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The 2009 IHM Survey:

Priorities for Industry Transformation

The TriZetto Group, Inc.

Overview

A survey of healthcare payer executives indicates that innovative health plans have prioritized Integrated Healthcare Management (IHM), an approach that combines systematically designed information technology and processes to drive new types of behaviors that can help cure the ailing U.S. healthcare system. But many health plans are at risk of being left behind. Where do you stand?

WHITE PAPER

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Introduction

The \$2.5 trillion healthcare industry is changing rapidly, compelling payers to invest in new and emerging technologies that will help them meet today's demands efficiently while developing a business model that will enable these organizations to achieve their long-term business vision as well.

A recent blind survey of payer organizations, however, suggests that although health plans of all sizes recognize the importance of transformation and of making the corresponding IT investments that will help them achieve their business objectives, not all payers are moving forward at the same pace or with the same intensity of commitment. This paper summarizes results of the survey and discusses their implications. The TriZetto Group, Inc., sponsored the survey, which was conducted by an independent research firm. (See Figure 1)

The researchers found that innovative payer organizations, including many large national plans, are investing at an accelerated pace in technologies that are helping them advance toward a model that TriZetto® calls Integrated Healthcare Management (IHM). IHM is the systematic application of processes and shared information to optimize the coordination of benefits and care and maximize the value of every healthcare dollar spent.

Among the key elements of IHM that were evaluated in the survey (see Figure 2) are value-based benefits and value-based provider reimbursement, which help align incentives for members and providers respectively. Another critical element is health and wellness / population management, which enables payers to improve the cost and quality of care by touching entire populations, from the chronically ill to the healthy, and all those in between. IHM also promotes engagement within a culture of health, which requires engagement technology, including customer relationship management as well as connectivity technology.

Innovative health plans are currently investing in all these areas, and some are taking their health and wellness / population management initiatives to such a high level that the plans are rebranding themselves as health management companies. To compete with the innovators, other health plans will need to accelerate their resource investments, particularly in the areas of IHM that these organizations identify as critical.

In fact, the survey results make clear that payers of all sizes will need to pick up the pace. Even as the healthcare affordability crisis deepens, an average of only 10 percent of payers has achieved full automation in any of the key areas associated with IHM, the researchers found. Reliance on manual processes decreases efficiency, accuracy and speed while adding to administrative costs. And without technology and systematic designs, health plans will be unable to move the needle on the 86 percent of the healthcare dollar currently spent on medical costs.

However, investing in stand-alone technologies will not ultimately solve the affordability crisis or enable payers to achieve IHM. The operative word in Integrated Healthcare Management is *integrated*. It is the convergence and integration of technologies supporting core benefits administration, care management and personalized constituent information that powers IHM. Winning in tomorrow's market begins with the IT investments that payers make today, and with the strategies that drive these investments.

Defining Integrated Healthcare Management

TriZetto defines Integrated Healthcare Management (IHM) as the systematic application of processes and shared information to optimize the coordination of benefits and care and maximize the value of every healthcare dollar spent. IHM is fueled by the convergence of core benefit administration, care management, and constituent engagement. The intersection of these competencies enables payers to leverage data to more systematically stratify, engage and reward constituents and personalize interactions with them in order to motivate healthy behaviors, increase the effectiveness of treatments, reduce the cost of care and drive better results.

Survey methodology

This was a blind survey conducted online in mid-2009 by a third party on behalf of TriZetto. The survey was intended to gauge payer investing in key IHM elements and to assess payer views of the importance of these elements and of technologies that enable IHM.

Respondents consisted of 100 payer-organization executives who represented plans of four sizes: small plans (150,000 to 499,999 lives); mid-size plans (500,000 to 2 million lives); large plans (2 million to 8 million lives); and national plans (more than 8 million lives). The executives also represented three distinct role groups: medical/clinical/health services; sales and marketing; and IT. Responses from executives who did not fit into these categories were not tabulated with the results. (For key results broken out by role group, see Appendix.)

