Innovation Index:

How health plans are preparing for an era of constant disruption

The healthcare industry continues to reel from the effects of the COVID-19 pandemic. While providers have received much of the attention, adapting to the changes in how care is planned, covered, and billed has also brought significant challenges for health plans. Our research indicates that the next wave of challenges for health plans may be rooted in operational issues—stemming from a lack of technological effectiveness, ineffective data strategies, and insufficient skills.
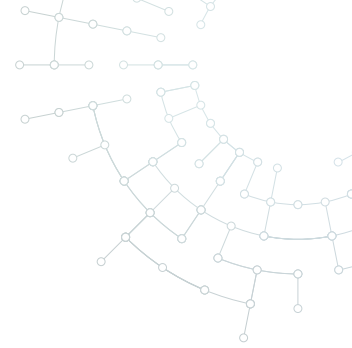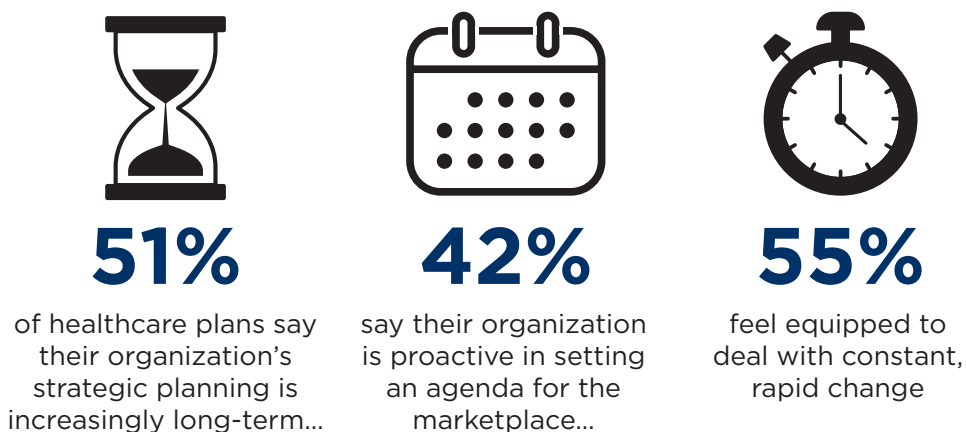
Health plans must focus digital initiatives on the changing future where remote work, telehealth, and new methods of electronic payments will shake up how the healthcare sector operates.

In 2021, NTT DATA and Oxford Economics launched the "Innovation Index: Digital Strategies for an Era of Constant Disruption," a survey of 1,000 North American business and IT executives —100 of which were health plan executives—to find out how organizations are approaching digital transformation initiatives.

Member-centric focus

Similar to providers, plans are putting members first as they plan for the future. Our research shows that over three-quarters of health plans are prioritizing member satisfaction over the next two years (76%), with member demand motivating strategic and operational changes for 68% of respondents.

Insulating this strategy from disruption will be a key challenge that plans need to overcome, but most are not confident they can effectively achieve these member-centric goals and objectives. Only about half of health plan respondents feel highly prepared to manage changes related to workforce disruptions (51%), technological advancement (50%), and supply chain disruption (47%). Just a quarter are prioritizing increased agility to prepare for continued disruption in the next two years, and this approach may explain why only 34% believe they are above average at meeting objectives.

Fig. 1: Healthcare plans are bracing for the future, but unprepared today.

51% of healthcare plans say their organization's strategic planning is increasingly long-term...

42% say their organization is proactive in setting an agenda for the marketplace...

55% feel equipped to deal with constant, rapid change

How prepared is your organization to deal with change related to the following factors over the next two years?

24%	Competitive threats and industry disruption
24%	Geopolitical factors
29%	Disruption from climate change, natural disasters, or health crises

"Highly prepared" responses

OXFORD ECONOMICS

NTT DATA
Trusted Global Innovator

Many also feel unprepared to take on industry disruption and competitive threats, as a quarter of plans say they are underequipped - 29% lower compared to the other industries surveyed. To help meet their strategic goals, healthcare plans must continue to innovate and plan ahead—an area where many feel they excel: More than half (58%) say their organizations effectively innovate tailored to their unique needs and goals.
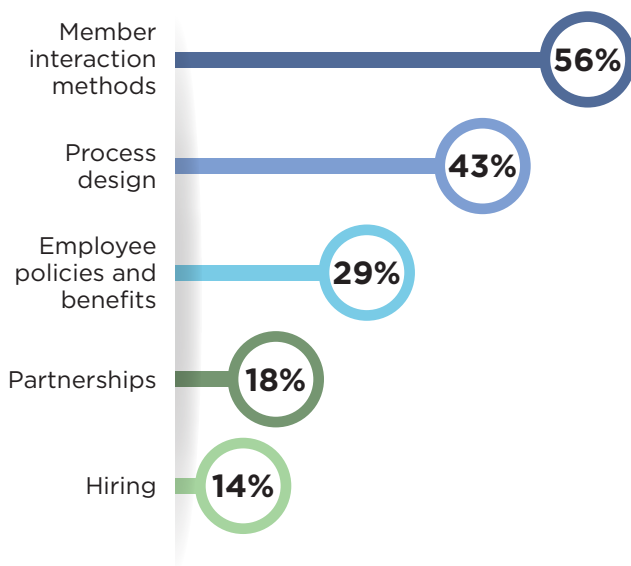
Opportunity for data driven decision-making

