

This document contains an excerpt of the recent Chilmark Research *2019 Payer Analytics Market Trends Report*, released November 2019, specifically prepared for IBM Watson Health. It is intended to make the key findings of the report more accessible to a broader strategic audience and highlight the performance of the company relative to other major vendors in this subvertical of the healthcare IT market.

Click below to learn more about the full report:

2019 Payer Analytics Market Trends Report



Executive Summary

Organizations responsible for paying for healthcare – health insurance carriers, health plans, employers, and governmental organizations – rely on analytics and reporting software to improve performance and better understand their members and clinician networks. The full *2019 Payer Analytics Market Trends Report* describes and evaluates the available analytics solutions from 18 vendors of such solutions (this excerpt only contains IBM Watson Health's profile and specific takeaways from the report). The report reviews the current state of the market, categorizes the different kinds of vendors and solutions, and describes in some detail vendors' capabilities for meeting the needs of their payer customers.

Historically, payer analytics vendors used claims data almost exclusively. This data source, although time lagged, supports a robust set of applications that meet many performance improvement needs for different kinds of payers.

More recently, some payers have begun adopting analytics technology to support the transition from fee-for-service (FFS) to value-based care (VBC). The variety of pay-for-performance (P4P), pay-for reporting (P4R), and risk- and revenue-sharing programs with providers has caused payer organizations to invest in applications that help balance cost and quality through a better understanding of their members' healthcare needs and risks. These applications need combined provider and payer data to deliver insights to users. They allow payers and providers to share a common understanding of cost, quality, and utilization performance described in value-based care contracts.

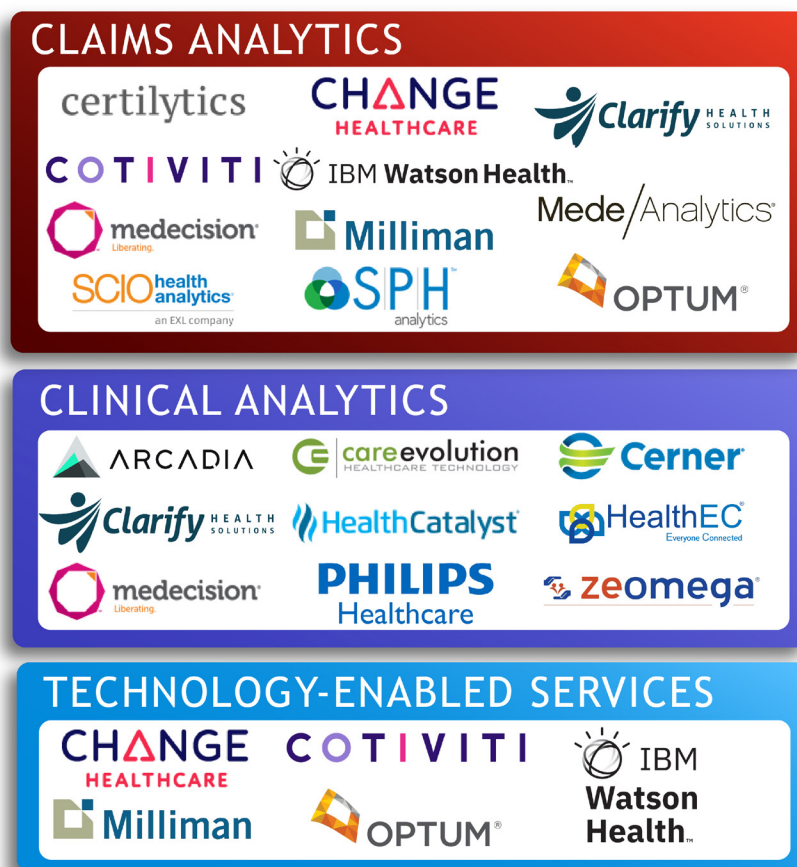


Figure 1: Payer Analytics Vendors and Vendor Types

The up-to-date and detailed information about members and populations found in provider data sources will potentially give payers more opportunities for performance improvement. A wider variety of new and emerging data types will also support different kinds of applications. As the healthcare system moves from volume to value, the combination of claims, clinical, and other data sources will be the minimum data set for analytics and reporting applications. While it is true that payers currently have limited, and in many cases, no access to provider data sources, that will change over time.

All of the vendors in this report deliver applications on a cloud-or SaaS-based subscription basis, often from a HITRUST-certified facility. All provide services and support necessary to set up the processes needed to ensure ongoing data availability for applications. The major categories of payer-oriented vendors that we see are the traditional claims analytics vendors, clinical analytics vendors, and technology-enabled services vendors.

