

FROST & SULLIVAN

BEST PRACTICES

AWARDS

FROST & SULLIVAN

2020 BEST PRACTICES AWARD

CHANGE
HEALTHCARE

**2020 UNITED STATES
REVENUE CYCLE MANAGEMENT
PRODUCT LEADERSHIP AWARD**

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Background and Company Performance

Industry Challenges

In the United States, the prevalence of health insurance plans with various deductible arrangements (85%) coupled by intense regulatory provision for episodic financial risk management drive hospitals' need for better prediction and utilization of revenue cycles. As a result, more than 72% of US-based hospitals are currently using multiple RCM systems along with their electronic medical record (EMR) systems to meet the evolving financial needs of a patient population that is enrolled in diverse payer programs. The majority (67%) of these hospitals are failing to reach their financial outcome targets due to issues that range from lack of IT interoperability to poor regulatory compliance.

Moreover, patients' expected direct contribution to total provider revenue is increasing rapidly. In 2018, approximately 35% of the total US physician practice revenue was contributed by patients, up from 15% in 2014. Additionally, more patients are deferring payment on their healthcare bills—resulting in cash flow issues and solvency concerns for providers. The reasons behind patients' failure to make timely payments vary, but often boil down to their lack of awareness about what they owe. For instance, almost 75% of patients who receive ambulatory care are informed about their financial responsibility after the medical bills have been officially generated. Since almost 56% of patients are not financially able to pay medical bills over \$1000 and almost 40% of patients are likely to borrow money or sell personal possessions to cover emergency medical expenses, US-based providers are exploring next-generation RCM IT and services that offer full pricing transparency to improve patients' overall financial experience. Hence, solutions that verify insurance benefits before care is delivered and educate patients upfront about the amount of their co-pay will experience high demand.

Vendors that can optimize financial performance through error-free clinical documentation, successful ICD-10 transition, automated payment preauthorization, and robust RCM analytics will have increased relevancy in the market. Data integration among disparate RCM systems and underlying EMR will be key to improve financial efficiency at an enterprise level. Revenue cycle data when normalized and combined with clinical records, creates tangible evidence about patients' financial responsibility and likelihood of timely payment. Hence investment towards robust RCM platforms is going to yield positive ROI in the form of higher productivity and profitability for hospitals.

Frost & Sullivan posits that in the foreseeable future, artificial intelligence (AI) and blockchain technologies will become essential components of all advanced RCM portfolios: AI can help select the right codes for complex diagnosis at the point of service and indicate to patients the out-of-pocket costs, before providers administer care; AI can also help providers create compliant documentation that can improve claim accuracy. Frost & Sullivan research reveals that next-generation RCM solutions will be able to digitize the entire billing ecosystem as well as demonstrate end-to-end managed care capabilities, such as patient access management (eligibility checking and enrollment), third-party coverage assessment, financial counseling, and payment authorization services. Top vendors will also leverage advanced analytics to identify opportunities for additional profit and optimal returns, such as

determining the margins for ancillary services and ensuring that reimbursement covers costs. This is not an easy task in an industry where providers, on average, lose 14% per dollar claimed per patient. EHR centricity, service scalability, price customizability, and ecosystem-level connectivity will be key features of an industry-leading integrated financial management solution for a value-based care system.

Product Family Attributes and Business Impact

Match to Needs & Reliability and Quality

By the end of 2020, the aggregate volume of all healthcare data is projected to be 2,314 Exabyte, up from 153 Exabyte in 2013. In the next 5 years, the healthcare industry is poised to generate more data (900% growth is projected during the period) than any other industry in the United States. Patients' financial data is one of major contributors to the aggregate volume; however, it is also one of the least streamlined data sources in healthcare. As a result, the US RCM market needs next-generation enterprise RCM platforms that achieve national-level scalability.

The underlying IT architecture of a best-in-class RCM platform should be able to aggregate, normalize, and structure patients' financial data from disparate health systems that are actively affiliating with provider subsidiaries or collaborating with other partners (e.g., payers/providers/pharmacies/government agencies) across the care continuum. This need is going to be even more prevalent in the next few years as growth of the US patient population enrolled in ACO contracts (mainly commercial) has been accelerated, and the momentum is likely to be sustained due to the finalization of Merit-based Incentive Payment System (MIPS) reporting requirements for all providers in 2020.

