

Health Care Reform Requires IT Solutions to Influence Consumer Perception at a Health Care Payer

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EXECUTIVE SUMMARY

The recent health care reform is one of the biggest changes that the health care industry has ever faced. This reform represents the paradigm changing opportunities and challenges for the company providing health insurance in a managed care environment. The CIO of a premier managed care health insurance provider ("ABC Company") wants to take advantage of the new environment using Information Technology. He and his management teams have determined, using primary research, that the customer perception of the health care company's cost and accessibility to the quality health care are the most important factors to their customers in the new market. They are aware that even though they have been able to use information technology to predict customer reaction to the changes in cost, and perception of quality, it will be very difficult to deliver new systems and processes that support ABC Company's to the new realities it is facing the market.

Keywords: Consumer Perception, Data Warehouse, Health Care Reform, Information Technology, Information Technology Strategy (IT Strategy)

ORGANIZATIONAL BACKGROUND

A debrief from a consulting firm about the recent health care overhaul legislation caused the CIO of a premier managed care health insurance provider ("ABC Company") to conclude that this health care reform was a significant change for the health care industry and his company in his living memory. The reform was not only

significant in providing health care access to more than 32 million additional individuals but also would force the health insurance companies to rethink the way they delivered health care. After almost 90 years of surviving, his company may have to close its doors, if it did not take initiatives to keep its competitive edge and adapt to the new realities of the health care market.

Market was demanding health insurance providers to rethink their business model. It was clear from the primary research that the consumer perception of the company's cost

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of health care and ample access to quality health care was of utmost important for the company to survive. The new legislation had made consumers more aware of the choices in health care insurance products available in the market. Consumers wanted a company that they perceived had a lower cost than competition and that provided an ample access to a quality health care. The CIO and the other senior executives in the company knew that demand for controlling costs to the consumer and ample access to a quality health care tend to inversely affect each other. For example, improving quality of the health care is likely to result in an increase the health care costs. To gain a competitive edge in this new environment of providing simultaneously cost control and amply accessible quality health care would require a shift not only in the way the company delivered health care but also how customers perceived these changes. They knew that altering the consumer perception was a new model for them and they had not tried something this radical earlier in the company's history.

As they studied the market and determined that it was immensely dynamic due to the new health care law and filled with an uncertainty, the CIO of the ABC Company and his management team determined that customer perception changes required use of Information Technology based solutions integrated with the new processes. The team knew that if no action was taken, a company that had survived infinite vicissitudes in its 90 years will not survive the new era of change in health care provision. An understanding of the health care cost and accessibility to a quality health care was important before planning information technology systems that could track, influence, and maintain the consumer perception of the ABC Company's efforts addressing these challenges.

High and Rising Healthcare Cost

Spending on health care costs has consistently grown faster than the economy overall since the 1960s. According to a Kaiser Family Foundation study (2009), expenditures in the United

States on health care were projected to surpass \$2.5 trillion in 2009, or \$8,160 per US resident which is about three times the \$2,814 per capita spent in 1990. In 2009, U.S. health care spending accounted for 16.2% of the nation's Gross Domestic Product (GDP); this is among the highest of all industrialized countries. Center for Medicare and Medicaid Services (CMS) projects that by 2018, health care spending will be over \$4.3 trillion.

Due to the high cost of health insurance, families and employers are extremely sensitive to the cost they have to pay. Therefore health care organizations are under pressure to pay close attention to the premium they would charge from their members. The national healthcare organizations have not only to compete with each other but they also have global competition on the horizon. According to an estimate, 750,000 individuals from the US travelled abroad for their treatment. If the prices are not brought under controlled, the number of US residents who will travel abroad for treatment will reach 16 million in 2018. It is also estimated that US providers will lose \$68 billion to outbound medical travel in 2010 (Resnick, 2009).

Several explanations have been offered for high and rising health care costs. These include the perspectives that high and rising costs are created by forces external to the health system, by the weakness of a competitive free market within the health system, by the rapid diffusion of new technologies, by excessive costs of administering the health system, by the absence of strong cost-containment measures, and by undue market power of health care providers, and by an aging population (Bodenheimer, 2005).

Health care experts point to medical technology as primary factor in explaining the high rise in healthcare cost, with some arguing that new medical technology may account for about one-half or even more of real long-term spending growth. The health care academic literature is abundant with articles on medical technology and its impact on healthcare cost and the economy. Meltzer (2001) discusses the role that economics plays in policy decisions on medical technology. Foote and Etheredge

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