FROST & SULLIVAN

2024

PRODUCT LEADER

IN THE NORTH AMERICAN HEALTHCARE REVENUE CYCLE MANAGEMENT INDUSTRY

Optum

FROST & SULLIVAN

2024 | BEST PRACTICES AWARD

Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each Award category before determining the final Award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Optum excels in many of the criteria in the healthcare revenue cycle management space.

AWARD CRITERIA

Product Portfolio Attributes	Business Impact
Match to Needs	Financial Performance
Reliability and Quality	Customer Acquisition
Product/Service Value	Operational Efficiency
Positioning	Growth Potential
Design	Human Capital

Healthcare Revenue Cycle Management Market Landscape

The healthcare revenue cycle management (RCM) market navigates various obstacles, necessitating innovative approaches and solutions. A significant shift towards consumerism in healthcare has led to front-end RCM taking center stage to provide patients with a seamless, hassle-free financial experience. Frost & Sullivan-identified challenges include inefficient digital front doors, inefficient scheduling leading to patient no-shows, manual RCM processes prone to errors due to overburdened staff, and difficulties managing denials and collections. Back-end system and revenue cycle operational bottlenecks emphasize the urgency of addressing these issues. Avoidable denial rates and suboptimal patient entry points contribute to inflated costs, waste, and lower patient satisfaction.

As such, the RCM process increasingly emphasizes automation and enhanced workflows. Frost & Sullivan healthcare analysts monitor how artificial intelligence (AI), robotic process automation, and chatbots have emerged as transformative tools with the potential to improve patient access, coding accuracy, claim approval, and collection processes.

Additionally, the industry is experiencing a fundamental shift from traditional fee-for-service models to value-based care (VBC), which directly affects reimbursement structures. Consequently, healthcare providers focus on aligning their revenue cycles with clinical and financial performance. Data analytics and performance enhancement strategies are quite essential for this transition.

Amidst labor shortages in the healthcare industry, providers seek solutions for efficiently managing revenue cycles with their current staff. Given the pressure on operating margins, best-in-class RCM

practices have assumed critical importance, particularly in payment collection.

Moreover, interoperability is crucial for achieving RCM efficacy. Compliance with stringent standards such as the Health Insurance Portability and Accountability Act, HIPAA, underscores the demand for solutions that adhere to universal healthcare technology standards.

Frost & Sullivan estimates the global healthcare RCM market will reach $129.8 billion in 2028, with a compound annual growth rate (CAGR) of about 9.7% from 2023 to 2028.[1] North America is expected to record a 9.2% CAGR, reaching $75.9 billion in 2028 from $48.8 billion in 2023.[2] Optum uniquely leverages its products and services to meet market and customer needs. The company is well-positioned to capitalize on new growth opportunities, cementing its position in the healthcare RCM space.

Refining Revenue Cycle Management

Founded in 2011 and headquartered in Minnesota, Optum is a leading health solution and care delivery company dedicated to creating a healthier world through personalized, affordable care that considers all aspects of well-being. A subsidiary of UnitedHealth Group, the company connects and serves the global health system by leveraging advanced data, technology, and clinical expertise to simplify and improve healthcare for everyone.

> *"Frost & Sullivan is impressed by the comprehensive approach of Optum, leveraging advanced technology and clinical insights to align key stakeholders, reduce costs, and enhance financial performance and the patient experience across the entire healthcare payment value chain."*
>
> *– Ojaswi Rana*
> *Best Practices Research Analyst*

In 2022, Frost & Sullivan recognized Optum for its exceptional ability to address the increasing demands in the rapidly expanding RCM market, particularly in terms of enhancing consumer centricity, improving patient touchpoints, optimizing reimbursement, and minimizing denials, and remains impressed by the company's commitment to innovation and sustaining its market position.

The company's strategic approach to acquisitions to deliver comprehensive healthcare solutions is a testament to its commitment to address unmet customer needs. The Optum organization continuously seeks opportunities to expand its capabilities to create a unified ecosystem. Recent acquisitions such as AccuReg and Change Healthcare combine specialized expertise under the Optum umbrella and represent evolutionary steps in assembling the right assets from various facets of the revenue cycle to foster seamless integration to enhance overall performance.

From a technological perspective, Frost & Sullivan feels that integrating these acquisitions is a perfect fit. The company has strategically merged technology assets from different parts of the revenue cycle, filling gaps where necessary. For instance, AccuReg's strengths in patient engagement complement areas where Change Healthcare is less prominent, such as registration. This synergy allows Optum to offer best-in-class capabilities across all its assets, comprehensively addressing healthcare providers' diverse pain points.

