Pandemic inspired change: How remote work, contactless interactions are driving transformational change in Australia's health insurance sector

Highlights from the Smart Communications and FST Roundtable

The inevitable – and much desired – transition to cloud has created a significant regulatory burden for insurers, with industry watchdogs' increasingly high bar for compliance, including ongoing risk and data security audits, making the governance process more and more challenging for data-rich health insurance providers, according to participants at a recent industry forum.

Speaking at the **FST Media** and **Smart Communications** co-hosted roundtable event, senior technology leaders from across Australasia's health insurance industry explored the impact – and silver linings – of the sector's COVID-19 response, the progressive uptake and regulatory challenges of cloud migrations and, critically, front-end service innovations delivering transformational change within the sector.

While the transition to cloud has become a critical priority for the industry, promising to reinvigorate the customer experience and streamline back-end processing, according to participants, the Australian Prudential Regulation Authority's (APRA's) "regulatory influence" on cloud – which mandates strict governance to protect customer confidentiality and the integrity and availability of systems housing data – has created significant compliance challenges for health insurers, potentially impeding their migration.

With longstanding legacy systems and enormous volumes of sensitive, high-value data (both customer and business process) now archived and increasingly generated, the health sector's migration to cloud has been fraught with compliance hurdles. It is, as one participant said, "quite a big beast to sit and tackle." As such, the health insurance industry's transition has been noticeably laggard when compared against other financial services organisations that "have already moved to the cloud".

> **" We're finding companies now embarking on [a cloud migration] journey have got literally pages and pages of questionnaires, risk assessments, and information data assessments that have to be filled out before we can even engage. We find that quite difficult. "**

Despite these anticipated hurdles, however, cloud absolutely maintains its place at the "front and centre" of insurers' transformation agendas.

"Cloud is part of that roadmap of what we need to do. That's where the future is; that's where the opportunities are."

Cloud migration has undoubtedly become a major focal point of the industry, with virtually all participants indicating that their transition strategy from legacy mainframes was well in play before the COVID-19 crisis hit.

"It's a key pillar of our technology strategy going forward with a view that – within the next five years of our roadmap – a majority of our services will be provided by cloud," said a participant from a major Australasian health insurer.

Overcoming longstanding legacy is a major impetus driving the transition to cloud. Yet, while these entrenched architectures can seem intractable, there are workarounds, however transitory, being found.

A representative from a major Australian health insurer stressed the company's ongoing reliance on "old systems" meant that core functions were effectively "stitched together" in order to deliver seamless front-end journeys.

While there are "pockets of digital" across the organisation, the participant conceded that the process of digitisation is not "moving fast enough".

Customer communications – why one size doesn't fit all

Digital transformation within the health insurance sector, particularly at the customer end, is often uneven by necessity, with an array of complex products and services requiring vastly different solutions for distinct market segments.

Participants roundly acknowledged that innovation at the front-end is about finding a balance of needs – in "juggling the journey" – across the vast demographic swathe and unique servicing requirements of health customers.

> **Health insurance is quite complex. It's a complex product to sell and a complex product to service.**

Digital-first, self-service interaction points are often pitched as the inevitable way forward for front-line service, offering a more cost-efficient, seamless and less invasive interaction point for customers; however, one solution cannot fit all circumstances or individuals, particularly in the demographic diversity of health insurance.

It is not only older customers, for instance, that still "love the phone" and face-to-face interactions; fully digital interactions remain a wholly unsuited for individuals facing intricate or sensitive medical claims that require a more human touch. Moreover, digital services and bots often lack the flexibility to tailor policies or rules to unique individual circumstances.

> **We want to protect phones for those demographic segments that are suitable [for it]. When it comes to discussions around the [kind of] hospital [a claimant wants] and whether they're covered for cancer, you absolutely want to connect with those people and have that emotional discussion.**

Nevertheless, building that "last mile in digital assets" benefits all operational processes, not just self-service functions or transactions that are no longer call centre dependent – for instance, account maintenance, payments, simple claims, or just ordering a new membership card.

The "digital first" transition regardless requires customers to be brought along for the transformation journey. Too often, customers have been "trained to call us… by design, or indeed by a lack of design," according to one participant.

For one of New Zealand's largest health insurers, their ambition is to deliver "100 per cent digital journeys," enabling customers "to deal with [the insurer] digitally across all experiences that they need to have and interactions with us."

The progress has been strong, with the insurer "quite a way down that path."