Figure 1

TriZetto commissioned the survey to gauge the importance, in the opinions of payer executives, of IHM elements and related technologies; to assess current automation capabilities; and to inquire about current and future investments in IHM elements.

The key elements of Integrated Healthcare Management

Value-based benefits	New benefit structures that remove barriers for preventive and effective patient care, provide consumers with incentives/rewards for making the right choices, and discourage procedures that have been proven ineffective.
Value-based provider reimbursement	Offers support for provider contracting and new provider reimbursement models—one example is pay for performance—that reward providers for providing care that is of high quality, effective, and in compliance with evidence-based medicine guidelines.
Health and wellness/population management	A collaborative health management model that addresses the health and wellness needs of a health plan's entire membership; i.e., health programs for the healthy, the sick and everyone in between.
Data analytics and informatics	Enables robust data collection, stratification/segmentation, and performance monitoring across constituents and provides actionable information for improved decision-making.
Connectivity technology	Connects the health plan to its key constituents—providers, employers, consumer and brokers—by delivering content and tools more efficiently at the right point of service.
Engagement technology	Promotes a culture of health, where information and incentives are shared and aligned; for example, through the use of online tools and information.
Customer relationship management (CRM)	Provides an integrated constituent customer service experience within the traditional call center, and focuses on “whole person” management across benefits and care.

Figure 2

These are key elements of Integrated Healthcare Management. In some survey questions, researchers further segmented two areas listed above: connectivity (further broken into sales automation, and provider tools and workflow automation); and engagement technology (further broken into consumers, providers, benefit consultants, and employers).

IHM elements: powering industry transformation

In his book, “The Information Cure,” TriZetto Chairman and CEO Jeff Margolis looks at today’s healthcare system and points the way to systematic transformation through Integrated Healthcare Management. This transformation includes a substantial reduction in the total cost of healthcare.

In fact, field studies using actual claims and experience data from U.S. health plans show that the application of basic IHM principles can result in savings of 10 percent of total commercial medical costs, or nearly \$73 billion. The savings come from:

- Consumer-focused programs targeting wellness, health improvement and education
- Consumer-focused programs targeting informed decision-making and informed treatment compliance that are reinforced through value-based benefits
- Decreased provider practice variation and a move to evidence-based medicine through electronic health records and value-based reimbursement
- Increased provider focus on treatment management and care coordination for patients who have more complex conditions

The blueprint for successful achievement of these savings includes the key elements of IHM such as value-based benefits, value-based provider reimbursement, constituent engagement, and health and wellness / population management.

TriZetto commissioned the survey described in this paper in order to measure the degree to which payers are both interested in and investing in these critical components of healthcare transformation.

Enabling these key elements requires investments in integrated technologies that share information and create opportunities for all constituents to become more informed and actively engaged in effective healthcare. The result will be realized with Integrated Healthcare Management, where consumers benefit from improved health, providers are rewarded for excellent care, and everyone benefits from reduced costs and a higher-quality healthcare system.

Survey results: misalignment of priorities and investments

Three major themes emerge from the survey results, highlighting differences—and in some cases, similarities—among payer organizations and their movement toward IHM:

- Payers understand the importance of IHM: Payers of all sizes tend to share similar views regarding the critical importance of the key IHM elements and the technologies that enable them.
- National plans are leading on the road to IHM: Most national plans are investing, at least nominally, in all essential IHM areas today. This doesn’t hold true for smaller plans, which, in some cases aren’t even investing in areas they deem critical.
- Limited automation could slow the pace of transformation: For all payers, current levels of automation in key IHM areas are well below their potential. Payers, regardless of size, will need to accelerate investments if they are to improve efficiency and effect real behavior change that drives costs and waste from the system.

The following three sections of the paper provide details about the survey results, organized with respect to those major themes.

Payers understand the importance of IHM

All payers, regardless of size, tend to share similar views of the critical importance of the IHM elements and they tend to assign similar priorities to the technologies that enable or underlie IHM.

All payers rate at least some IHM elements as important or extremely important, and 70 percent or more rate nearly every IHM element as important or extremely important, demonstrating that payers share an understanding that each element is essential to their long-term strategies. (See Figure 3) The results also suggest that payers of all sizes share TriZetto's views of the importance of IHM.