Vendor analytics portfolios support the use of data to pursue important payer business goals. Payer analytics and reporting use cases fall generally into multiple areas: cost and quality management, value-based care, payment, and risk management.

KEY TAKEAWAYS

Quality and cost management are important drivers of adoption.

- Payers are strongly motivated to improve clinical quality performance and star ratings.
- Payers want better insight into the causes and drivers of cost growth.

Descriptive applications dominate.

- Applications provide comprehensive view of what has happened.
- Increasing availability of predictive analytics focuses attention on the likelihood of costs and discrete events.

Aggregated clinical and claims data will soon be table stakes.

- The combination of clinical and claims data provides up-to-the-minute view of members and cohorts.
- Access to clinical data sources outside of value-based contracts is a major obstacle.

Interest in advanced analytics is growing.

- Artificial intelligence (AI), machine learning (ML), and data science techniques and technologies are seeing more usage in vendor offerings.
- The most common use cases involve predictions.
- Natural language processing (NLP), despite its prevalence in clinical documentation improvement, is not widely used for analytics and reporting.
- No vendor has a leading advanced analytics solution.

Taking action based on analytics is still a challenge.

- The problem of “actionability” is more complex than simply presenting data to a user.
- Translating payer insights into provider action is an organizational challenge.
- Payers have not established reliable and consistent ways to engage and motivate clinicians, but financial incentives are effective.

Vendor Types

All vendors in this report target payers and health plans. Most will admit that their primary competition is the internal IT resources of their customer. Value-based healthcare has been a major driver of sales for these vendors in recent years. Some dedicate themselves exclusively to supporting value-based use cases. Many vendors build analytics and reporting to meet wider, enterprise needs for different kinds of payers and payer organizations.

To develop this report, we talked to over 40 vendors of analytics solutions. We provide ratings and profiles on 18 different payer analytics vendors that met our inclusion criteria, described below. Some vendors did not respond to our requests for information, including Cognizant, Edifecs, Inovalon, and Ciox Health. These companies have substantive product portfolios and health plan customer bases. We wanted to profile these companies but did not have enough information to include them.

All of the vendors in this report deliver applications remotely (cloud, hosted, or SaaS) on a subscription basis. Most provide services necessary to set up the processes needed to ensure data availability for their applications as well as user training. The major categories of payer-oriented vendors that we see are the traditional claims analytics vendors, clinical analytics vendors, and technology-enabled services vendors.

Inclusion Criteria

To be included in this report, vendors must have:

1. Offering has end-user functionality that is generally available.
2. Three live customers.
3. \$1 million in analytics-related revenue from payers in 2018 or 2019.

We looked at technology from over 40 different vendors over the course of the last two years. Some vendors did not meet these criteria. There are also vendors that likely meet these criteria that we were unable to include because we were unable to gather enough information. The 18 profiles contained here describe companies and offerings that meet all these criteria.

Chilmark Bearing – Healthcare Payer Analytics

We evaluate each vendor and its offering with respect to Product Capabilities and Market Execution. We express our evaluations three different ways. We show our overall conclusion about the Product Capabilities and Market Execution in the Chilmark Bearing. We also express the same information in the form of letter grades in the Vendor Grades section. Finally we share our specific conclusions about the detailed components of Product Capabilities and Market Execution in the Vendor Ratings section.

