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How the Netherlands became the most agile and cost effective health insurance market in Europe

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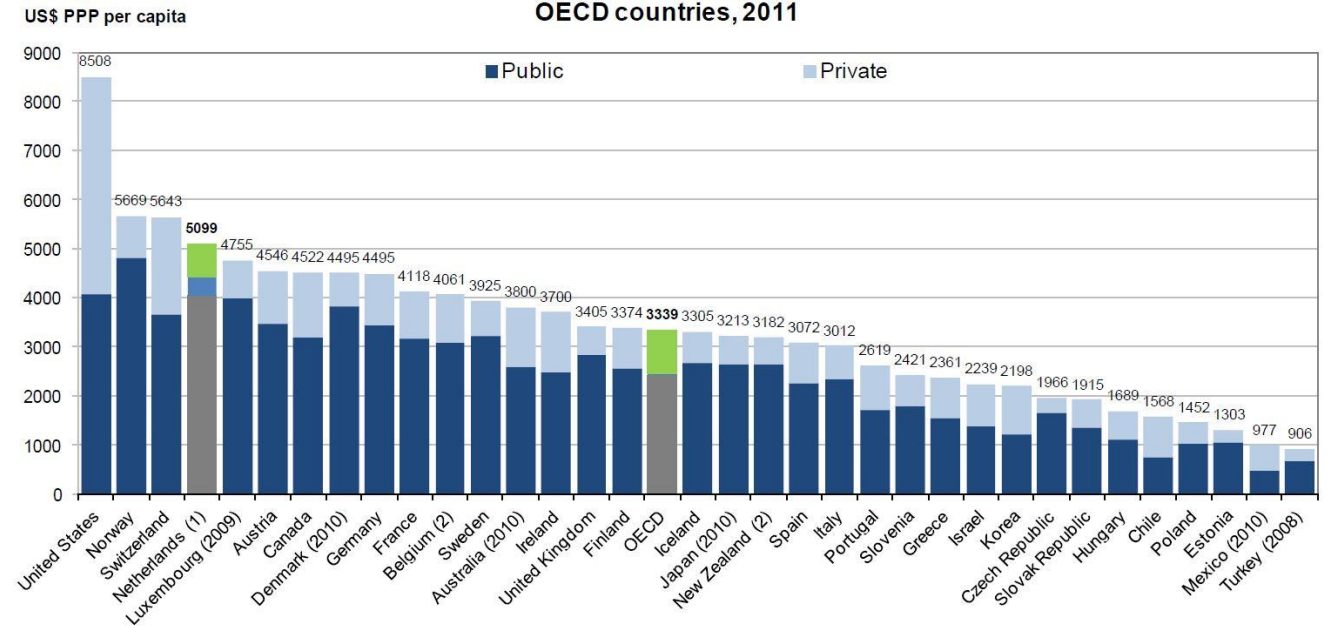
The Dutch health insurance system

The Netherlands

- 17 million inhabitants
- 12 healthcare insurers
- € 70 billion spent on healthcare
Including:
 - € 22 billion hospital care
 - € 30 billion long term care



