



Health plan executives look forward: Emerging from a highly disruptive year

An Optum study of how leaders are charting a course for 2021 and beyond



OPTUM ADVISORY SERVICES

FORWARD

Here at Optum, our clients come first. We are eager to understand their perspectives on the market challenges facing their organizations today, as well as the challenges that are unique to their enterprises. We believe there is no better way to cement this understanding than speaking to leaders firsthand. This study reflects more than 30 conversations we personally conducted with our partners at community, regional, national, provider-sponsored and Blue plans.

Engaging with the leadership teams of these diverse health plans, one major commonality became clear: improving peoples' health and lives is not an easy mission, and 2020 introduced new complexities that leaders must address head on. We believe health plans are ideally positioned to meaningfully reshape member, provider and employer experiences through enabling collaboration across the health care ecosystem.

The following study summarizes collective and individual insights from these interviews. Our team is committed to using our partners' insights to guide our strategy to generate more client value, develop innovative solutions and make the health care system work better for everyone.

Sincerely,



A handwritten signature in black ink, appearing to read 'Benton Davis'.

Benton Davis
CEO, Optum Payer
Services and Solutions



A handwritten signature in black ink, appearing to read 'MCrippen'.

Margaret Crippen
Senior Consultant, Payer
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A handwritten signature in black ink, appearing to read 'Craig Savage'.

Craig Savage
SVP, Payer Practice
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Study findings: How COVID-19 has impacted health care

Sustained unemployment, increased consumer decision-making, reconfigured delivery models and value chain reorganizations are all hallmarks of our new environment.¹

Yet these forces impact stakeholders across health care differently. Providers and consumers face unprecedented economic constraints and questions around financial sustainability. Health plans, in contrast, find themselves in a relatively healthy market position. As a result, health plan leaders can afford to take a deliberate and thoughtful approach to planning for 2021 and beyond.

Optum has culled insights from conversations with more than 30 health plan executives, including chief executive officers, chief medical officers and chief operating officers across a wide range of market segments to assemble a holistic point of view that:



Identifies the **challenges and opportunities** health plans face as a result of COVID-19



Examines the **key priorities** for health plans over the next three to five years



Predict **potential pitfalls** that can prevent health plans from achieving their goals

OUR FINDINGS

The research sample reflected diversity across health plans in terms of organizational models, as well as populations and markets served. Yet leaders demonstrated clear alignment on the challenges presented by COVID-19, their top priorities for the next three to five years and potential pitfalls that could thwart their efforts.

Health plan leaders continue to drive toward the quadruple aim, but COVID-19 has ignited new urgency, presenting both challenges and opportunities. Executives spoke candidly about their strategies to increase affordability and scalability while developing closer relationships with providers and members. Finally, they agreed that potential pitfalls include:

- Overreliance on value-based care to bend the cost curve
- Fragility of the health care system overall
- Lack of understanding of what providers desire

Overall, plans of all types are prioritizing total cost of care, innovating to meet the needs of their diverse populations and driving toward the quadruple aim.

1. Optum. [Health care beyond crisis: Eight forces that will define the future](#). June 2020. Accessed October 9, 2020.



Challenges and opportunities

Within the context of COVID-19, executives discussed the evolution already underway in the health care system as well as accelerants to that continued evolution. Health plan leaders identified the following opportunities for their organizations.

OPPORTUNITY #1

Maintain existing financial position

Most plan leaders interviewed entered the COVID-19 crisis in a strong financial position, enabling them to assist providers and members by decreasing administrative barriers and streamlining access to care. Despite the favorable economics of fee-for-service for some, the financial distress experienced by providers signals the need to evolve payment models. As such, health plan executives have observed a renewed appetite among providers to take risk. From a short-term cost standpoint, interviewed health plan executives anticipate minimal financial impact on 2021, including premiums. Yet the long-term impact on premiums remain unknown. Factors such as benefit coverage for diagnostic tests and the resumption of elective cases to pre-COVID levels will have a significant impact on this extended financial trajectory.

