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## Population Health Management Industry Overview



May 19, 2016

# The safe bet for long-term population health success

## The changing population health market

Population health management has emerged as a major growth market for health investors. Per Rock Health, population health-specific venture investing was \$107 million in the first quarter of 2016, which, when projected out, means \$428 million for the year. As healthcare shifts from a fee-for-service (FFS) to a value-based payment (VBP) model, businesses driving effective aggregation and analysis of population health data and management or coordination of care are primed to generate strong revenue growth.

Recent payment changes and reforms stemming from the Centers for Medicare and Medicaid Services (CMS)—which private payers are quickly adopting and building on—have made effective population health management more important than ever before. As payments become linked to population-based outcomes, providers must deliver whole-patient care at both the individual and population levels.

Savvy practices are embracing innovative methods to more effectively manage the health of their populations. By analyzing which groups or patient cohorts incur the most expenses, they can deliver targeted care to these populations which, under the new payment models, means a greater costs savings for their business and improved health for their patients.

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## Powering future success

The key to success for both providers and payer is to have the right tools in place to effectively evaluate population health and target improvement opportunities. Outdated legacy systems are being replaced by more relevant technologies that can easily be used by payers and their provider networks.

There are three major types of companies helping providers and payers achieve their population health goals:

- **Analytics firms:** *These groups help providers analyze their patient populations, collect and aggregate health data, and deliver the insights needed to drive the kinds of intervention programs that improve outcomes while reducing costs.*

- **Patient engagement platform developers:** *These groups deliver software and people-based solutions to facilitate interaction and engagement with patient populations. By more effectively connecting patients with their care teams, these solutions help to inform cost-effective decisions that improve patient and population health.*
- **Population health specialty companies:** *These companies help care delivery organizations drive operational improvements in how they engage, manage, and monitor care delivery for target patient populations to meet cost savings and health outcome improvement goals.*

Countless firms of these types are springing up to capitalize on these new population health management market opportunities;

differentiating between those likely to succeed and those trying to exploit the new revenue stream can be difficult. It's simply not enough to improve healthcare quality while reducing cost; the ideal business model must balance quality and cost management with effective longitudinal patient engagement.

Firms need to demonstrate a comprehensive strategic roadmap for how they cover all aspects of care. Organizations that provide a product that successfully accounts for all pieces of the population health management puzzle—cost, quality of care, patient outcomes, and longitudinal care—to deliver a viable solution are the safest bets for long-term success.