Successful strategy can often be determined by data, a connection that health plan executives have made with 56% indicating strategic decision-making is highly influenced by data from interactions with members—consistent with their aims of member satisfaction.

But while healthcare plans clearly prioritize their use of data to achieve these aims, other areas leave much to be desired. They lag behind most other sectors surveyed when it comes to using data to make decisions around product and service development (20%). And usage does not appear to be the only data-related concern for healthcare plans—they struggle with data management as well. Perhaps due to complicated healthcare data restrictions in North America, plans are more likely to view regulatory issues as barriers to effective data management (16% more likely than other industries). Just over one-third (38%) say they are highly effective in keeping up with changing regulations, so it is not surprising that 61% feel that effectively managing data keeps getting harder. These data challenges certainly could hamper their ability to meet their strategic aim.

Fig. 2: To what extent does the data your organization collects influence strategic decision-making in the following areas?

"Highly" responses, Healthcare plans

Member interaction methods	**56%**
Process design	**43%**
Employee policies and benefits	**29%**
Partnerships	**18%**
Hiring	**14%**

The underappreciated workforce

Fig. 3: How effectively does your organization deliver on the following?

"Highly effective" responses, Healthcare plan

53% 44% 38% 37% 37% 35% 33% 27%

- ● Product and service quality
- ● Communication
- ● Sustainable and ethical operations
- ● Speed (of service, product introductions, etc.)
- ● Positive culture and management
- ● Provide a sense of organizational purpose
- ● Flexible working options
- ● Use of updated tools and technologies

Concentrating focus in one area can take attention from another—and this is true among healthcare plans when it comes to employees.

They see flexibility as a key aspect of employee satisfaction, but only one-third are investing in remote work. While health plan respondents indicated flexible work is key to employee satisfaction, this is an area where they're least effective in delivering to their workforce.

Improving employee engagement and retention—key metrics in measuring employee satisfaction—is a priority for only 16% of respondents over the next two years. And only 6% say employee demand is one of their most important driving motivators when making a big strategic or operational change; none viewed it as the most important. The priorities of health plans executives are clear in terms of members over employees, but the latter can have a significant impact on the experience of the former.

Technology driving performance

In the same way that data drives strategy, technology drives innovation, and healthcare plans appear ahead of the crowd in their digital transformation journey. They are heavily leveraging CRM (76%) and private cloud (60%)— ahead of other industries in their use of both. This trend appears likely to continue, as plans look to build on this progress with planned investments in technology. One of the most notable forms of technology they are focusing on is edge computing, with 53% of plans planning to adopt it in the next two to five years (47% more likely than the survey average).

Despite the current and planned investment in technology, plans are not yet feeling the positive impacts technology can bring. Only 27% say they are highly effective in using updated tools and technologies. That middling effectiveness likely explains why almost one-third of plans say they are below average in developing an innovation-focused culture. Despite progress in using established and emerging technology, plans must continue to increase their effectiveness to see the full benefits.

Fig. 4: Has your organization implemented any of the following enterprise technologies? If not, do you plan to adopt them in the next two or five years?
Healthcare plans

Stacking up to Leaders

Health plans would do well to follow in the footsteps of leaders across other industries.

