

Accelerating Digital Transformation:

Impacts of the COVID-19 Pandemic
for Health Plans



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Executive Summary

Disruption was prominent in the health insurance industry long before COVID-19. For years, health plans have faced a plethora of disruptive forces that include:

- Health care costs approaching 20 percent of GDP
- “Mega-mergers” between industry giants
- Changing legislation blocking uptake of digital solutions
- Rapidly evolving customer needs and expectations

Now, health plans find themselves in the spotlight as policymakers urge them to make COVID-19 testing and treatment affordable while helping prevent the spread of the virus. The pandemic has required an overnight overhaul of business processes to ensure continuity and uninterrupted customer support.

However, due to outdated infrastructure and disconnected systems — built to serve single market segments and business functions — rapid response has been a challenge for health plans. This fragmentation further complicates the user experience, contributes to operational inefficiencies, and puts long-term sustainability at risk.

Debunking COVID-19 Myths

Global uncertainty brought on by the COVID-19 pandemic has all industries guessing what the “new normal” will look like. For many companies, it has created a reluctance to invest in the transformative technologies that would alleviate the challenges they face.

For health plans, now is not the time to wait. A digital transformation will be essential to

cope with both the short-term impacts of the pandemic and the long-term operating trends that result from it.

This white paper will analyze and debunk three common myths about the virus’ impact on the health insurance industry and make the case for health plans to accelerate investment in transformative technologies.

What Do Health Plans Really Need?

The need for innovation, operational efficiency and business agility has never been greater in the health insurance industry.

Faced with these challenges, health plans may find it increasingly difficult to remain competitive. They need a technology solution that supports brokers, employers and consumers across all lines of business while attracting and cultivating consumer loyalty and optimizing operations.

When CIOs at US health care payers were asked¹ about their plans for digital progress and technology adoption, the majority believed that:

1. Disruption can benefit insurers, and in fact may be necessary for the industry to make progress.
2. Technology will play a critical role in helping health care payers adapt to continued disruption.
3. While CIOs welcome new technology, they struggle to reduce technical debt in core infrastructure.

In short, health insurance carriers need a purpose-built technology platform that helps them optimize, grow and transform their business — both during and after COVID-19.

1. Gartner, “2020 CIO Agenda: A Health Care Payer Industry Perspective”, 18 Oct. 2019.



MYTH

Health care premiums will skyrocket.

With Americans needing between \$30 - \$547 billion in COVID-19 testing and treatment, it seems obvious that health care premiums will have to rise.² How else will health plans recoup this year's costs and price for similar costs next year?

Reflecting these concerns, a study conducted in March by Covered California suggested health premiums could rise by as much as 40 percent for the 2021 plan year.³ Predictions like this sparked fears that employers may not be able to offer affordable coverage, and that costs would need to be shifted onto employees.

However, due to factors that were unknown at the start of the pandemic, these fears are misplaced.

Making Better Decisions

As the COVID-19 pandemic has progressed, several things have become clear:

- The 'worst-case scenario' many predictions were based on is not expected to happen.
- A huge number of patients have deferred elective surgeries until after the pandemic.
- Many Americans are avoiding medical offices altogether.

Combined, these factors have pushed costs down dramatically for health plans. Some plans are actually seeing increased profits and improved

FACT

Costs are expected to be offset by the deferral of elective surgeries.

Medical Loss Ratios (MLR) compared to a typical year, despite taking on significant financial responsibility for the cost of COVID-19 testing and treatment.⁴



Nonetheless, the myth that health care premiums will rise in 2021 is still prevalent. As a result, predictions and decisions are being made based on information and assumptions proven to be inaccurate. When you don't have a full picture of events, making meaningful predictions and decisions can be more difficult.

That's why it's important for health plan providers to continue — even accelerate — investment in digital business strategies during the COVID-19 pandemic.

Disruptive technologies like artificial intelligence (AI) and machine learning (ML) can provide health plans with additional insight in the needs and activity of member populations. These insights inform better decisions for all members of the benefits ecosystem, particularly during turbulent times.