Crucially, the company's unique differentiator is in its ownership of all technologies and product

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[1] *Global Healthcare Revenue Cycle Management,* (Frost & Sullivan, Unpublished).
[2] Ibid.

development roadmaps, granting it complete control over its solutions and ensuring customization and adaptability for individual clients while maintaining a global perspective. This streamlined approach translates into cost-efficiency, allowing the company to provide customer value while retaining the flexibility to innovate and adapt to evolving market needs.

The Optum vision extends beyond individual solutions, aiming to provide healthcare systems with a comprehensive portfolio that can drive operational and financial performance. Optum recognizes the interconnectedness of various healthcare elements. The company addresses issues like patient bad debt and the broader challenges of hospital analytics, ambulatory revenue cycle management, and patient engagement by fostering synergies and embracing a holistic approach.

Therefore, Optum simplifies the healthcare ecosystem, focusing on automation, integration, and creating touchless processes. This forward-looking strategy enables it to offer RCM solutions across the revenue cycle.

The Offering

The Optum solution suite is a fully integrated RCM solution that goes beyond traditional patient financial management to provide a modern approach addressing various aspects of the payment value chain. The offering distinguishes itself by bringing payers, providers, and consumers together, resulting in cost savings, growth facilitation, and an improved consumer experience.

At its core, the solution leverages clinically-informed AI and cutting-edge technology and analytics. These tools optimize financial performance across the entire patient journey, including the pre-, during, and post-service stages.

Front-end RCM Capabilities

Optum front-end offerings enhance performance and provide transparent patient navigation. These capabilities cover a range of essential functions to streamline the patient experience and ensure efficient financial processes:

- **Patient acquisition** includes registration, referral management, scheduling, and coverage discovery.

- **Financial clearance and payments** encompass billing and payments, prior authorization and medical necessity management, eligibility and enrollment, pre-registration, patient liability estimation, omnichannel communication, financial counseling, point-of-sale payments, and self-pay management.

- **Patient clinical support** extends to medical prescription refill and management, patient clinical activation, continuity of care, pre-admission/post-discharge, nurse triage, clinical protocol development, and test results review and education.

Middle RCM Capabilities

Strategically designed to optimize operational efficiency and ensure appropriate reimbursement, Optum middle RCM capabilities traverse several critical areas to facilitate seamless and accurate revenue cycle operations:

- In **revenue integrity**, the company offers a comprehensive suite of services, including hospital and professional coding and clinical documentation improvement powered by clinical language intelligence, plus charge capture, compliance management, performance and quality audit, and document management.

- Optum provides robust **clinical decision support** using evidence-based protocols, including authorization management, clinical access and triage, utilization review, case management, discharge planning, and reporting and analytics.

Back-end RCM Capabilities

Optum's back-end RCM capabilities streamline business processes, enhance reimbursement accuracy, and ensure a transparent patient experience. These competencies span a range of functions to optimize the financial aspects of healthcare operations:

- For **accounts receivable management**, the company offers business office solutions, appeals processing, denials management, coverage discovery, transfer diagnostic-related groups, and underpayment management.

- Optum also excels in **patient responsibility management**, providing payment plans, support for third-party coverage, payment collections, billing and statements, and early-out services.

- The company's **contract and claim management** capabilities maintain reimbursement integrity through real-time claim editing and validation, contract adherence, and contract modeling.

"Optum is able to bring substantial scale to support us in achieving our vision and meeting our mission. They bring much deeper bench strength, subject matter expertise, sophisticated analytics, tools, and technologies that would not be possible for us to achieve on our own with the scale that we have."

-Bill Munson, Chief Financial Officer, Boulder Community Health[3]

"Our partnership with Optum gives us access to scale, tools, talent, and data that we would not have been able to access previously as an independent health system. This allows us to focus on our core competencies and use the capabilities of Optum to further our clinical mission."

-Mike Thomas, President and Chief Executive Officer, John Muir Health[4]

Frost & Sullivan is impressed by the comprehensive approach of Optum, leveraging advanced technology and clinical insights to align key stakeholders, reduce costs, and enhance financial performance and the patient experience across the entire healthcare payment value chain.

