FROST & SULLIVAN

OPTUM360°®

2017 United States RCM Coding and Clinical Documentation Market Leadership Award

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Background and Company Performance

Industry Challenges

The U.S. healthcare industry is in need of revenue cycle solutions that support healthcare organizations in the transition to various reimbursement models. Prevalent financial solutions often fail to effectively capture full reimbursement from payers for a wide variety of patient services commonly rendered by hospitals and physician practices. Many services are related to complex chronic conditions and associated complications that require advanced clinical documentation and coding.

The recent transition from ICD-9 to ICD-10 (International Classification of Diseases) codes helped providers realize that their underlying health information management (HIM) encoders are not adequately equipped to manage the increased coding specificities of ICD-10, which include 28 times as many procedure codes and five times as many diagnosis codes. Frost & Sullivan notes that the productivity of in-house coders has also dropped significantly, as most point-of-care physicians are still opposed to the idea of having to pursue coding and practice medicine simultaneously and remain noncompliant with specific documentation/coding standards; this is due to their lack of interest in or inability to digitally identify and attribute appropriate codes for each patient. The increasing reliance on high-wage coders to edit claims to prevent denials is compelling provider executives to embrace clinical documentation improvement (CDI) and computer-assisted coding (CAC) solutions that automate the coding process from clinical documentation, standardize coding workflows at an enterprise level, and streamline the cost of clinical documentation and coding per claim.

Medical coders provide a critical service, so their role obviously cannot be eliminated; however, Frost & Sullivan points out that proper access to CDI and CAC products can help them produce accurate claims more quickly by digitally tracing appropriate codes from thousands of possible options.

Frost & Sullivan research shows that the value proposition of CDIs and CACs will continue to be quite substantial due to the following factors:

- The average patient footprint per hospital remains strong amid the prevalence of chronic diseases. This will increase the volume of specialty-specific claims that must be processed digitally.

- Providers will embrace accountable care approaches due to increasing scrutiny from the Centers for Medicare and Medicaid Services and private payers. Automated coding will be used to detect any potential patterns of error or fraud.

Overall, ICD-10, payer-specific coding requirements and higher scrutiny for coding compliance are driving providers to opt for more efficient coding products that primarily include CDI and CAC solutions.

Market Leadership

Growth Strategy Excellence

Frost & Sullivan's independent research of the U.S. RCM market reveals that the digitization and standardization of RCM middle-end processes, which include clinical documentation and coding, can provide substantial cost competitiveness to providers. Historically, providers spent $25 per claim to reprocess those that were denied or required editing—generally, 5–20 percent of all claims. More efficient clinical documentation and coding would have helped them prevent more denials-and realize better revenue collection worth millions of dollars.

- Frost & Sullivan observes how Optum Enterprise CAC and CDI 3D solutions are positioned to help providers improve revenue cycle performance and can:

- Review clinical documentation in real time: The CDI 3D case-finding feature identifies gaps in documentation and potential quality events at point of care – to address as they occur. Seamless workflow between CDI and coding teams ensures more complete and accurate documentation – leading to more complete and accurate coding and reimbursement.

- Capture appropriate codes: Optum NLP technology applies both basic terminology matching skills and advanced artificial intelligence capabilities to auto-identify current procedural terminology and diagnostic codes within clinical documentation for coding staff review. Assigned codes are connected to documentation supporting the code assignment.

- Increase staff productivity: Automated clinical documentation review and code attribution ensure coders spend less time searching for the right codes to assign.

Product Differentiation and Implementation Excellence

Frost & Sullivan observes that the adoption of CAC and CDI products is mainly to integrated delivery networks, multispecialty hospital systems, and large physician practices that primarily deploy at least 50 physicians. These provider groups must successfully process a high volume of specialty-specific claims tied to value-based reimbursement, and have the ability to invest substantial capital in progressive financial IT solutions. C-level executives strive to ensure that the products in use sustain a 95 to 98% clean claims rate for submissions to payers, and evaluate the quality and usability of CAC and CDI solutions before choosing a vendor.