"We do really well in the claim space. You can absolutely claim online, deal with us and apply for cover. And it's the same with payment."

However, the gap remains "in the [product] change space," considered a major "pain point" for the business.

> **When we talk about our member journeys, we talk generally about join, pay, claim and change. It's in that change space that's our biggest gap – that's because change is reasonably complex.**

However, it was stressed, by simplifying of processes and products first, automation and digitisation becomes that much easier.

Yet, there are simple steps to address complexity in customer relationships that many insurers are failing to take.

With contact spikes increasing throughout the year, particularly around rate rise periods, insurers are hampering themselves "by simply not communicating clearly enough", inflating contact volumes.

> **We, as an industry, probably feel that 17 pages of explanation is a really good way to communicate to the customer because we're trying to cover off every single variable and option. But the customer just goes, 'You know what? I don't completely understand what you're talking about and I'm just going to call you and have a chat.**

A recent study by a major Australasian health insurer, relayed by one of the speakers, also found a clear correlation between those who are active in a digital channel – even if only once – over the 12 months and a 20 per cent drop in the number of assisted channel contacts.

"This digital capability to allow customers to self-serve absolutely helps manage that volume."

Managing volumes is in large part about "managing expectations," acknowledging that "not everything is straight through process."

"If you manage that expectation properly, there's less angst and less follow up from customers. A lot of the time, we don't do ourselves justice in managing customer expectations."

While the expectation was that the COVID-19 crisis and scheduled rate rises would inevitably see a jump in call volumes, for one insurer, which had worked to streamline its communications, this anticipated spike did not eventuate – or perhaps its impact was muted.

"We've put it down to the fact that we've actually communicated better to our members, that we actually spoke to them, [without] sending them a 20-page document."

"We structured our communications a lot better than we've ever done in the past. We definitely do think that the way that we communicate to our members has changed: the tone of voice and a lot of the messaging and communications."

This meant moving away from "being a 'contractor' -- giving customers that 20-page document informing them exactly what's changed – into more of a "conversation."

The COVID-19 response

The COVID-19 pandemic largely saw an increase in the speed of front-end innovation and execution. However, a number of insurers noted they were already well along the path in this journey – the lockdowns merely reinforced the importance of digital or served to amplify existing capability gaps.

> **" I wouldn't necessarily say our shift to digital has changed too much as a result of COVID-19. Where our focus perhaps changed coming out of the pandemic is how we work in a sustainable way. "**

What were considered stop-gap functions during the lockdowns are now, with some tweaks, seen as viable long-term solutions to meet future business challenges ahead.

"We will have a lot of processes and solutions in place that are tactical to respond quickly to the situation. Coming out of the pandemic, we want those things to be the new normal."

"And as a result, we need to adapt some of these systems and solutions to be sustainable. And that's just the way we are at our core ethos now going forward."

This includes the quick-fire deployment of a "new digital payment solution" that helped the organisation maintain its PCI DSS (Payment Card Industry Data Security Standard) compliance with remote agencies.

While deployed "in a matter of weeks" and meeting immediate compliance demands, it is, the participant conceded, "not currently the best customer experience."

"We need to reengineer it longer term if we want to use that sort of solution going forward to meet the needs of our customers and our agents."

A fellow participant noted that, while PCI DSS compliance was ready to "go live" as mandated lockdowns were put in place, the system was not compatible with new work from home arrangements – which saw nearly all of its "several hundred staff" shifted to remote working within two days, "without any chance of returning to the office."

An *ad hoc* workaround for PCI DSS required skeleton staff in the office – fewer than 10 people of an organisation of hundreds – to "call someone" and process payments manually.

For others, the implications of the global pandemic brought significant and rapid changes to organisational structures and frameworks – changes that have increased front-line innovation buy-in from once obstinate senior decision-makers.

In a matter of days, a major Australian health insurer was able to onboard "12 quite elderly board directors to Zoom," safely and securely – considered inconceivable pre-pandemic.

The successful execution and first-hand experience with the workforce collaboration technology has enabled the senior leaders to drive a newfound innovation impetus at the customer end.

"The priority list has, from the director's eyes, obviously [pushed our technology focus] off the charts."

"All those sorts of things that probably weren't front-of-mind six months ago" – those spending decisions on equipment and front-line digital technologies – have suddenly risen to the top of the board's decision-making agenda.

For one insurer, which operates without a retail presence, COVID-19 brought the last vestiges of the paper process (representing less than 10 per cent of its client interactions, particularly in assessments), rapidly digitised – within 48 hours – proving crisis is often the necessary spur for difficult change.