Achieving Customer Satisfaction through Differentiated Value: The Optum Way

Unlike traditional RCM companies that often focus on short-term fixes like increasing point-of-service cash collections or extending Dunning cycles, Optum considers critical questions about patient care and hospitalization necessity. The company's agility, innovation, and willingness to invest capital further complement this holistic view, making it a uniquely responsive partner in the market.

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[3] Optum Presentation, September 14, 2023.
[4] Ibid.

Prioritizing Customer Value Sets Optum Apart

Optum offers clients tailored solutions at different stages of their healthcare journey. For example, when managing the revenue cycle and acting as the information technology (IT) backbone for clients like John Deere Health Care, the company empowers them to handle technology, upgrades, and health system operations efficiently. This flexibility is available through various components and packages, ensuring clients can choose what suits their needs, whether comprehensive end-to-end revenue cycle support, clinical IT solutions, or standalone technology offerings.

Optum's core principle of "shifting focus left" by addressing issues earlier in the revenue cycle leverages automation to streamline processes and prevent complications downstream. Integrating AI models and natural language processing enhances its focus on risk adjustment and pay for performance, improving efficiency by surfacing crucial information by or before the point of decision and automating tasks.

Additionally, the company emphasizes delivering economic value by offering competitive pricing, typically below what clients currently pay for similar services. This commitment to cost-effectiveness ensures that customers receive a higher return on their investment.

Customer Engagement Matches Client Needs

Optum engages with its customers through a multifaceted approach, fostering collaboration, gathering feedback, and creating value. Firstly, the company works with providers in its health ecosystem to receive feedback on product development. It mandates beta partners' participation in new product development to ensure active customer involvement.

Optum maintains regular checkpoints for customer feedback, including informal check-ins like quarterly business reviews, health checks, and performance assessments. Additionally, the company organizes customer advisory councils and innovation council sessions to shape its product roadmap and focus on capabilities that create value. This hybrid approach allows Optum to efficiently gather feedback from both internal healthcare providers and commercial software customers.

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With respect to focused solutions, the company focuses on improving outcomes by closely examining clients' denials and performance data in the revenue cycle. Optum teams provide regular feedback, monitor users' performance, and offer additional training and coaching where necessary to improve processes and performance. In essence, Optum goes beyond a software and service provider, actively partnering with clients to enhance their outcomes.

From a software perspective, the company conducts data-driven analyses during the sales process to understand client performance, identify opportunities and pain points, and set baselines for measuring success. This process ensures that its services align with client goals and key performance indicators.

Customer Satisfaction Increases Customer Acquisition

Optum leverages its extensive network to enhance transparency between payers and providers, reducing

friction and costs. It addresses common issues related to adopting new technology and services, particularly in the physician and ambulatory space, by providing accurate coding and physician education. This approach bridges the change management gap, minimizing disruptions and frustration for doctors.

In addition, the company's skilled team of experts with deep domain knowledge ensures clients achieve optimal performance and operational efficiency. Optum also offers a versatile omnichannel communication solution that prioritizes mobile and other modern modes of interaction while remaining flexible to individual communication preferences.

Optum integrates with platforms like Google and Healthgrades, providing digital scheduling capabilities, enabling providers to streamline the scheduling process, and allowing payers and care management organizations to set up appointments digitally, thus reducing costs and improving efficiency.

Frost & Sullivan believes the customer-centric practices of Optum enable it to provide value to clients, distinguishing it from other market participants.

Going Forward Full Throttle

Optum is at the forefront of the fiercely competitive RCM market. With a deep-rooted history of purpose-built innovation, the company leads response to industry trends, shaping its role in the RCM space. Its unwavering commitment to improving operational efficiency is a vital strategic imperative. Bolstered by a vast network of 90,000 actively practicing physicians and a substantial share of US prescriptions managed through Optum Rx, Optum supports society as a whole and elevates various facets of its own.

On the services front, the company's ace card lies in its access to a vast global workforce. Leveraging technology at scale presents a significant opportunity, especially in a labor market where costs are perpetually rising. Optum's approach involves creating a more efficient and scalable workforce through technology, enhancing capacity, and upskilling the labor force rather than eliminating jobs. This strategy solidifies its position as a leader in driving operational efficiency within the healthcare sector.

In 2022, Optum reported a tremendous 17% revenue growth from 2021.[5] It is strategically positioned for further growth with opportunities in several key areas. One prominent focus is fully automated coding, with increased investments to accelerate progress. The company recognizes the potential for cost and process improvements, particularly in categories such as eligibility and enrollment.

