Risk Spectrum Insights

BRIEFING BOOK

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TOTAL CUSTOMER EXPERIENCE

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VISION STATEMENT

Equip Payers with on-demand digital tools and advanced analytics that deliver transparent, accessible, data-driven insights to enable innovation in program delivery, member and provider retention, operational efficiency, and improved health and economic outcomes.

VALUE PROPOSITION

Provide a flexible, modular end-to-end Risk Adjustment solution that enables Payers to achieve risk score accuracy in a timely and compliant manner.

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PRODUCT JOURNEY...SO FAR

As new competitors have entered the Risk Adjustment market many services have come to be seen as commodities and buyers have become more price conscious. At the same time, more sophisticated buyers and their evolving needs are increasing pressure on Inovalon execution teams to flex solutions in new, unplanned ways, negatively impacting Total Customer Experience. In addition, the Risk reporting experience is disjointed, unreliable and not competitive.
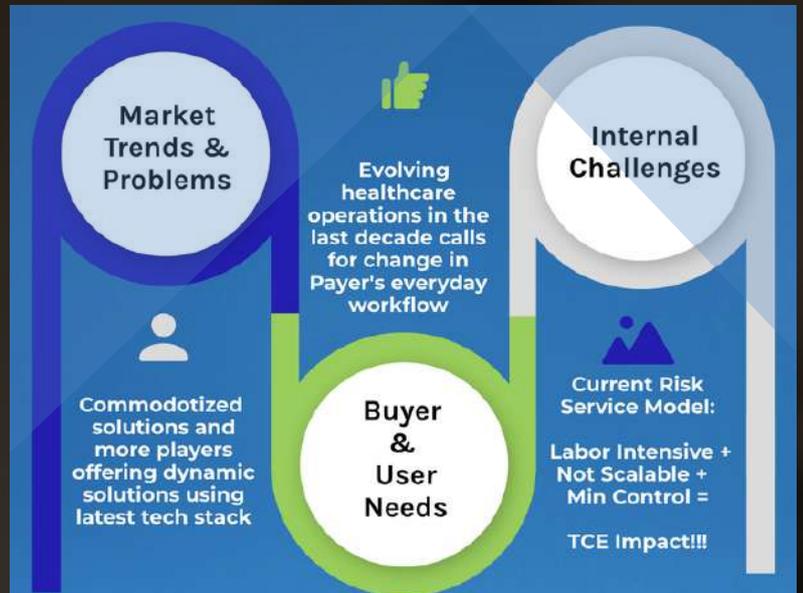
In April 2020 the Product and Design Strategy teams embraced this challenge and began a research project to understand the landscape. After listening to the needs and pain-points of our customers, the team prototyped possible solutions and began iterative concept validation with customers.

MARKET PROBLEMS

Payers are resource constrained in their ability to effectively and efficiently manage all aspects of Risk and Quality programs.
As a result, they outsource components in order to meet their performance goals (deliver value, improve outcomes, drive provider & member retention.

- **Incomplete and Outdated Data and Analytics:** Member risk profiles differ across lines of business (Medicare, ACA and Medicaid). Payers serving these members must deploy risk adjustment specific analytic models to not only ensure accurate risk scores but also capture the member's social needs

- **Ensure Member Engagement and Retention:** Payers are looking for new and innovative ways to serve and engage their membership, including implementing digital/analytical solutions to extend outreach to members with socio-economic barriers.

- **Provider Engagement:** With the paradigm shift from volume to value, Payers find themselves in increased competition and price compression. New entrants in the healthcare services and technology domain need better tools and platforms to engage Providers.

- **Frequent and Complex Regulatory Changes:** Frequent regulatory changes present challenges to a Payer with the need for updated technology and programs so as to stay in business and be compliant in a highly regulated industry such as health care.

- **Expensive Operational Infrastructure and IT Costs:** In-house programs are costly to staff, monitor, and maintain

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MARKET TRENDS

Broad market trends suggest that customers need greater transparency and control and increased modular options. Vendors can differentiate through technology innovation and expanding analytic capabilities beyond Risk Adjustment.

- **Continued new market entrants,** not just startups, but established technology companies (e.g., Google) moving into risk adjustment.

- **Consolidation**, allowing narrow providers to evolve towards full service (e.g., IHA only provider Signify Health, buys Arrow Heath to add analytic capability).

- Payers making multi-million-dollar **investments to in-source risk adjustment** expertise including building analytic capabilities. Nearly all will continue to outsource some services despite new internal capabilities, this underscores the importance of modular solutions.

