded coverage. Payors also indicate they expect mergers and acquisitions in the industry to increase within the next three years, likely as opportunities arise from organizations repositioning themselves after the pandemic.



# Telehealth Reimbursement During Coronavirus Pandemic

The use of telehealth services has soared as consumers and providers seek to limit exposure to the coronavirus while still caring for as many patients as possible. Payors that didn't already have definitive payment structures in place for virtual care services have had to work diligently and quickly to adapt. Government oversight, stimulus bills, relief packages focused on virtual care and the abundance of telehealth-based claims from providers also put additional pressure on payors to support expanded virtual care environments. With accelerated adoption of these services, leaders have wrestled with how to reimburse appropriately, unsure of how to differentiate virtual versus in-person care. Currently, respondents report their organizations are reimbursing telehealth visits at a range of 60%-79% compared with that of an in-person visit. However, as virtual care becomes more common and leaders can more closely examine its value over the next few years, many expect this range to collapse to a universally accepted reimbursement rate.

Change in Priority of Challenges During the Coronavirus Pandemic



### RECOMMENDED READING:

- ▶ [Data Due Diligence in Strategic Acquisitions, Mergers and Partnerships](#)
- ▶ [Virtual Care: A Vital Component of Care Delivery](#)
- ▶ [Leveraging Telehealth for a More Consumer-Centric Healthcare Experience](#)

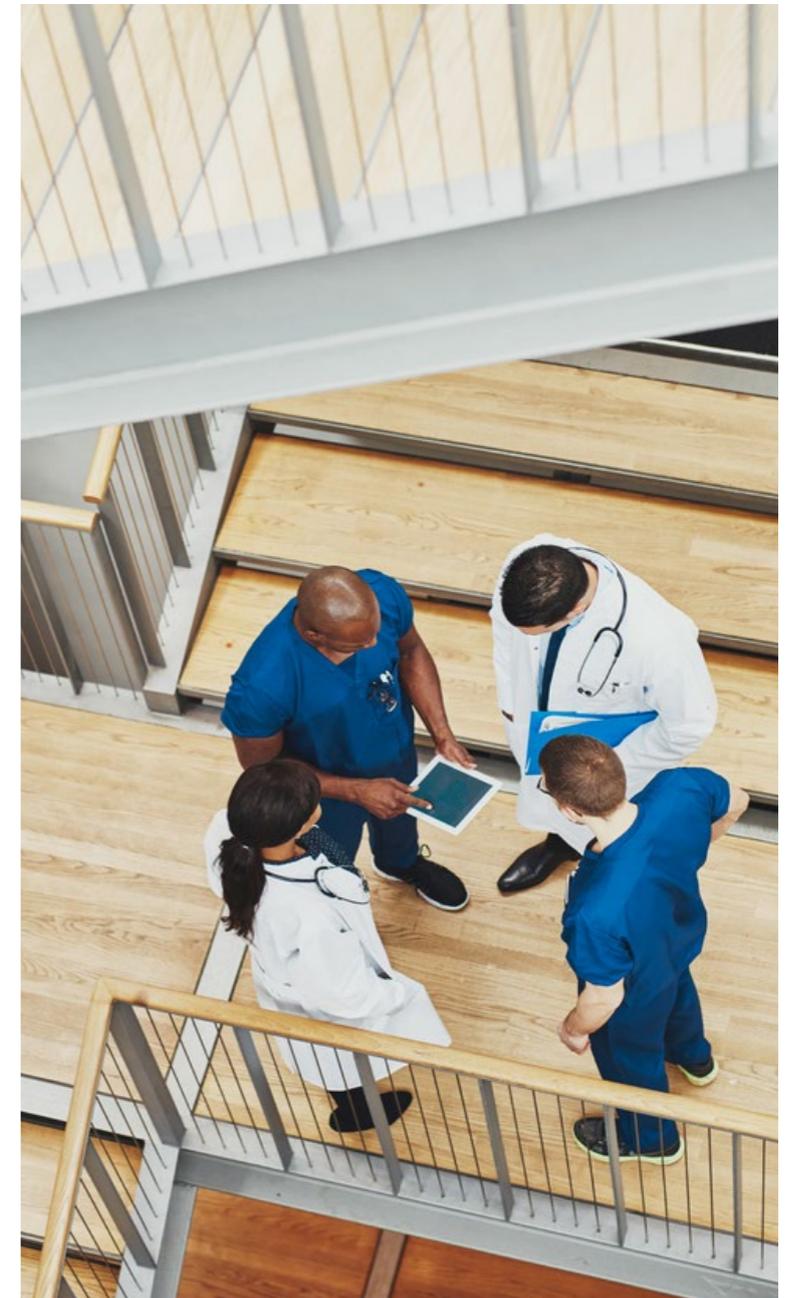
# INVESTMENT AND INNOVATION PRIORITIES

As payors confront the pandemic and the shifting challenges it has brought, payors are also reevaluating their investment and innovation priorities. Today, payors are following in the footsteps of other healthcare organizations in the fight to attract, retain and develop high-quality talent. They are also prioritizing consumer technologies, integrated care and convenient care, reflecting an understanding that every player in the healthcare industry needs to understand who their consumers are.

Current Investment Priorities	
1	Talent
2	Data Acquisition
3	Consumer Technologies

Leaders expect their investment priorities to change in the next three years, with a significant shift toward enhanced analytics, integrated care and digital infrastructures. These expected changes underscore how essential business insights, information and new ways of operating are to payors as they plan their futures. Greater capabilities in these areas will enable payors not only to make more informed business decisions but also to learn who their consumers are and begin developing stronger relationships with them.