Frost & Sullivan finds that Optum Enterprise CAC and Optum CDI 3D products are technologically superior, as they foster seamless interoperability between CDI and coding departments. Both of these products share the Optum LifeCode NLP technology that automates identification of correct codes based on physician documentation. The Optum CDI 3D solution is also exclusive; powered by natural language processing (NLP)

technology and clinical-based algorithms, it improves RCM staff efficiency via concurrent, automated review of clinical documentation for deficiencies. CDI 3D case-finding identifies the cases with gaps in documentation or potential quality events for review. A wide variety of encoding tools and services ensure that the CDI and CAC processes are standardized and drive measurable results. Value benefits such as CDI automation, NLP-based case reviews, work-list-enabled chart review prioritization, transparent governance of CDI operations via on-demand dashboards and KPI benchmarking for executives allow health systems to improve clinical documentation integrity and coding efficiency at an enterprise level. The tangible benefits of the Optum CAC and CDI technologies for providers that historically generated non standardized reports are equally important for every vendor in this space. In 2016, Enterprise CAC customers were able to process over 800 million unique clinical documents that were prepared across multiple care settings and via a diverse set of underlying technology platforms, including electronic health record (EHR) and RCM systems. Optum supports a wide range of document formats originating from disparate care departments including inpatient, emergency medicine, ambulatory surgery, and observation care, in addition to imaging, labs, and diagnostic testing systems.

Such comprehensive clinical documentation and coding capabilities have helped Optum sustain a favorable mindshare among the most prestigious health systems in the United States.

Today, Optum is successfully catering to both acquired and replaced markets, since its CAC and CDI capabilities are broadly perceived as HIM encoder agnostic.

The Optum Enterprise CAC Platform can include its coding & reimbursement module, which provides all encoding tools within a single application. This pioneering value proposition drives provider systems to consider Optum CDI and CAC products as the single solution for all hospitals CDI and coding needs.

In this way, a wide range of CAC and CDI users who either renewed long-term value-driven contracts with Optum360 or migrated from competing products have completed a seamless transition to more streamlined and efficient coding workflows that are also manageable and measurable in real time via dashboard reporting. Such favorable customer responses resulted in significant increase of market share for Optum360 over the last few years.

Brand Strength

Optum, a leading IT company based in Eden Prairie, MN, earned $83.6 billion in 2016— 24% higher than its 2015 revenue. Average revenue per customer for OptumHealth, which was reported as $54.2 million for 83 customers in Q4 2016, grew by 14.34% year over year. OptumHealth provides clinical and financial IT solutions to payers and providers. The company is also poised to grow inorganically with its unmatched appetite for primary care providers and leading health care companies. OptumCare®, which comprises urgent care centers and community health clinics, has been on an acquisition

spree for U.S.-based physician practices since 2015: In January 2016, it acquired MedExpress, which has a footprint in 14 U.S. states and serves close to 7 million patients who are covered by more than 150 different health plans. In January 2017, UnitedHealth Group acquired Surgical Care Affiliates for a whopping $2 billion and merged it with OptumCare. In April 2017, it acquired American Health Network for $184 million. In August 2017, Optum announced its plan to acquire The Advisory Board health care business for $1.3 billion, and leverage its key product offerings tied to health care research, technology and advisory services.

Frost & Sullivan recognizes that this aggressive acquisition strategy that expanded the Optum health care portfolio is a key reason why the company is able to consolidate a vast amount of patient data that can be assessed to help providers take the right step in regards to evidence-based RCM and population health management.

Product Quality and Technology Leverage

Optum LifeCode NLP technology holds 5 patents that cumulatively enable users to practice a variety of advanced clinical documentation and coding techniques. This includes the ability to:

- Apply statistical algorithms for the purpose of differentiating medical facts from generic clinical documentation,

- Promote usage of appropriate clinical definitions during documentation based on automated assessment of multiple disease factors (e.g., acuity, history, body location, timing),

- Stratify key clinical context from free texts and single phrases, which are commonly provided by most physicians today, and

- Effectively audit clinical documents and coding workflows to highlight potential gaps.