Headquartered in Nashville, TN, Change Healthcare is a major US healthcare company that offers a range of value-based IT and IT-enabled services to more than 5500 hospitals and 900,000 physicians. Beyond assisting providers, Change Healthcare also facilitates more than 2000 payer connections and processes 14 billion healthcare transactions within its network of 33,000 pharmacists, 3,300+ imaging centers, 600 laboratories, and 118,000 dentists. Overall, the company currently claims to have access to 33% of total US patient records. Also, it has processed more than 1 trillion healthcare claims to date. These impressive statistics imply that Change Healthcare has created a substantial market footprint supported by an unmatched capability to enable end-to-end revenue cycle management for a wide variety of customers that are either trying to improve cash flows and reduce costs or are pursuing strategies to enhance patients' overall financial experience.

Product and Service Value & Design

Over the last 30 years, Change Healthcare has effectively addressed many RCM challenges that were broadly contingent on the need to digitize RCM processes for payers and providers. Today, the US RCM market has matured significantly as almost 90% of all payers and providers are using IT-enabled RCM solutions to address historical inefficiencies. The future of RCM is going to be different. Consumer-centricity is going to be a top priority of all progressive US health systems. Proven expertise on various solutions that consumers will

use on a daily basis to find providers, estimate financial responsibility, manage appointments, and deliver payments will differentiate winners from laggards in this market.

Change Healthcare offers integrated financial solutions that establish omni-channel consumer-centricity within a defined RCM workflow. Its next-generation patient access management tools (communication and financial clearance solutions) effectively activate patient engagement via a comprehensive benefits eligibility assessment including the option to pay through a variety of online and offline modes. Patients who need financial counseling to understand their health plans and disseminate deductibles are offered proactive services designed to ensure they uphold timely and full payment to their providers.

The company extends its patient access management services even further to target broad healthcare consumers who are actively utilizing various digital platforms to find quality care that is cost effective and supported by third-party sponsors (employers and unions).

For example, Change Healthcare offered RCM services to Halifax Health, which deploys 500+ physicians, caters to 56 medical specialties, and offers 650+ beds in the United States. Halifax Health had been delivering uncompensated care, worth USD54 million every year. In response, Change Healthcare came on-board with trained staff and progressive technologies to focus exclusively on qualifying patients for Medicaid, Supplemental Security Income (SSI), and Social Security Disability Insurance (SSDI) as well as assisting patients in submitting applications and enrolling in the right program. As a result, Halifax converted USD69 million from self-pay into Medicaid and other funding programs in 12 months. Also, patients' overall healthcare satisfaction score improved significantly.

Overall, Change Healthcare exemplifies how RCM vendors play an important role in optimizing patients' financial experience both before care and at the point of service.

Apart from patient access management, Change Healthcare is equally competent to offer best-in-class solutions for revenue integrity management and financial risk minimization. Frost & Sullivan acknowledges that revenue leakage and payment fraud can be mitigated more cost effectively with the help of cognitive tools that drive process automation. Change Healthcare has invested in RCM AI technologies to drive error-free charge capture and predict the propensity of denials before claims are sent to payers. It has also introduced AI-enabled RCM workforce automation tools that enable progressive providers to reduce physician burnout related to clinical documentation and coding activities. RCM teams are leveraging these tools to deliver a higher number of accurate charge entries in a given period of time. More importantly, Change Healthcare's RCM AI technology is able to predict time-to-payment by analyzing each claim against statistical patterns for adjudication responses. Claims that are denied due to avoidable or non-avoidable reasons are automatically reassessed to incorporate evidence into the cognitive platforms, which will prevent future denials and reduce appeals while processing claims that bear similar patterns of qualitative or quantitative inefficiency. Overall, Change Healthcare has proven expertise to offer end-to-end middle office and back office RCM services for all healthcare settings including IDNs, large hospitals, academic medical centers, and ambulatory physician practices.