Next Three Years	
1	Enhanced Analytics
2	Integrated Care
3	Technology and Digital Infrastructure



When it comes to innovation, payors are currently looking to create greater cost transparency, with real-time data analysis and convenient care. The coronavirus pandemic may have elevated the urgency of cost transparency given the unprecedented circumstances, but healthcare leaders have long known that cost is a major problem within the industry. Payors attribute the causes of exponentially increasing medical inflation to provider expenses, overall system inefficiencies across the industry and waste. This acknowledgement of inefficiency and waste may be a driving force behind why payors are focused on data and analytics: With more information, they can make better business decisions and create less excess.

In the next three years, payor leaders indicate they are looking to take on a more proactive role within the industry that gets them ahead of population health events, changing patient demographics and other risk factors. Future innovation priorities include predictive genomics, wearable devices and predictive analytics, all of which will highly benefit consumers in the form of greater preventative care and lower healthcare costs.



Current Innovation Priorities	
1	Cost Transparency
2	Real-Time Data Analysis
3	Convenient Care

Next Three Years	
1	Predictive Genomics
2	Biosensors, Wearables
3	Predictive Analytics

**RECOMMENDED READING:**

- ▶ [Developing Strategies That Empower Healthcare Leaders to Drive Innovative Change](#)
- ▶ [Moving Healthcare Data Analytics Forward With Good Governance](#)
- ▶ [The Rising Value of Acute Care in the Home](#)

# CONSUMERS: AN UNTAPPED OPPORTUNITY

Payors are balancing many competing needs and priorities; however, like providers, their ability to build consumer relationships has not kept pace with other industries such as retail or hospitality.

Though payors express the desire to have a deeper relationship with consumers, their strategies for repositioning lack alignment to consumer-centric goals. Respondents name consumer technologies, integrated care and convenient care as top investment priorities, but as noted previously in this analysis, the priority level of every consumer-focused challenge dropped during the pandemic — improving clinical care fell by 64%, improving the consumer experience fell by 52%, and building new products or alternative care delivery fell by 46%. When asked, “Which healthcare insurance trend will have the largest impact for your organization this year?” only 2% said expanding digital care options, an area of great importance for consumers.

This could mean that the coronavirus pandemic has driven a larger wedge between payors and their ultimate end users, and like many organizations in the industry, payors feel they must focus on cost and revenue amid such economic turbulence. But consumers have been reshaping healthcare for years, and their influence on the industry will outlast the pandemic. Payors have an opportunity to recognize the power of consumers and use data-driven insights to gain their trust, drive brand loyalty and deliver individualized experiences. This approach mimics what many provider organizations have been doing to improve patient experience, and payors could reap financial benefits from aligning to this strategy.

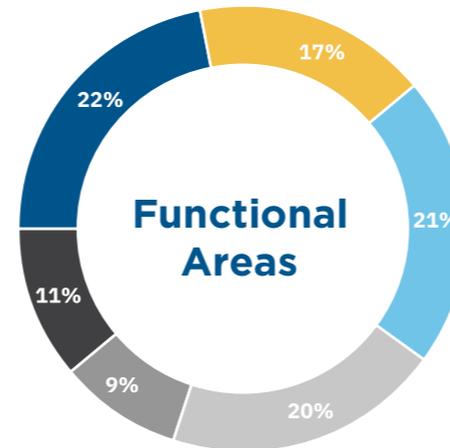
To get closer to consumers and transform the way they have been positioned within the healthcare value chain, payors can borrow strategies from insurers within the auto and home industries. By adopting their personalized tactics, payor leaders can drive higher engagement through customer loyalty programs, data-led brand interactions and consumer-centric services. In turn, this will position their organizations as trusted companies that deliver what consumers are looking for.

## RECOMMENDED READING:

- ▶ [Healthcare Consumer Market Research](#)
- ▶ [Augmented Reality and the Patient Experience](#)
- ▶ [Social Determinants of Health: Using Consumer Insights to Move From Why to How](#)

# FINAL THOUGHTS

The coronavirus pandemic has pushed payors to rapidly adapt to the new realities of healthcare, reconsider their current priorities and plan for a future that is far different from the one they had expected. As payors begin to redefine themselves within the industry and take on a more proactive role, digital infrastructure, data analytics, and their relationships with providers and consumers will be essential to building long-term success. By taking a consumer-centric approach to investing in technology, developing multiyear business strategies and working closely with providers, payor organizations have an opportunity to transform the consumer healthcare experience as we know it.



- Technology and Analytics
- Care Transformation
- Finance and Operations
- Payor-Provider
- Strategy and Innovation
- Leadership

## Methodology

Huron surveyed 300 leaders from across U.S. commercial and federal payor organizations. Respondents came from a range of functions and seniority levels within both payor-only and payor-provider organizations.

## Key Takeaways

For payors to develop successful strategies for repositioning their businesses post-pandemic and beyond, they will need to:

### Think differently.

Reframe future planning around not only what technology can do for the business but also what it can do for consumers, the ultimate end users.

### Plan differently.

Work with providers to develop risk-sharing models and reimbursement structures that are aligned to a consumer-centric focus.

### Act differently.

Use data to create better business processes and products that reflect the new realities of the industry.



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