"We feel bullish on 2021."

DAVID CORDANI,
CEO, CIGNA²

OPPORTUNITY #2

Strengthen health equity

There is industry-wide consensus that COVID-19 accelerated the need for changes to the health care system to address health disparities, especially racial and ethnic disparities. Interviewees described multiple in-flight initiatives around social determinants of health (SDOH) to drive systematic change. While many of these pre-dated COVID-19, they have taken on greater importance due to heightened financial pressure, food insecurity and housing challenges among members.

2. Piper R. ["We feel bullish": Payers look ahead to 2021.](#) *Health Care Dive*. September 17, 2020. Accessed October 9, 2020.

STRATEGIES TO STRENGTHEN HEALTH EQUITY INCLUDE



▶ Partnerships with community-based organizations



▶ Forming quasi networks of social services, risk stratification and member outreach based on SDOH data



▶ Provider training to capture SDOH data at the point of care

“We’re now seeing the patient in the place in which they work, sleep, eat and pray. ... You can look at their medications, and you can look in their refrigerator to see if they have food. That’s a paradigm shift, and it captures more of the social determinants than we’ve ever had before.”

SVP, REGIONAL HEALTH PLAN

OPPORTUNITY #3

Enhance virtual health and telehealth best practices

Interviewed executives believe telehealth is here to stay and will be a mandatory capability to compete. In fact, telehealth became a dominant site of care during the pandemic. Some estimated that telehealth accounted for 10% of ambulatory patient visits before the pandemic compared to 90% during.³

A successful telehealth or virtual care strategy is about more than access to visits. Leading payers are working to connect the in-person experience to the digital experience to maximize outcomes. Furthermore, plan leaders believe the home will increasingly become a central site of care. They noted the potential for members to successfully manage their acute illnesses when in-home care models are carefully crafted. This has led to increased partnering with or development of in-home care solutions, a trend that is poised to continue. Early results of remote monitoring programs in the home are showing success in driving down costs for the patient.

“During COVID-19, we have gone from 100 telehealth visits a week to 4,000 telehealth visits per day.”

CEO, PROVIDER-SPONSORED HEALTH PLAN

“COVID-19 has accelerated the adoption of telehealth by at least three to five years, in terms of what the pre-COVID-19 projected trajectory was. ... But is that sustainable?”

NATIONAL HEALTH PLAN PRESIDENT

3. Shachar C, Engel J, Elwyn G. [Implications for telehealth in a post-pandemic future](#). *JAMA*. May 18, 2020. Accessed October 9, 2020.

OPPORTUNITY #4

Plan for new market shifts

With the loss of jobs, Medicaid and ACA program enrollment is up, which is impacting plans that support those lines of business. Medicaid and Children’s Health Insurance Programs recorded an uptick of 4 million new enrollees between February and June of 2020 — a 5.7% increase in enrollment since the start of the pandemic.⁴

Growth in ACA membership is slightly slower than many had anticipated. However, many plan executives expect to expand ACA coverage into new counties, and several indicated an interest in expanding into new states. There also continues to be uncertainty at the state level around the level of preparation for an influx of Medicaid enrollees and downstream funding shortfalls. Additionally, interviewed executives agreed the Medicaid market is expected to be highly competitive (with significant cost and reimbursement pressures) with pockets of opportunity in duals and long-term services and supports (LTSS).⁵

More universally, Medicare Advantage also continues to be an area of growth for health plans, with most focused on both expansion of existing programs and the development of new ones.

“Unfortunately, I think we’re going to see continued Medicaid growth well into next year.”

COO, PROVIDER-SPONSORED HEALTH PLAN

HEALTH PLAN EXPANSION PLANS FOR 2021



MEDICARE ADVANTAGE OFFERINGS⁶

- Aetna
- Centene
- Cigna
- Humana
- UnitedHealthcare



ACA OFFERINGS⁷

- Anthem
- Cigna
- Centene

4. Fierce Healthcare. [Blue Cross NC extends Medicare Advantage copay waivers through end of 2020](#). Last reviewed June 2, 2020. Accessed October 9, 2020.