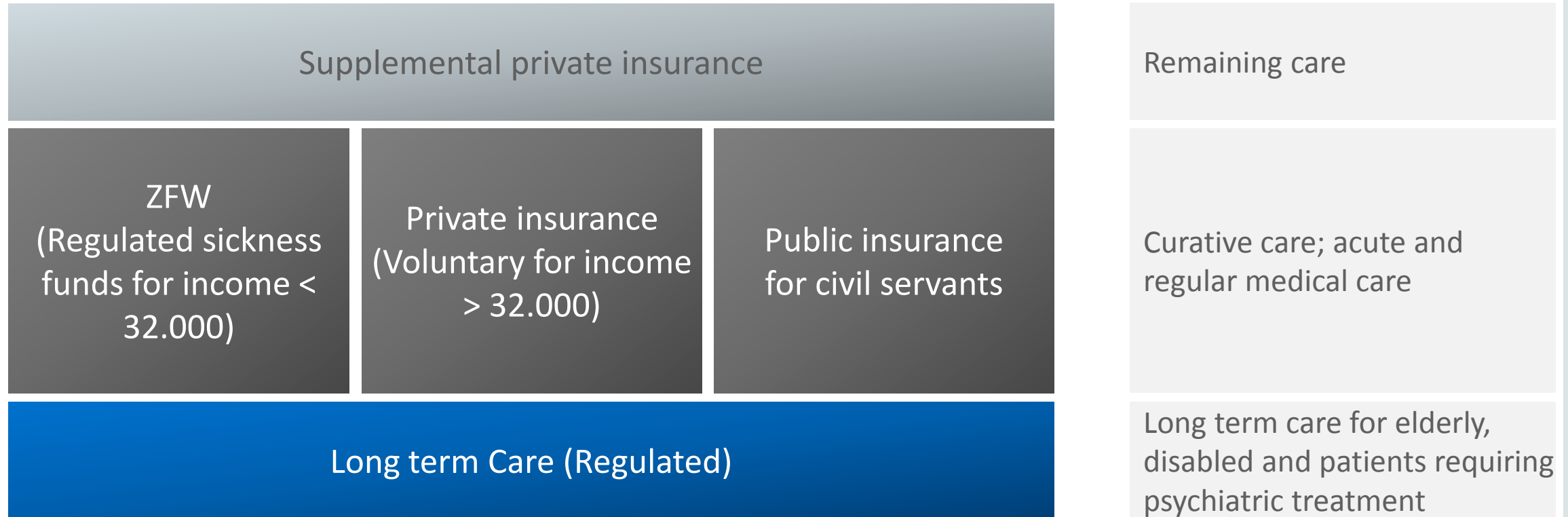
Health expenditure per capita, public and private expenditure, OECD countries, 2011



1. In the Netherlands, it is not possible to distinguish clearly the public and private share for the part of health expenditures related to capital expenditure.
2. Total expenditure excluding capital expenditure. Source: OECD Health Data 2013, June 2013.

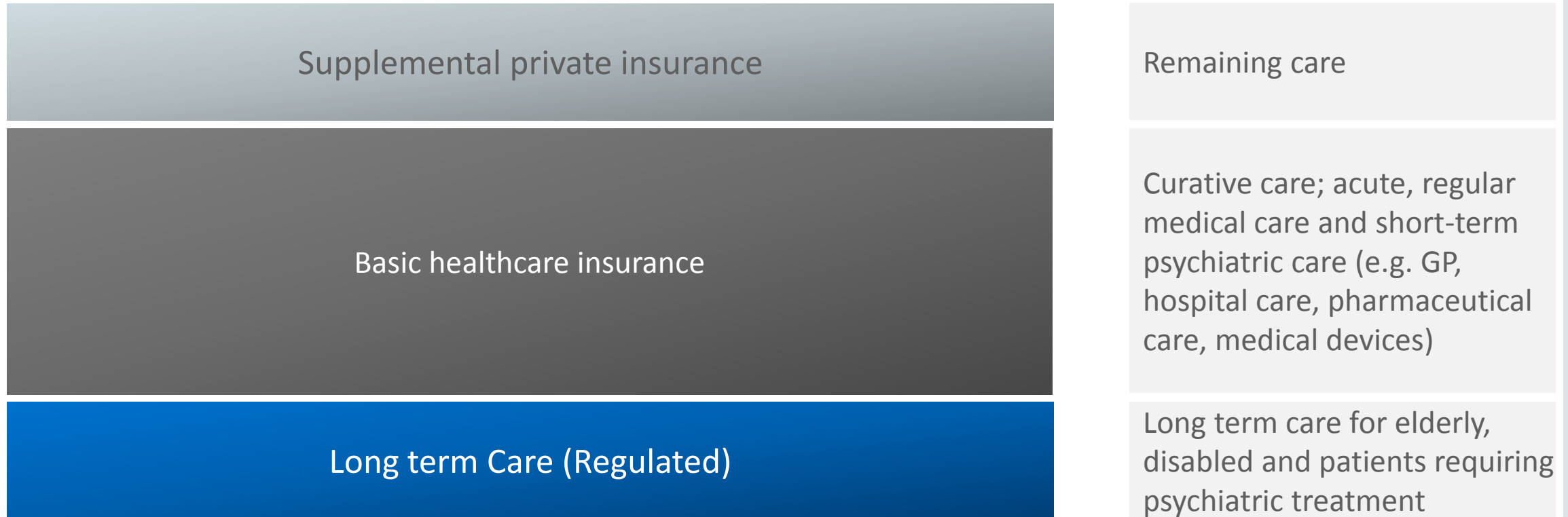
The Dutch health insurance system

Plans before the reform in 2006



The Dutch health insurance system

Plans after the reform in 2006



The Dutch health insurance system

Managed competition

- Compulsory package (benefits) for basic insurance set by the Ministry of Health

