

Transforming Healthcare Communications

An Expense Reduction Strategy and
New Business Model



Healthcare Communication Services

Business Brief

For Healthcare Payers, outbound constituent communications (checks, EOBs, letters, premium bills, reports, forms, pre/post enrollment materials, and other documents) represent one of the largest operational expense items in their administrative budget. This is primarily due to the fact that most of these communications are still printed and mailed using processes, methods and business models that have seen little more than incremental change over the last 10 years.

The value of these communications as constituent touch points cannot be overlooked. Creating communication methods and processes that are flexible, adaptable and provide an enhanced customer experience is increasingly important as healthcare reform places new demands on cost, access and quality care outcomes.

The largest cost element in outbound constituent communications is postage. Often postage represents as much as 70 percent of total cost for a printed communication. Historically, postage costs have been ignored or viewed as fixed costs with limited opportunity for savings.

To date, business models for outsourcing this function to third party vendors have focused primarily on economies of scale, provided limited incremental savings, continued to place the budgetary risk on the Payer and provided no incentive for moving to a less expensive electronic format for communications.

Unique Xerox technologies have led to the development of a new approach for reducing traditional communication costs and a new business model that encourages continued innovation. The new cost-reduction methodology focuses on postage spend as the primary area for efficiency gains. In addition, a new business model facilitates this approach by aligning a communications partner with the Payer and providing financial incentive for moving towards electronic communication. Xerox calls this an "Outcome-Based" approach because it aligns us with the Payer organization's objectives through a shared risk / rewards business model and transforms the postage line item from a growing expense to a large cost savings opportunity.

Healthcare Payer Communication Cost Management Challenges

Constituent communications comprise a significant and increasing expense for health insurance payers. These types of outbound communications from a payer typically include EOB's, checks, premium statements, reports, correspondence, forms, EFT data transfers, pre/post enrollment materials, etc. The majority of these outbound communications is in print format. Postage represents the greatest cost element for these communications.

While inbound electronic claims submission has been adopted by many payers resulting in the benefits of reduced paper flow, improved accuracy and reduced cycle time, the electronic inbound data trend is not being replicated for outbound communications. There has been no discernable decrease in printing and mailing on the back-end of the healthcare communication process.

There are two key reasons electronic outbound communication lags the inbound trend:

1. **Lack of automated workflow and control across paper and electronic channels.** The technology to support electronic outbound communication is well established. However, technology without automated workflow and control systems is of little value. Leveraging technology and maintaining workflow control are both critical in transforming an environment from paper to electronic processes where payers and providers can realize maximum operational efficiency. This phenomenon is amplified by lack of true integration between the Physician's Office Management & Medical Information Systems (POMIS) vendors and large



payers. As providers sign up for electronic remittance, the appropriate process would be to ensure a complete electronic channel is in place and paper is no longer being utilized to communicate with that provider.

2. **Misaligned economic incentives.** Typically traditional outbound print and mail service providers and internal print operations management have no incentive to manage the largest cost element in paper-based communications – postage. Improvements have been made in pre-sort technologies, but escalating postage costs are accepted as an inevitable cost of business for payers. More than 90% of traditional outsourcing contracts reinforce this by focusing on either time & materials costing or fixed fees with minimal incentives tied to outcome-based pricing models.

Outbound Communication Trends

Many health insurance payers are exploring ways to enhance their Member/Provider communications while reducing costs. They have noted that clear, effective and timely constituent communication can be a key competitive differentiator.

Payers are increasingly looking for partnerships to manage constituent communications more effectively without associated cost increases. Key drivers for the desire to change the communication process include:

1. Market and public healthcare cost pressures demand innovative ways to reduce costs.
2. Provider and member communications are confusing and complex resulting in increased costs related to inbound calls and lost revenue due to member defection.
3. Healthcare communication budgets are no longer predictable.
4. Postage costs continue to rise and are already the largest cost driver in communication budgets.
5. Payers are beginning to focus on core competencies and explore creative outsourcing partnerships to improve communications efficiency and transfer risk.
6. Managing and updating internal print and mail facilities is capital intensive; these investments could be applied elsewhere to drive growth.
7. Internal print and mail operations have little incentive to apply innovative approaches to eliminate print and improve the effectiveness of constituent communications.