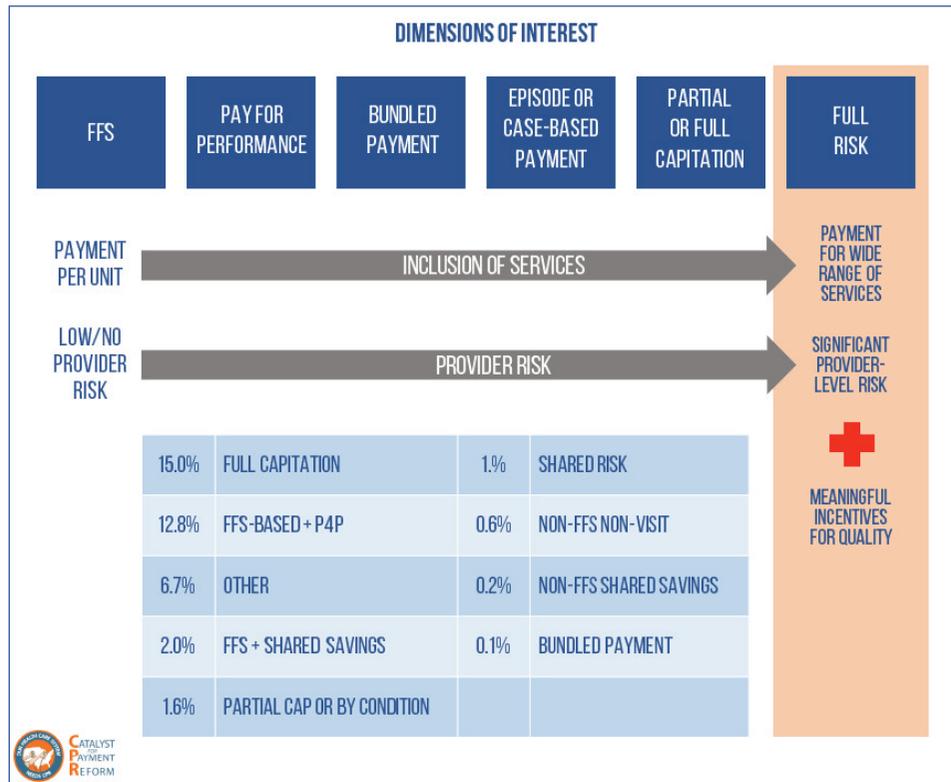


Figure 1: Dimensions of interest

Source: <sup>1,2</sup>

## Evolving payment around value-based care: shifting payment

### Shift from FFS to Value-based

There's no denying it: the move away from FFS to VBP models is no longer an academic discussion—it's reality. To ease the challenges associated with this shift, there are many options to help you move from a pure FFS delivery model to a full-risk option, without disrupting your operations or unnecessarily threatening your bottom line.

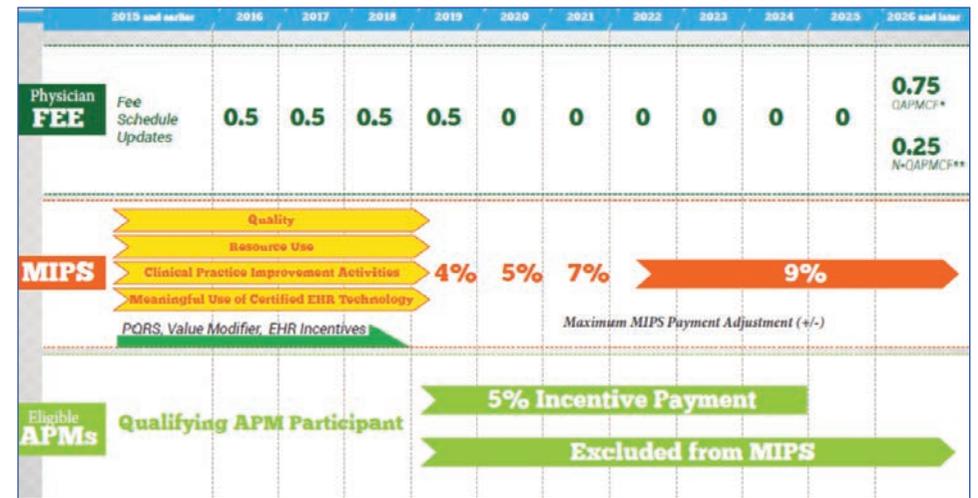


Figure 2: Timeline \*Qualifying APM conversion factor \*\*Non-qualifying conversion factor

Source: <sup>3</sup>

One of the biggest factors driving the industry's seismic shift is the Department of Health and Human Services' announcement that it will tie half of Medicare provider payments under the new targets.

