

Digitalization, cost pressure and competition: a balancing act for health insurers



[FROM LEFT TO RIGHT]

Oliver Windhör, Partner, Audit Insurance
Bobby Zarkov, Partner, Digital Innovation Services
Thomas Schneider, Partner, Head of Insurance
Dr. Andreas Schönenberger, CEO, Sanitas

The COVID-19 pandemic has pushed the boundaries of life as we knew it and brought about entirely new scenarios for society and our healthcare system. Large health insurance companies such as Sanitas have been directly impacted by the exceptional circumstances in multiple ways. Dr. Andreas Schönenberger, CEO of Sanitas, shares his experience of this extraordinary situation, explains how the pandemic affects the development of the health insurance sector, and discusses the role of digitalization.

An interview with Dr. Andreas Schönenberger,
CEO, Sanitas



Photos by Daniel Hager Photography & Film

About Sanitas

With around 841,000 customers, Sanitas is one of the biggest health insurers in Switzerland. The group offers solutions in the areas of mandatory basic and supplementary health insurance. The broad range of insurance solutions on offer responds to all the needs of private individuals and companies.

Dr. Andreas Schöenberger has been CEO of the Sanitas Group since February 2019 and served on the Board of Directors from 2015 to 2019. Before joining Sanitas he occupied various roles, including as CEO of telecommunications company Salt Mobile and General Manager of Google Switzerland.

“Digitalization in itself is not a strategy.”

COVID-19 has changed the way employees, customers and business partners interact. What’s your experience of approaches like working from home?

Andreas Schönenberger We were extremely well positioned in this regard right from the start as we had already transitioned to more digital work processes and flexible working before the coronavirus crisis. So it was easy for us to have our people working from home from mid-March 2020. The big challenges were more on the human or personal level – whether for young families with small children or single people in very small apartments, who sometimes felt cramped at home.

With such drastic changes, it’s important that employees support business leaders’ decisions. How were you able to ensure this and keep everyone’s motivation high?

Communication with our people became even more important. Our Crisis Team provided regular updates on our COVID-19 measures, and our people could use an anonymous digital mailbox, implemented in 2019, to address concerns and make suggestions without identifying themselves. The efforts of our Safety Committee and management paid off and were greatly appreciated. We also gave our people free rein to get creative, which led to new exchange platforms popping up – things like virtual drinks or online coffee breaks. After all, informal exchange is also highly important in a company, and that’s probably what suffered most during this time.

Will Sanitas continue permanently with any of the measures introduced because of the COVID-19 crisis? What do you intend to develop further?

Even before COVID-19, our working-from-home rules allowed all employees to work 20 percent from home. We’re now planning a pilot phase for the post-pandemic period where employees will be able to work from home as much as they like, in agreement with their line manager and team. Depending on the take-up and the effects of this scheme on day-to-day collaboration, we will define how to take it into the future. There’s a