5. Health Care Dive. [‘We feel bullish’: Payers look ahead to 2021](#). Last reviewed September 17, 2020. Accessed October 9, 2020. Zacks Equity Research. [Humana \(HUM\) Offers Medicare Advantage Health Plans for 2021](#). Nasdaq. October 5, 2020. Accessed October 9, 2020. Minemyer P. [UnitedHealthcare planning largest MA geographic expansion in 5 years](#). Fierce Healthcare. October 2, 2020. Accessed October 9, 2020. Patel R. [UnitedHealthcare and Cigna are broadening their Medicare Advantage plans](#). Business Insider. October 7, 2020. Accessed October 9, 2020. Webster County Citizen. [Centene Expands Medicare Advantage Offerings for 2021](#). October 6, 2020. Accessed October 9, 2020.

6. Snowbeck C. [UnitedHealthcare launches big Medicare expansion](#). *Star Tribune*. October 1, 2020. Accessed October 9, 2020. Minemyer P. [Aetna says 2021 Medicare Advantage plans spotlight members’ ‘total health.’](#) Fierce Healthcare. October 5, 2020. Accessed October 9, 2020.

7. Business Wire. [Anthem, Ascension Wisconsin partner to offer ACA health plans in 2021](#). September 10, 2020. Accessed October 9, 2020. Reuter E. [Cigna to offer ACA marketplace plans in 79 new counties](#). MedCityNews. September 11, 2020. Accessed October 9, 2020. Liss S. [Centene adds ACA offerings in 400 new counties, 2 new states for 2021](#). Healthcare Dive. September 11, 2020. Accessed October 9, 2020.

OPPORTUNITY #5

Support providers

Some of the ways plan leaders indicated they are assisting providers right now include accelerating payments, offering loans and advancing payments on value-based contracts. Plans are also setting future goals to capitalize on a more systemic change like acceleration of value-based care and capitation models.

Leaders are concerned with the long-term impact on providers and predict COVID-19 could trigger increased provider consolidation, cost shifting and demands for higher reimbursement. There is a consensus among plans that both sides need to be focused on the bottom line and the patients in tandem with driving growth and priorities.

“Providers are burned out; we are investigating how to leverage data that already exists to eliminate administrative burden (e.g., using pre-operation data to pay claims quicker).”

**SVP OF TRANSFORMATION,
BLUES PLAN**

OPPORTUNITY #6

**Safeguard
against shrinking
employer-
sponsored plans**

Plans expect the economic downturn and rising unemployment to decrease employer group business. Leaders are concerned for small employers where they are expecting lower coverage as federal support declines and the pandemic persists. Post-COVID-19, they see small to mid-market employer groups facing even more financial pressure. As employers search for the most cost-effective options, plans will have to compete on lowest price, which sharpens the focus on affordability.

“We’ve got the shrinking population of particularly small group and fully insured middle-market business. Some of it’s not leaving us and going elsewhere, but some of it’s just going self-insured. And that’s a real, real issue.”

**CEO, COMMERCIAL MARKET,
NATIONAL HEALTH PLAN**



Key priorities moving forward

For the health plan leaders interviewed, five major priorities for the next three to five years emerged based on the impact of COVID-19, shifts in populations and communities, and anticipated changes in the political and regulatory environment. The following themes emerged as areas of focus.

85%

of the leaders we interviewed cited affordability as a top priority.

PRIORITY #1

Increasing affordability

Of the leaders we interviewed, 85% cited affordability as a top priority — defined as health plan products that members can afford to purchase and use. There is widespread consensus across the industry that reducing the total cost of care is a key affordability lever. Yet meaningfully tackling it continues to be a formidable challenge.