Leading payers are transforming their internal processes to build the capability for developing a value-creation outsourcing approach, and more buyers will continue to adopt value and outcomes as the basis of their arrangement.

The Xerox Approach to Improving Constituent Communication Effectiveness and Efficiency

As a leading health insurance business process outsourcing company, Xerox touches two of every three insured lives in the U.S., employs 15,000 people in the healthcare industry and generates more than \$1 billion in annual healthcare industry-related revenue. As a recognized leader in the healthcare document and print management industry, Xerox processes billions of healthcare documents annually providing a strong advantage in member and provider communications. Our skilled and knowledgeable staff of over 76,000 Xerox employees, coupled with operations in 500 global locations, has enabled thousands of successful outsourcing implementations.

Xerox is in a unique position to assist healthcare payers in transforming outbound communications and reducing postal costs. Our enduring client partnerships and

Xerox in Healthcare

- 19 of the top 20 managed US health plans
- 3,000 hospitals
- 35 states supported by Xerox solutions
- 15,000 dedicated healthcare employees
- Our services touch nearly 2/3 of the U.S. insured population

relentless focus on cost management are built on innovative research and the development of intuitive and comprehensive communication solutions that drive real value throughout healthcare ecosystem.

Xerox's Methodology to Transform Constituent Communications and Drive Associated Cost Takeout

Xerox recognizes each healthcare payer organization has unique characteristics and business objectives. We strive to establish highly productive relationships with clients that ensure successful outsourcing partnerships.

Our process starts with an assessment of current operations and infrastructure. We then architect comprehensive changes to improve operational efficiencies over time. Collaborative transition management is a critical element to ensure new technologies and methodologies are deployed using a holistic approach that aligns electronic and paper solutions to maximize financial benefit to the payer.

Xerox targets significant postage cost reduction by bringing scale, financial stability, large project management experience, and industry knowledge to the outcome-based communication solution. We begin the transformation through technology approaches delivered in a risk/reward business model. In addition, larger payers have the potential opportunity to collaborate together to share postage costs on the delivery of communications to the same provider. By sharing an envelope each payer can drastically reduce the postage costs.

Xerox offers a variety of electronic solutions to provide automatic delivery of documents to recipients via fax and email, intelligent archiving to digital repository systems, integration to existing member or provider facing web portals or client CRM systems, postal sorting, workflow routing and management and distribution of digital images – all designed to reduce print and postage.

Xerox's longstanding expertise in call center management, inbound and outbound transaction services, and technology and business consulting enable us to provide clients with solutions that reduce costs while improving the timeliness and quality of constituent communications.

The Xerox Risk/Reward Business Model

Generating significant financial value from transforming constituent communications starts with the underlying business model constructed between Xerox and payer clients. The model focuses on outcomes instead of cost per transaction. This outcome-based approach aligns both parties' interests, increases electronic channel usage, reduces the cost of postage, and maximizes investments.

Xerox underwrites its expertise in communication solutions with guaranteed outcomes. Contracts offer advancing savings, asset acquisition, and shared risk and rewards clauses all anchored around savings outcomes. Many companies market innovation, but this financial incentive business model drives Xerox staff and leadership to develop partnerships with our clients to create long term, high value relationships.

This new outcomes-based approach requires buyers and vendors to develop a deeper level of trust to create a higher level of visibility and transparency and a shared vision of the new outcome, which results in a more efficient operation and reducing what were once viewed as fixed costs. By focusing on outcomes, the service provider assumes a great deal of risk since it does not have influence over all aspects that impact its ability to achieve the outcome.

Xerox demonstrates our commitment by making substantial investments in service delivery solutions and bringing industry knowledge to the solution. The knowledge leverages the IT and delivery investments to make outcome based sourcing successful.



