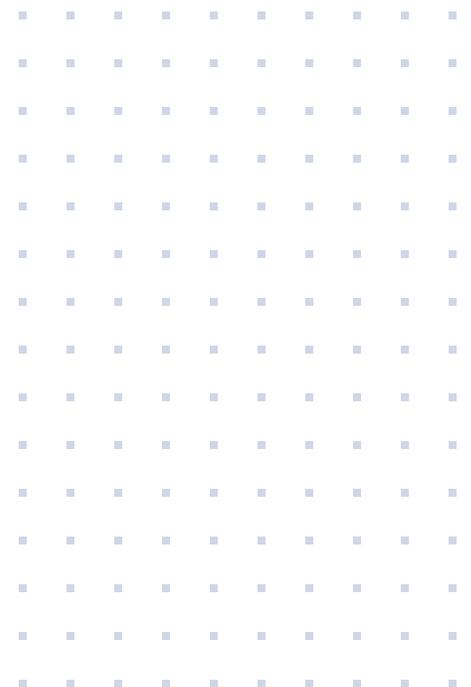SIGNATURE RESEARCH

WHAT HEALTH PAYERS ARE SEEKING WITH THEIR DIGITAL INVESTMENTS

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WHAT'S INSIDE

EXECUTIVE SUMMARY

Payer organizations face daunting challenges: rising costs, labor shortages, and heightened member demands for digital services. However, success demands more than technological adoption—it requires a fundamental shift in mindset toward prioritization, stakeholder engagement, and seamless integration of digital assets throughout member and provider journeys. A recent survey of 150 healthcare payer executives identified three pivotal trends:

A mindset shift around prioritization can connect organizations

Despite prioritizing investments in cybersecurity, data analytics, and systems integration, challenges persist in aligning strategies with organizational objectives and overcoming implementation hurdles. By funding products instead of projects, payers can make investments that enable better experiences for all constituents, support end-to-end workflows and allow data to flow freely across the entire organization.

Digital member experiences require a streamlined foundation

Inadequate strategy around point solution integration hampers adoption and ROI, particularly in enhancing member experiences.

Across the industry, challenges with the rollout and implementation of new digital self-service have become pervasive because technical debt is commonplace, architectures and data layers tend to be too loosely defined and payer organizations maintain too many point solutions.

Unlocking integrated care requires a holistic viewpoint

The evolution toward integrated and value-based care models underscores the critical importance for payer organizations to adopt comprehensive strategies. By investing in upgrading care management systems and automating administrative functions, payer organizations can streamline operations, improve efficiency, and ultimately deliver better care.

INTRODUCTION

As we move deeper into 2024, payer organizations face mounting administrative cost pressures with persistent inflation and labor shortages, rising medical costs, and increasing operational expenditures. At the same time, member expectations for accurate, seamless, and accessible digital experiences remain high—all while the industry adjusts to shifting models, such as value-based care (VBC).

These forces combine to make it mission-critical for payers to drive greater efficiencies across all areas of their operations. To achieve this aim—while delivering more value to stakeholders and remaining committed financial stewards—payers will need to invest in new digital capabilities.

What's required for success, however, goes far beyond infusing new technologies into existing operations. Instead, payer organizations must fundamentally shift their mindsets. They'll have to rethink how they prioritize work, build projects, and engage with key stakeholders—both members and providers—connecting assets across the member and provider care journey to drive better engagement, service, and overall health outcomes.

To better understand the state of the industry, we partnered with studioID to survey 150 executives in healthcare payer organizations. Participants were at a director level of seniority or above, with most (60%) working for private health insurance plans or networks that deliver integrated care. We asked survey respondents about their organizations' experience digitizing a variety of front-, middle- and back-office functions.

We were interested in learning why payers are investing in digital, how those investments are driving productive transformation, and where they're falling short. Our survey results suggest three emerging key trends:

- Organizations are rethinking traditional project and portfolio prioritization and are bringing digital products to the forefront.

- As more digital assets emerge, payers that lack a strategy around point-solution integration face headwinds with adoption and ROI—particularly when it comes to the member experience.

- When done correctly, digital evolution enables better outcomes and accelerated alternative reimbursements.

Read on to discover in greater detail what our survey found.