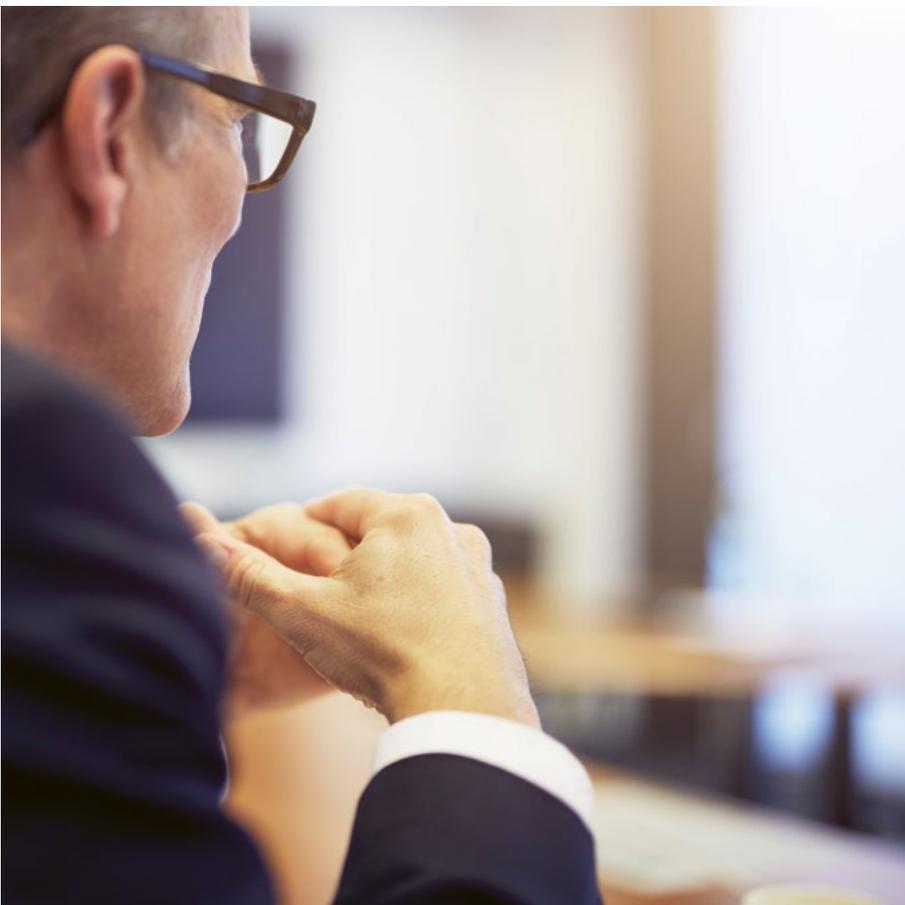
difference, of course, between working from home because it’s an externally imposed rule and choosing the arrangement voluntarily. I’ll be interested to see what our experience turns out to be.

For me, physical presence in the workplace is not the most important thing. It’s the output that counts. And in my view that only suffered marginally in the new set-up. I’ve also found that virtual meetings via video conferencing are often shorter than traditional in-person meetings at the office. The disadvantage is that discussions are more difficult. In my opinion, personal contact is very important, so I see a combination of physical presence and working from home as the ideal solution in the future. Remote working alone is not enough.

To what extent is the current situation changing and accelerating interaction with your customers? What trends have been reinforced?

We adopted a new strategy for Sanitas in 2019 with the overarching theme “Health partner and convenience for our customers.” It means that customers can deal with us in all matters simply, efficiently and using their preferred channel, be that by phone, purely digitally or by coming to visit us at one of our counters. At the heart of our vision is the idea that customers can interact with us entirely through digital channels if they wish to. We’re making good progress in this regard, and COVID-19 was certainly an accelerator, especially on the customer side. But I think we’ll see a combination of digital processes and human interaction in the future as well.

As a result of the pandemic, we are seeing increased use of the various Sanitas apps, which we expand continuously. These enable early detection of high blood pressure, for example, or provide virtual personal training or tips on health and nutrition. These options were well suited to the unusual situation caused by the pandemic, and customers overcame their fear of using such tools quickly due to the circumstances. But digitalization in itself is not a strategy, it’s just one aspect of how we, as health partners, can help our customers take control of their own health and navigate the healthcare system in a convenient way.