- **Integrating Risk and Quality member engagement** continues to be appealing (especially to MA and MM plans) but most plans still have distinct and disconnected owners / budgets / priorities, making it challenging to sell and deliver programs together.

- **Addressing Social Determinants of Health (SDOH)** is a high priority for health plans, but most still lack a concrete strategy on how to tackle the problem. This creates an opportunity for Inovalon to provide thought leadership and partner with early adopters.

- As the industry (and Inovalon) adopts **more sophisticated technologies**—APIs, data system interoperability, timely analytics— risk vendors need to establish relationships with not just the Risk team at health plans but with IT leadership as well.

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COMPETITION

Competitors in the Risk Adjustment market include Change Health, Optum, Pulse 8, Signify and many other small vendors. In recent years, the most significant competitors have been payers themselves. Mid-to-large size Payers such as Humana and Anthem, have spent significant resources to in-source some or many components of their Risk program. **Big software giants are trying to enter this market and making health care more consumer centric.**

Risk strategy has significantly evolved in the last 5 years. **Risk solutions and Member-HCC gaps are no longer considered niche.** As Payers have shifted their **focus to organic claims and increased provider engagement**, in-year prospective programs have taken precedence over medical record reviews through retrospective program. **Retrospective programs are viewed more as end of the CMS period projects to ensure risk score accuracy.**

| CAPABILITY	INOVALON	COMPETITORS	IN-SOURCED
Prospective and Retrospective Interventions	MET	PARTIALLY MET	MET
Subject Matter Expertise and Consulting	MET	PARTIALLY MET	UNMET
Integrated Risk Gap Analytics and Intervention Planning	MOSTLY MET	PARTIALLY MET	PARTIALLY MET
Modular and Flexible	PARTIALLY MET	PARTIALLY MET	PARTIALLY MET
All LOBs Covered	MOSTLY MET	PARTIALLY MET	PARTIALLY MET
Reporting Platform	MOSTLY MET	MET	MET
Timely Analytics and Data Return	UNMET	PARTIALLY MET	MET
Self-Service Tools/Platform	UNMET	PARTIALLY MET	MET
Advanced Analytics (e.g., AI & ML-based gaps including SDOH, Population Insights)	UNMET	UNMET	UNMET
Comprehensive Analytically Driven Interventions (e.g., nutrition, transportation, elderly care)	UNMET	UNMET	UNMET

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REVENUE

Prices, especially for analytics, have fallen by 80% or more over the last five years, increasing the percentage of revenue contributed by interventions to 80% in 2021 (compared to 50% in 2016).

Willingness to compete on price has reduced the number of opportunities lost due to pricing. Though improving, **Risk continues to be overly concentrated with the top ten clients accounting for 75.4% of revenue.**

	2018	**2019**	**2020**	**2021**
Total Risk Portfolio	$217.0	$236.7	$184.3	$210.0
Top 10 Clients	$183.4	$196.3	$140.0	$158.3
All Other Clients	$33.6	$40.4	$44.3	$51.7
Top 10 Concentration	84.5%	82.9%	76.0%	75.4%

*units measured in Millions

Integrated Risk Analytics   Integrated Risk Interventions   Submissions
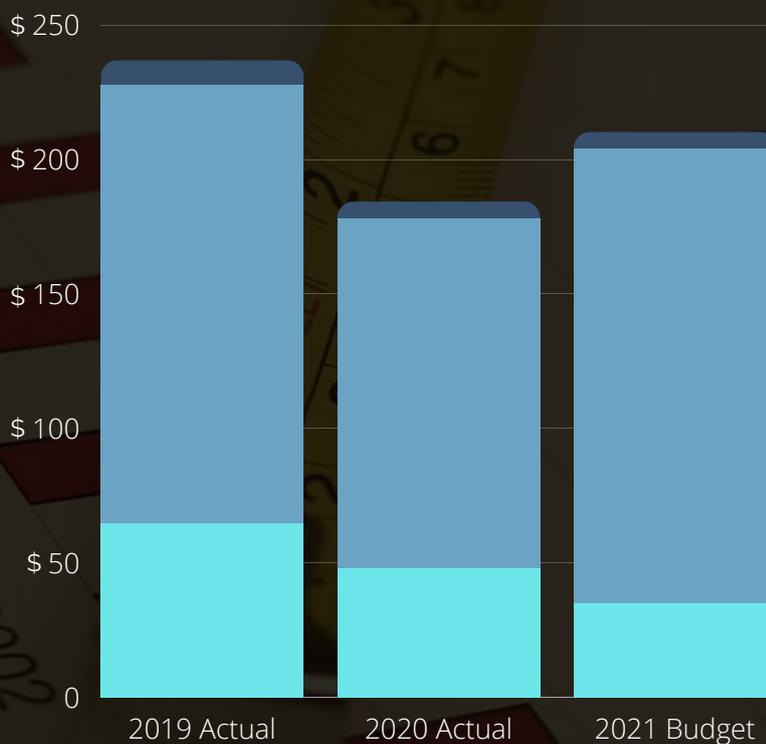
WIN-LOSS