2. FIERCE Healthcare, "COVID-19 could cost insurers up to \$547B through 2021: report", 8 Jun. 2020.

3. Covered California, "The Potential National Health Cost Impacts to Consumers, Employers and Insurers Due to the Coronavirus (COVID-19)", 22 Mar. 2020.

4. Wakely, "COVID-19 Cost Scenario Modeling: Treatment", 3 Jun. 2020.

How AI Enables Better Decisions

Better information feeds better decisions. However, answering questions about plan uptake and use across business lines and functions can be exceedingly difficult.

Health plans may not have access to the complete, granular data needed to plan for the future or inform vital decisions. This lack of insight helps ensure that navigating complex and unusual events like the COVID-19 pandemic requires constant firefighting. And while the situation seems to have worked out well for many plan providers this time, future events may require a more adapted response.

Other industry stakeholders may also lack the data-based insights to draw accurate conclusions:

- **Brokers** may lack insight into employer and employee plan usage, hindering their ability to advise clients.
- **Employers** may not choose the best plans for their needs because they lack insight into employee behavior.
- **Employees** may find it hard to know which plans are best for them, or how to use them properly.

This lack of insight across the ecosystem can lead to poor decision making across the board and, ultimately, higher costs for everyone.

AI-Powered Transformation

AI and ML-driven solutions help health plans transform their business by developing a more personalized, intelligent benefits experience for all industry players. These platforms draw securely on health, benefit profile, activity,

and transactional data to provide meaningful insights and recommendations to health plans, brokers, employers, and employees during open enrollment and throughout the year.

Using these technologies, health plans can drastically improve decision-making — particularly during turbulent times when real-time insights are essential.

These disruptive technologies also add huge value for other ecosystem stakeholders:

- Improve employee awareness of their benefit options based on personal data and preferences.
- Enable employers to make better decisions and send targeted communications to employees.
- Provide actionable insights to brokers at the ideal moment to help them serve and cross-sell clients.

These factors can streamline and improve the health benefits process, resulting in substantial savings for all stakeholders.



MYTH

Business will return to normal.

Pandemics and other natural disasters typically cause substantial disruption in the short term. Then, once the crisis has passed, life (and business) return to normal. So it's natural that many business leaders should assume the COVID-19 pandemic will go the same way.

However, there is a lot of evidence to suggest that following the pandemic there will be a 'new normal' that organizations across all industries will need to adapt to. And as usual, organizations that cannot adapt quickly will be at a substantial disadvantage.

The Work-From-Home Revolution

Perhaps the biggest business news story arising from COVID-19 is the unprecedented rise in remote working. Since employees have been unable to occupy their usual workspaces, organizations were forced to introduce comprehensive remote working capabilities practically overnight.



FACT

There is a new normal that health plan infrastructure will need to meet.

Surprisingly, many organizations are seeing increases in productivity — despite the highly unusual and stressful circumstances. Combine this with the obvious cost reduction from reducing on-site working, and it's no surprise that many organizations are seriously considering remote working as a long-term strategy. According to a Gartner survey, 74 percent of organizations will move at least 5 percent of on-site employees over to permanent remote working — and nearly a quarter expect to move at least 20 percent of on-site employees.⁵

This will affect health plans in two major ways:

1. Traditional on-premise solutions that require employees to be on site to support customers and business processes will no longer meet their needs. As a 'traditional' employer, health plans will need an enterprise platform that supports remote working in a stable, secure way.
2. Brokers and employers will have an urgent need for robust digital infrastructure to support increasingly remote workforces. Health plans will need to provide this as part of their benefit offerings, or risk falling behind the competition.

5. Gartner, "Gartner CFO Survey Reveals 74% Intend to Shift Some Employees to Remote Work Permanently", 3 Apr. 2020.

Operating in the New Normal

For health plans, the rise of remote working will require improvements in two key areas:

1. Data transfer processes will need to be improved and streamlined to allow seamless, automated processing of incoming employer data by primarily remote workers.
2. Cloud infrastructure will need to be adopted or expanded to provide high-quality user experiences for both on-premise and remote workers — including benefits administration teams.