In recent years, payers have invested extensively in numerous digital capabilities ranging from claims automation to clinical program enhancements to member enrollment, payments, and analytics. Now they're turning their attention to digital engagement, with a particular focus on member-facing solutions. These are important capabilities, but such initiatives will flounder without the right foundation.

INVESTING STRATEGICALLY IN TECH AND DATA ANALYTICS

As payers strive to balance cost containment with efforts to drive growth, efficiency-enhancing initiatives are coming to the fore across the industry. It's vital for payers to find effective strategies for engaging and retaining members and improving health outcomes—all without inhibiting financial performance.

But achieving such efficiencies in their real-world operations remains challenging for the payer organizations we surveyed. Selecting and implementing the right technologies are key for improving efficiencies, but technology optimization can't happen in silos.

How difficult is it for your organization to overcome potential roadblocks and challenges in the following areas?

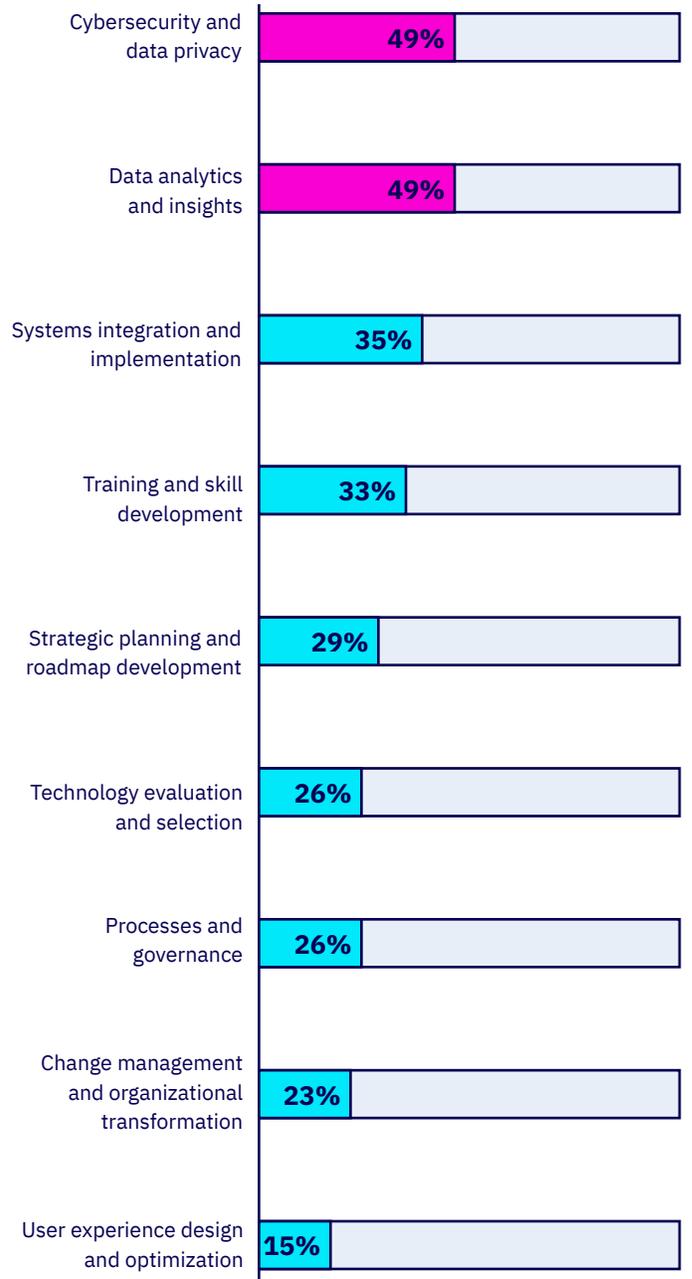|	Extremely difficult	Very difficult	Somewhat difficult	Not too difficult	Not sure
Creating cross-functional digital experience teams	2.7%	17.3%	**58.7%**	21.3%	0%
Expediting time-to-market for new products and enhancements of existing products	3.3%	21.3%	36.0%	**38.7%**	0%
Aligning on outcome-based goals across your organization	2.7%	20.7%	**47.3%**	29.3%	0%
Aligning incentives to fund products over projects across your organization	4.0%	20.7%	**39.3%**	36.0%	0%
Streamlining intake functions and transition points to expedite product delivery	0.7%	16.0%	**46.0%**	37.3%	0%
Clearly defining end-to-end service delivery processes to build and support products	0.7%	15.3%	41.3%	**42.7%**	0%
Effectively governing all digital transformation initiatives such that they're aimed toward a shared enterprise vision	4.7%	13.3%	**51.3%**	30.7%	0%