Insured

Are free to choose an insurer

Healthcare insurers

Are competing on premium, quality of healthcare, and service (level)

Healthcare providers

Are competing on price and quality of care for contracts with insurers

- In 1.5 month approximately 3.5 million Dutch citizens were enrolled for the compulsory scheme at a new payer (3.5 million cancellations, 3.5 million enrollments)

Are Dutch healthcare insurers really that agile and efficient?

Making a difference in a saturated, commoditized market



Are Dutch healthcare insurers really that agile and efficient?



Market characteristics

- A saturated market
 - Compulsory health insurance scheme offered by private insurers
 - The majority of customers purchased one or more supplemental insurance products
- Complex benefits
- Massive transaction volumes

Agility

- Product differentiation in supplemental insurance
- New distribution channels (individual sales almost entirely Internet based)
- Labels for targeting specific customer groups (e.g., young people)
- Targeting groups (> 65% of the market) with specific pricing and coverage extensions
- Provider contracting with a focus on healthcare quality (and therewith cost containment)
- Focus on loyalty through customer intimacy, providing service and meeting service levels

Are Dutch healthcare insurers really that agile and efficient?

- Cost containment to increase margins and create financial buffers

$$\text{PROFIT} = \text{REVENUE} - \text{COST}$$

↑ ↑ ↑
TO INCREASE ... INCREASE ...OR DECREASE
THIS... THIS... THIS

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Are Dutch healthcare insurers really that agile and efficient?

- Low prices and fierce competition require Dutch insurers to make optimal use of technology to contain costs
 - Reduce operating cost
 - Control claims burden
 - Healthcare contracting
- While
 - Meeting service levels
 - Increasing accuracy in claims processing
 - Complying with regulatory requirements, product rules, provider contracts, etc.



