HEALTH INSURANCE CEO PERSPECTIVES

The Sanitas Journey:
A Digital Business Model at its Core

The Zurich-based Sanitas Health Insurance offers basic and supplementary health insurance solutions, fulfilling its commitment to make quality healthcare accessible to individuals and organizations in Switzerland. The company's proud 59-year history includes an unwavering dedication to its mission and a commitment to progress and efficiency through digital innovation.

After serving as the insurance group's CEO for more than a decade, Otto Bitterli has recently taken on the role of Chairman of the Board of Directors. Digitalization and technological advancement have always been top priorities for Otto Bitterli throughout his career at Sanitas. In an interview with McKinsey, Bitterli discusses the company's priorities regarding its digital transformation and its commitment to maintaining its position as "a flexible and innovative long-term partner" to its customers.

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What does digitization mean to you and why does it matter for health insurance?

Digitization means much more to me than automation and the accumulation of data. Digitization represents an opportunity for customer-centric individualization. Customers have growing expectations when it comes to the services they receive, how they can pick and choose, build their own favorites, and pay quickly and easily. Digitization is a unique opportunity to respond to these growing expectations and deliver on them. One way we're doing this is through inter-active, easy-to-use tools that help us work with our customers in disease recovery and prevention. On the back end, digitization enables us to process claims much more efficiently, and it help us drive sales more effectively.

When and why did Sanitas start on its journey towards becoming a digital health insurer?

Historically, Sanitas delivered private health insurance products primarily through partner insurer networks. We focused exclusively on product development, service delivery and claims reimbursement. Looking ahead, however, we began to think about the long-term viability of a network-based sales model. We wanted to get closer to our customers and start our own direct distribution. So, the fact that going digital is clearly the future of operations in our industry, combined with our strategic ambition to meet a variety of customer service needs, made investing in our own digital sales channel the obvious choice.

What have been the key steps taken on the journey?

Sanitas began its digital journey in 2012. In that first year we focused on building the digital operating model. We also sought to cultivate a digital culture by launching "Sanitas 3.0". This was our internal, startup-like project that resulted in the IT architecture that has become the backbone of our digital model. Once the basic digital model was firmly in place, we started looking at scale. We made the decision to outsource core IT and focus on agile IT developments with the aim of generating added value for our customers and partners through personalized products and services.

But, beyond the nuts and bolts of building our model, Sanitas 3.0 was also designed to transform the way we think about our work and transform our organization into one that values the collective over the individual and collaboration over competition. I regard this as an ongoing task.

Did you encounter any bumps on the road to digitization?

Sure. Early on we identified the need to review our digital business model with a view to centrally coordinating and steering our digitization efforts. Up to that point, each business unit had been driving its own efforts. The result was a fragmented digital portfolio, and full implementation was more challenging than it should have been. It also meant that there was no clear vision for the use of analytics. Reorienting from that "siloed," business unit-level

approach to more of a "one company" ecosystem is an ongoing challenge. We're also still working on moving away from descriptive statistics to become more intentional about our approach to data – testing hypotheses to get as much meaningful information and encouraging "new thinking".

What would you say is the key element of an organization's digital design?

I would say that transformation is the key. A business needs to determine where its transformation will begin. For us, the front-end, particularly sales, was the starting point. But that was just the beginning. Full realization of the digital business model requires an overall transformation right down to the organizational DNA. For Sanitas, digitization didn't just mean that we had new sales channels; it also meant that we have committed to making the fundamental shift from an operation-driven company to an analytics company. This is where leadership and management expertise become important. The role of the CEO is not to drive front-end applications, but to champion holistic transformation and ensure full implementation of the strategy throughout the organization.

What's next in the digital journey for Sanitas?

We have plans to pilot a digital interaction model and introduce an innovative product portfolio that is in line with our digital agenda. At the organizational level, we will really be putting our management team to the test. Specifically, we will be looking to see if we have what it takes to foster innovative approaches and really pushing our efforts and thinking beyond pre-defined boundaries. Our success will depend not on management's ability to respond to change but actually being a catalyst for innovation.