



The consequences of the Healthcare reform for the administrative processes

Dopad reformy zdravotnictví na administrativní procesy

Conference of Health Care Reforms in the Czech Republic

March 25, 2011 - Savoy Hotel, Prague



Resume

Education

Business Informatics

Financial Management

Law – International tax

Companies

Pr1me, Interleaf Inc, Hart Inc, KLM, Philips, KPMG,
Fortis, Rabobank, VSB, VGZ, UVIT

Functions

Advisory to the Board of large corporates

Senior Executive functions

Managing Director of International corporates

Program Director of large mergers, post merger
integrations and demergers

Last 10 years in health insurance

Experience

Over 20 years international experience

Independent advisor

Agenda

Short history of Dutch healthcare reforms

Prior to 2004	Government ruled tax-based insurance Premium-based insurance for higher incomes Special scheme for government officials
2004	Government ruled insurance nominal premium Premium-based insurance for higher incomes Special scheme for government officials
2006	Premium-based insurance for all income groups Supplementary insurance schemes—premium-based

Short introduction of Dutch system and its history

The Dutch current situation: your future

History

- Members
- Steady environment
- 100% government ruled
- Etc.

Current developments

- Customers / clients
- Competition
- Less regulations
- Etc.



...a major change!

Now the effects of those dynamics³ on your internal organization will be explained...



Claims will have to be processed as uniform as can be...

An example

Policies will be shaped to more individual approach



...to cope with the full dynamic external environment

Transformation: from static to dynamic elements

Effects of the transformation: major influences

Consequences on the administrative processes: internal organization

Short history of Dutch healthcare reforms

Prior to 2004

Government ruled tax-based insurance
Premium-based insurance for higher incomes
Special scheme for government officials

2004

Government ruled insurance nominal premium
Premium-based insurance for higher incomes
Special schema for government officials


2006

Premium-based insurance for all income groups
Supplementary insurance schemes – premium-based

History leading to...


What was going on in the past...

National Insurance
Based on solidarity
No large differences




Resulting in...

Increasingly expensive structure, not sustainable for a stable, healthy care system for future generations.



What was therefore required...

This urged for more market dynamics: less government regulations, competition and customer demand.



...market dynamics

Market dynamics

Based on this urge, the government initiated two major initiatives:

- Government planned to gradually stepping down on regulating the system (lowering government cost).
- Government ruled a basic line of insurance, laying a fundament for open market behavior (competition and fulfilling customer requirements)

These elements have severe impact on both operations and customer behavior



For health insurance companies (operations)

Obligated to accept individuals
Actively prospect for customers

For individuals (customer)

Obligated to be insured
Free in selecting insurance corp.
Free in selecting supplements

These impacts look totally contradictory

For health insurance companies (operations)

Obligated to accept individuals and actively prospect them

For individuals (customer)

Obligated to be insured and totally free in choosing

...and they are; there is even more...



Motion

The basic line of insurance starts to be dynamic as well

- At start there was a through general insurance.
- Marginal differences, slowly growing towards small form of uniqueness
- Now, it slowly starts to act as a basis for target groups (elderly, sportsman, diabetics, etc.)
- ...

Result

Competitive premium becomes individual premium

Is it already throughly competitive...?

No, not at all..!

Status quo explained

Still a large government-based risc pooling system (Verevening).

- This covers
- High cost
 - High risks

Development

The risc pooling system will dissapear...

Finally required situation

Health Insurer / Payer will have it's own full bottom line responsibility.

Competition is truly based on open market, pricing and requirements.

Herewith the ultimate goal has been fulfilled.

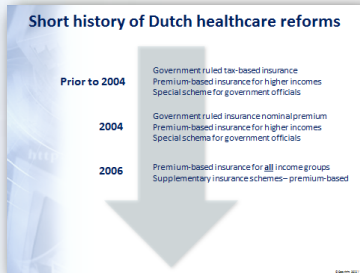
Learn from our experience over the last 7 years...

We had to go through it, step by step.