- **39.6%** Average Win Rate by Opportunities
- **40 - 45%** of Losses are in "No Decision" or "Not Qualified"

WINNING THEMES

1. Relationship building and consultative approach close deals
2. Focused offering based on Line of Business (LOB)
3. Enhanced interventions with add-on SDOH capabilities
4. Strong Nurse Practitioner and Medical Record Reach across the nation
5. Ability to run different parts of the Risk program independently

LOSING THEMES

Renewals

1. Dissatisfaction with and lack of control over volume and timing of interventions
2. Poor accuracy/reliability of reporting
3. Price (even with a material price reduction legacy clients pay well above market rates)

De novo

1. Unwillingness to move from incumbent or internal solution/lack of true differentiator
2. Desire to have the control of running software rather than receiving a service
3. Reputation for being expensive with complex contracts, and generally too hard to work with

SWOT ANALYSIS

Inovalon is recognized as an industry leader of Risk Adjustment in terms of subject matter expertise and compliance with changing regulatory specifications. Inovalon's Risk solution has become more modular and flexible with lowered prices, however the outdated technology limits client customizations while keeping operational costs high.

Inovalon is uniquely positioned to enhance analytics with benchmarks and integrate new insights such as SDOH metrics into existing Risk and Quality interventions. The largest threat continues to be Payer in-sourcing. Inovalon should explore differentiated value propositions such as offering industry performance benchmarks, which Payers cannot generate in-house.

Strengths

Subject matter expertise across Medicare, ACA and Medicaid

Flexible and Modular implementation based on Payer's needs

Focused and CMS compliant offering based on LOB

NP and MRR Network

Weaknesses

Not scalable due to minimum automation and non-configurable software

Clients rely on reports and manual updates due to lack of self-service End User application

Clients don't have flexibility/control for gap identification and intervention planning

Data Dependency and data intake process prevents us from timely analytics and reporting as desired by the customers

Opportunities

Strategic partnerships through APIs

Enhanced Analytics and Intervention with SDOH capabilities

Threats

Giant software companies entering market

Continued in-sourcing and acquisition by Payers

> *I would like Inovalon to succeed, however I see you lagging behind on technology compared to others vendors in market.*
>
> *-Anthem*

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USER RESEARCH

Inovalon has conducted 2 market research studies and **4 user research studies including multiple rounds of concept testing with 3 different prototypes**. Feedback was overwhelmingly positive feedback from customers expressing gratitude for inviting them to participate and share their feedback. The atmosphere was collaborative, constructive, and honest.

> Really, thank you for asking us. I really appreciate it…being part of the development process since it is something you're building now, as opposed to just having it handed off to us. This is really exciting from my standpoint, so thanks for asking!

-Humana

> Thank you for giving me the opportunity to give feedback. I always like the opportunity to see what's new and share my ideas.

-Summacare

> Thank you! This was a really fun experience. I appreciate you being open to my ideas and including me on this development journey. It's exciting!

-Atrio

> If you go to implement something and it sounds great, bring us back in and have us eyeball it before you go live with it so we can give you feedback. …I love being a guinea pig!

-Anthem

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SAY HELLO TO OUR CUSTOMER PERSONAS

VP Risk/Quality/Finance/Operations

Hi, my name is Linda. My job is to ensure I meet my organization and department's goals: revenue, cost and member & provider retention.

I WANT/NEED

- Monitor internal financial projections and CMS payments
- Work across the organization with other stakeholders and oversee Vendor programs
- Have the right data for executive updates

Sr. Manager Risk/Quality/Finance/Operations

Hi, I'm Matt. I have to make sure I have the necessary data and information ready on a daily, weekly and monthly basis and making sure my boss Linda does not fail.

I WANT/NEED

- Tools for reporting and operations that provide control & flexibility
- Easy access to data internally and through vendors
- Data available in a format that I can easily communicate to his managers

Data & BI Expert/Analyst

Hi, I'm Susan. While my expertise is not Risk Adjustment/Quality, I really understand data very well. My job is to ensure data needs for my department are met.