IHM Elements: Ratings

IHM element	Not important (1-3)	Important (4-5)
Value-based benefits	27%	73%
Value-based provider reimbursement	30%	70%
Population management	22%	78%
Data analytics and informatics	7%	93%
Connectivity technology		
- Provider tools and workflow automation	23%	77%
- Sales automation	29%	71%
Engagement technology		
- Consumers	20%	80%
- Providers	19%	81%
- Benefit consultants	54%	46%
- Employers	36%	64%
Customer relationship management (CRM)	20%	80%

Figure 3

Survey respondents were asked to rate each IHM element with respect to its importance to business operations. Items viewed as “not important at all” were assigned a one, and items viewed as “extremely important” were assigned a five. The chart shows, e.g., that 93 percent of participating healthcare payers rate data analytics and informatics as important or extremely important.

In addition to rating the importance of the IHM elements, the executives ranked technologies that enable IHM, indicating which technologies are their top priorities. Results from this part of the survey suggest that payers, regardless of size, tend to share similar priorities; for example, across all plan sizes, technologies that support health and wellness / population management programs rank highest in importance. (See Figure 4)

Traditionally, payers have taken a piecemeal approach to health and wellness / population management initiatives, often working with multiple external vendors and a patchwork of technologies / analytics capabilities and requiring that registered nurses and other skilled staff perform extensive manual processes in connection with these initiatives. Despite the substantial energy, time and money spent in this area, most payers are touching only a small fraction of members—usually the chronically ill—thereby achieving only a small fraction of the potential value of health and wellness / population management programs.

Which IHM-enabling technologies are top priorities?

When asked to prioritize IHM-enabling technologies, executives across all plan sizes emphasize technologies that support health and wellness programs for entire populations. The Top Three IHM-enabling technologies, by plan size, followed by the percentage of respondents ranking the item as a Top Three priority:

Small plans

- Health and wellness programs for entire populations: 74%
- Value-based benefit designs: 49%
- Consumer engagement tools: 43%

Mid-size plans

- Health and wellness programs for entire populations: 68%
- Value-based provider reimbursement: 56%
- Sales automation: 38%

Large plans

- Health and wellness programs for entire populations: 67%
- Value-based provider reimbursement: 57%
- Consumer engagement tools: 43%

National plans

- Health and wellness programs for entire populations: 90%
- Consumer engagement tools: 70%
- Provider tools to promote member use of wellness programs: 40%

Payers of all sizes recognize the need for technologies that support health and wellness / population management, which can improve the quality and cost-effectiveness of care for the healthy, the chronically ill, and all those in between and, ultimately, drive substantial costs out of the healthcare system.