**A practical analysis what happened, happens today
and in the future...**

**...and more importantly, what you have to do and
prepare for...**

Agenda



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Transformation: from static to dynamic elements



Effects of the transformation: major influences



Consequences on the administrative processes: internal organization

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Transformation

CUSTOMERS
COMPETITION
REGULATIONS

...a major change!

This major change has large internal impact

Static x static x static = Static³

We had a static and steady environment to deal with

PAST



Static elements all will change into dynamic elements

Dynamic x dynamic x dynamic = Dynamic³

FUTURE

FUTURE

Handling dynamics³ in your operations sounds inevitable. How can you organize it to keep it manageable and competitive?



Transformation

**Dynamic x dynamic x dynamic
= Dynamic³**

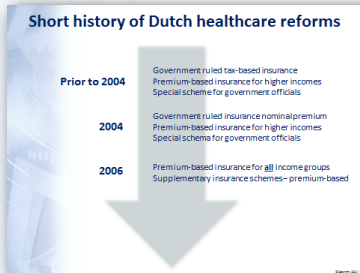
Issue

Building those dynamics in our processes will be extremely expensive. Both to build and to operate. One certainty: the future will only bring us more changes and more dynamics



In the full dynamic environment we have to find a way of survival

Agenda



Short introduction of Dutch system and its history



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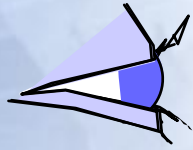


Consequences on the administrative processes: internal organization

Now the effects of those dynamics³ on your internal organization will be explained...



COMPETITION



Driver

Efficiency
Effectiveness

Required growth



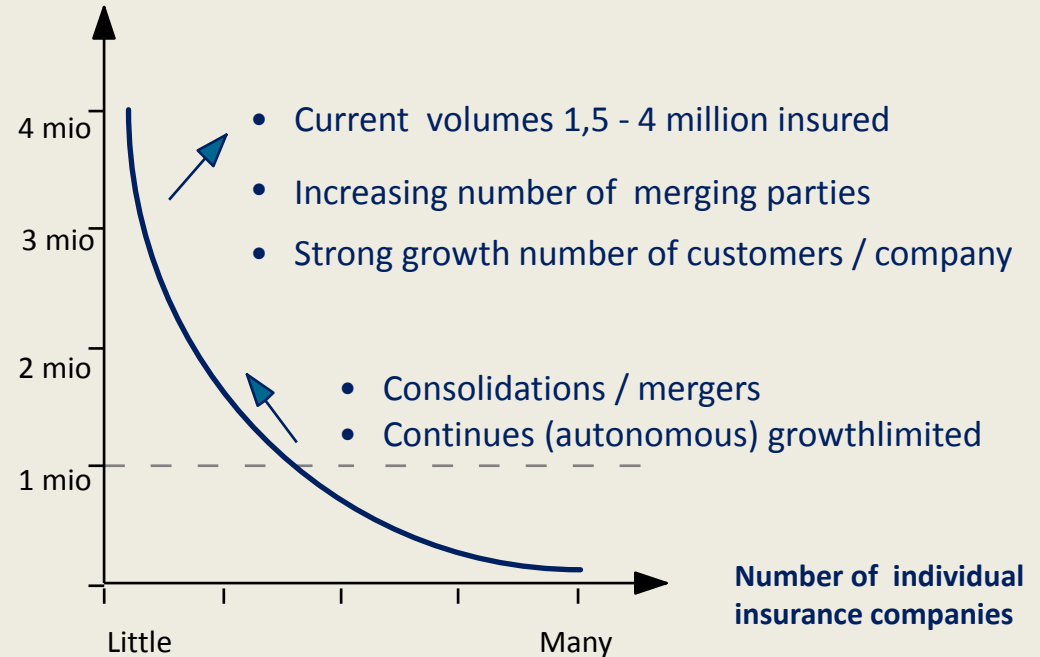
Mergers & acquisitions

This happened in
Holland as well.

Only the
integration of
those mergers is
still far from
optimal.