Data needs to flow seamlessly across the enterprise so payers can automate processes, make decisions faster and more efficiently, and deliver personalized recommendations based on analytics. This will, in turn, enable process improvements across the business—from better contact center workflows to streamlined approvals and payment processes and more. Payers are investing in technologies that touch all these areas.

Specifically, they're taking steps to shift the management of their core technology platforms—from member enrollment to claims processing to provider network management to billing and customer services. Optimizing core admin platform management can streamline operations and enhance efficiency.

Payers are iwncreasingly outsourcing the management of these platforms: Fewer than one-third of respondents (32%) said their home-grown administrative platform met their organization's business objectives very well. Instead, many respondents said they now relied on an external provider for at least some portion of the management of these platforms.

That payer organizations are seeking to improve the management of their core administrative technology platforms isn't surprising. Modernizing these systems is both important and difficult—akin to doing open-heart surgery on a patient who's still conscious (and, in fact, still going to work and getting their job done every day). But because they touch nearly all aspects of operations and because the data they contain is increasingly valuable for analytics—or to train AI models—it's vital that payers invest in this area.

In the immediate term, in which of the following areas is your organization focusing its investments?

Area	%
Cybersecurity and data privacy	49%
Data analytics and insights	49%
Systems integration and implementation	35%
Training and skill development	33%
Strategic planning and roadmap development	29%
Technology evaluation and selection	26%
Processes and governance	26%
Change management and organizational transformation	23%
User experience design and optimization	15%

Making far-reaching changes is never easy. Respondents reported that payer organizations were encountering roadblocks in multiple areas as they worked to enhance their digital capabilities.

We asked survey participants about their difficulties with various digital transformation initiatives and discovered that aligning incentives to fund products over projects, expediting time-to-market for new products and enhancements of existing products, and aligning on outcome-based goals are the three areas where payer organizations are most likely to experience challenges that are very or extremely difficult to overcome. Still, it's important to note that a majority of respondents encountered roadblocks that were at least somewhat difficult to overcome in all those areas.

We also asked which digital initiatives they were prioritizing for investment. While they were funding transformation and modernization projects across the board, respondents' organizations were particularly likely to invest in cybersecurity and data privacy initiatives— as well as data analytics— over the intermediate term.

Nearly half of respondents (49%) mentioned upcoming investments in data analytics and insights. These organizations are likely aligning funding with upcoming changes to the methodology for Medicare Advantage Star ratings.

Payers should ensure that their data is complete and address gaps as soon as possible so they can be confident they'll meet upcoming reporting requirements.

Other areas that survey participants indicated to be relatively high priorities included systems integration and implementation (35%), training and skill development (33%) and strategic planning and road map development (29%). We agree that these areas are important, but it's worth mentioning that change management and organizational transformation—which should ideally underpin and enable all other changes—was somewhat neglected among areas of planned investment: Only 23% of respondents mentioned this area as an intermediate term priority.

Going forward, it will be increasingly important for decision-makers to think about their organizations' objectives holistically rather than in terms of their individual business units' short-term profit and loss statements. Adopting a product mindset will be key since it enables a more consistent, long-term focus on the bigger picture—a world that stretches far beyond operational silos. By funding products instead of projects, payers can make wise strategic investments in overcoming technical debt, investments that enable better experiences for all constituents, that support end-to-end workflows and that allow data to flow freely across the entire organization.

EMPOWERING MEMBER ENGAGEMENT

Many decision-makers in payer organizations look at growth, member engagement, and retention first when thinking about where to infuse digital capabilities. They're not wrong to do this—taking a human-centric, consumer-first mindset when funding enhancements will ultimately enable them to improve member experiences, and even those of providers, employees, and other constituents. But payers need to begin with the basics: collecting the right data, analyzing it effectively, consolidating it, and ensuring it can be used where needed. As payer organizations accrue an increasing number of digital assets (beyond just having the data), these organizations also need an integration strategy to fully deliver a seamless experience for consumers and the ROI promised by these advanced digital tools.