The Xerox Advantage

Simple outsourcing of print/mail functions no longer captures the total value available from deploying a comprehensive solution. Effective solutions must incorporate new and innovative technologies and shared risk approaches to move clients' communication processes away from paper toward electronic tools and efficient methodologies. Outsourcing arrangements focusing on outcome objectives will be successful when both parties have a high level of trust, a high level of transparency, and enhanced collaboration and information sharing.

Historically, companies that achieve outstanding success with outcome-based approaches are open and honest about the challenges. A key requirement to successful implementation is to ensure the outsourcing provider develops a deeper knowledge of a payer's business to ensure value that aligns with the buyer's strategic business goals. Subsequent deployment of new technology platforms and streamlined processes that focus on achieving these goals enables maximum value creation.

Xerox delivers solutions across the broad spectrum of the entire healthcare eco-system. The company services all of the top 10 Blue Cross Blue Shield Organizations and 19 of the top 20 Managed Care Plans in the US.

Market advantage, sustainable postal cost savings, budget predictability, electronic migration, and enhanced communication with constituents comes through:

- Innovative shared risk partnerships and business alignment
- Low risk implementation, low capital investment, and asset acquisition options
- Integrated offerings with technology and workflow services
- Holistic consolidated processes, platforms, and infrastructure

Xerox guarantees year over year savings through new communication methods in a payer's print/mail solution. After a full assessment of the current situation, Xerox provides a guaranteed annual savings quote and a detailed plan on where those savings will be achieved. Additionally, payer clients share in the savings creating a revenue line in communication.

The following case study represents the approach and results generated through the collaborative partnership created between Xerox and a particular client. And it is indicative of the value we can bring to your organization.

Current Conditions for Healthcare Communications

- The need to streamline communications for all stakeholders and enhance member/provider experiences
- Inefficient, paper-intensive, communication process
- Multiple disparate processing centers
- Outdated technology
- Costly print and mail operations needed to fulfill production tasks

Case Study

Xerox client – One of the largest national health plans

Contracted Solution: Transformational Healthcare Communication Services

Pre-Xerox Health Plan Environment:

- 300 employees dedicated to print and mail
- Significant capital investments required to update facilities and infrastructure
- Annual postage expenses in excess of \$120M
- No budget predictability
- No risk alignment with communication vendors
- 50 individual vendors involved in the process
- billion annual mailings including EOBs, statements, checks, letters to members and providers
- 60 million annual internal mailings

The Transformation:

- Partnership alignment business model developed
- Member and provider electronic communication plans developed and monitored
- Client and Xerox incented to work collaboratively in driving additional saving
- Client gains increasing share of postage savings as innovations are implemented
- Vendor performance mandate implemented
- Operational savings guaranteed to exceed 15% annually over the life of the contract
- Fees for the local mail fixed for predictable budgets
- Documents redesigned for increased understanding and efficiency
- Electronic adoption and migration facilitated

Results:

- 20% Operational Savings
- 25% Postage Savings
- Balance Sheet Relief
- Redeployment of capital to area with higher returns
- Reduced Headcount/Payroll
- Operational controls & management with real-time web reports

Healthcare Communication Services

- 15 years experience in large volume print and mail document management
- Potential for 30% reduction in paper usage
- 15% to 20% reduction in print, mail and postage costs billion impressions in 2009

Summary

Successful reduction in postage budget line items that also enhance communication with constituents requires a risk and rewards business model and expertise in technology deployment. Xerox has the scale, the financial stability, the large project management experience, and the industry knowledge to create the best solution for payers.

Xerox can help your organization process and deliver outbound constituent communications more efficiently (lower cost) and more effectively resulting in greater member and provider satisfaction and loyalty.

About Xerox

Xerox is the world's leading enterprise for business process and document management. Its technology, expertise and services enable workplaces – from small businesses to large global enterprises – to simplify the way work gets done so they operate more effectively and focus more on what matters most: their real business. Xerox offers business process outsourcing and IT outsourcing services, including data processing, healthcare solutions, HR benefits management, finance support, transportation solutions, and customer relationship management services for commercial and government organizations worldwide. The company also provides extensive leading-edge document technology, services, software and genuine Xerox supplies for graphic communication and office printing environments of any size. Xerox serves clients in more than 160 countries.

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