Top Technologies Supporting IHM Elements

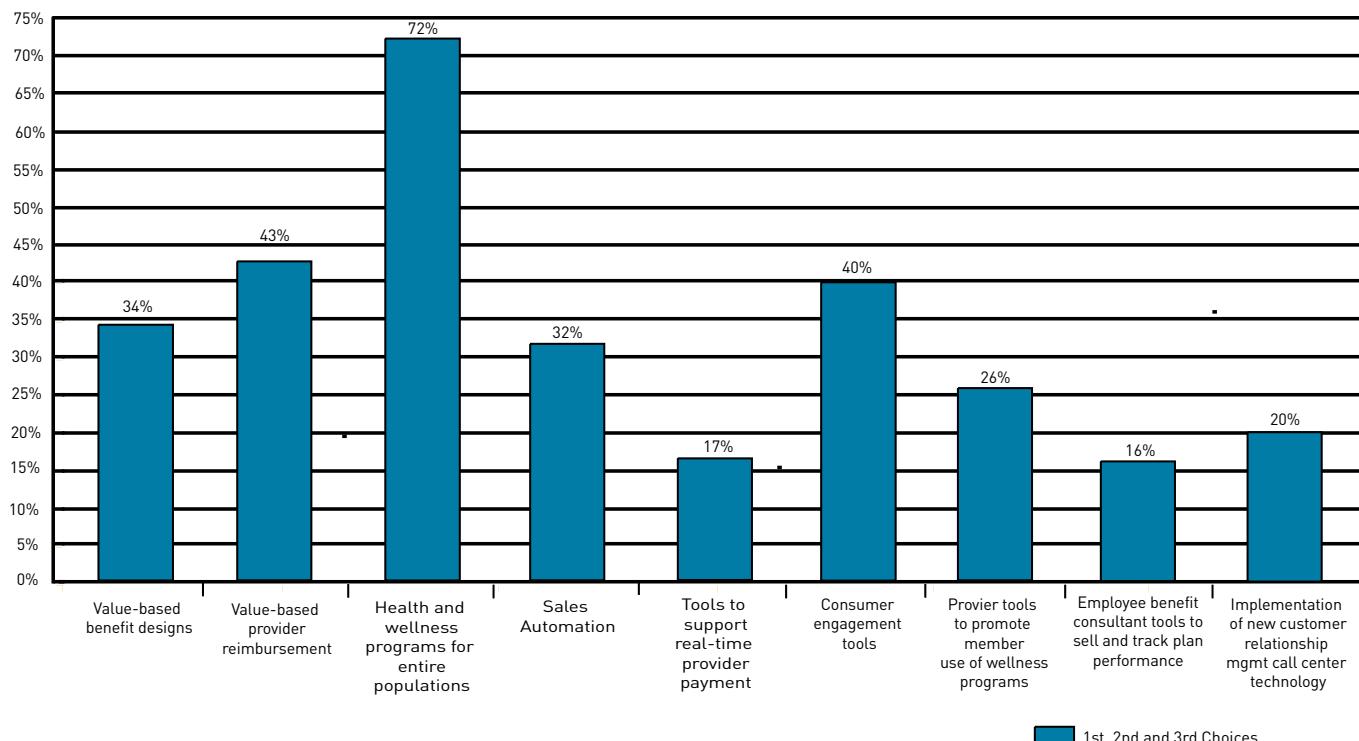


Figure 4

Respondents ranked, in order of importance, the business capabilities or technologies that underlie IHM. The chart indicates, for example, that across all payer sizes, 72 percent of respondents selected “health and wellness programs for entire populations” as their first, second or third priority.

For 43 percent of health plans, technologies that support value-based provider reimbursement also are a Top Three priority, an indication that payers are attuned to the need to reward providers for delivering effective care and to discourage ineffective/unnecessary care. In addition, consumer-engagement tools appear in the Top Three list of 40 percent of all survey respondents, suggesting that payers generally recognize that an important element of improved health and behavior change is the involvement and awareness of the consumer.

National plans are leading on the road to IHM

The results are clear: National plans are outpacing their competitors in investing in technologies that enable IHM, even in those areas that smaller plans say are of critical importance to their future. (See Figure 5)

Who's investing in IHM today?

Percentage of plans currently investing in IHM-enabling technologies	National	Large	Mid-size	Small
Value-based benefits	60%	61%	51%	25%
Valued-based provider reimbursement	80%	67%	68%	50%
Health and wellness / population management	80%	71%	67%	74%
Data analytics and informatics	100%	81%	80%	91%
Connectivity technology				
- Provider tools and workflow automation	90%	67%	54%	49%
- Sales automation	80%	62%	57%	49%
Engagement technology				
- Consumers	90%	71%	71%	51%
- Providers	90%	76%	76%	60%
- Benefit consultants	70%	29%	53%	34%
- Employers	80%	38%	50%	51%
CRM	70%	62%	62%	51%

Figure 5

Respondents indicated whether they are currently investing in key IHM elements, and national plans clearly are leading the way, as current investing tends to correlate with plan size. This isn't always the case; for example, small plans lead mid-size and large plans in investing in data analytics and informatics. Note that "investing" here refers only to "some level of investment." Other survey results make clear that all payers will need to invest more heavily if they are to achieve IHM.