Stakeholders in payer organizations understand the importance of empowering member self-service. Self-service not only saves time and effort for members, but it also opens up desired features such as the ability to locate providers, review benefits and coverage, and ultimately access treatments that will lead to improved health. Leaders are often aware that building capabilities to seamlessly share and exchange data across the enterprise is foundational for success, but its importance sometimes gets lost amid conflicting priorities and siloed investments across lines of business. Success in the digital age requires payers to define and stick to a holistic strategy rather than tactical solutions scattered across silos.

How challenging is each of the following issues your organization may be facing when it comes to leveraging digital capabilities to help you acquire new members?

	Extremely challenging	Very challenging	Somewhat challenging	Not too challenging
Inadequate digital tools to support member/group acquisition strategies	7.3%	22.7%	34.7%	35.3%
Limited integration of digital marketing platforms and member acquisition processes	14.0%	20.7%	32.0%	33.3%
Insufficient personalization of digital marketing campaigns for member/group acquisition	10.7%	17.3%	34.0%	38.0%
Difficulty in measuring the effectiveness of digital member acquisition efforts	3.3%	13.3%	42.0%	41.3%
Challenges in aligning digital acquisition strategies with the needs of the target audience	11.3%	14.7%	33.3%	40.7%

For member acquisition, respondents reported widespread and far-reaching challenges when leveraging digital capabilities to facilitate growth.

How much impact do you believe each of the following digital transformation initiatives will have on member engagement at your organization?

	A lot of impact	Some impact	Just a little impact	No impact at all
Texting (SMS) integration	**44.0%**	**38.7%**	**12.0%**	**5.3%**
Apple Pay capability	**24.7%**	**50.7%**	**20.0%**	**4.7%**
Holistic Member Launch point with provider integration	**54.0%**	**34.0%**	**8.0%**	**4.0%**
Increased paperless opportunities	**46.7%**	**42.7%**	**9.3%**	**1.3%**
Mobile app	**35.3%**	**44.0%**	**18.0%**	**2.7%**
Point solution centralization	**46.7%**	**42.7%**	**9.3%**	**1.3%**
Pervasive single sign-on (SSO)	**52.0%**	**41.3%**	**6.0%**	**0.7%**
M&A activity (Mergers and Acquisitions)	**28.0%**	**54.7%**	**13.3%**	**4.0%**

We asked about the issues they face in five specific areas, and a significant majority reported encountering at least some degree of challenge in all of them.

Survey participants were particularly likely to report major difficulties integrating digital marketing platforms and member-acquisition processes (35% said this was very or extremely challenging) and personalizing digital marketing campaigns for member/group acquisition (28% reported that their challenges in this area were very or extremely large). Even though digital marketing platforms with granular segmentation capabilities are widely available today, we often found that teams still lacked access to the data required—as well as the processes and employee skill sets—to take advantage of these tools.

The area where respondents reported the fewest challenges was in measuring the effectiveness of digital member acquisition. But even here, only 41% said there were "not too many challenges" involved. More than half said they had at least some degree of challenge because of: inadequate tools to support member acquisition, inadequate integration between digital tools and member-acquisition processes, inadequate personalization of digital marketing campaigns, difficulty aligning digital acquisition strategies with real-world audience needs, and insufficient personalization of digital marketing campaigns.

E-commerce retailers are much better at the back-end data integration that enables the delivery of consistent experiences across omnichannel touch

points than are today's payer organizations, which must improve to meet consumers' expectations.