versus



Case study VGZ

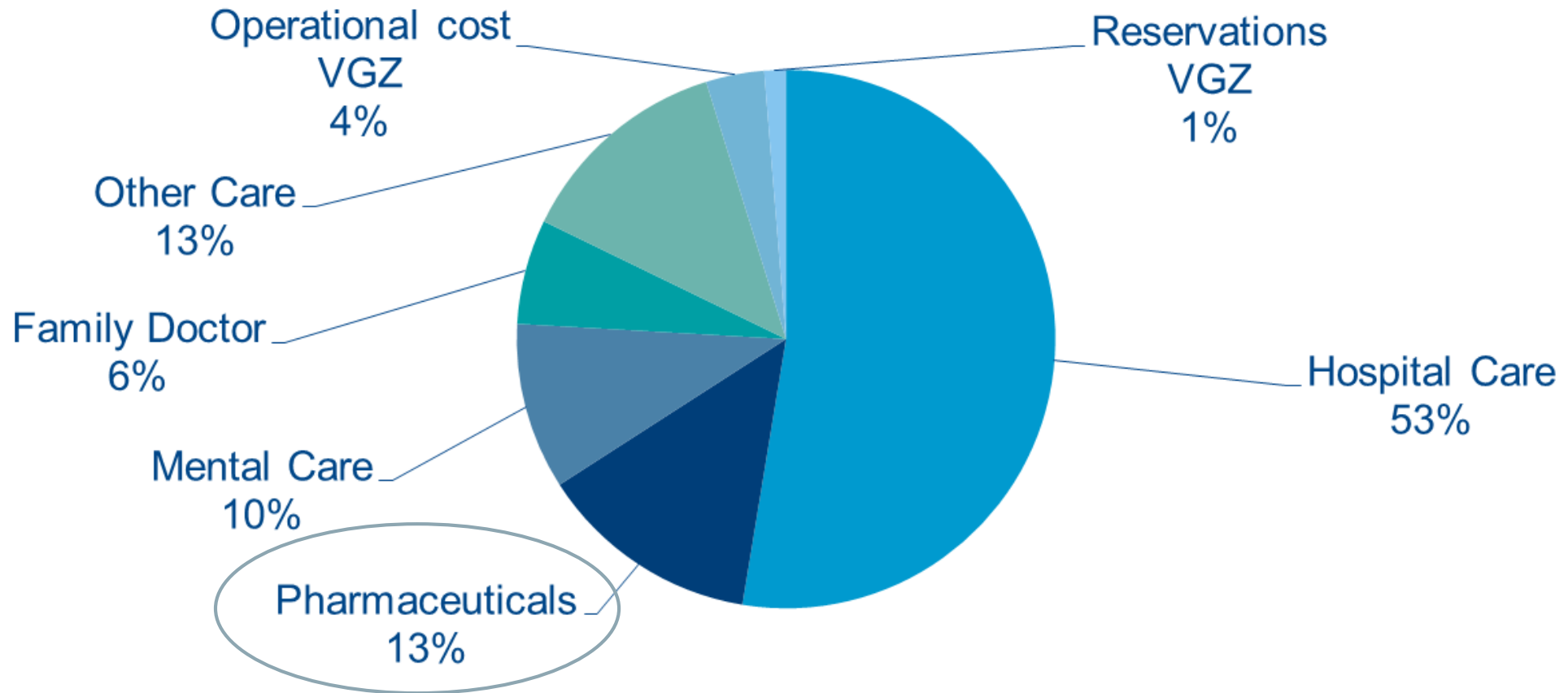


- A **rule-based** approach that allowed VGZ to achieve a maximum level of automation in the claims and billing processes
- **‘Co-production’** as a strategy to shift work to the members

	VGZ
Insured lives	4.200.000
Annual # claim lines	190.000.000
# FTEs in claims shop including Authorizations (34hr/wk)	Approx. 175
Auto adjudication rate	99.2%

Case study VGZ

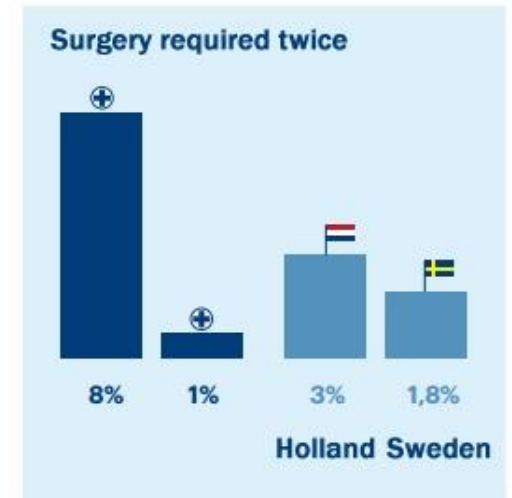
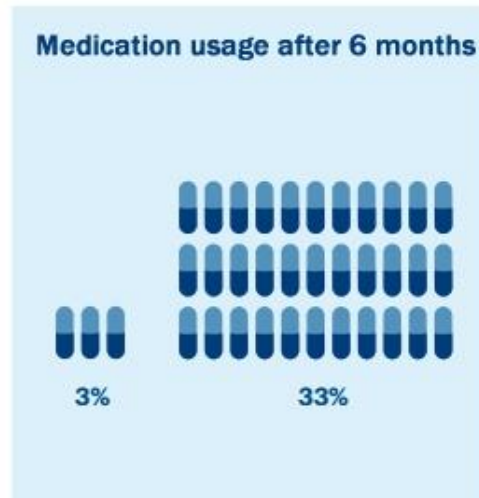
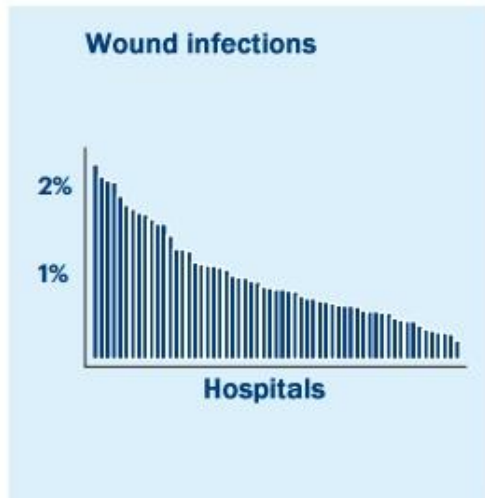
How is 1 Euro spent at VGZ?