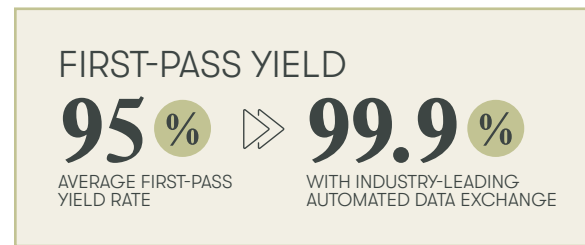
Data Transfer as it Should Be

Data transmission is a pain point for health plans. Most work with incoming employer data in multiple file formats that must be altered and validated manually. This places a huge burden on already-stretched technological and administrative processes, leads to transactional errors, and even inhibits business growth.

New file-based groups take a long time to implement and test, and member enrollment is slowed by manual, antiquated data exchange processes. Worse, health plans are often unable to visualize or analyze file-based membership populations and employers, making it almost impossible to obtain actionable insights.

Modern benefits platforms enable health plans to replace inefficient and inaccurate manual data exchange processes with a powerful, automated solution. A technology solution that consumes file submissions in a wide variety of formats and converts them into a single, load ready file for the membership system can slash the time and

resource cost of receiving data — drastically improving accuracy and enabling growth.



Remote Benefits

Now that COVID-19 has proven that remote working can be productive and cost-effective, organizations across all industries will aim to make all aspects of their business accessible from the cloud. This need to support — and be operated by — remote workforces will be a defining challenge for health benefits technology in the coming years.

Modern, cloud-based platforms provide health plans with seamless integration and automation of technology workflows across all market segments and business functions. This creates a smooth end-to-end user experience for all stakeholders, no matter where they are.

By investing in this technology, health plans can:

- Scale benefit offerings and operations to support employer groups of all sizes including remote workforces.
- Enable brokers to accelerate group sales, simplify onboarding and process renewals faster.
- Differentiate from competitors by going beyond “commodity” benefits to provide an end-to-end customer journey for brokers, employers and employees.

MYTH

Innovation will come to a standstill.

During times of great uncertainty, it's common for organizations to hold off on investing in anything that isn't mission critical. On the face of things, it's easy to imagine that this would include investment in employee benefits.

However, this assumption misses an important fact — health care coverage is mission critical. Employers are always willing to invest where they believe a strong ROI is available. Following the pressures placed on employers by COVID-19, health care and benefits — along with the technology to deliver them — are right at the top of the list. Similarly, the consumers that have fallen victim to job loss are concerned with protecting themselves with the right health care coverage.

An Opportunity for Innovation

Right now, there are three major opportunities for health plans:

1. Employers need technological support for new initiatives such as the introduction of ICHRAs and new legislation that allows mid-year changes to health plans.⁶
2. Consumers who lost coverage as a result of unemployment are seeking an easy way to convert to an individual plan that fits their needs.

FACT

The need to invest in customer experience has never been greater.

3. Brokers are positioned to guide employers through this turbulent time but need help to differentiate their services in the market.

Forward-thinking health plans are ideally positioned to support all three of these groups by investing in transformative benefits technology.



From streamlined administration and real-time data insights to a seamless consumer shopping experience, modern benefit platforms hold the key to thriving during and after the COVID-19 pandemic.

6. CNBC, "Americans may get the chance to change their health benefits—here's what you need to know", 3 Jun. 2020.

Addressing Evolving Expectations

One of the defining challenges of the modern benefits industry is the speed with which customer expectations are evolving. Having come to expect seamless user experiences in most other areas of life (and business), employers, consumers and brokers are demanding more than ever before from health plan providers. While this may seem daunting, it poses a huge opportunity for health plans willing to invest in transformative technologies.