We were curious about decision-makers' attitudes about digital initiatives' relationship with member engagement. We found that survey participants said they believed that digital initiatives could significantly and transformatively affect member engagement. And, when asked specifically about a series of digital solutions and digitally enabled initiatives, most respondents said all of them would significantly affect engagement— and, presumably, overall experience of their members.
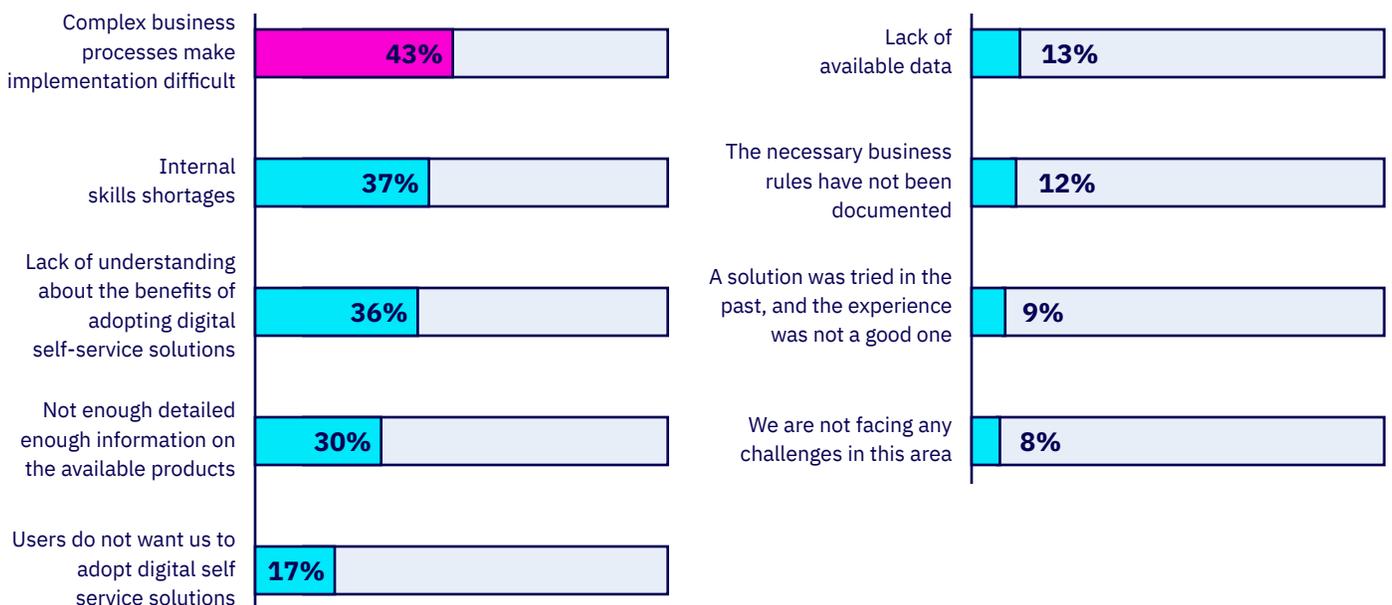
Particularly effective were building a holistic member launch point with provider integration (88% said this would have some or a lot of effect on engagement), point-solution centralization (89% said this would have some or a lot of impact) and implementing single sign-on (SSO) (93% said this would have some or a lot of impact). Many large payer organizations were prioritizing the consolidation of their point solutions, paving

the way for delivering more consistent member experiences across channels.

Perhaps because they strongly believe that digital investments can improve member engagement, payer organizations are embracing the adoption of digital self-service. There can be significant cost avoidance when members leverage digital self-service for basic tasks instead of contacting a call center. When they're easy to use and work well, digital self-service tools save time and reduce frustration, leaving members feeling supported and giving them better experiences.

However, payer organizations continue to face significant roadblocks when building out and implementing these solutions. This is among the most important of the "basics" that payers need to get right if they're to successfully deploy the digital capabilities that today's members expect.

What are the three biggest challenges your organization is facing when it comes to adopting digital self-service solutions?

Challenge	Percentage
Complex business processes make implementation difficult	43%
Internal skills shortages	37%
Lack of understanding about the benefits of adopting digital self-service solutions	36%
Not enough detailed enough information on the available products	30%
Users do not want us to adopt digital self service solutions	17%
Lack of available data	13%
The necessary business rules have not been documented	12%
A solution was tried in the past, and the experience was not a good one	9%
We are not facing any challenges in this area	8%

Members won't be logging in to the payer organization's mobile app every day, so it's mission-critical that they can access the most commonly used functions with ease every time they do.