While executives continue to view value-based arrangements as a starting point, they still represent a relatively small part of how health care is financed. And evidence is mixed on the extent to which they bend the cost curve. Further, lack of standardization and adoption of risk models in the marketplace has created fragmented, friction-filled, provider and member experiences. There are several ways to mitigate these challenges, including:

- Gaining visibility into the total cost of care for the lives under value-based care
- Providing stronger provider incentives for adoption of value-based payment models
- Understanding specialty and primary care cost differences in value-based care
- Providing analytics that show provider gaps in care and helping providers address them
- Integrating predictive models into care management

The prevalence of chronic disease continues to be the most significant factor in the variation of total cost of care across markets that weighs on leaders' minds. As previously mentioned, social determinants of health play an increasingly important

"The truth is, I'm not convinced that we're good at managing the total cost of care in the system."

CEO, PROVIDER-SPONSORED HEALTH PLAN

"I think the challenge is when these companies are small, you have high touch, and they get great results, because it's high touch. Then as they try to scale, they encounter a lot of challenges. They're challenged by keeping high touch at a low cost."

CMO, PROVIDER-SPONSORED HEALTH PLAN

role in managing the costs associated with these vulnerable populations. Leaders believe that reducing the cost of care is dependent on the right site of care: scalable telehealth, relevant home care and effective remote patient monitoring.

PRIORITY #2

Cultivating closer provider relations

A long-standing “us versus them” culture has existed between providers and health plans, and both sides realize this must change. This aspiration has been accelerated by COVID-19. Those we interviewed discussed various ways they were assisting providers as they are seeing the heaviest financial hits from the pandemic. Overall, health plan executives have seized the opportunity to increase collaboration and goodwill among providers in a number of ways⁸:

- Accelerating payments, especially for providers caring for the most vulnerable populations
- Reducing unnecessary administration burden — for example, accelerating claims processing and temporarily suspending prior authorization
- Supporting high-performing providers
- Reimbursing telemedicine at the same rate as in-person visits, even for mental health
- Waiving cost-sharing for diagnostics and medical testing involving COVID-19

“Providers just want to come in, do their work and not deal with the billing, coding and all the administrative work that you have to deal with as a physician.”

COO, COMMUNITY HEALTH PLAN

“Just the day-to-day interactions with providers who have an ACO. Providers don’t necessarily know what levers they need to be pulling within their practice.”

CEO, MEDICAID, NATIONAL HEALTH PLAN

PRIORITY #3

Driving growth with scalability

Driving growth — with scalability — is a key priority for all interviewed health plan leaders. As employers and members become increasingly cost-sensitive, health plans must have the ability to drive efficiencies across their operations. These growth paths include geographic or market expansion and entry into new lines of business and new plan designs, including:

- Lower cost options
- \$0 premiums in MA plans
- Benefits that have not been historically covered by traditional plans (i.e., eye exams, dental, hearing aids, etc.)⁹

The most-mentioned path to growth among interviewed health plans was launching a Medicare Advantage plan. This growth avenue, as well as ACA and Medicaid, will become increasingly essential with potential losses in employer-sponsored coverage.

“We very much believe that by simply taking waste, redundancy and bad care out of the system, you can be really successful.”

COO, COMMUNITY HEALTH PLAN

8. AHIP. [Health insurance providers respond to Coronavirus \(COVID-19\)](#). Last reviewed October 8, 2020. Accessed October 9, 2020.

9. Freed M, Damico A, Neuman T. [A dozen facts about Medicare Advantage in 2020](#). KFF. April 22, 2020. Accessed October 9, 2020.

PRIORITY #4

Offering a best-in-class member experience

Member experience was a term used in nearly all interview discussions. Virtual care has become table stakes for members across all health plans. Delivering a best-in-class member experience will mean meeting members where they are and engaging with them on their own terms. This will manifest in several ways, captured in the graphic below.

TARGETED PREFERENCES



Health plans leverage outside firms, AI and ML to reach members how they want to be reached.