Growth Potential & Positioning

Change Healthcare is making strategic investments to grow its RCM business, and its core focus has been on performance analytics that offer unmatched visibility into various performance improvement opportunities in reference to patient access management, clinical documentation, claims management, contract management, and payer-provider collaboration. Such outcomes-driven RCM workflows deliver superior results in the form of reduced cost in collecting patient revenue, higher productivity, enhanced patient satisfaction, and comprehensive regulatory compliance—the four most tangible value propositions that really matter in the US RCM market today. As a result, the company is well positioned to grow its RCM business by leveraging its already vast network of payer and provider customers across almost all US states.

Conclusion

The US RCM market is fast reaching the maturity stage, and major providers do not want to invest in comprehensive RCM replacement platforms any time in the near future. However, they realize that their incumbent RCM solutions need to evolve and include add-on solutions that establish improved consumer-centricity and deliver cognitive process automation, at scale. Targeted RCM services that optimize reimbursement and minimize denials for providers are equally important. Payers too are looking for agile RCM solutions that automate payment fraud management via seamless connectivity between payer-provider RCM systems. Overall, as the scope of the US RCM market has expanded from patients to all healthcare consumers, the need for broader RCM IT architecture, supported by interoperable technologies, will intensify in the future.

Change Healthcare remains at the forefront of RCM innovation and has demonstrated its proven expertise to transform the entire RCM workflow for a wide range of customers, over many years. Additionally, the company remains committed to invest in progressive RCM technologies, such as AI, that deliver increased ROI for its ecosystem of customers and move with the industry trend towards patient-centricity and value-based care delivery. For its strong overall performance, Change Healthcare has earned Frost & Sullivan's 2020 product leadership award for the total RCM market.

Significance of Product Leadership

Ultimately, growth in any organization depends on customers purchasing from a company and then making the decision to return time and again. A comprehensive product line filled with high-quality, value-driven options is the key to building an engaged customer base. To achieve and maintain product excellence, an organization must strive to be best in class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.



Understanding Product Leadership

Demand forecasting, branding, and differentiating all play critical roles in finding growth opportunities for your product line. This three-fold focus, however, must be complemented by an equally rigorous focus on pursuing those opportunities to a best-in-class standard. Customer communication, customer feedback, pricing, and competitor actions must all be managed and monitored for ongoing success. If an organization can successfully parlay product excellence into positive business impact, market share will inevitably increase.

Key Benchmarking Criteria

For the Product Leadership Award, Frost & Sullivan analysts independently evaluated 2 key factors—Product Family Attributes and Business Impact—according to the criteria identified below.

Product Family Attributes

- Criterion 1: Match to Needs
- Criterion 2: Reliability and Quality
- Criterion 3: Product/Service Value
- Criterion 4: Positioning
- Criterion 5: Design

Business Impact

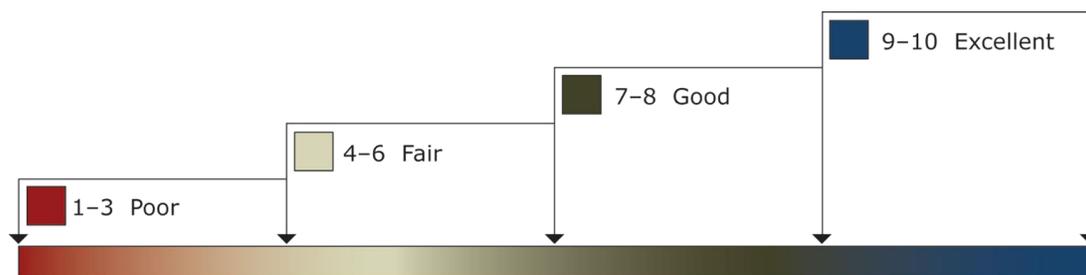
- Criterion 1: Financial Performance
- Criterion 2: Customer Acquisition
- Criterion 3: Operational Efficiency
- Criterion 4: Growth Potential
- Criterion 5: Human Capital

Best Practices Award Analysis for Change Healthcare

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows research and consulting teams to objectively analyze performance according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation. Ratings guidelines are illustrated below.

RATINGS GUIDELINES



The Decision Support Scorecard considers Product Family Attributes and Business Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criterion are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, Frost & Sullivan has chosen to refer to the other key participants as Competitor 1 and Competitor 2.