When asked about the biggest challenges they faced when adopting digital self-service, more than one-third of respondents reported difficulties in the following three areas:

- Complex business processes that make implementation difficult (mentioned by 43%)

- Internal skills shortages (mentioned by 37%)

- A lack of understanding about the benefits of adopting digital self-service solutions (mentioned by 36%)

Across the industry, challenges with the rollout and implementation of new digital self-service have become pervasive because technical debt is commonplace, architectures and data layers tend to be too loosely defined and payer organizations maintain too many point solutions. Many are trying to accomplish too much, simply for the sake of innovation.

Modernizing operations, building a robust business architecture and setting the right foundation (which includes data, IT architecture and user interfaces) lie at the heart of success of payers' digital initiatives, which, in turn, will make it easier to persuade members to turn to digital channels first.

UNLOCKING INTEGRATED CARE

Integrated care and value-based care models continue to grow in popularity. For payers, there's an emerging opportunity to treat these arrangements with a product mindset, increasing the focus on governance, better engaging providers, building out dedicated leadership teams, investing in sophisticated data and analytics and properly designed score cards, and improving vendor management.

For healthcare payer organizations, improving data access and rationalizing architectures—with the goal of bettering both provider and member outcomes and experiences—must happen across the board, not just in individual functions or business units.

Adopting this holistic viewpoint can improve everything from eligibility verification to clinical coordination, but it's far from easy.

Participants in our survey reported widespread challenges with the integrations of digital tools and point solutions across the enterprise. This weakness has far-reaching consequences, because integrated care and value-based care arrangements rely on these capabilities.
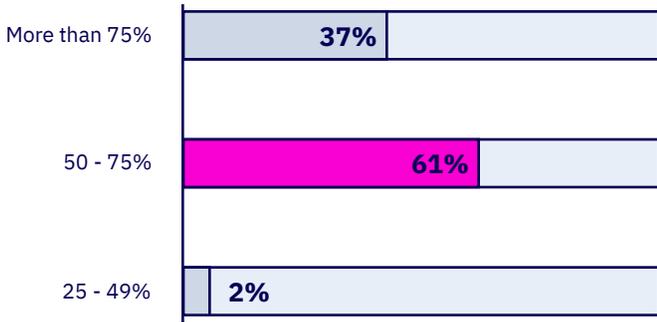
Among the participants in our survey, nearly all (98%) reported that at least half of their populations were in VBC arrangements. In fact, more than half (53%) said that 75% or more of their members were in value-based care, and 45% stated that between 50% and 75% of their members were part of a VBC arrangement.

Survey participants also reported that their organizations were embracing integrated care models. Almost all respondents (98%) said that at least half of their populations were managed

What percentage of your organization's population is enrolled in a value-based care arrangement?

More than 75%	53%
50 - 75%	45%
25 - 49%	2%
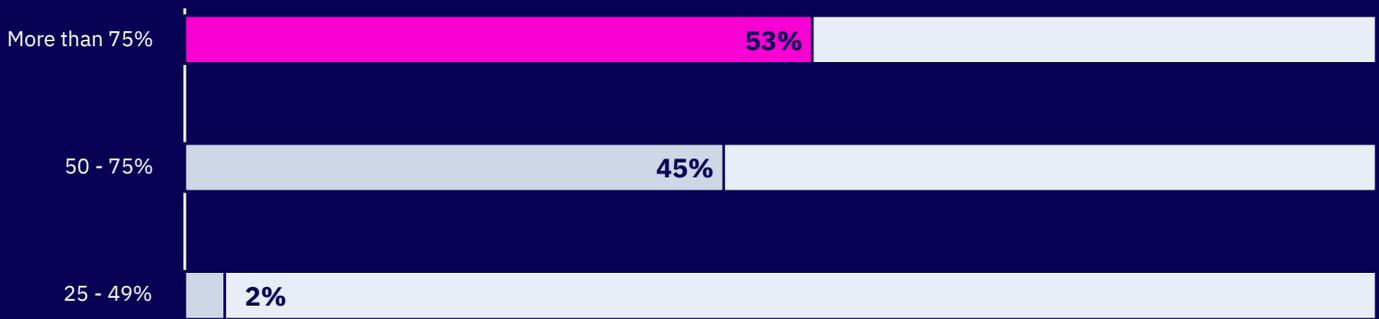
What percentage of your organization's population is managed via an integrated care model?