I WANT/NEED

- Need to understand data structures and technology
- Need to develop tools necessary to meet department needs
- Need to deliver data/reports timely

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PAYER MARKET THEMES

Initial market research revealed that customers want more control and transparency and a partner that innovates with them. **Over 30 hours of interviews and prototype tests were conducted with 18 different customers and prospects** to understand exactly what they are looking for.

- **Need more control over:**
  - Intervention Targeting Strategy (control over timing and volume of interventions, custom targeting logic by gap, and custom targeting by population)
  - Timely access to raw data to support in-house reporting
  - How often gaps and intervention planning are run
  - How often Financial Impact Analysis (FIA) is generated

- **Need more transparency into:**
  - Clinical evidence for gaps (to share with providers and to drive priority within intervention strategy)
  - Assumptions and calculations for financial realization forecasts and results
  - The intervention lifecycle and outcomes from completed interventions (what we targeted, what codes we found or didn't find, realization, chart scans, record of all member touches, etc.)
  - Invoicing (what to expect month-to-month, and tying invoice data to operational reports)

- **New gain creators:**
  - Analytics beyond Risk/Quality gaps including Social Determinants of Health (SDOH) and indicators that patients are not engaged with Providers (no Annual Wellness Visit, prescriptions filled without a visit, etc.)
  - Benchmarks and trending to help understand performance against prior years and against the rest of the market

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KEY INSIGHTS

1. Provider Engagement & Education

Payers are struggling to get the right data out of Inovalon's Risk Adjustment program to support their efforts to engage and educate providers in the field. They also wish for analytics showing them which providers consistently struggle with coding. ⬈

2. Customized Intervention Strategy

Payers need more customized control over the Intervention Strategy. Each payer struggles with different constraints and needs to optimize specific factors to meet their unique corporate objectives. Factors include budget and resource constraints, revenue or risk factor improvement goals, or targeting poorly performing segments of the population. Some competitors such as Pulse8 use machine learning to enable better efficiency (i.e. how likely a gap is to close without intervention). ⬈

3. Easy Access to Data Extracts

Payers expect easy access to the data from all their vendors including Inovalon. They often blend this data with other in-house data to create essential reports, automate processes, pay provider incentives, track progress, and evaluate Inovalon's performance. The manual hoops customers and account managers jump through to provide this data is a source of frustration and is a significant expense. ⬈

4. Automated Realistic Financial Planning

During planning and execution of a Risk Adjustment program, payers are continuously asking, "where am I going to land?" They don't expect a promise of a specific ROI, but they do need a realistic estimate based on historical completion rates and average yield. Providing transparency in the assumptions used in the forecast, and providing a range of outcomes (conservative, most likely, aggressive) helps to build trust in the forecast. ⬈

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5. Benchmarks

Metrics always need context to show if performance is good or bad. At a minimum (table stakes), payers expect to see current performance compared to their own historical performance and be able to set goals and track against them. What payers really crave are comparisons of their own performance to regional or national averages, and intelligent insights where they are falling behind on anything from disease prevalence to coding accuracy, utilization, or even just intervention completion. Also want pattern analysis to detect anomalies (like a sudden drop in engagement).

6. Meaningful, Accurate, & Timely Reporting

Many payers reported frustration with INDICES or said they've mostly stopped using it because the reporting doesn't have what they need. Data points or lines of business are missing, bad or duplicate data exist, or data are not refreshed timely. Product and CSMs often generate manual reports and data extracts to compensate for inadequate reporting in INDICES.

7. Better Trending & Pattern Analysis

Payers shared that understanding trending of current performance against historical data is essential to making decisions, but it's often missing in the current reporting. Users feel like they lose history when new data gets loaded, and it's hard to tell if they are on track or falling behind.

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8. Transparency into Gap Evidence & Confidence Level

Users were unsure of the meaning of terms like "confidence level" and whether it spoke to the probability that gap exists, or probability that intervention will close gap. Payers want to be able to see the evidence supporting a gap so they can share with Providers or decide whether evidence is strong enough to pursue an intervention. Deciding what confidence level to target for interventions may be different, with payers willing to cast a broader net on high-value HCCs and acting more conservatively on low-value HCCs.

9. Access to Completed Intervention Data

Payers expect visibility into completed intervention activities and would like for the info to be packaged in a meaningful way. For example, all the member touches in date order with dispositions for telephonic outreach, or the chart scans with a summary of codes targeted and codes found for each chart review, or incentives paid out.

10. Analytics Beyond Risk & Quality

When asked how they strategize member outreach, Payers said they look at more than just Risk and Quality gaps. They often outreach to members without an Annual Wellness Visit, who have filled a prescription but haven't seen a Provider, or to address Social Determinants of Health (food insecurity, fall risk, disparities in race, age, sex, income level, etc.) and get ahead of other leading indicators like urinary incontinence that signal future issues.

