

Health Claim Payments in Australia

Payment Strategies for the Post-COVID-19 Era

Abstract

Health claims payment is regarded as one of the most critical processes for private health insurers (PHI), primarily because, claim satisfaction and speed of reimbursement often translates to member retention and loyalty. For a long time now, health claims and payment systems had to hold back due to lack of interoperability, and the ecosystem never reached a tipping point, which demanded a holistic overhaul.

Nonetheless, due to COVID-19, there is increasing pressure on payers to reduce cost and stay resilient. This demands optimization, transformation, and innovation across the entire value chain of health insurers. In this white paper, we will explore some of the challenges in the current health claims and payment system in Australia and what possible options are available for PHIs as part of their post-COVID-19 strategy to stay relevant.

Current scenarios and challenges

Despite insurers adopting digital technologies, there is a lack of an end-to-end seamless experience that makes searching, booking, quoting, claiming, paying, and reviewing claims, a complex, non-transparent, and lengthy process. Private Health Insurers (PHIs) still bank on manual submissions for a considerable number of claims, and the popularity of their apps or websites are yet to reach the mass threshold. Further, the recession caused by the pandemic has only worsened the payer mix as more and more young Australians ditched private health schemes. While savings from the deferral of elective surgeries gave some respite to health insurers, postponement of premium increase and financial hardship discounts have added to the financial burden for the payers. Even after the restrictions ease, the economic downturn will inhibit members from opting for costly ancillary procedures and push them to demand flexible, installment-based payment options. The pandemic has also put forth the need for contactless payments and telemedicine through which payers can maximize their revenue opportunities.

Further, healthcare providers always focused on maintaining a healthy cash flow, look for minimized billing costs and faster settlements. Insurers with limited payment infrastructure rails stand to gain a lot here with a better diversified portfolio.

A comprehensive approach to realise cost savings and improve care

The healthcare industry is complex, and there is no 'one-size-fits-all' solution. A comprehensive approach has become the need of the hour. Players must strategically choose their course of action over the next four to five years. Through the use of modern digital solutions, there is significant potential to remove the inefficiencies and deliver a world-leading experience. Payers can position for the future by charting strategies that align with the industry momentum and identify the right partner. As illustrated in Exhibit 1, payers' strategic initiatives with respect to health claims and payments took a deep dive during the 'COVID Impact' timeframe. During this time, health insurers mostly braced the pandemic's onslaught by stabilizing operations and responding with tactical decisions. After the initial recovery, PHIs now need to pivot the current model to create a strategy around health claims and payments, which can serve as a resilient baseline for the near term and future growth and transformation. These strategies are categorized further into immediate, intermediate, and remote.