Volume

Customers per
insurance company

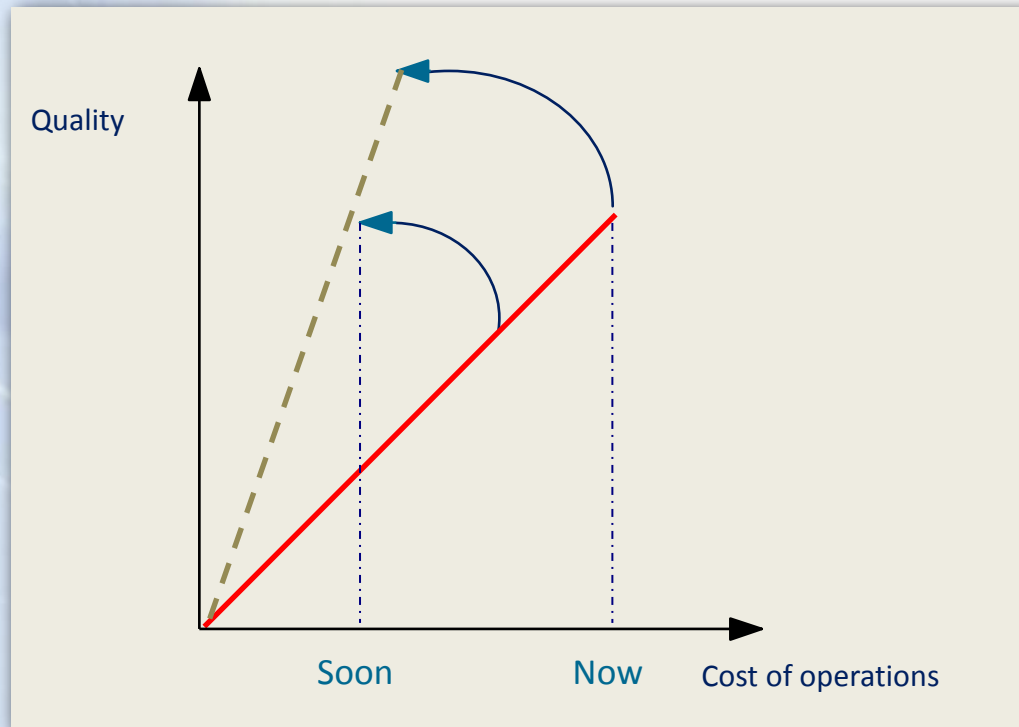


So, mergers are not the only one solution...

COMPETITION

Economies of scale

Due to the need to raise quality levels at an acceptable price, we need volume to be processed efficiently in the organization.



We also need this volume to cope with the earlier mention contradictions:

- Obligated to be accepted
- Obligated to be insured

versus

- Prospecting
- Freedom of choice

This only will pay off if you perform a full operational integration of a merger. Otherwise the required effects are minimal.

CUSTOMERS

Market dynamic

Customers are more demanding real time service.
Internet is vastly on the rise.
Many people will switch insurance company each year
Heavy selection on price (through Dutchman)
Decrease of company loyalty

Reaction of health insurers

Internet
Straight Through Processing
Zero touch handling
Total transparency
More digital

Requiring

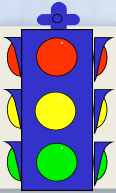
Solid, flexible and importantly, predictable processes
Personal approaches (1:1 marketing)

Resulting in

Trust
New forms of loyalty

CUSTOMERS

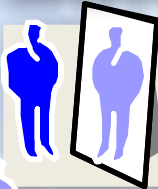
Requirements, needs, wishes



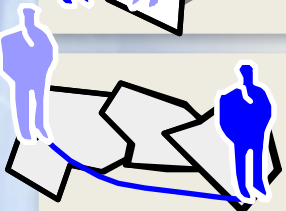
Information, reliability, advice, exceptions, transactions, billing, hospitality, payments