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Product Leadership	Product Family Attributes	Business Impact	Average Rating
Change Healthcare	9.5	9	9.5
Competitor 1	8.5	8	8.5
Competitor 2	8	8	8

Product Family Attributes

Criterion 1: Match to Needs

Requirement: Customer needs directly influence and inspire the design and positioning of the product family.

Criterion 2: Reliability and Quality

Requirement: Products consistently meet or exceed customer expectations for performance and length of service.

Criterion 3: Product/Service Value

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

Criterion 4: Positioning

Requirement: Products or services address unique, unmet needs that competitors cannot easily replicate or replace.

Criterion 5: Design

Requirement: The product features an innovative design, enhancing both visual appeal and ease of use.

Business Impact

Criterion 1: Financial Performance

Requirement: Overall financial performance is strong in terms of revenue, revenue growth, operating margin, and other key financial metrics.

Criterion 2: Customer Acquisition

Requirement: Product strength enables acquisition of new customers, even as it enhances retention of current customers.

Criterion 3: Operational Efficiency

Requirement: Staff is able to perform assigned tasks productively, quickly, and to a high quality standard.

Criterion 4: Growth Potential

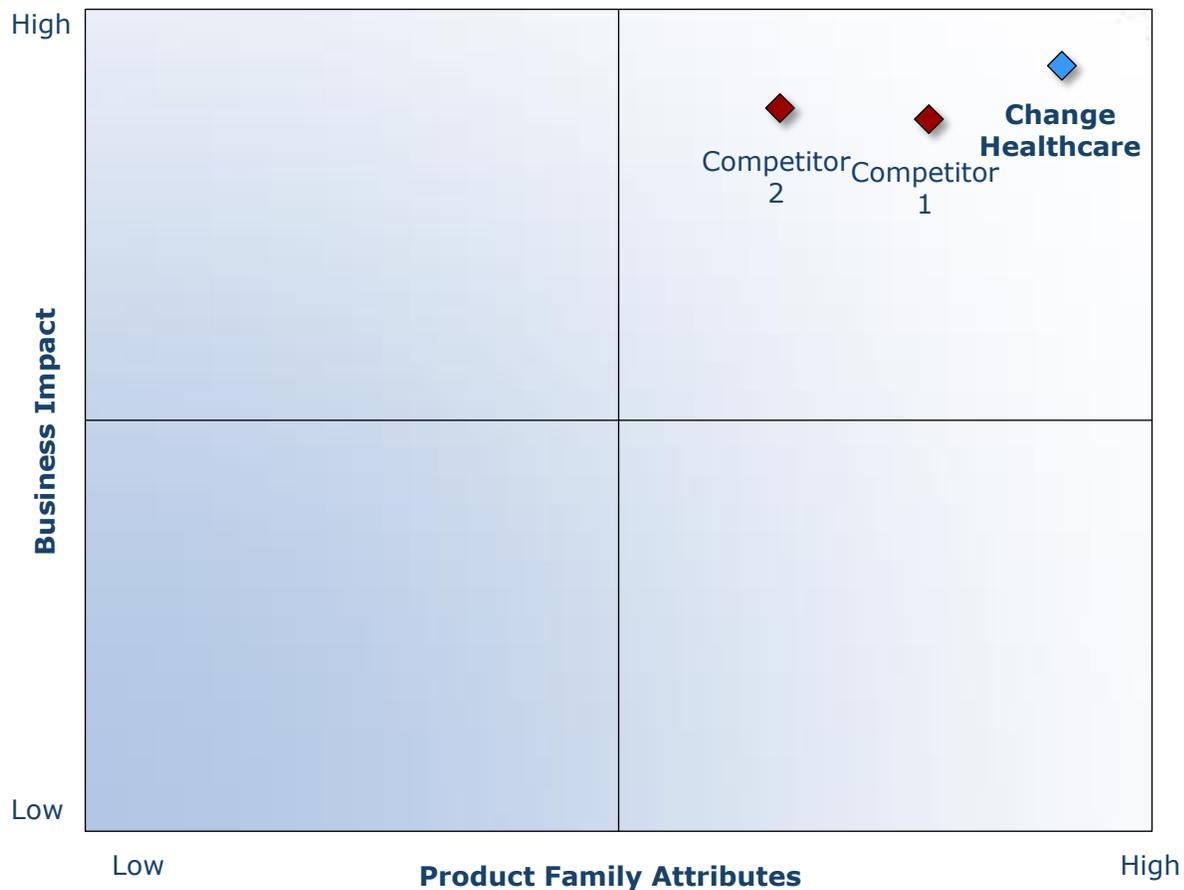
Requirements: Product quality strengthens brand, reinforces customer loyalty, and enhances growth potential.

