Other than the military, retailers and their supply chain partners are some of the most intense users of data in the world. They have to be. Razor-thin profit margins, aggressive competition, and the never-ending need for business efficiencies to drive bottom-line improvements all combine to make retail one of most difficult industries in which to operate. It’s no wonder the most successful retailers—like Walmart—depend on real-time data and sophisticated analysis to wring every last drop of profit out of their operations.

Consider this: a domestic mid-size manufacturer will produce on average 65 billion data points a year when tracking historical sales data for multiple product lines across several regions in which a decent number of retail chains sell those products in multiple stores. And Walmart? It runs one of the largest civilian data warehouses in the world. Clearly, retail knows something about Big Data.

But Healthcare is Different...Or is it?

We often hear that healthcare is “different” from other industries. We deal with human lives; therefore, the stakes are higher. And yet, there’s something to be said for learning from the masters—even if they come from other industries.

So what can healthcare learn from retail? As it turns out, a lot. In the retail industry, companies are wholly focused on the most efficient way of completing the sale and then priming the consumer for follow-on purchases. There are two lessons healthcare can take away from this industry:

Lesson #1: Adding clarity and convenience to the payment model could transform cost structures.

The U.S. healthcare system processes more than $1.9 trillion in payments a year. It’s an incredibly inefficient system, relying heavily on manual, paper-based processes and eating up 15 percent of every dollar spent on healthcare. What’s more, the billing process usually consists of sending a convoluted statement (or statements) weeks after care was delivered and hoping the consumer will actually pay, which usually happens only half the time.

Contrast that with retail, where less than 2 percent of every dollar goes toward the payment system. In retail, consumers have multiple ways to pay and are presented with bills (or highly accurate estimates) at the time of service. Can you imagine a fifty percent pay rate in retail? Given the small margins, no retail company would survive all that red ink.

Imagine the retail model in healthcare: patients are told at the time of service what their co-pay / co-insurance will be and then immediately either pay the balance or make other arrangements.

From an information management standpoint, this scenario would ideally rely on real-time claim submission and adjudication, or at least a model similar to hotels that require preauthorization on a credit card. Such a model would nearly eliminate payment latency, and providers wouldn’t have nearly as high a level of unpaid balances and bad debt writeoffs.

Payer-to-provider payments are also problematic because of the inefficiencies involved. Only 43 percent of transactions across the entire encounter-to-payment lifecycle are handled electronically today, but if all of them were managed electronically, it would save the industry more than $30 billion. The good news is this transition is already starting to happen as Administrative Simplification provisions take hold, and standard electronic data formats make it possible for industry-wide collaboration.

The bottom line? Streamlining the payment model will reap big dividends for everyone.

Lesson #2: Shifting to a retail mindset will open up new areas of competitive advantage.

As employers pass on more healthcare costs to their employees, individuals are increasingly taking control of their health insurance and medical care choices. In 2012, consumers will probably pay more than $600 billion in premiums, and they have no problem voting with their
dollars if they don’t receive the same level of support and superior customer experience they’ve come to expect from other service providers. Payers that can adjust their corporate mindset to this new retail environment will be much more successful than those who can’t. At the heart of this shift is consumer healthcare information—both administrative and clinical—moving rapidly through multiple channels into the enterprise to drive insight and action.

The retail environment requires product innovation. While health insurance products hardly have the cachet and short shelf-life of, say, a smartphone, there does need to be a certain level of improvement. Historically this has been hard for payers because commercially successful innovation relies on deep insights into the wants and needs of multiple consumer segments—something payers operating from a wholesale mindset rarely have the opportunity to develop. Essentially, they have been one step removed from consumers. In the retail environment, product innovation based on consumer insight is a strategic imperative.

In retail, it’s all about reaching your customer through whichever channel they prefer. Individuals are becoming less likely to have an employer-sponsored insurance plan, so payers will need to build specific channels for the various segments they target. For example, younger adults may respond to an Internet presence or social media campaign. Older adults may be looking for greater levels of information and trust, so an affinity marketing relationship may work.

From an information management standpoint, an unimpeded flow of information about consumer behavior and preferences across the payer’s enterprise is critical—especially given market developments toward an increasingly complex world of product bundles tailored to personalized consumer needs, multiple retail channels (such as a direct web portal or via Health Insurance Exchanges), new go-to-market provider collaborations and modified payment models.

Healthcare organizations keen on simplifying their administrative practices and leveraging the data at their fingertips may expect a substantial investment up front. However, they are investing these funds anyway, as part of their compliance efforts with evolving federal and state mandates. Strengthening the infrastructure to create a next-generation platform to manage both inbound clinical and financial information, as well as outbound information to inform partner collaboration initiatives and the consumer, can and should go further than simple compliance with government mandates.

By taking the next logical step and learning from industries where information is the ultimate competitive advantage, healthcare can develop smarter, better ways to manage information—and use it for the benefit of all.

2. Ibid.
An industry leader since 1996, Edifecs provides healthcare software solutions that improve operational performance by streamlining the exchange of information among health plans, hospitals, and other healthcare organizations, while enabling compliance with current mandates such as HIPAA, Operating Rules and ICD-10. Today, more than 250 healthcare customers use Edifecs technology to unify transactions from any information channel source and input mechanism, while automating manual business processes such as enrollment, claims and payments management. Edifecs is currently recognized as one of the 100 Fastest Growing Private Companies in the state of Washington, 100 Best Places to Work in the state of Washington, an Inc. 5000 fastest-growing private company and one of the 500 Fastest Growing Companies in North America by Deloitte. Edifecs is headquartered in Bellevue, WA. For more information, please visit http://www.edifecs.com

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