More than 75%	37%
50 - 75%	61%
25 - 49%	2%

Nearly half (49%) of survey participants reported that their organization had upgraded its care management system within the last year. These upgrades came in many shapes and sizes, but the main objectives were usually minimizing technical debt and maximizing the platform's efficiency.

This finding is evidence that payer organizations are investing in technologies designed to streamline overly complex operations. Many are laser-focused on improving efficiency and decreasing administrative overhead by adopting a platform-based approach, indicating that improving member

via an integrated care model; 37% stated that more than 75% of their members are managed via an integrated care model, while 61% said that between 50% and 75% of their members are managed through integrated care.

Growth in integrated care teams has continued over the last five years as the Centers for Medicare & Medicaid Services (CMS) has done demonstrations for Medicare and Medicaid populations as part of primary care. The greatest effects are realized through true preventive medicine by engagement before complications occur.
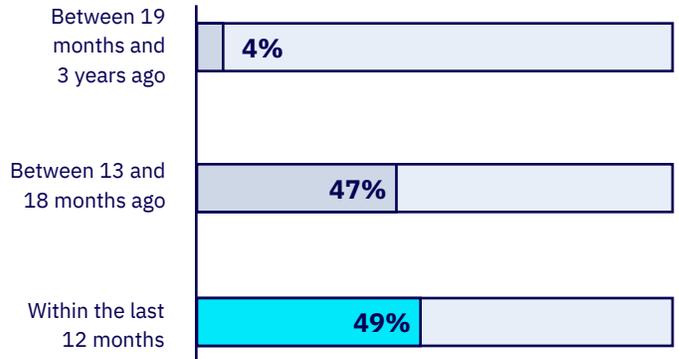
Additionally, many states require integrated care as part of the Medicaid contracts to treat members more holistically. This trend has expanded to commercial lines of business as a more "concierge" type service that includes benefit counseling to increase health literacy earlier in a member's health journey.

Because care management systems provide valuable data that helps payers evaluate the effectiveness of prospective VBC providers, we asked respondents when they had last upgraded their care management systems.

When did your organization complete your last care management system upgrade?

Between 19 months and 3 years ago	4%
Between 13 and 18 months ago	47%
Within the last 12 months	49%

experience and engagement—especially if this can be achieved cost-efficiently—remains a top priority for many payer organizations. In the real world, adding efficiencies requires more than a software upgrade. All too often, payer organizations retain their old habits—such as maintaining documentation outside the system, over-documenting, and failing to leverage added features—even after new solutions are in place.

There's a need for education and cultural change to support the technology shift.

The survey also found that improving population health by implementing comprehensive care management was increasingly important to a growing number of payers.

We also asked about the extent to which payer organizations were infusing automation into administrative clinical functions such as prior authorizations. Many states are moving toward gold-carding to decrease the burden posed by prior authorizations. For payers, gold-carding can require greater administrative effort, since there's a need to monitor provider compliance.

A better alternative is to minimize the use of prior authorizations and instead focus on VBS arrangements in which providers are counseled on adherence to evidence-based best practice guidelines. Success in this arena demands mature data sharing.

We found that almost all survey participants' organizations (99% of them) could automatically approve at least half of their prior authorizations. This indicated that they were investing in accelerating turnaround time for approvals. Making these investments should give payers an opportunity to evaluate whether their existing prior-approval processes are demonstrably affecting the cost and quality of care being delivered.

This way, they can decrease their own administrative costs as well as those borne by providers through the elimination of request, review and claims-matching processes.

What percentage of your organization's prior authorizations are automatically approved?
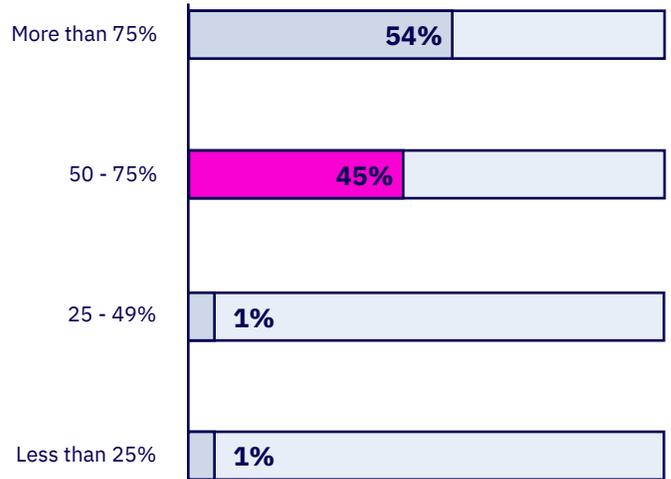
More than 75%	54%
50 - 75%	45%
25 - 49%	1%
Less than 25%	1%

