NEW RESOURCES:
- Get your complete copy of the **CDI Institute MarketPulse™ summer 2005 survey and scorecards**
- Participate in a CDI **survey dedicated to your industry**
- Tell us what you hope to achieve in **enterprise information integration (EII) and CDI/MDM**, and see how you rank
- Receive a scorecard by participating in our latest survey on **corporate data governance and data stewardship**

The Business Case for CDI/MDM in Healthcare Payers

Subtitle: CDI provides hope for hopelessly fractured IT in healthcare payer industry

Monday, November 7, 2005

What's New?

Earlier this year, the CDI Institute surveyed 12 North American healthcare payer IT organizations and presented those findings in its monthly series of MarketPulse™ reports on the CDI/MDM market. This CDI Alert summarizes the bottom line recommendations of that report.

Industry-leading enterprises have been implementing customer data integration (CDI) for a number of years. During 2006-07, market-leading healthcare payers must add CDI (a.k.a. master data management or MDM) capabilities to their list of 'strategic IT investments' to: increase customer satisfaction and retention, increase profitability, and create operational efficiencies.

According to a recent research report by the Healthcare Information and Management Systems Society (HIMSS), "**The U.S. healthcare delivery system remains fractured: 90% of healthcare transactions are conducted via mail, fax, or phone. Pertinent patient data is undeliverable in 81% of the cases in outpatient clinics. Patients are interacting with multiple providers in multiple settings that are not connected, and the results are alarming in terms of avoidable medical errors and costs**."

In a related report, the non-profit Center for Information Technology found that "**Net savings for [customer data integration] would be $77.8 billion annually, or about 5% of total U.S. healthcare expenditures annually.**"

(For purposes of this CDI Alert, a "healthcare payer" is an enterprise that provides managed health care products and services including HMOs, PPOs, POSs, PBMs, and other health insurance payer plans and insurance reimbursement organizations.)

It is an understatement to assert that telcos, airlines, and banking, etc. do a much better job of segmenting and marketing populations than does the healthcare industry.

Clearly, **healthcare payers don't know enough about their "customers" — physicians, members, and employers**. Or stated another way, **healthcare payers have not been pushed on customer service issues because they historically have had a near monopoly in their geographies**.

Internal & External Pressures are Forcing Healthcare Payers to Catch-Up With Other Industries

Additionally, there are certain factors common to the 21st century business environment which are battering the healthcare industry as it continues its consolidation via unrelenting mergers and acquisitions. Healthcare payers are similar to other large enterprises in that they tend to have the below business trends in common:

Internal Pressures

- Ongoing consolidation (at least one mega merger each year) straining the capacity of batch-centric processes

- Professional and cultural roadblocks such as a recalcitrance to introduce an IT solution if it requires changes to existing workflow processes

- Corporate boards and investors are reluctant to provide capital for major up-front investments given the recent treatment of certain large-scale healthcare enterprise's IT efforts by Wall Street

External Pressures

- Frequent regulation and de-regulation cycles – e.g., Health Insurance Portability and Accountability Act (HIPAA) mandated national provider identifier (NPI)

- A growing technical patchwork of proposed legislation – e.g., national health identification number (NHIN)

- A lack of progress regarding standards to facilitate networking and data interoperability – e.g., CCOW, Snomed

Healthcare Requirements for "Master Customer Data Systems"

'Master customer data systems' capture and store customer information (organizations, group, family, and individuals) commonly used across healthcare enterprises to better support the business. Such customer data must be available online 24X7 and shared across the enterprise as 'the' source of truth.

Contemporary CDI/MDM solutions must support the customer lifecycle by including eligibility management, provider data management, claims management, identity management, as well as campaign management (marketing and wellness campaigns). The healthcare payer's master customer data must be the most accurate, up-to-the-minute source of customer information and must feed downstream systems (e.g., claims processing) as well as external vendors.

The business case for CDI capabilities is driven primarily by competitive market requirements – e.g., reduced back office costs, increased levels of customer service, economies of scale promised by M&A, and customer-directed health management. These business drivers mandate ever closer attention to the synchronization and quality of master customer data.

American healthcare payers must grapple with a most complex business model. A key historical reason is the tortuous evolution from "non-profit" to "for profit" and, the resulting complex relationships across diverse constituencies (group, employee, provider).