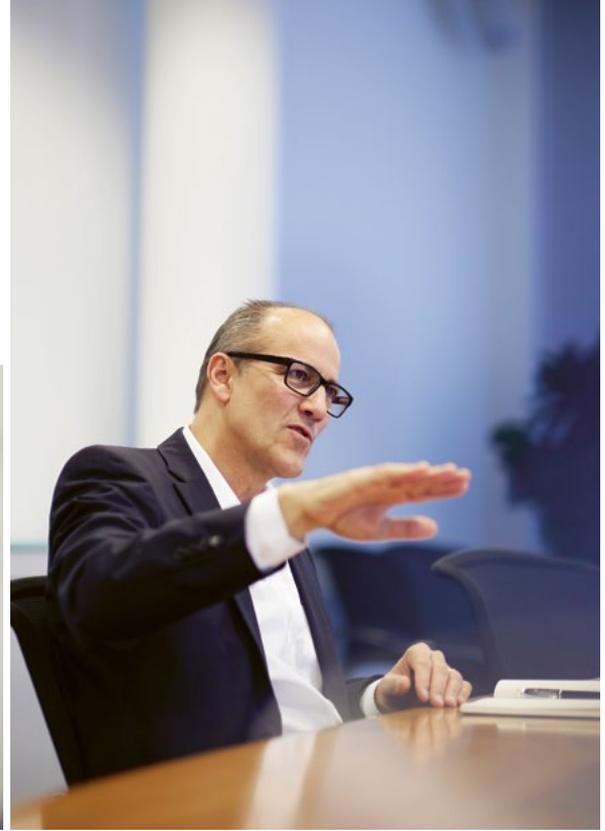
[TOP] Oliver Windhör, KPMG

[BOTTOM LEFT] Dr. Andreas Schöenberger, Sanitas

[BOTTOM RIGHT] Bobby Zarkov, KPMG



Thomas Schneider, KPMG



Dr. Andreas Schönenberger, Sanitas

“There’s no doubt that customers want to cover as many needs as possible via a small number of interfaces.”

One danger that shouldn’t be underestimated is the cyber risks that come with an increased use of digital tools and remote working. How do you protect your company and customer data from attacks?

We’re well aware of this risk. Customer data has to be secure because health data is particularly sensitive and requires protection. We’re well positioned in this area as well and have fortunately not had any problems with cyber risks to date. We work continuously to enhance security and run regular cyber security awareness campaigns for our people. But this was something we were doing before COVID-19.

All your major competitors are pursuing the topic of digitalization or digital transformation. How do you stand out in this competitive environment?

It’s true that digitalization alone won’t set you apart in the market. But digital transformation is not just about infrastructure, software and customer interfaces; cultural change within the company is equally important.

You also have internal processes and data handling, not to mention the new possibilities arising from artificial intelligence. We’re on the brink of major developments in this area, and it’s somewhere we can definitely develop competitive advantages – working alongside the best partners on the market. The centerpiece of this next step in customer interaction is the new area “My health”, which we have recently launched in our Sanitas portal app. Together with “My insurance” to help customers navigate through all our services, including on the administrative side. Let me give you an example. Our customers can easily pay their bills by credit card, Twint or Apple Pay, and we explain to them directly in our Portal app how to better understand a complicated doctor’s or hospital bill.

Are the demands being placed on your employees and managers also changing as a result of these digital developments and the associated flood of data and new collaboration tools?

Definitely, yes. Every single employee is part of our corporate culture and they all have to understand and support our strategy and the digital changes. In particular, employees need to get to grips with new virtual communication tools, and managers need to be able to use them as leadership tools. We foster an open corporate culture and a communicative leadership style. With open-plan offices and desk sharing, we openly embodied this culture until COVID-19 forced us to work increasingly from home. By the way, I also sit in an open-plan office – when the COVID-19 restrictions allow – and benefit enormously from the advantages it brings in terms of daily collaboration with my colleagues.

Have you observed an increased trend toward healthier lifestyles? Do you sense a greater need for targeted support in this area?

For some years, people have been paying more attention to their health, exercising more and eating more consciously. And not just as pure prevention, but as part of their lifestyle – in the sense of preventive health. So this is not something new. We're trying to tap into this trend and support our customers on their health journey through our apps, such as Coach or Active, and other tools.

With all of these applications there's the question: To what extent do users trust the various healthcare players with regard to security and data? Customer trust is of central importance to us. After all, only if customers trust us can we assist and support them throughout their lives. Customers must be able to decide which data they disclose to whom, and they need to understand how they benefit from sharing it.

How do you design internal innovation processes in an industry that is highly regulated and limited in its product range?