The evolution toward integrated and value-based care models underscores the critical importance for payer organizations to adopt comprehensive strategies. These strategies are pivotal in enhancing provider and member outcomes and experiences across the board, rather than in isolated functions or units. This widespread adoption of value-based care arrangements emphasizes the urgency of these efforts. By investing in upgrading care management systems and automating administrative functions like prior authorizations, payer organizations can streamline operations, improve efficiency, and ultimately deliver better care—enhancing not only member engagement but contributing to improving overall health outcomes.

CONCLUSION

Rising to the Challenge

In the current healthcare landscape, payer organizations face pressures from all sides. They're challenged to contain costs at the same time that they're asked to meet rising consumer expectations for streamlined, digitally enabled member experiences. All the while, CMS wants them to be ready to demonstrate that they're working to improve outcomes.

Amid these forces, most decision-makers in payer organizations are aware that digital tools, data accessibility, and integrated products and solutions are the only way forward. Still, far too many organizations struggle to prioritize the most effective initiatives, to break down traditional silos and to meet members with accurate, seamless experiences. These are the new "basics," but they're often obscured by a short-term focus or by looking with too narrow a lens at the entire organization's operations.

When payers get these basics right, not only will they achieve administrative and cost savings, but they'll also improve the experiences of all constituents. Relationships are critical in healthcare, whether they're with employees, members, third-party partners or providers. As the entire industry moves toward value-based care and Medicare-style agreements, these relationships will only become more central to key revenue streams—as well as the health and wellness outcomes they enable.

Successfully implementing digital capabilities is becoming more and more critical for maintaining competitive advantage in this industry. But it's also becoming more difficult. Payers that want to operationalize new tools in ways that deliver real-world value will need to set the right foundation (get the basics right), create connected member experiences, and keep an eye on the next evolution of the industry.
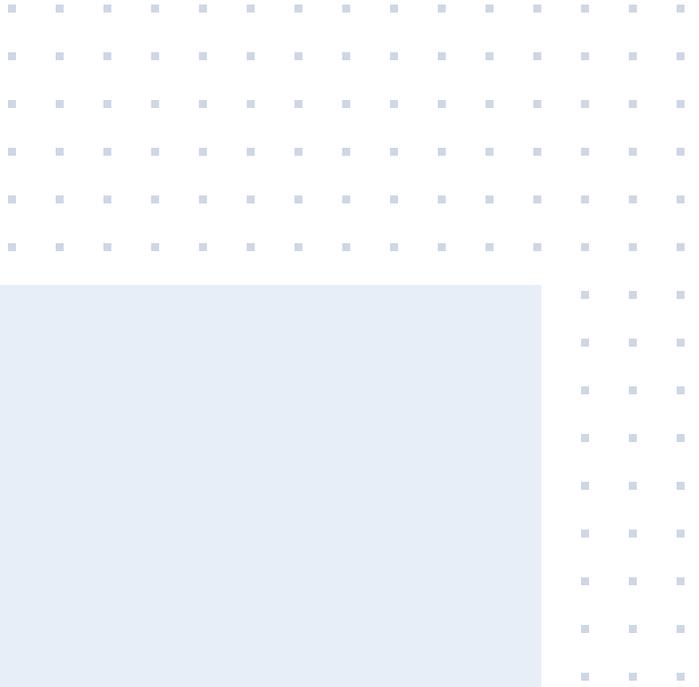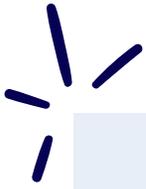
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We excel at the intersection of industry, strategy, people and technology—always driving rapid impact. Our all-in approach comes from our unique employee ownership structure. Our clients' success is our success. From the beginning, our growth has come from putting people at the center. Fortune and USA Today consistently celebrate West Monroe as a top workplace, and we're recognized as a leading consultancy by Forbes and Forrester. Let's find more value for your business.

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