Criterion 5: Human Capital

Requirement: Company culture is characterized by a strong commitment to product quality and customer impact, which in turn enhances employee morale and retention.

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.



Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

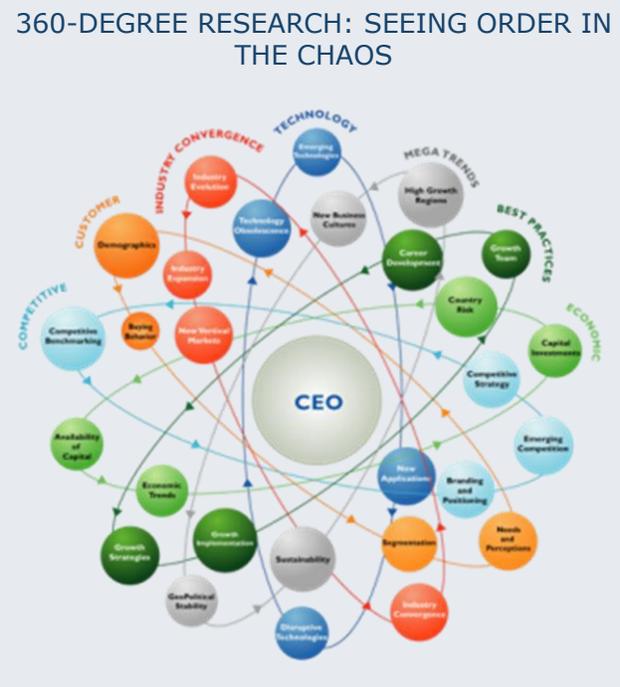
Frost & Sullivan analysts follow a 10-step process to evaluate award candidates and assess their fit with select best practices criteria. The reputation and integrity of the awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 Monitor, target, and screen	Identify award recipient candidates from around the world	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging industries • Scan multiple regions 	Pipeline of candidates that potentially meet all best-practice criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best practices criteria • Rank all candidates 	Matrix positioning of all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> • Confirm best practices criteria • Examine eligibility of all candidates • Identify any information gaps 	Detailed profiles of all ranked candidates
4 Initiate research director review	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles 	Final prioritization of all eligible candidates and companion best practices positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> • Share findings • Strengthen cases for candidate eligibility • Prioritize candidates 	Refined list of prioritized award candidates
6 Conduct global industry review	Build consensus on award candidates' eligibility	<ul style="list-style-type: none"> • Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates 	Final list of eligible award candidates, representing success stories worldwide
7 Perform quality check	Develop official award consideration materials	<ul style="list-style-type: none"> • Perform final performance benchmarking activities • Write nominations • Perform quality review 	High-quality, accurate, and creative presentation of nominees' successes
8 Reconnect with panel of industry experts	Finalize the selection of the best practices award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select recipient 	Decision on which company performs best against all best practices criteria
9 Communicate recognition	Inform award recipient of recognition	<ul style="list-style-type: none"> • Inspire the organization for continued success • Celebrate the recipient's performance 	Announcement of award and plan for how recipient can use the award to enhance the brand
10 Take strategic action	Upon licensing, company is able to share award news with stakeholders and customers	<ul style="list-style-type: none"> • Coordinate media outreach • Design a marketing plan • Assess award's role in strategic planning 	Widespread awareness of recipient's award status among investors, media personnel, and employees

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, resulting in errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, helps clients accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's growth team with disciplined research and best practices models to drive the generation, evaluation, and implementation of powerful growth strategies. Frost & Sullivan leverages nearly 60 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on 6 continents. To join Frost & Sullivan's Growth Partnership, visit <http://www.frost.com>.