It is worth pointing out that survey respondents weren't asked how much they are investing in IHM elements; rather, they were asked if they are currently investing and if they plan to invest in these areas in the future. Regardless of whether plans are making substantial or only nominal investments, as the next section of the paper indicates, the low levels of automation that payers of all sizes have achieved in the IHM elements suggest that, in general, payers will have to invest more heavily if they are to reduce waste, align incentives and create behavior change, with the ultimate goal of reducing medical costs.

The Top Three areas in which the national plans are currently investing are: data analytics and informatics (100 percent of national plans are investing); consumer and provider engagement technology (90 percent); and connectivity / provider tools and workflow automation (90 percent).

The current investing of small plans stands in sharp contrast. In some cases, smaller plans aren't even investing in IHM areas they say are critically important. For example, although 72 percent of small plans rate value-based benefits as important or extremely important, only 25 percent are investing to enable these new benefit structures. However, 60 percent of national plans are currently investing in value-based benefits. Similarly, 72 percent of small plans rate value-based provider reimbursement as important or extremely important, yet only 50 percent are making investments in new reimbursement models while 80 percent of national plans are doing so. (See Figures 6a and 6b)

Figure 6a
Small health plans stress the importance of these IHM elements, but current investing isn't consistent with the assigned ratings.

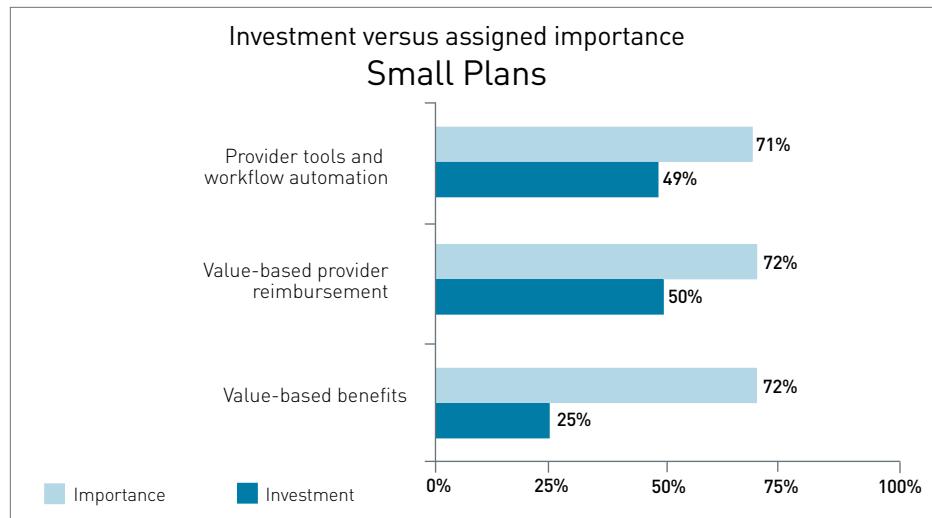
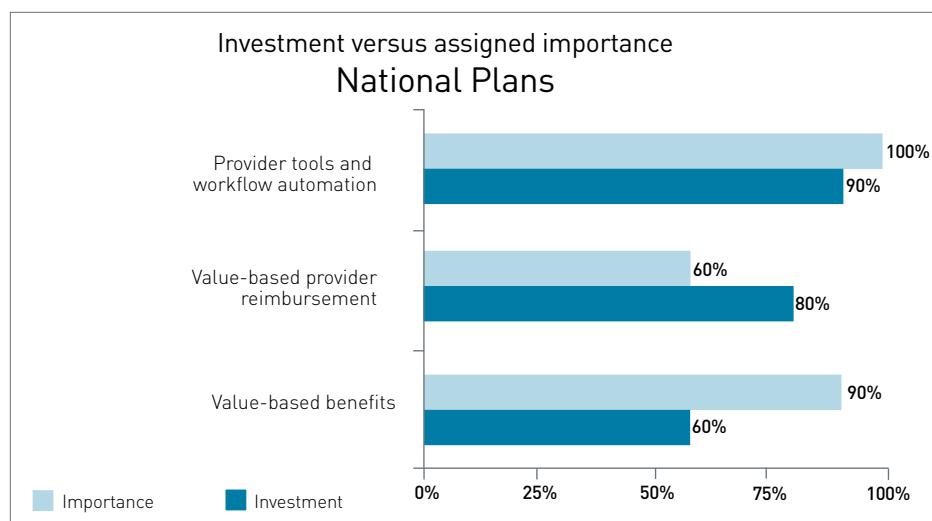


Figure 6b
In these key areas of IHM, national plans are generally doing a better job of aligning current investing with stated priorities.