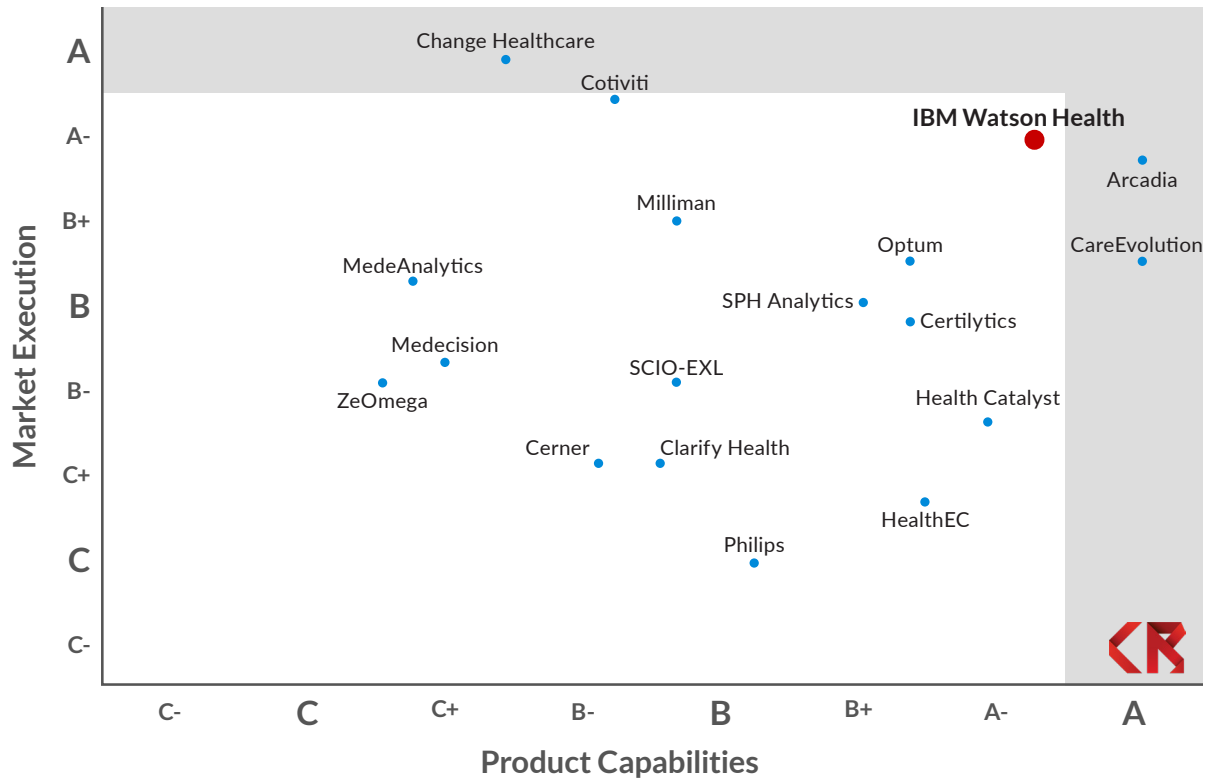


Figure 2: Chilmark Bearing – Payer Analytics

Vendor	Product	Market
Arcadia	A	B+
CareEvolution	A	B+
Cerner	B-	C+
Certilytics	B+	B
Change Healthcare	C+	A-
Clarify Health	B-	C+
Cotiviti	B-	A-
Health Catalyst	A-	C+
HealthEC	B+	C
IBM Watson Health	A-	A-
MedeAnalytics	C	B
Medecision	C+	B-
Milliman	B	B+
Optum	B+	B+
Philips	B	C
SCIO-EXL	B	B-
SPH Analytics	B	B
ZeOmega	C	B-

Table 1: Vendor Letter Grades



IBM WATSON HEALTH

Ownership: NYSE Listed

Member lives: 256 million (source: MarketScan Research Databases)

Product Capabilities	Market Execution
A-	A-

Strengths	Challenges
Expanding product set	Synergies and integration with other IBM offerings
Scalable data management	
Quality reporting	

Table 2: Current Strengths and Challenges

Product

Product(s): Health Insights

Deployment: Cloud, SaaS, On Premise

Data Sources: Claims, clinical, ERP

IBM Watson Health has a long history of delivering general-purpose analytics technology and service offerings for employers and health plans. The company combines data collected from across the industry, human-generated knowledge, and Watson's AI capabilities for multiple analytics and reporting purposes.

IBM Health Insights for Plans leverages claims, clinical and other payer data along with multiple grouping methods and predictive models for analyzing care and its costs. While any kind of user will find value in its standard reports and dashboard, it also includes a BI tool for use by analysts and developers. Health Insights for Plans includes built-in drill paths to guide data exploration, which helps health plans and public health officials better find and visualize trends in their data.

The company is expanding Watson's AI capabilities to new use cases. Customers of Watson Studio can perform data science projects using open source tools that produce models and algorithms that are potentially portable between organizations. **Watson Change Detection** combines descriptive analytic methods with change point analytics, trained with **MarketScan data**, to enable payers to identify emerging cost drivers far earlier than conven-

○	Meets few market requirements
◐	Meets some market requirements
◑	Meets most market requirements
◒	Exceeds market requirements
●	Market Leading

Table 3: Product Capabilities Harvey Ball Key

Product Capabilities			
Clinical and Claims Data Contribution	◑	Risk Management	●
Other Data Contribution	◒	Predictions	◒
Data Management	◑	Network Management	◒
Scope of Applications	◒	Cohort Discovery	◑
Benchmarks	◒	Payment Management	◒
Quality Management	●	Care Management	◑
Cost Management	◒	Application Design	◑
Utilization Management	◒	Analyst and Developer Support	◑

Table 4: IBM's Product and Capability Ratings

tional reporting tools. Micromedex now uses Watson AI technology to support natural language queries in its drug information database. **Watson Assistant for Health Benefits** helps multimedia call centers assist members directly or with chatbots, providing information about benefits coverage, cost, and service availability based on the member's benefits and the plan's provider network.