"Even though it's still a clunky process to assess a claim, it is now a digitised process. It just goes to show...what you can achieve in a really short space of time.

These stop-gap solutions can be enhanced and expended upon to serve as more permanent solutions.

Since then, this "clunky, scanned process" – which upon launch still required paper forms to be manually uploaded by staff, digitised and then routed to an assessor – has been further automated, with a bot now performing these functions.

With "no alternative", COVID-19 ultimately gave the health insurance industry the necessary drive and focus to get innovation "across the line."

Yet, such innovations were not limited to the customer end.

"From an employee experience perspective, it's a much better experience having it come through in the digital arena rather than [dealing] with cheques and paper communications – as we did 12 months or 18 months ago."

This newly digitised and automated processes have also boosted employee "engagement scores," empowering staff to deliver more "value added" work, rather than getting bogged down in low-value processes, participants said.

The omnichannel dream

A true omnichannel experience remains proverbial pot of gold at the end of customer journey. Yet, the enduring mission to create that "joined up conversation" has too often hit architectural and process brick walls within health insurers.

> **You can absolutely see that someone's just been on the website, that they're in a logged-in state and now that they want to chat with you. So how do you see that total journey?**

Participants recognised that omnichannel is, however, ultimately predicated on the quality, and readability, of one's data assets.

"If we don't have the data piece right, it doesn't really matter that you might have a new fandango or beautiful front-end. If you want to be able to provide that seamless journey – from being able to start something online and then ringing someone and having that experience follow your customer – the data needs to allow you to do that."

One participant acknowledged that the creation of new interaction channels has not necessarily seen "a massive reduction in other channels," as customers demand greater options without losing existing functionalities. Yet, the rapid expansion of new customer channels ultimately increases the complexity of and ability to deliver the omnichannel experience.

Of course, while true omnichannel is yet to be fully realised by most, a more achievable, and regrettably siloed, "multichannel capability" – expanding from pure paper form submissions and call centre operations to online customers portals and increasingly automated 'chatbots' – has become part and parcel of the service experience provided by many big name health insurance providers.

However, participants did express some reticence to expand into 'web chat.' There was indeed a recognition that the function serves "a very specific purpose," providing a mere complement to other more critical service channels.

For one hold-out insurer, it was found that the vast majority of enquiries were "more efficient to handle over the phone."

Premature rollout of the service was seen as something akin to the careless dolling out of company emails to customers 20 years ago.

> **We'd post an email address on our website, and then we wished for the next 20 years that we never gave it out. It had such terrible first contact resolution rates and is not a great channel, nor is it secure.**

For several participants, web chat was regarded as "a prime example of a new shiny toy."

Most accepted that web service channels require a "very tailored, very specifically targeted approach" to channels or customer inquiries.

Participants who have had the experience of rolling a chatbot function, stressed that the service is designed largely "to keep your customers online… and keep them self-serving."

Simply opening this function up for "just any person on the website" will do nothing to augment the customer experience, and merely adds an expensive and high-maintenance channel with limited benefits to front-line service capability.

They should effectively "drive the behaviours that you want to drive, which is "stay in that self-serve area and help customers through it," rather than handling complex, open-ended questions.

Moving forward

Among Australasia's financial services industries, health insurers are seldom seen at the vanguard of digital innovation. Nevertheless, considerable progress has been made over the last decade – and particularly over the last year – in overhauling front and back-end processes, echoing many of the service innovations made by the banks and general insurers: from online account management portals to digital claims processing and automated assessments.

Despite this, however, systems legacies and ossified manual processes continue to dog core business functions, ultimately impacting front-end service innovation for many health insurers. While cloud remains a key pillar of the transformation roadmap, regulatory hurdles and longstanding systems legacies have hobbled the smooth transition to full cloud architectures.

While several insurers appeared well progressed in their digital roadmaps – from cloud migrations to the rollout of new self-service portals – the lockdowns as a result of COVID-19 have only served to accelerate this transition, exposing gaps in the digital capabilities that required immediate bridging. It has also increased buy-in from chief decision makers that hitherto had rarely been exposed to such front-line innovations.

The long-sought 360-degree view of the customer, a key step to delivering omnichannel capability, will need to be ramped up to ensure customers' demands for seamless and informed interactions can continue to be met. The ability to dissect and translate the complex patchwork of archived and newly generated data will be key to delivering this functionality.

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