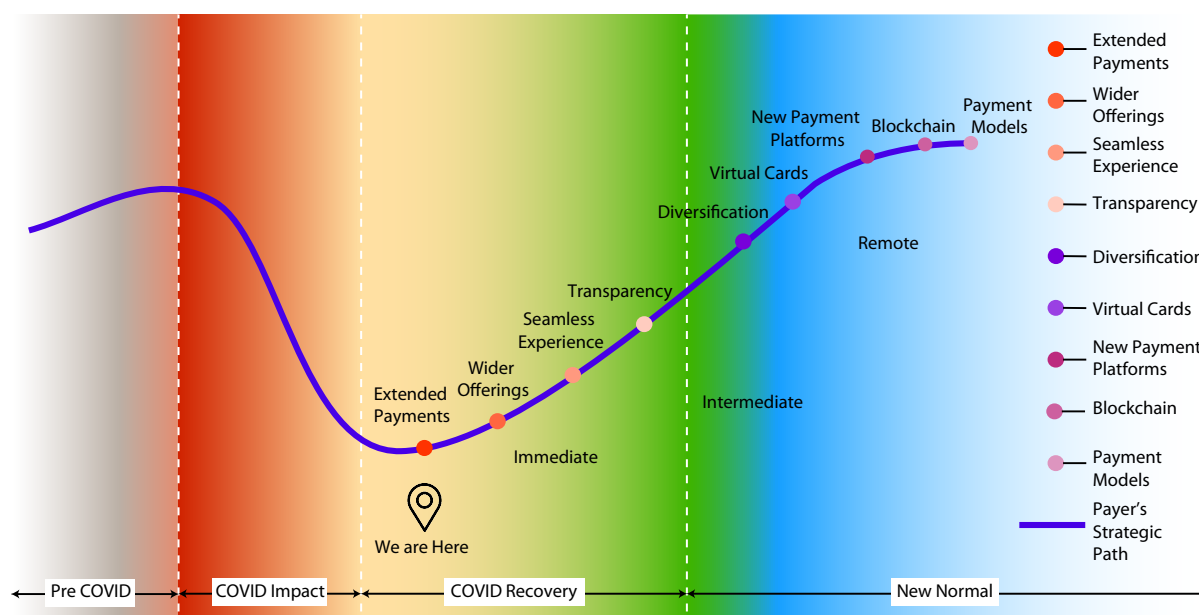


Exhibit - 1

Immediate Strategy

As a short-term measure, insurers must rise to the occasion and come up with digital solutions that address the lack of a seamless experience and the needs created by the economic downturn.

- Options for extended payments to make costly gap payments affordable via Afterpay or ZipPay can be considered. Existing telehealth platforms can be revisited to allow flexible digital payments through mobile wallets.
- Integrating PHI apps with search and book engines or partnering with standalone apps like HICAPS Go or Whitecoat can help deliver engaging experiences during the search, claim, and pay interactions.
- Payers can use design-thinking-based portals where consumers and providers can manage the transparency of their funding and payment of their claims. Differentiating value adds like gap calculator, waiting periods, limits inquiry, and personalized suggestions using ML/AI can also be considered.

Intermediate Strategy

For the medium-term, payers need to focus on better diversification to promote profitability and digitization to increase cost savings.

- Insurers can enable integration with digital payment solutions provided by Fintech startups like Medipass, Commbank-Whitecoat, or Lanternpay to gain a competitive edge. Here, the strategic selection of these partners must be made based on the direction the industry is going. Prioritizing the onboarding of high-adoption solution players over the less popular ones will be another critical decision that payers' should make.

- To cut down administrative costs associated with claims processing, payers can embrace electronic payments instead of paper checks.

