Rethinking the IT Organization in the Digital Economy
Rethinking the IT Organization in the Digital Economy

Overview of Blues System and Blue Cross NC

Overview of IT at Blue Cross NC

Market Forces Impacting Healthcare Payers

Impact to Blue Cross NC IT Strategy

Technology Leadership in Today’s Digital Economy
THE BLUE CROSS BLUE SHIELD SYSTEM

Arkansas BlueCross BlueShield
BlueCross BlueShield of Alabama
BlueCross BlueShield of Arkansas
Blue Cross of California
Florida Blue
hmsa
HCSC
BlueCross BlueShield of Illinois
BlueCross BlueShield of Montana
BlueCross BlueShield of New Mexico
BlueCross BlueShield of Oklahoma
BlueCross BlueShield of Texas
Blue Cross of Idaho
Anthem
Wellmark
Horizon
Nebraska Blue Cross Blue Shield of New Jersey
Kansas Blue Cross Blue Shield
Louisiana CareFirst
BlueCross BlueShield of Massachusetts
Blue Cross Blue Shield of Michigan
BlueCross BlueShield of North Carolina
BlueCross BlueShield of Minnesota
Regence
Regence
BlueCross BlueShield of Northeastern New York
Capital Blue
Highmark
Independence Blue Cross
Triple-S Salud
Blue Cross Blue Shield of Rhode Island
South Carolina Blue Cross Blue Shield
of Tennessee
BlueCross BlueShield of Vermont
Premera
BLUE CROSS
Wyoming

36 INDEPENDENT COMPANIES

BlueCross BlueShield Association
Blue Cross and Blue Shield of North Carolina

- North Carolina’s largest health insurer serving 4.3 million members
- Only insurer serving all 100 counties
- More than 5,000 employees
- 2021 revenues of $10.7 billion
- 2021 claims and medical expenses of $8.2 billion
- 2021 included 8 of the highest claims months in the company’s 88-year history
Our IT Leaders

Joe Bastante
Chief Technology Officer

Rick Chilton
Chief Info Security Officer

Trevor Johnson
VP, Solution Delivery (App Dev)

Bonnie Phillips
VP, Data & Analytics

John Ciesco
CoS, IT PMO
Health Care Market Forces and BCBS Implications

MACRO FORCES SHAPING HEALTH CARE

- Shifts in Workforce/Population & Social Consciousness
- Rapid Market Consolidation
- Affordability at the Forefront
- Evolving Consumer Needs & Expectations
- Growing Government Action
- The Big Data Economy
**Shifts in Workforce, Population, & Social Consciousness**

- **Americans aged 65+** is projected to **nearly double** from 52 million in 2018 to 95 million by 2060.
- Becoming more **racially and ethnically diverse**.
- **Socioeconomic-related disparities** in health and mortality are sharp and widening.
- Becoming more **concentrated** in certain geographic areas (rural).
- Pool of **family caregivers** for older Americans is shrinking.
- Those living with **1 or more disabilities** will increase.
Shifts in Workforce, Population, & Social Consciousness (cont’d)

Environmental, Social & Governance:
Factors of sustainability & ethical impact of a company
Rapid Market Consolidation

$203B Total Value of Health Care Deals in 2021

56% Increase from 2020

VOLUME OF DEALS GROWTH
2020-2021

<table>
<thead>
<tr>
<th>Category</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rehabilitation</td>
<td>145%</td>
</tr>
<tr>
<td>Managed Care</td>
<td>114%</td>
</tr>
<tr>
<td>Home Health</td>
<td>63%</td>
</tr>
<tr>
<td>Labs, MRI, Dialysis</td>
<td>62%</td>
</tr>
<tr>
<td>Behavioral Health</td>
<td>56%</td>
</tr>
<tr>
<td>Long-Term Care</td>
<td>26%</td>
</tr>
</tbody>
</table>

- Private equity presence in home health care is growing – 4 of the top 10 largest home health providers are PE owned
- Horizontal & Vertical provider consolidation continues with half of Primary Care Docs currently affiliated with a vertically integrated system – more to come?
- Retail locations are gaining traction in scaling primary care while big tech companies are identifying health care focus areas
Health care costs are expected to rise as a result of inflation.

Intense pressure on the commercial market as providers shift costs from under-funded government programs.