In the provider enablement area, the same disconnect is apparent: 71 percent of small plans indicate that provider tools and workflow automation are important or extremely important, but only 49 percent are currently investing. Ninety percent of national plans are investing in this area. The national plans also are leading the way in investing in other key IHM elements, including health and wellness / population management, data analytics and informatics, engagement technology, and CRM.

Limited automation could slow the pace of transformation

Three-fourths of payers are still using at least some manual processes in areas critical to IHM. In the survey, the executives were asked to note the extent to which they have achieved automation within each key IHM element. The results indicate that, in any single area of IHM, fewer than 25 percent of payers have achieved full automation. (See Figure 7)

To what extent have payers automated key IHM elements?

IHM element	None/Limited automation	Fully automated
Value-based benefits	13%	3%
Value-based provider reimbursement	9%	9%
Population management	7%	15%
Data analytics and informatics	2%	23%
Connectivity technology		
- Provider tools and workflow automation	8%	4%
- Sales automation	12%	4%
Engagement technology		
- Consumers	5%	15%
- Providers	3%	10%
- Benefit consultants	23%	4%
- Employers	19%	6%
CRM	4%	21%

Figure 7

Executives were asked to indicate the extent to which they have achieved automation within key IHM elements. Across all plan sizes and across all IHM elements, full automation remains the exception, not the rule.

The area in which payers have attained the greatest degree of automation is data analytics and informatics. With 93 percent of respondents saying this is important or extremely important for the future of their businesses, it stands to reason that automation would be highest here. Yet only 23 percent of respondents have fully automated their analytics infrastructure. For CRM, only 21 percent of payers report full automation. Tied for third place are health and wellness / population management, and consumer engagement technology, with 15 percent of payers reporting full automation in these areas.

The numbers drop off sharply thereafter. Not surprisingly, the lowest levels of reported automation are in the more nascent aspects of IHM, specifically value-based benefits (3 percent) and connectivity technology (4 percent).

Achieving greater levels of automation is a critical step in the journey toward IHM. The systematic application of processes and shared information is key to reducing administrative costs, improving the cost and quality of care and enhancing revenue. But investing in stand-alone technologies will not drive the organization toward IHM over the long term. It is the convergence and integration of core, care and constituent technologies that provides the shared information with which health plans can better-align incentives and drive behavior change, ultimately improving the cost and quality of care.

For example, the creation of value-based benefit designs requires a flexible core administrative system that allows for the development and administration of these benefit plans. Additionally, linkages to care management and self-service technologies are required not only to engage consumers in order to more actively manage their health, but also to monitor and track the incentives that help create real behavior change. This convergence is key to enabling all IHM elements.

The specific IHM-related IT investments—as well as the timing and staging of these investments—that any organization should make today will vary with local market conditions, existing technology environment, plan size and other considerations. There is no single-best route to IHM. Regardless of the priorities any organization establishes on the road ahead, there is significant opportunity for all payers to automate all key areas of IHM and so achieve gains in efficiency, reduced costs, improved quality, increased member satisfaction and improved health, truly transforming their organizations. Plans that invest today and implement an integrated platform of technologies across core, care, and constituent will win in tomorrow's market.

Summary

The survey supports TriZetto's belief that payer organizations have begun the journey toward IHM. Some innovative plans not only are making investments in the IHM elements, but they are also moving away from a traditional business model based on transactions and focusing more on driving behavior change through aligned economic incentives and greater engagement. Other plans will need to capitalize on their superior knowledge of local markets and bring investing in line with stated priorities if they are to compete with the innovators.