There are several approaches. First, we work directly with start-ups in various areas like our Sanitas apps. We also keep a close eye on what's happening at young creative startups and take inspiration from them.

Second, we have our Service Innovation Lab, a lean central unit where people from our business lines work with Lab employees on innovation projects. It's where we bring together relevant experience and know-how.

Third, all employees are encouraged to contribute new ideas. We give them space to do so. Our decision-making and development processes are fast and empower people to try things out.

The insurance business in general has changed dramatically as ecosystems have increasingly emerged. Competition has intensified and strategic partnerships will become much more relevant. What significance do these ecosystems have for you as a health insurer?

The topic of integrated care is not new in itself. There's no doubt that customers want to cover as many needs as possible via a small number of interfaces. In 2019 we teamed up with Medbase to launch the alternative insurance model "MultiAccess". The idea is to give customers different ways of accessing medical services, to give them flexibility, whether they choose advice by telephone or a personal consultation at a clinic, pharmacy or telemedicine center.

Integrated care takes this even further as it extends along the entire care pathway – the customer should receive optimum support. All parties involved benefit from efficiency gains, while the customer enjoys more convenience in relation to medical treatments. The healthcare system is a highly complex entity so it's important to manage interfaces so that customers get simple access to medical care. In future, we'll see different manifestations of healthcare ecosystems. It will be interesting to see how these packages are received by customers in the future.

You mention the highly complex healthcare system. What could be done to simplify certain processes and save costs without reducing the service to patients?

The Swiss healthcare system is certainly one of the best in the world, and we have every right to be proud of this achievement. Nevertheless, there are various aspects that need to be broken up and simplified. Unfortunately, the political and regulatory environment leaves little room for maneuver. One central element, for example, is the fact that the cantons play multiple roles in healthcare. While there are undoubtedly many advantages of the federalist system, it's not ideal that the cantons have so many different roles.

Infrastructure is another point. The Swiss hospital landscape includes over 200 institutions, and they're all planned, financed and operated individually in each canton. One approach could be supra-regional centers for medical specialisms, like they have in Denmark, and regional hospitals for primary care. Electronic patient records would improve and simplify the flow of information. The introduction of electronic patient records has already been mapped out, actually, but doesn't seem to be getting anywhere.

How will the healthcare system change for me as a patient in light of digitalization?

In the future, if I want to find out something about myself and my health, I probably won't go to the doctor to have my blood pressure measured and blood tested. These tasks will be done using mobile devices that measure the relevant data directly on my body. I call this "digital mobile medicine" and my theory is that this will develop as a second, more cost-effective pillar in medicine. Processes will become massively less expensive – and also faster. Of course, I won't be left

alone with the bare numbers and values; I'll have apps that give me more information, or I'll talk directly to experts and doctors via phone, chat or video conference. This continuous self-monitoring of relevant parameters and medical measures, including preventive, will irreversibly change our healthcare system in the future.

How do we, as a society, deal with all the new data and insights the digital world offers? Isn't there also a degree of risk?

Absolutely, that's one of the big questions we'll have to address. If digital and transparent patient records tell us almost everything about a person – from their genetic predisposition to eating habits and lifestyle – we'll inevitably be able to predict with a high degree of probability the course of a disease. As a society, we need to define the extent to which we consciously avoid using an individual's data so that everyone has the personal freedom to live their life as they see fit and still be supported by solidarity-based insurance benefits when they get sick. This is a discussion that we'll have to have in society and politics – and it will certainly occupy us.

What would you most like to see happen in healthcare over the next five years?

My greatest wish is directed to the regulator. Ever since the Health Insurance Act was introduced in 1996, the regulatory screw has been turned tighter and tighter. Every inconsistency has been followed by yet more regulation. I strongly believe that this perspective should be reversed, and greater freedom and competition allowed into the healthcare market through a selective reduction in regulation. More competition generates more innovation, which in turn means creative solutions and ultimately better prices. Innovation is key to successfully tackling the challenges in healthcare.

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