Since Optum Enterprise CAC and CDI 3D tools are driven by the unique capabilities of Optum LifeCode, provider customers can accelerate clinical documentation improvement and accurate code assignment, contributing to revenue integrity and operational efficiency. The Optum team of consultants, trainers, IT implementers, and performance management experts ensure that every provider can achieve measurable results and receive support throughout the engagement to manage the transition toward accountable financial management.

Conclusion

Frost & Sullivan independent analysis confirms that Optum is the proven market leader in the important RCM IT segment of CAC and CDI. The company's visionary technological capabilities are fortified by its corporate thought leadership that promotes continual product improvements via organic and inorganic approaches. Patented technologies, coupled with experienced support staff ensure that Optum customers thrive with better financial outcomes. For example, Mission Health System in Asheville, NC, recently achieved $297,000 in higher diagnosis-related group reimbursements per month, and Trinity Health, which serves North Dakota and eastern Montana, improved outpatient coding productivity by 72%, resulting in a 15% reduction in accounts receivable days.

With its strong overall performance, Optum has earned the 2017 Frost & Sullivan Market Leadership Award.

Significance of Market Leadership

Ultimately, growth in any organization depends upon customers purchasing from a company, and then making the decision to return time and again. Loyal customers become brand advocates; brand advocates recruit new customers; the company grows; and then it attains market leadership. To achieve and maintain market leadership, an organization must strive to be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.

Understanding Market Leadership

Driving demand, strengthening the brand, and differentiating from the competition all play a critical role in a company's path to market leadership. This three-fold focus, however, is only the beginning of the journey and must be complemented by an equally rigorous focus on the customer experience. Best-practice organizations, therefore, commit to the customer at each stage of the buying cycle and continue to nurture the relationship once the customer has made a purchase. In this way, they build a loyal, ever-growing customer base and methodically add to their market share over time.

For the Market Leadership Award, Frost & Sullivan analysts independently focused on specific criteria to determine the areas of performance excellence that led to the company's leadership position.

Criterion	Requirement
Growth Strategy Excellence	Demonstrated ability to consistently identify, prioritize, and pursue emerging growth opportunities
Implementation Excellence	Processes support the efficient and consistent implementation of tactics designed to support the strategy
Brand Strength	The possession of a brand that is respected, recognized, and remembered
Product Quality	The product or service receives high marks for performance, functionality, and reliability at every stage of the life cycle
Product Differentiation	The product or service has carved out a market niche, whether based on price, quality, or uniqueness of offering (or some combination of the three) that another company cannot easily duplicate
Technology Leverage	Demonstrated commitment to incorporating leading-edge technologies into product offerings, for greater product performance and value
Price/Performance Value	Products or services offer the best value for the price, compared to similar offerings in the market
Customer Purchase Experience	Customers feel they are buying the most optimal solution that addresses both their unique needs and their unique constraints
Customer Ownership Experience	Customers are proud to own the company's product or service, and have a positive experience throughout the life of the product or service
Customer Service Experience	Customer service is accessible, fast, stress-free, and of high quality

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

Frost & Sullivan Awards follow a 10-step process to evaluate Award candidates and assess their fit with best practice 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 globe	• Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies	Pipeline of candidates who potentially meet all best-practice criteria
2	Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	• Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice 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	• Confirm best-practice 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	• Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles	Final prioritization of all eligible candidates and companion best-practice positioning paper
5	Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	• 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	• 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	• 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-practice Award recipient	• Review analysis with panel • Build consensus • Select recipient	Decision on which company performs best against all best-practice criteria
9	Communicate recognition	Inform Award recipient of Award recognition	• Present Award to the CEO • 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	• Coordinate media outreach • Design a marketing plan • Assess Award's role in future 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, leading to 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.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to 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 practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.