CONVENIENCE FACTOR



As another generation purchases health plans, members are demanding more convenient care: sooner, closer and better.

SYSTEM NAVIGATION



Systems must be easier to use and more integrated; an app is useless if it's independent and unused.

DECISION-MAKING POWER



Consumers want to shop around; plans are offering more choice in cost-transparent plans and products.

IMPROVED ENGAGEMENT



Health plans must enable members to comfortably take control within the confines of how members want to engage.

APPROPRIATE SITE OF CARE



Health plans must be able to deliver care virtually and in person. Virtual care is table stakes for all health plans.

"Members do not have the correct tools (thermometer, blood pressure cuffs, scales) to conduct telehealth visits. There is an opportunity to leverage the purchasing power of plans to provide members digital kits for telehealth visits."

SVP OF TRANSFORMATION, BLUES PLAN

"If I saw a member 10 years from now interacting with our plan, I would say that we've created avenues for people to take control of their health care that is comfortable and within the confines of how they want to do things."

CMO, PROVIDER-SPONSORED HEALTH PLAN

"Consumers are evolving through a whole different state of mind as to what they expect from somebody providing services, particularly somebody providing services that they're paying \$500 or \$600 a month for."

COO, REGIONAL HEALTH PLAN

In general, leaders are asking their teams to take on a broader perspective to the member experience and work to transform health care into more holistic health for the member's physical, mental and social health, as well as layering in SDOH.

Additionally, the long-term impacts of COVID-19 on an individual's health have not yet been addressed by the system. COVID-19 may indeed be a chronic disease. Plan leaders are aware that they must study the lasting effects of COVID-19 both in term of direct and indirect health impacts (i.e., those related to deferred care).

PRIORITY #5

Integrating digital technology

It's no secret that available technology continues to expand, and keeping pace is important. Leaders recognize that all the priorities they are focused on in the next three to five years will need the right technology structure to enable success. They shared the following core areas where they were prioritizing their digital footprint to support those priorities:

- Predictive analytics identifying risk
- Automated and convenient appointment scheduling options
- Cost-transparency tools
- Symptom tracker apps (chat bots, AI, ML, RPA)
- Primary, post-acute, behavioral, urgent care telehealth expansions
- Rx fulfillment
- Automated claims process and back-end infrastructure
- Predictable patient billing with integrated payment systems

Plans want to use technology to further increase their communication efforts and align goals across all stakeholders in the process. Leaders realize technology alone cannot solve all relationship challenges. But to be successful, they'll have to foster transparency through data and bridge gaps.

"If digital tech gets the data to your doctor and they can monitor patients, then the doctors are spending their time on the things they need to be spending their time on."

CEO, COMMUNITY HEALTH PLAN

"We are trying to get rid of any friction between the payer side of our business and the provider side. ... And over the last 12 to 13 months, we've eliminated tons of things that just don't matter. There's still more work to do there, but we've made a lot of progress."

COO, PROVIDER-SPONSORED HEALTH PLAN

"From an IT perspective, what we're looking to do is optimize the stack and get rid of technical debt. There's big administrative costs related to technical debt."

SVP, BLUES PLAN





Potential pitfalls

As health plan leaders work to advance the major priorities described previously, we believe four major pitfalls could derail their efforts.

PITFALL #1

Value-based care complacency

Nearly all interviewed executives mentioned the shift to risk-sharing models as a top priority, especially due to the negative financial impact to fee-for-service providers from COVID-19. The adoption of VBC is critical. But plans still see enormous opportunity to meaningfully reduce total cost of care despite working for more than a decade to drive alternative payment models. This includes shoring up the basics, such as facilitating provider success in meeting quality metrics and closing care gaps. It also means standardizing risk models across the market.

"I think payers need to start acting together before none of us have any relevance and there is going to be just one [payer] ... and it isn't going to be any of us."