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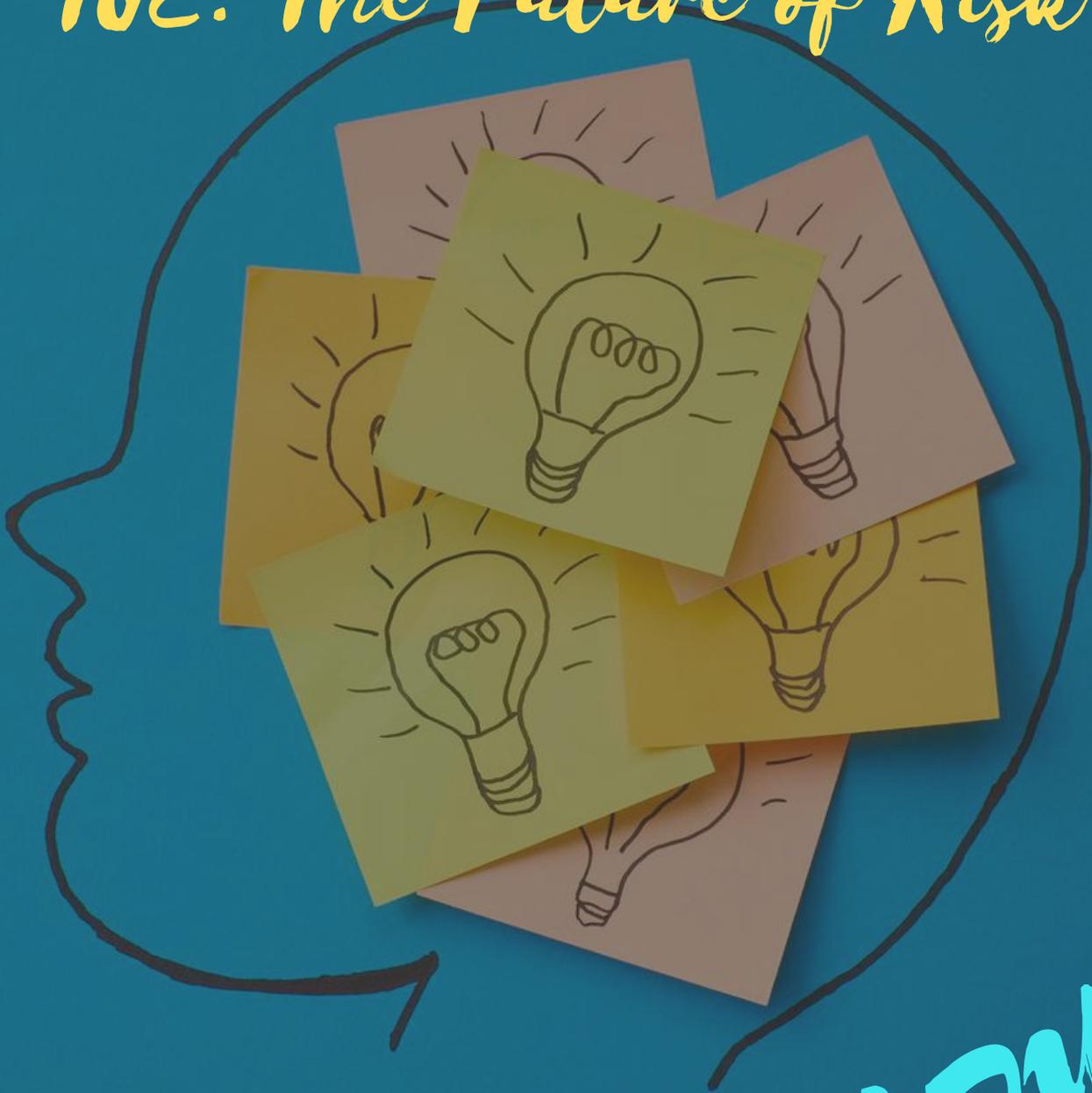
FUTURE PRODUCT DIRECTION

POSITIONING STATEMENT

For Payers seeking a comprehensive member-centered analytics and intervention solution, Inovalon is a reliable provider of data aggregation, analytic insights, and data-driven interventions to support Payer needs around quality improvement and risk score accuracy by providing:

- Timely analytics for Risk, Quality and beyond
- Comprehensive platform with modular capabilities
- Provider and Member focused Reporting
- Subject Matter Expertise and Consulting
- Enhanced interventions with SDOH capabilities

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April 21 @ 9am EST
TCE: The Future of Risk

GET READY!

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