Another growth avenue is the continued investment in AI. Optum's extensive data resources allow for the training of AI models, positioning it as a leader in leveraging AI for growth.

The company lays the foundation for transitioning to VBC by building the necessary components for understanding provider quality, cost, network performance, and managed care contracts. This strategic groundwork is quite pivotal for entering the VBC space, enabling informed decisions about risk and high-performing providers.

Moreover, Optum identifies growth potential in enhancing hospital performance and system improvement. The company can offer comprehensive solutions that touch the financial transaction space

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[5] UnitedHealth Group 2022 Fourth Quarter and Full Year report,
https://www.unitedhealthgroup.com/content/dam/UHG/PDF/investors/2022/UNH-Q4-2022-Release.pdf.

by taking a comprehensive view of the revenue cycle and its intersections with the supply chain, workforce management, and other functions.

Lastly, Optum's presence in nine out of 10 health systems positions it to expand its integrated value proposition by deepening existing partnerships. The market trend toward fewer vendors and more outcome-focused collaborations aligns with Optum's growth strategy, emphasizing enhanced service delivery and measurable outcomes for its clients.

Conclusion

To be a product leader, a company needs to understand the market's needs and deliver a solid solution designed and embedded with high-quality and reliable performance. Frost & Sullivan finds that Optum embodies this concept and exemplifies it with best practice implementation. The Optum revenue cycle solution suite provides healthcare organizations with a comprehensive and unified strategy for healthcare revenue cycle management, streamlining operations, and enhancing financial performance. Solutions drive coding precision, reduce denials, and improve economic efficiency by using data-driven insights and cutting-edge technology.

With its strong overall performance, Optum earns the 2024 Frost & Sullivan Product Leadership Award in the revenue cycle management market.

What You Need to Know about the Product Leadership Recognition

Frost & Sullivan's Product Leadership Award recognizes the company that offers a product or solution with attributes that deliver the best quality, reliability, and performance in the industry.

Best Practices Award Analysis

For the Product Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Product Portfolio Attributes

Match to Needs: Customer needs directly influence and inspire the product portfolio's design and positioning

Reliability and Quality: Products consistently meet or exceed customer expectations for performance and length of service

Product/Service Value: Products or services offer the best value for the price compared to similar market offerings

Positioning: Products serve a unique, unmet need that competitors cannot easily replicate

Design: Products feature innovative designs, enhancing both visual appeal and ease of use

Business Impact

Financial Performance: Strong overall financial performance is achieved in terms of revenues, revenue growth, operating margin, and other key financial metrics

Customer Acquisition: Customer-facing processes support efficient and consistent new customer acquisition while enhancing customer retention

Operational Efficiency: Company staff performs assigned tasks productively, quickly, and to a high-quality standard

Growth Potential: Growth is fostered by a strong customer focus that strengthens the brand and reinforces customer loyalty

Human Capital: Commitment to quality and to customers characterize the company culture, which in turn enhances employee morale and retention

About Frost & Sullivan

Frost & Sullivan is the Growth Pipeline Company™. We power our clients to a future shaped by growth. Our Growth Pipeline as a Service™ provides the CEO and the CEO's growth team with a continuous and rigorous platform of growth opportunities, ensuring long-term success. To achieve positive outcomes, our team leverages over 60 years of experience, coaching organizations of all types and sizes across 6 continents with our proven best practices. To power your Growth Pipeline future, visit Frost & Sullivan at http://www.frost.com.

The Growth Pipeline Engine™

Frost & Sullivan's proprietary model to systematically create ongoing growth opportunities and strategies for our clients is fuelled by the Innovation Generator™.

Learn more.

Key Impacts:

■ **Growth Pipeline:** *Continuous Flow of Growth Opportunities*

■ **Growth Strategies:** *Proven Best Practices*

■ **Innovation Culture:** *Optimized Customer Experience*

■ **ROI & Margin:** *Implementation Excellence*

■ **Transformational Growth:** *Industry Leadership*

The Innovation Generator™

Our 6 analytical perspectives are crucial in capturing the broadest range of innovative growth opportunities, most of which occur at the points of these perspectives.

Analytical Perspectives:

■ **Mega Trend (MT)**

■ **Business Model (BM)**

■ **Technology (TE)**

□ **Industries (IN)**

□ **Customer (CU)**

■ **Geographies (GE)**