The COVID-19 pandemic has only increased the scope of this opportunity. All players in the benefits ecosystem are faced with additional challenges that can be effectively solved by a modern benefits technology platform.

Supporting Employer Needs

More than ever before, employers need tools and technology that help them administer health benefits in a powerful and flexible manner. With new legislation coming thick and fast, the overnight need for increased remote working, and potential workforce reductions, employers are ready to work with health plans that can provide tools that support the new normal.

Needless to say, this is a huge opportunity for health plans. Investing in a modern benefits platform is a clear path to differentiation with the employer market.

Providing Seamless Customer Journeys

Research has consistently shown that consumers lack a thorough understanding of health benefits.⁷ With so many consumers now looking to individual policies following the loss of their jobs, health plans are presented with a huge opportunity.

Providers that invest in transformative technologies that provide a seamless customer experience — including personalized recommendations and decision support tools — will be best placed to attract this new market.

Arming Brokers with the Right Technology

Brokers serve as trusted advisors to many employers, particularly during uncertain times. By empowering brokers with the tools they need to acquire, retain and upsell employers — for example, technologies that help brokers offer rate calculations and plan details, easily present multi-option and ancillary products, and generate professional proposal packages — health plans can reap huge rewards.

Modern quoting and enrollment solutions arm brokers with exactly the toolset they need to attract and retain employers. Top solutions provide a full, quote-to-pay technology platform that incorporates automation, a user-friendly enrollment and shopping experience, and smart analytics that enable highly targeted upselling.

When brokers have a full, quote-to-bill toolset that helps them grow their business and retain customers, it helps them add lives.

7. Forbes, "Health care Consumers Lack Knowledge Of Basic Health Insurance Terms", 3 Dec. 2019. Forbes, "Healthcare Consumers Lack Knowledge Of Basic Health Insurance Terms", 3 Dec. 2019.



Optimize, Grow & Transform Your Health Plan Business

Even before COVID-19, health plans were facing tremendous competition and increased demands on their limited administrative resources. With the added pressure of meeting rapidly evolving customer needs during the pandemic, legacy tools and processes are pushed to breaking point.

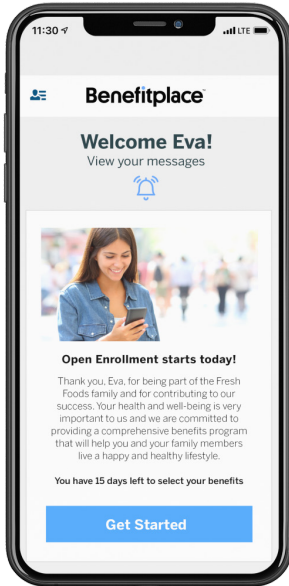
To counteract this, health plans need two things:

1. A way to differentiate with employers while arming brokers with the tools they need to attract and retain customers.
2. A toolset that can drastically improve and streamline administrative processes and enable remote management.

Benefitplace™ is the single, end-to-end platform for health plan providers to support the diverse needs of their customers, and to optimize, grow and transform their business — both during and after COVID-19.



Why Benefitfocus?



Experience

- 20+ years serving health plan market
- 40+ large and national health plan partners
- 200K active brokers

Technology

- \$88 million technology investment
- 350M+ enrollment transactions processed
- 700M+ benefit transactions
- 3.5B+ health care claims
- 1.2B+ consumer actions

Get Started Today

To find out more about how Benefitplace can optimize and transform your health plan business, visit our [website](#) to arrange a guided tour of the platform with one of our experts.



About Benefitfocus

Benefitfocus (NASDAQ: BNFT) unifies the entire U.S. benefits industry on a single technology platform to protect consumers' health, wealth, property and lifestyle. Our powerful cloud-based software, data-driven insights and thoughtfully designed services enable employers, insurance brokers, health plans and suppliers to simplify the complexity of benefits administration and deliver a world-class benefits experience. Learn more at www.benefitfocus.com, LinkedIn and Twitter.

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