

## Healthcare 2015 and U.S. health plans

### *New roles, new competencies*

*The U.S. healthcare system is on an unsustainable path that will force its transformation. Health plans must shape and help lead the healthcare transformation or risk being marginalized. We are witnessing changes to the purchasing, consumption and delivery of healthcare that will redefine the way health plans compete and operate and their relationships with members, providers, employers and producers. With this in mind, U.S. health plans should reassess what their future role will be, what competencies are needed to support this role and how they will create value for customers and outperform competitors.*

The environment in which U.S. health plans operate is fundamentally changing as the healthcare system struggles to address ever-increasing cost, quality and access pressures. U.S. healthcare expenditures per capita are 2.3 times higher than that of other developed countries<sup>1</sup> and are projected to increase 83 percent over the next ten years.<sup>2</sup>

Despite this spending, there are quality concerns. For example, medical errors cause between 48,000 and 98,000 patient deaths each year<sup>3</sup> and medication errors cost over US\$3.5 billion annually.<sup>4</sup> There are also significant access issues as 47.0 million Americans are uninsured<sup>5</sup> and an additional 15.6 million are underinsured for catastrophic healthcare expenses.<sup>6</sup>

Although cost, quality and access issues are not new in the U.S., we believe today's healthcare environment has fundamentally changed, and, more importantly, is unsustainable.

As documented in "Healthcare 2015: Win-win or lose-lose?," five factors – globalization, consumerism, aging and overweight populations, diseases that are more expensive to treat, and new medical technologies and treatments – are exacerbating cost, quality and access pressures.<sup>7</sup> Change will not come easily, though, given the inhibitors to transformation – funding constraints, societal expectations and norms, a lack of aligned incentives, the inability to balance short-term

and long-term perspectives, and the inability to access and share information. In this prior paper, we also identified three prescriptions for healthcare systems – transforming value, transforming consumer responsibility and transforming care delivery – in order to help countries remain competitive in a global economy.

The challenge today is whether stakeholders are willing and able to transform the healthcare system. We believe that the status quo is not a viable alternative and major changes will occur. Given the wide variety of potential changes, we will state the following assumptions to limit the range of possibilities.

We believe that the U.S. healthcare system will not achieve a comprehensive "win-win" transformation by 2015 because of political gridlock and the inability of key stakeholders to work collaboratively to reach solutions for the "greater good." Instead, we expect to see a piecemeal and incremental improvement approach implemented as a series of "point solutions."



Additional assumptions for the U.S. healthcare system through 2015 include the following:

- Universal coverage will be enacted, either nationally or on a state-level basis in a significant number of states, but alone, it will not solve the problem. Even if enacted nationally, it will not be administered and managed by the federal government. And because of the “job lock” challenge created by tying health insurance to employment,<sup>8</sup> most universal coverage solutions will focus on individual coverage rather than requiring employer-sponsored coverage.
- Health and financial responsibility will continue to be transferred to individuals.
- Healthcare delivery models and capabilities will continue to proliferate at increasing rates. However, no major efforts will be taken to control the supply side of healthcare.
- Health plans will not be immune to these healthcare system changes. Caps on health plan administrative costs and profits could be enacted either in some states or on a national basis.

Combining potential “quick-fix solutions” such as a single payer system with other factors such as the lack of trust and confidence in health plans have led many pundits to predict a bleak future for U.S. health plans. But that is not a predestined future. Health plans can – and should – help lead the transformation to a more patient-centric, value-based, accountable, affordable and sustainable U.S. healthcare system. This will also require health plans to transform themselves.

A typical successful U.S. health plan in 2015 could look quite different from today’s health plan – with major changes in key roles and with significantly fewer employees in some roles and more in other roles, some commodity functions outsourced, some functions performed collaboratively with or by business partners, and greatly improved and enhanced business processes and IT-related capabilities with a much greater focus on maintaining or improving its members’ health.

The purpose of this study is to provide recommendations for health plans regarding what they need to do to thrive in the new order. We begin by examining how key external factors will evolve and affect health plans. We then conclude with a description of key roles that health plans will assume and competencies needed in order to meet the evolving needs of the marketplace and to succeed in a much different future environment.

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- 8 By “job lock,” we are referring to the difficulty employees may have in changing jobs because of the potential loss of or change in healthcare benefits.