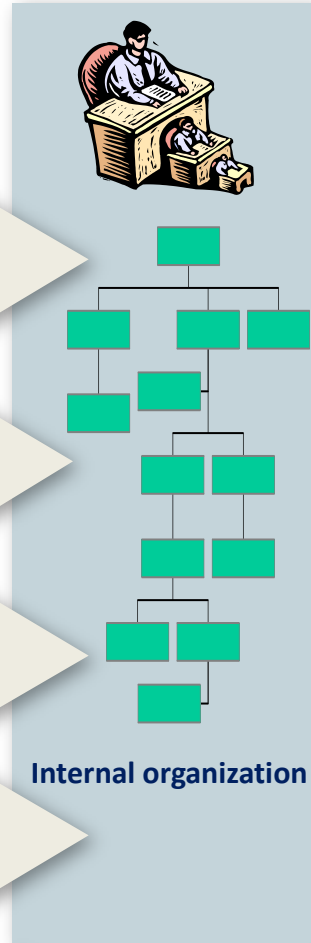
Access and Accessibility



Customer recognition



Price, image, uniqueness, ease of use



Strategy and new way of management

Customer satisfaction, preference

loyalty en spendings

Customer perception

Versus

Organizational focus

REGULATIONS

Market trend

Gradually stepping down on government interventions

Current effect

Many uninsured people
Much administrative overhead at health providers
Fraud

Measures

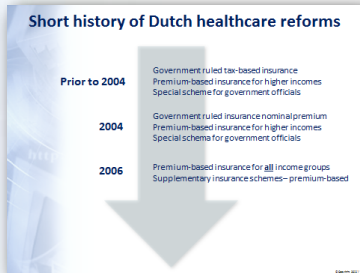
Fraud detection systems / procedures
Manageable IT operations
Intelligent systems
Transparent and predictable processes
Data warehouse / analysis tools
Data exchange with government and other parties

...and new (European) regulations are on their way...

New regulations

Solvency
Basel-II
IFRS / XBRL

Agenda



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Effects of the transformation: major influences



Consequences on the administrative processes: internal organization

These three major influences will finally lead to the reform on your internal processes

COMPETITION

CUSTOMERS

REGULATIONS



The way you are able to deal with all these dynamics, by bringing them together, to cope with them and translate them into a manageable set, will finally make the difference in market operations.

...The Reform!

Reform of the administrative proces

**In the full dynamic³
environment we had to
find a way of survival**

Issue

Building those dynamics in our processes will be extremely expensive. Both to build and to operate. One certainty: the future will only bring us more changes and more dynamics

Solution

Processes should be standardized and uniformed; the way to parameterize them should be extremely flexible.

We cannot rule our environment... We can sure rule ourselves...!

Abilities to rule yourself in the internal organization

Using standardized processes, the outcome will be predictable and allow for upfront promises

Increase revenues and quality

- Keep current customers and gain new ones
- More revenues and loyalty per customer (portfolio extension)
- Transperant processes with high impact to customer

Uniform processes will allow for consequent and fault-tolerant multi-channel approach

Lowering cost

- Lowering cost of organization
- Lowering cost of operation
- Increase efficiency