Figure 8

The chart highlights key takeaways regarding executives' responses to questions about the importance of IHM elements, current level of automation, and whether their organizations are currently investing in IHM elements. The survey results highlight a significant gap: All IHM elements are clearly important to all payers but automation levels are low for all payers.

The survey indicates that most health plans, regardless of size, rate all basic IHM elements as important or extremely important and that many plans share similar priorities with respect to the technologies that enable IHM. For smaller plans in particular, investments in IHM elements are often inconsistent with the level of importance assigned to IHM elements. For all plans, in any given area of IHM, no more than 23 percent of payers are fully automated. All payers will need to pick up the pace if they are to effect real behavior change that reduces costs and waste.

Results by IHM element: summary

IHM element	Level of importance	Level of automation	Investment
Value-based benefits	73% rate this important or extremely important	Less than 10% fully automated	60% and 61% of national and large plans investing currently, versus 25% of small plans
Value-based provider management and reimbursement	70% rate this important or extremely important	Less than 9% fully automated	80% of national plans investing, versus 67% of mid-size, 50% of small plans
Health and wellness/ population management	78% rate this important or extremely important	15% fully automated	80% of national plans investing now, versus 71% of large plans, 67% of mid-size plans, 74% of small plans
Data analytics and informatics	93% rate this important or extremely important	23% fully automated, with 70% of national plans nearing full automation	98% currently investing
Connectivity technology	77% rate provider tools, workflow important or extremely important. 71% rate sales automation important, extremely important	4% fully automated in both provider tools, workflow and in sales automation	90% of national plans investing in provider tools, workflow, versus 54% of mid-size plans, 49% of small plans. 80% of national plans investing in sales automation.
Engagement technology	80% rate consumer engagement important or extremely important, versus: 81%: provider engagement, 46%: benefit consultant engagement, 64%: employer engagement	20% of small and national plans fully automated.	90% of national plans investing in consumer, provider engagement, versus 51% and 60% (respectively) of small plans. About 71% of large and mid-size plans investing in both areas
Customer relationship management (CRM)	80% rate this important or extremely important, including 95% of large plans and 80% of national plans	79% not fully automated	59% investing now, including 79% of national plans, 62% of large and mid-size plans, 51% small plans

Tomorrow Begins Today™ with TriZetto solutions

Multiple paths lead to IHM, and each payer's investment strategy will be unique, varying by market and other localized factors, including the payer's current technological environment. The ultimate goal, regardless of the path taken to attain it, is to reduce costs and improve the quality of care.

IHM brings together the best processes and knowledge available for designing and administering healthcare benefits and combines those with the best processes and knowledge in care management, while tailoring this knowledge, based on the use of constituent information such as personal values and preferences. TriZetto defines these areas as follows:

- Core benefit administration to automate business processes and enhance efficiency, to provide the flexibility to administer diverse plan designs, integrate with third party solutions, and adapt rapidly to change.
- Care management to support enhanced communications, increase collaboration with members and care providers, and improve cost and quality of care.
- Constituent engagement to foster successful interactions with members, providers, employers and brokers by providing the relevant tools and information they need, when they need it.

Key Elements of IHM are powered by TriZetto core, care and constituent engagement solutions