A select group of our total respondent pool (about 6% of the sample) have invested in artificial intelligence, developed culture and organizational purpose for their workers, and ensured all strategic and operational changes put customer needs first. These leader group is better able to keep up with rapid changes in data regulation (63%, vs. 34% others), see increased revenue growth (35% more likely than survey total), and provide higher-quality products and services to their customers (33% more likely than survey total).
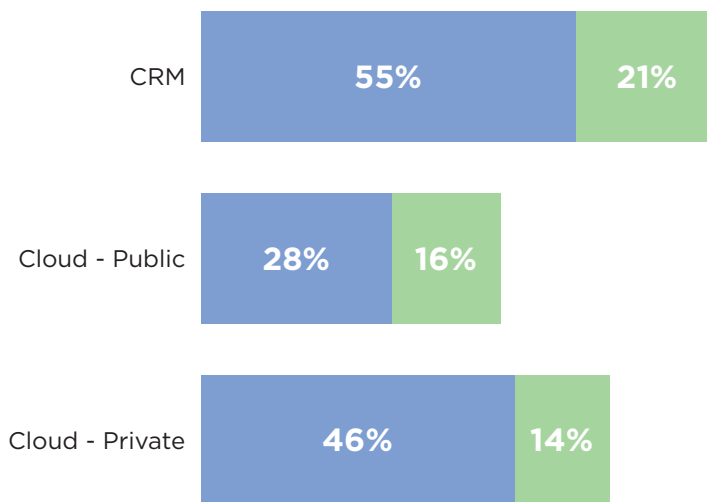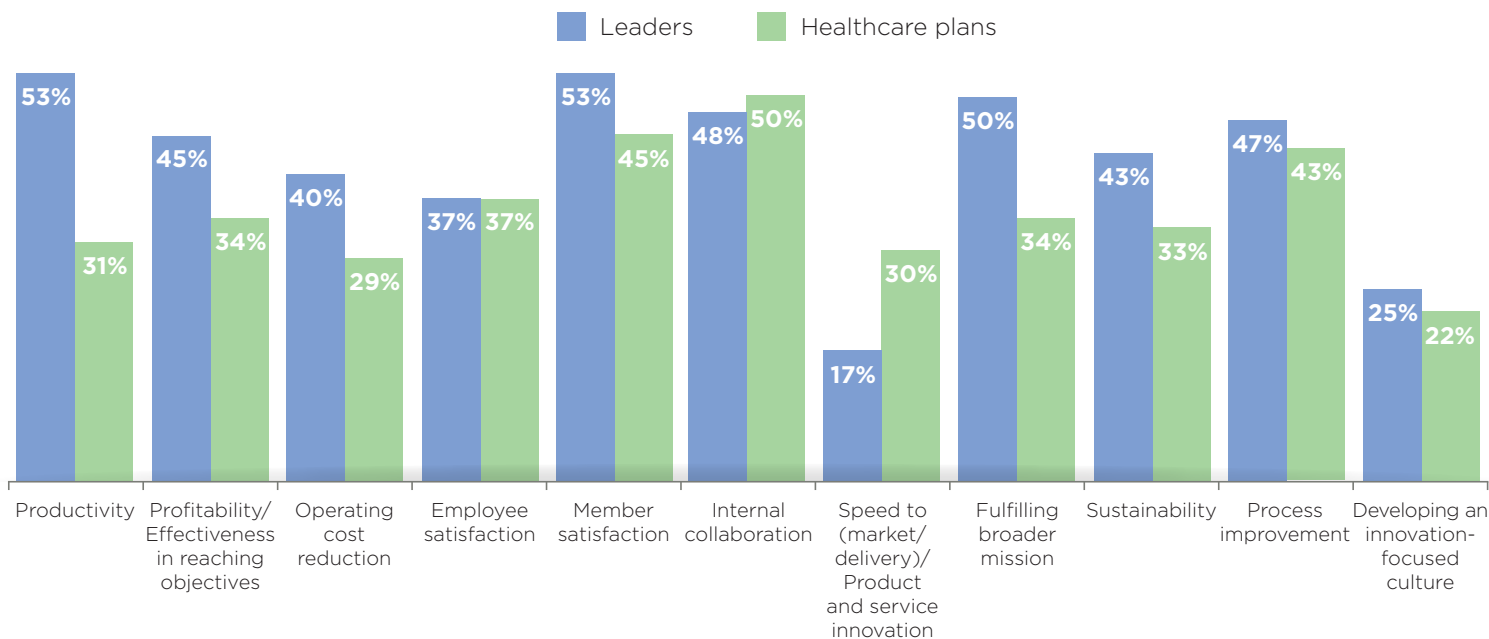
Fig. 5: Healthcare plans have much to learn from leaders.

Please rate your organization's performance in the following areas; above average responses only.

Leaders Healthcare plans

	Leaders	Healthcare plans
Productivity	53%	31%
Profitability/Effectiveness in reaching objectives	45%	34%
Operating cost reduction	40%	29%
Employee satisfaction	37%	37%
Member satisfaction	53%	45%
Internal collaboration	48%	50%
Speed to (market/delivery)/Product and service innovation	17%	30%
Fulfilling broader mission	50%	34%
Sustainability	43%	33%
Process improvement	47%	43%
Developing an innovation-focused culture	25%	22%

The takeaways for healthcare plans are clear: improved support for innovation, better management and use of data and technology, and an increased focus on workforce needs. Progress has been promising in terms of digital transformation and focus on member satisfaction, but these appear to have come at costs for which healthcare plans may yet pay the price. As the world hesitantly steps out of COVID's shadow, health plans need to bolster these weaknesses as they move along an uncertain path.

To review how North American organizations are prioritizing and valuing their digital investments in the wake of constant disruption, read the full Innovation Index at *https://us.nttdata.com/en/engage/innovation-index*.