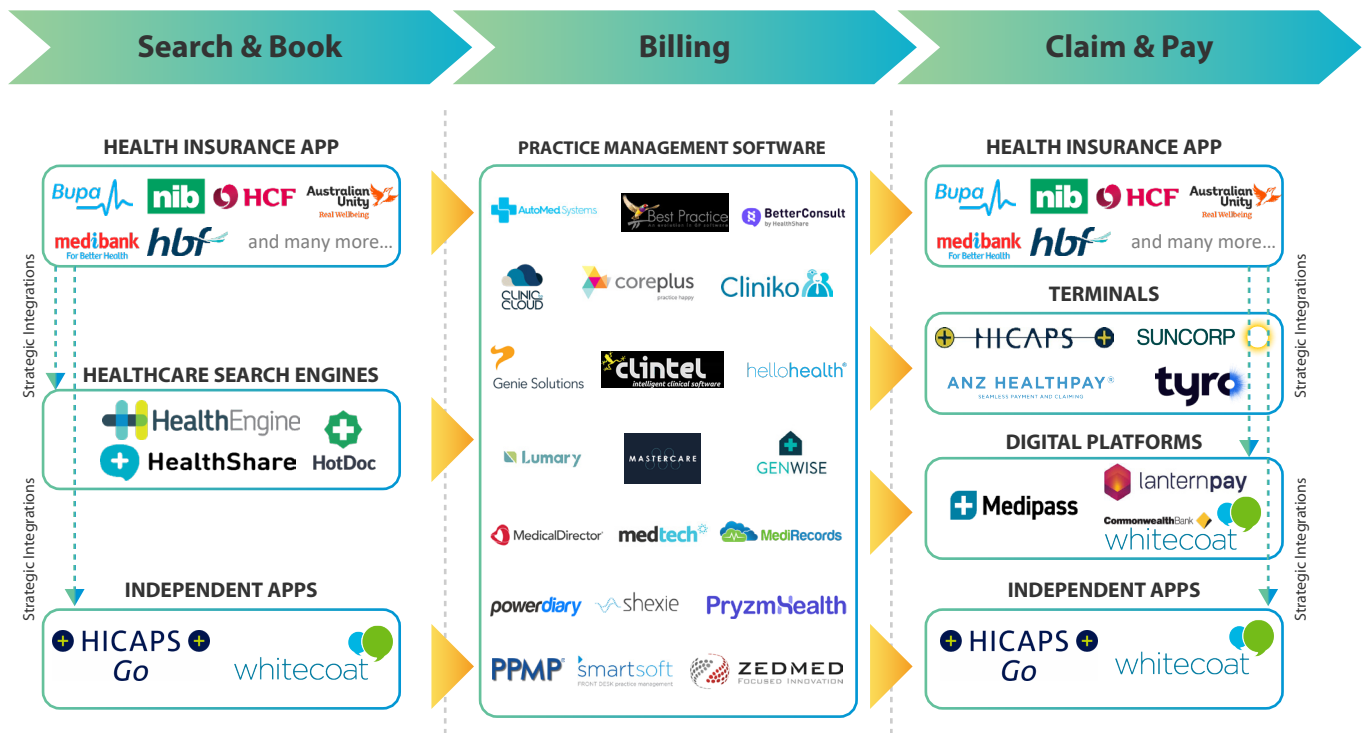


Exhibit - 2

Remote Strategy

While a majority of innovation in healthcare today is held back due to inefficient payment models, holistic growth requires a transformation in the entire ecosystem to meet the needs of a wide range of new health experiences. Here, all electronic claim payment trends point to one dynamic: faster turnaround. To drive competitive advantage, several funds have already started leveraging IoT data (from wearables) as enablers for growth. Search & Book features are also made available on Alexa or Google Home. A few of the innovative themes' imperative for long-term growth include:

- To catch-up with the pace of futuristic technology adoption in other industries, payers can leverage real-time payment solutions augmented with AI-based conversational platforms and OCR capabilities. This enables instantaneous claims verification without any human intervention and automatic payment to providers (for their reimbursements) and members (for gap payment).
- With the increasing mass adoption of digital health, there comes a demand for fraud detection and a trusted system. A blockchain-based distributed ledger system can act as a holistic ecosystem that is transparent, secure, and trustworthy for real-time payments. To strengthen their competitive advantage, PHIs can pilot an enterprise-scale healthcare blockchain for claims processing and payment.

- For better coordination between payers and providers, improved quality, better outcomes, and increased efficiency, innovative payment models such as the following can be considered:
 - **Bundled Payments:** One-off or periodic lump-sum payment for services delivered by one or more providers based on best practices or by following clinical pathways with possible shared savings. These can be episode-based for acute care or periodic payments for chronic care.
 - **Population-Based:** Payments on population covered for a wide range of healthcare services across several providers with shared risk-savings model.
 - **Add-On Payments:** Payments made on top of the existing payment model, primarily to drive quality (via Pay-for-Performance) or for organizing coordination of care (to a single provider).

These payment models have shown promising outcomes all around the world. This indicates that payers need to be more innovative, and providers should be rewarded based on the health outcomes for their patients. By piloting the experimentation with a narrow set of providers/population, leaving enough room for flexibility and quantitative analysis of outcomes achieved, payers can strategically position themselves as leaders of the industry.

Conclusion

As visionaries in the sector, payers need to ask: “How do the new payment models impact the way my organization does business today?” Priming for success demands that PHIs design the right near-term and long-term payment strategy. Funds must broaden their digital payment portfolio to reflect more comprehensive next era digitalization. To modernize the healthcare ecosystem, all stakeholders – consumers, providers, and payers – must improve their choices and move forward together in a connected way. Transparency, consumer choice, and holistic participation by all players are key policy directions in healthcare. The industry must innovate and evolve to tackle the challenge of achieving better health and enable better care within real economic, demographic, and legislative constraints.

About The Author



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Amit Bhowal is a seasoned Business Consultant and working as an Engagement Manager in ANZ region for

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