Digital intake of data reduces faults and allow for large volume processing



Collective insurance

Individual insurance

Special product

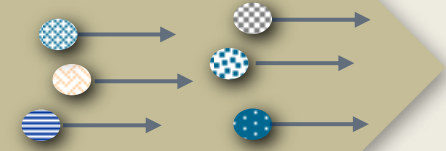
Simple product

Specific conditions

Standard conditions

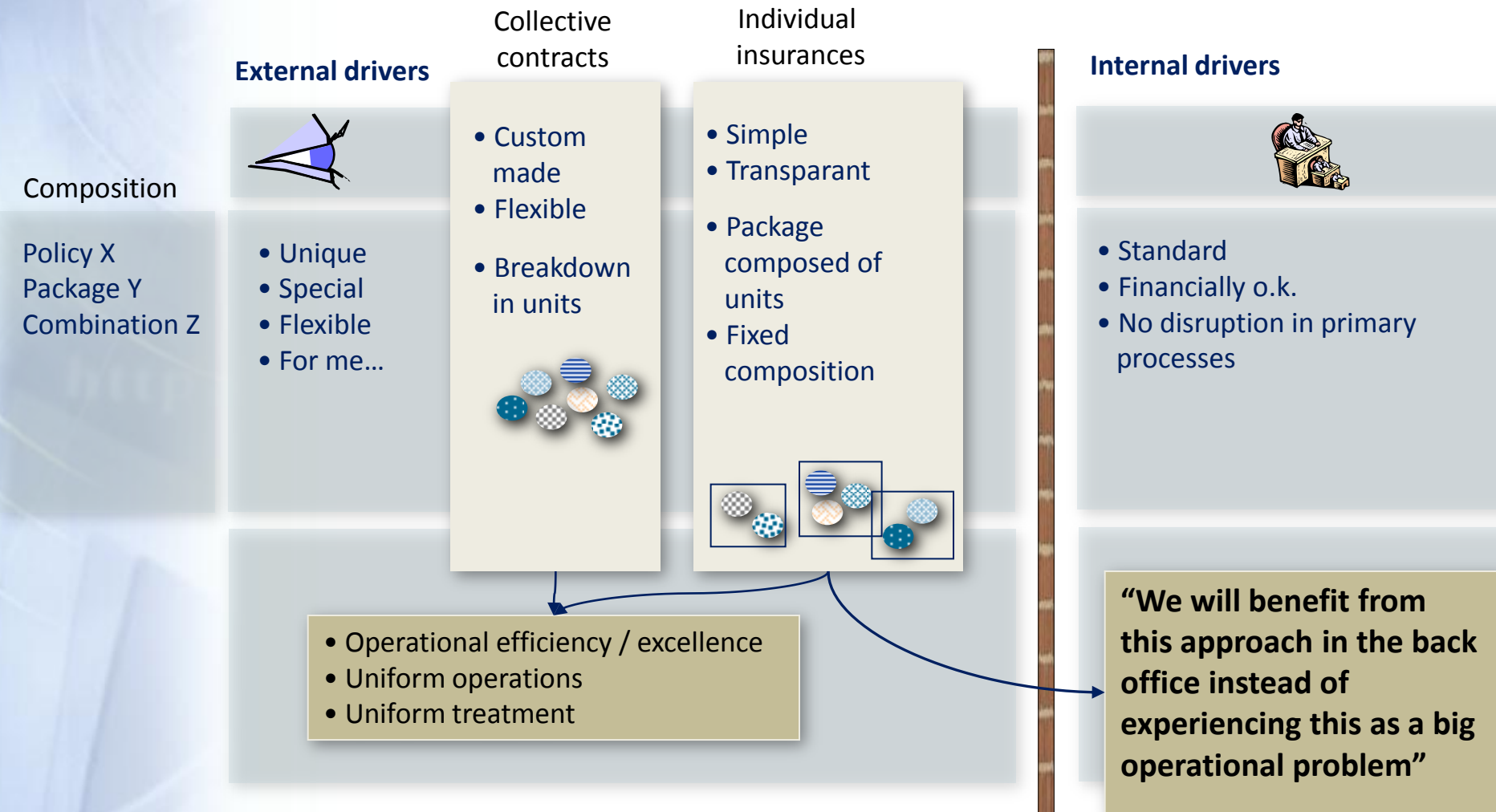
Uniform operations

Zero-touch handling



New technology will bring us vast possibilities. The human factor plays a key role in implementing those. Therefore Keep a good eye for bottlenecks in the organization.

Flexible external focus and standardized processes

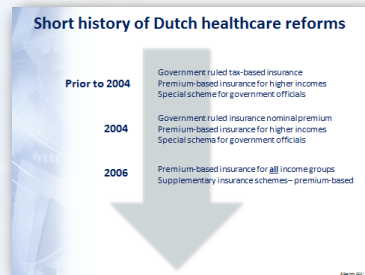


Claims will have to be processed as uniform as can be...

An example



...to cope with the full dynamic external environment.



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Effects of the transformation: major influences



Consequences on the administrative processes: internal organization

Finally...

With the right approach and systems you can deal with all current and future changes

Hard lessons learned:

- **It is a way of thinking and philosophy**
- **Not use rigid methods, but appropriately cope with change**
- **Reliable and flexible administrative setup**
- **Feeling, anticipation, culture and trust**

Be prepared for it. And you will succeed...



**Thank you for being your guest
this morning.**

Do not hesitate to contact me on further questions.