Specialty pharmacy costs continue to rise at unsustainable levels - $3B spend across the Blues in 2021.

Employers will continue to look for low-cost solutions to help curb rising costs: wellness programs, telehealth, etc.

Employers are willing to circumvent and dislocate health plan partners to drive delivery system change, creates space for tech entrants and retail players (Amazon, Google, Walmart) who are investing in health care.
Consumers want from health care the **convenience** they get from other industries

- Demand for a **convenient, transparent, and simple** experience is giving traction to tech entrants
- Concierge, **direct-to-consumer services** are a rising model for care delivery
- **73%** of consumers will use telehealth services post-pandemic, driving need for broadband access in rural/underserved areas
- Urgent need to address access to **youth mental health services**, as suicide is the second leading cause of death for those aged 10-24
Growing Government Action

Heath care legislation has **bipartisan federal focus** and support

**KEY BIPARTISAN FOCUS AREAS**

- Advancing *maternal health* and *health equity*
- **Strengthening the health workforce**, specifically in medically underserved areas
- Expanding *mental health care access* & advancing *mental health parity* to medical & surgical benefits
- Driving transformational innovation to **fight cancer**
- Delivering on health care *commitments to Veterans*
- Addressing the *opioid and drug overdose epidemic*
- **Price transparency** / surprise billing
The Big Data Economy

The continued proliferation of health care data has increased the need for data privacy capabilities as consumers are more concerned with how their data is used.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Volume of Data Generated by Sector, 2018-2025 CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care</td>
<td>36%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>30%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>26%</td>
</tr>
<tr>
<td>Media and Entertainment</td>
<td>25%</td>
</tr>
<tr>
<td>Global Datasphere</td>
<td>27%</td>
</tr>
</tbody>
</table>

...leading to increased consumer (and employer) privacy concerns:

- 70% would cut ties with health care providers if their data was unprotected.
- 48% would be unlikely to use telehealth services if a data breach occurred.
- 62% have serious privacy concerns when learning no federal protections exist for data stored on health care apps.
Health Care Market Forces Create Implications for IT

**MARKET FORCES**
- Shifts in Workforce/Population & Social Consciousness
- Rapid Market Consolidation
- Affordability at the Forefront
- Evolving Consumer Needs & Expectations
- Growing Government Action
- The Big Data Economy

**IMPLICATIONS FOR IT**
AGILE / FLEXIBLE
SMART
EFFICIENT
RESILIENT

**EMERGING TECH**
- AI
- IoT/ devices / 6G
- Blockchain
- Aug/Virtual Reality, Metaverse
- Hyperscale & Quantum Computing
- Passwordless authentication
- Digital ethics
- Etc.
AGILE / FLEXIBLE

Low Code Development Platforms
Microservices
Blue-Green Releases
Integration & API management
Pre-built services in cloud
Efficient

Automation + Cloud = 
speed/automation/flexibility/pre-fab services
RESILIENT

Stability/Availability/Redundancy Controls/Balancing/Monitoring/Auto-Recovery
“The biggest threat of digital disruption is in the organization itself – that the company would be either unable or unwilling to change fast enough to respond to the threats posed by digital disruption.”
From "The Technology Fallacy" by Kane, Phillips, Copulsky & Andrus
“It’s hard to push digital transformation through managerial directive. The best companies tend to pull digital transformation by cultivating conditions that are ripe for transformation to occur.”
Fundamentally challenge the way the organization and leaders work to close the Adaptation Gap

- Provide **vision** and **purpose**.
- **Flatten hierarchies** and **collaborate** across organizational boundaries/silos.
- **Cede authority** to cross functional teams.
- Speed up **decision making**.
- Create conditions to experiment. Think big, start small, **scale fast**.
- **Get out of “better than current state”** thinking.
- Help employees **develop needed skills**.
- Successfully understand both **opportunities** and **threats** in the environment.
Final Thoughts

Technologies come and go. **Talent is an organization’s greatest asset.** Be strategic and intentional about how to get it and keep it. Cultivate a culture that encourages diversity of thought and life long learning & curiosity.

<table>
<thead>
<tr>
<th>Icon</th>
<th>Text</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Have an overabundance of RESILIENCE.</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Icon</th>
<th>Text</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enjoy the journey</strong> – it goes by fast!</td>
<td></td>
</tr>
</tbody>
</table>