CEO, GOVERNMENT MARKET, NATIONAL HEALTH PLAN

PITFALL #2

Fragility and interdependency of the health care system

In many ways, COVID-19 uncovered the interdependencies in the health care system. Health plans must rebuild processes to prepare for the future disruptions. This crisis has highlighted the inadequacy within our public health system. Even with best-in-class hospital care, populations will not achieve optimal levels of health without a well-funded, high-functioning public health system. Throughout the crisis, many health plans provided grants to infuse funding to organizations focused on serving low-income populations to address systemic health inequities.

PITFALL #3

**Misalignment
with provider
strategies,
priorities and
challenges**

Payers believe that working closely with providers will reduce cost and friction in the system and create better health outcomes. But few of the interviewed health plan executives believed they have a solid understanding of what providers want. There is ample opportunity for health plans to create intersections with provider strategies and priorities to better serve members in the middle.

PITFALL #4

**Voice-of-the-
customer
disconnects**

Payer leaders believe they understand what consumers want from their health plan. Many are pursuing refreshed engagement models with the consumer at the center. The goal is to truly understand what members want and develop a seamless experience that secures member trust and loyalty over the long term. While individual plans can make substantial progress, ultimately, multi-payer solutions must exist to create value for both the member and providers and permanently remove friction from the system.



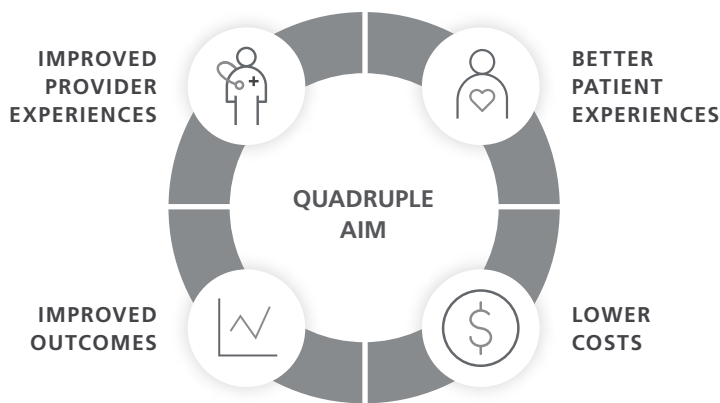


Summary

As plans, providers and patients faced unprecedented challenges, executives reported a renewed sense of urgency and resolve to keep working toward the quadruple aim of health care:

"A challenge for the health care ecosystem of the next 10 years is how best to address health disparities and inequities."

PRESIDENT, NATIONAL HEALTH PLAN



"The priority is to put a greater focus on a holistic model of care, specifically involving social determinants of health."

EVP, REGIONAL HEALTH PLAN

"For the younger generation, convenience and immediate results/service are mandatory. The health care industry needs to embrace this change to serve the next generation."

CEO, NATIONAL HEALTH PLAN

Many plans leaders are pivoting to address aspects of care beyond the traditional health care model to embrace the future. Leaders recognize significant opportunities to integrate whole-patient care across their entire portfolio of plan offerings.

By incorporating member engagement programs that address and attempt to alleviate obstacles to health care, plans can shape the system to respond to all members' needs.

To address the total cost of care, plans are working on numerous initiatives to ensure patients receive the right level of care, whether it is in a world-class center or in the office of their primary care physician.

At the core of their priorities is aligning the right digital technology to drive success of their initiatives.

WHY OPTUM ADVISORY SERVICES?

With breadth of industry knowledge and depth of experience, Optum Advisory Services is uniquely positioned to offer comprehensive services that can not only help you deal with COVID-19 issues, but also support you across a wide range of interconnected strategic and operational domains. We bring together incomparable data and analytics with years of experience in both consulting and on the front lines of health care. Our team of consultants is ready to help you design your organizational response to the current environment and enable a secure future.

MEET OUR EXPERTS

The following Optum executives participated in discussions with our health plans clients and worked to develop insights within this study:



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