

U.S. Healthcare Reform Bill Would Require Insurers to Modify IT

Robert H. Booz

A U.S. Senate healthcare reform proposal would create Web-based insurance exchanges to promote universal coverage. Healthcare insurers must begin to act now to make necessary IT and business operation changes.

NEWS ANALYSIS

Event

On 24 September 2009, the U.S. healthcare industry online trade publication, iHealthBeat, reported that technology firms are applauding a provision in the health reform legislative proposal of U.S. Senate Finance Committee Chairman Max Baucus (D-Montana) that would provide incentives for Web-based insurance exchanges. The proposal calls for creating state-based portals to help consumers and small businesses find all of the individual health coverage plans available in their ZIP code. The portals would use a standard format for presenting plans and include standardized insurance enrollment applications.

Analysis

The final shape of health insurance reform in the U.S. has yet to be determined. As the debate continues, however, there have been consistent elements that have emerged. These essentials, endorsed or accepted by all sides in the reform movement, are:

- Universal coverage
- Guaranteed issue
- Elimination of benefit limitations on pre-existing conditions

As Gartner predicted in June 2007 ("U.S. Healthcare Insurers Face New Challenges With Universal Coverage Initiatives"), universal healthcare coverage would present healthcare insurers the opportunity to expand their direct-to-consumer markets by legislative action rather than via price-based competition for commercial membership. In doing so, it also would offer insurers the potential to lower member acquisition costs.

However, changes in technology and business operations infrastructure — especially for eligibility, benefits configuration and medical management — will be necessary for insurers to meet universal coverage requirements.

Although the Baucus bill is still in flux, the concept of health insurance exchanges, if it is included in legislation that passes Congress and signed into law by President Barack Obama, would begin to be implemented in 2013. That deliberate delay — to "give us time to do it right," according to Obama — would provide U.S. healthcare insurers the essential time to make the needed technology and business operation changes.

RECOMMENDATIONS

Healthcare insurer CIOs:

- Invest immediately in improving eligibility creation and reconciliation functions, especially if your experience with Medicare or Medicaid has identified gaps in processing eligibility transactions.
- Be prepared to help healthcare providers to ensure that the International Classification of Diseases, 10th Edition, is adopted and that Health Insurance Portability and Accountability Act X12N 270/270 standards are in place and widely used by providers.

- Develop a strategy to reduce administrative costs for universal coverage products to make them lower than commercial products; regulators and the public will expect such lower costs.
- Create appropriate coordinating infrastructure for health information technology to be adopted as required in a post-reform business model.

RECOMMENDED READING

- “Key Issues and Research Agenda for Insurance Industry Advisory Services, 2H09” — Business and IT transformation associated with U.S. healthcare reform will require CIOs to develop and implement a communications plan. **By Robert Booz and others**
- “U.S. Stimulus Package May Reorder Health Insurers' IT Plans” — Costs to insurers to comply with the American Recovery and Reinvestment Act can be high and the value uncertain. **By Robert Booz**

(You may need to sign in or be a Gartner client to access the documents referenced in this First Take.)

REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509