Market

Vendor Type: Claims analytics, Technology-enabled services

Target Markets: Employers, health plans, state and federal governments

Pricing: PMPM, PPPM, NPR

IBM Watson Health supplies applications and supporting infrastructure for analytics in any healthcare enterprise. Its long experience in payer and employer markets continues to evolve with enhanced capabilities from its acquisitions. The company has made progress integrating Watson capabilities into its legacy products. It will expand the use of Watson for clinical decision making and for business and consumer-facing tools to improve the delivery and cost of patient care globally.

	Stasis
	Follower
	Pushing Forward
	Striving to Lead
	Market Leader

Table 5: Market Execution Key

IBM Watson Health sells and distributes its healthcare analytics portfolio through its direct sales force and a set of channel partners. It offers extensive varieties and levels of professional services starting from simple implementation support, to project management and governance, up to organizational transformation. It also can leverage IBM Services in a variety of circumstances depending on customer needs.

Market Execution			
Market Vision		Complimentary Services	
Extensibility and Engagement		Market Presence	
		Momentum	

Table 6: IBM's Market Execution

IBM Watson Health

Performance Compared to the Mean for Each Category			
Clinical and Claims Data Contribution		Risk Management	
Other Data Contribution		Predictions	
Data Management		Network Management	
Scope of Applications		Cohort Discovery	
Benchmarks		Payment Management	
Quality Management		Care Management	
Cost Management		Application Design	
Utilization Management		Analyst and Developer Support	
Market Vision		Complimentary Services	
Extensibility and Engagement		Market Presence	
		Momentum	

Note: Bar size is not an accurate or consistent measure - just demonstrates **relative** distance from the mean.

Table 7: Comparison to Market Mean for Each Category

About the Authors



BRIAN MURPHY - REPORT AUTHOR

Director of Research

Brian Murphy joined Chilmark Research as an industry analyst in August 2012 and brings a wealth of experience to the table. He is an outspoken advocate for true interoperability being the key to unlocking the potential of health IT and has centered the majority of his research efforts with Chilmark around this subject. He also currently heads research for the Analytics domain.

Brian has worked in the IT business for over 25 years, beginning his career in the field-sales organization of IBM. He then joined Yankee Group as an analyst, where he managed an enterprise software service and led research on the dynamics of the database market. Leaving Yankee, Brian joined Eclipsys prior to its acquisition by Allscripts in 2010. At Eclipsys, Brian worked with product managers to refine and harmonize value propositions in light of the organization's broader goals.

Brian is a graduate of both Harvard College and Suffolk Law School. When not thinking about health IT, he's a runner and armchair Boston historian.

Scope and Methodology

To compile this report, Chilmark Research combined extensive primary and secondary research techniques to create a composite profile for each vendor. Primary research was divided into two distinct steps, beginning with soliciting targeted vendors for their involvement in the research.

We asked participating vendors to complete a detailed questionnaire whose purpose was to collect qualitative and quantitative information about the company and the markets it serves. Questions included among others: 2018 revenue, number of employees, target market, number of organizations currently using its solution, and more in-depth questions regarding features and functions.

Upon receiving the completed questionnaire, we conducted a follow-up interview with each vendor. These in-depth telephone interviews typically lasted 60-90 minutes and were for a product demonstration and to clarify responses to the questionnaire. This portion of the research effort also focused on topics that cannot easily be captured within the context of a written questionnaire including competitive positioning, product roadmap, partnership strategy, and which solution features are most attractive to prospective customers.

Chilmark Research performed a final analysis of the vendors via secondary research and telephone interviews with end users and consultants that have advised on, deployed, or used a vendor's system. This information was compiled to provide the in-depth profile and ratings of each vendor. Prior to publication, all vendors were given an opportunity to review their profile narratives for accuracy. Their comments and feedback were considered and where relevant, incorporated into the final profile narratives.

In compiling this extensive report, Chilmark Research maintained absolute objectivity throughout the entire research process and it is our sincere hope that this report brings greater clarity to this developing market.



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