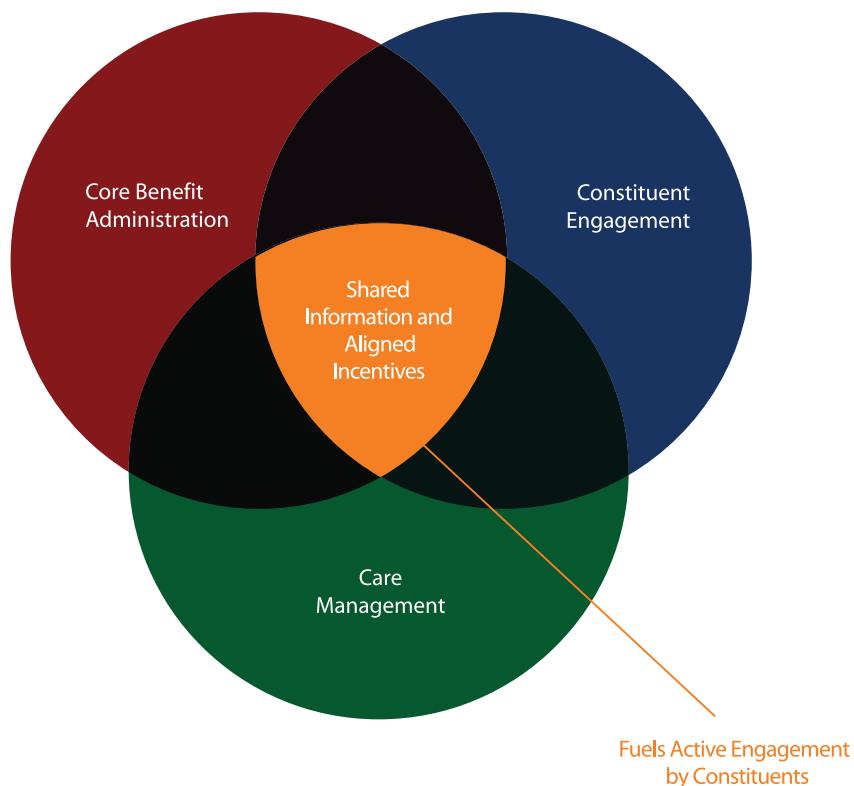


Figure 9

Integrated Healthcare Management is fueled by the convergence of core benefit administration, care management and constituent engagement. The intersection of these competencies enables payers to engage and reward constituents, personalize interactions, reduce the cost of care and drive better results.

TriZetto's healthcare information technology products and services power IHM for health plans today, and TriZetto is committed to continued investment to make IHM a reality in the future. TriZetto already has invested more than \$1 billion in the evolution of integrated platform technologies, including hundreds of millions of dollars in research and development of the IHM vision. The company's integrated suite of core, care and constituent engagement solutions automates many of the core IHM elements that health plan executives, responding to the survey, have indicated are high priorities.



Used independently, TriZetto's core, care and constituent enterprise systems are powerful enablers of IHM. When used together, they deliver the only integrated enterprise technology platform for IHM in the market today.

Appendix

Further role-sector analysis: Survey results were broken out not only with respect to payer size, but also with respect to the role of the respondent. Each executive who participated in the survey came from one of three role sectors: medical/clinical/health services; sales and marketing; and IT.

The views of executives in all three areas are well aligned, except in a few instances. All three groups are largely in agreement on the importance of health and wellness / population management and value-based benefits. The medical/clinical/health services group assigns value-based benefits greater importance than do other groups. This isn't entirely surprising, as the purpose of value-based benefits is to change consumer behavior in order to improve health outcomes. Value-based provider reimbursement also is of high importance to most respondents, with the IT executives emphasizing it most heavily. This probably reflects the fact that payers historically have had to rely on manual processes in negotiating, analyzing and implementing provider contracts and, in many cases, in paying claims with reference to the contractual terms. New technologies can transform this area of operations.

This coincides with the importance that IT executives assign provider tools and workflow automation (95 percent rate this area important or extremely important) and demonstrates a need to implement technologies that support payer-provider interactions. Related to this is high interest in engagement technology. Those in medical/clinical (80 percent) and IT (95 percent) express great interest in this area. Clearly, payers are experiencing pain in many areas of provider management and are clamoring for technology solutions that will alleviate these problems.

Sales and marketing respondents express greater interest in consumer engagement. They also are the group most interested in customer relationship management (86 percent).

TriZetto is Powering Integrated Healthcare Management®

With technology solutions touching nearly half the U.S. insured population, TriZetto is uniquely positioned to drive the convergence of core benefit administration, care management and constituent engagement. TriZetto's premier information technology solutions enable payers and other constituents in the healthcare supply chain to improve the coordination of benefits and care for healthcare consumers. Offerings include core administration systems, care and network management applications and a wide range of constituent Web solutions for payers. Solutions for Medicare Advantage and managed Medicaid plans are available, as are hosting, business and professional services.

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