Case study VGZ

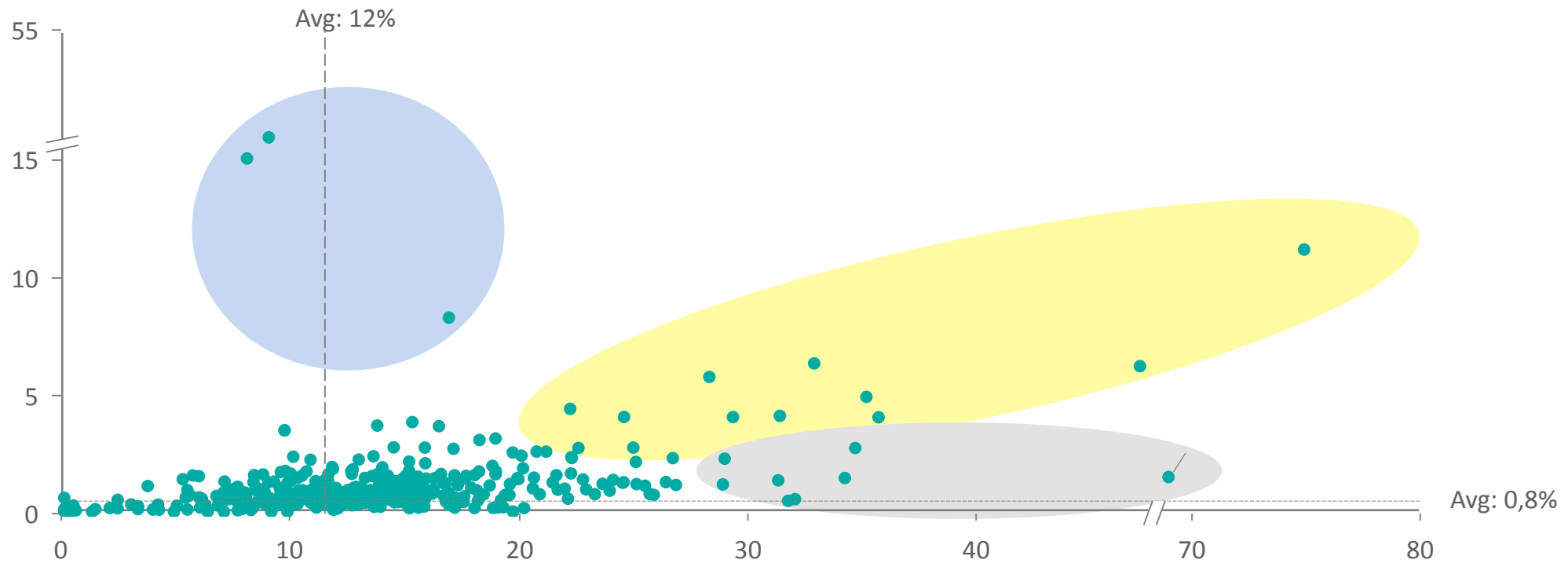
Leveraging Business Intelligence for provider contracting

- 26.000 hip replacements per year with a total cost of € 200 Million Euro
- Big differences between hospitals
- Improve quality by selectively contracting providers and reduce costs as spin-off.



Case study VGZ

Leveraging data mining for fraud reduction using claims data



How do they do it?

Standard Oracle applications that support the core business processes of healthcare payers addressing the unique industry requirements

Oracle Health Insurance

Product Design

Provider Contracts

Claims

Subrogation

Marketing

Billing

Policy Admin

Analytics

Sales

Fulfillment

Authorizations

Collections

Customer Service

Payments

Enrollment Group & Individual

Commissions

Complementary Oracle solutions



How can Mexican healthcare insurers benefit from the Dutch experience?

- Adopt an IT approach that translates human effort (calculations, checks, etc.) into system rules
- Implement a standard process flow optimized for straight through processing
- Standardization of procedure code sets
- Use Internet/Mobile as a sales channel and 'co-production'
- Contain healthcare costs through quality based provider contracts and reference pricing
- Customer service

Safe Harbor Statement

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