The proliferation of "for profit" health payers – combined with the deregulation of change in how healthcare payers conduct business – have all contributed to an increased emphasis on profitability which in turn in turn is driven by "knowing the customers".

The business case for healthcare CDI/MDM capabilities is driven primarily by competitive market requirements – e.g., reduced back office costs, increased levels of customer service, economies of scale promised by M&A, and customer-directed health management. These business drivers mandate ever closer attention to the synchronization and quality of master customer data.

The CDI Institute interviewed 12 healthcare payers to extract lessons learned which point the way to the most effective "best practices" for success implementation. For a full copy of the 18 page CDI Institute MarketPulse™ whitepaper and report, follow this link.

In summary, industry leaders in the increasingly competitive healthcare payer market need to:

- Improve efficiency, quality and decision making by sharing and integrating member information within the healthcare payer

- Beat the competition by improving quality of service while concurrently reducing costs – both back-office and front-office

- Enhance customer service by empowering purchasers and members – i.e., by reducing clerical errors
- Increase levels of regulatory compliance and financial transparency
- Improve retention rates of both individual members and purchasers' plans via improved benchmark results

The report highlights some of the most representative experiences and lessons learned. To summarize these as prescriptions, the CDI Institute recommends that healthcare payers:

- Evaluate the CDI vendor as a long-term strategic supplier
- Mandate performance benchmarks supportive of most intense data center bottleneck periods (e.g., end of fiscal year when employers switch plans)
- Focus on customer data model extensibility (organization, group, family, and individual)
- Evaluate functionality and extensibility of the identity management capability
- Insist on an open-ended and future-proofed CDI solution based upon services-oriented architecture (SOA) principles

Clearly, the synchronization and delivery of a single customer view to the diverse constituency within a healthcare enterprise is an on-going strategic investment. **The healthcare payer industry must transform itself away from a customer-hostile, batch business model to give their member and provider customers actionable health benefits information in real time.**

BOTTOM LINE:
During 2005-06, market-leading healthcare payers must add CDI capabilities to their list of "strategic IT investments". Healthcare payer CDI solutions must support the customer lifecycle by including eligibility management, provider data management, claims management, identity management, as well as campaign management (marketing and wellness campaigns). The healthcare payer's master customer data must be the most accurate, up-to-the-minute source of customer information and must feed downstream systems (e.g., claims processing) as well as external vendors.

 "Heads up" from the CDI front lines,

Aaron Zornes

Aaron Zornes
Chief Research Officer
The CDI Institute
mailto:editor@tcdii.com

Feel free to pass along a copy of this newsletter to colleagues who may be interested.

To automatically subscribe/unsubscribe, enter your e-mail address on the form at this link.

Questions should be directed to www.the-CDI-Institute.com site coordinator by emailing webmaster@tcdii.com or writing to us at the following address:

Webmaster
The CDI Institute
500 Airport Boulevard
Suite 100
Burlingame, CA 94010
USA

References

1. "CIGNA reports fourth quarter and full year 2004 results" – February 9, 2005, www.cigna.com/general/about/investor/release/4q04release.pdf

2. *North Carolina Healthcare Information and Communications Alliance, Inc. Response to Department of Health and Human Services RFI on the Development and Adoption of a National Health Information Network,* January 18, 2005, www.nchica.org/FinalNHINResponse.doc

3. *"Business Intelligence Raises Questions at Healthcare IT Summit 2004"* – research report by Gartner Research's Joanne Galimi, December 16, 2004, www.gartner.com/AnalystBiography?authorId=13891

4. *"CDI Market Review & Forecast for 2005-06"* – market analysis report by The CDI Institute, December 2004, www.tcdii.com/pages/8/index.htm

5. "*Transforming to an IT-Enabled Health Care System: Health Plan Role*" -- Health IT Summit keynote by Leonard D. Schaeffer, Chairman and CEO, WellPoint Health Networks, October 21, 2004

6. "*American Healthways: Data Integration Contributes to Better Health*" – Walt Jordan, Database Trends and Applications, January 2005, www.databasetrends.com/frontpage_archives/1-05.html

7. *"CRM for Healthcare Payers Reaches New Levels"* – research report by Gartner Research's Joanne Galimi, September 3, 2004, www.gartner.com/AnalystBiography?authorId=13891

8. "*The Value of Healthcare Information Exchange and Interoperability*" www.citl.org/research/HIEI.htm