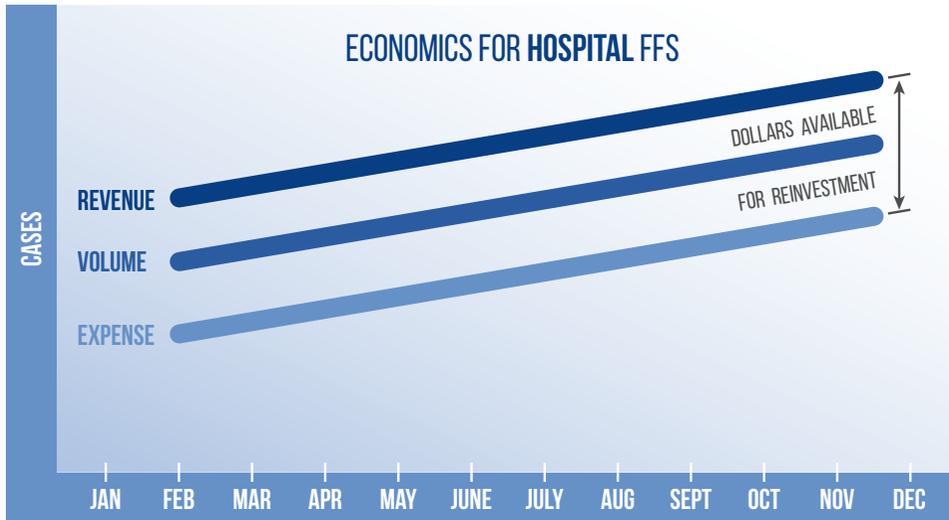


Figure 3: Evolving payment around value-based care, part 1

**Evolving payment around value-based care: shrinking margin**

Success in value-based care models demands new ways of thinking. Traditional margins will be at risk in the new models. While this brings challenges, it also delivers opportunities: the more effectively providers manages the cost of care, the more dollars they can make available for reinvestment in the organization.

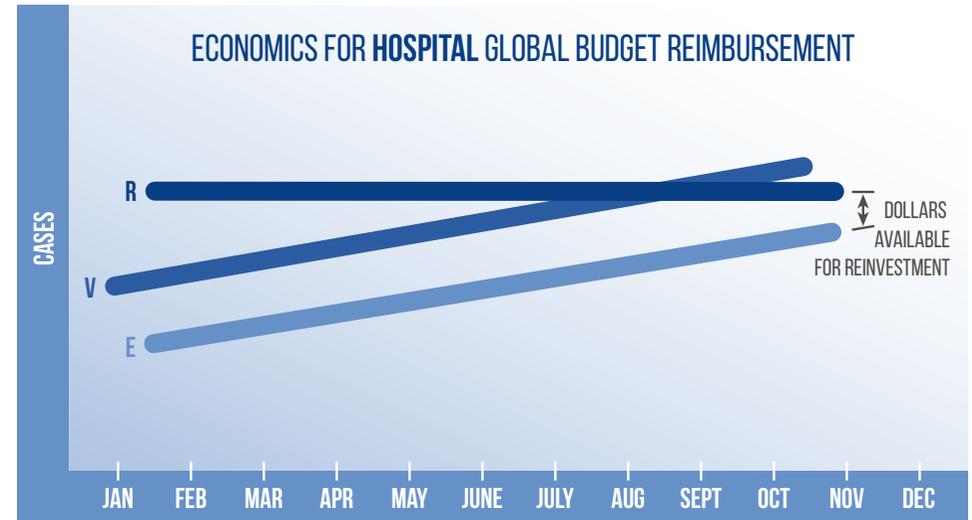


Figure 4: Evolving payment around value-based care, part 2

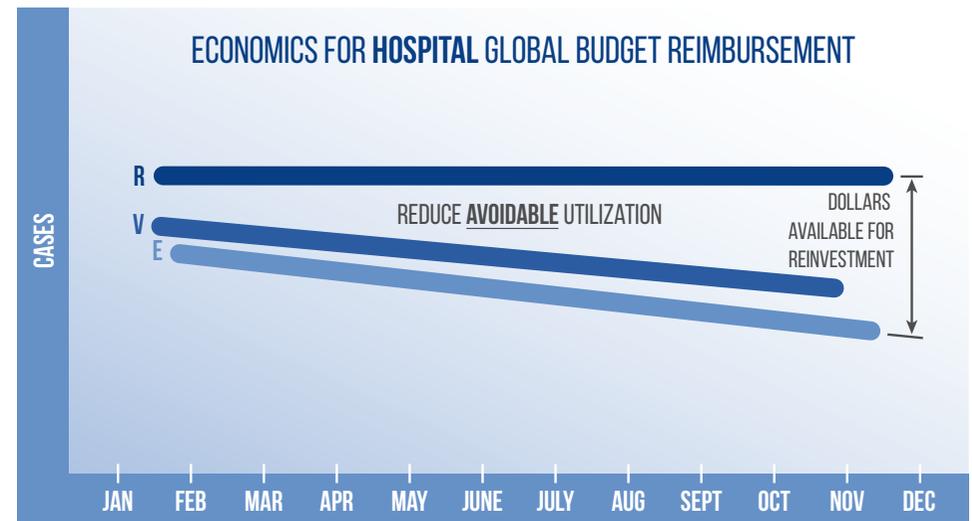
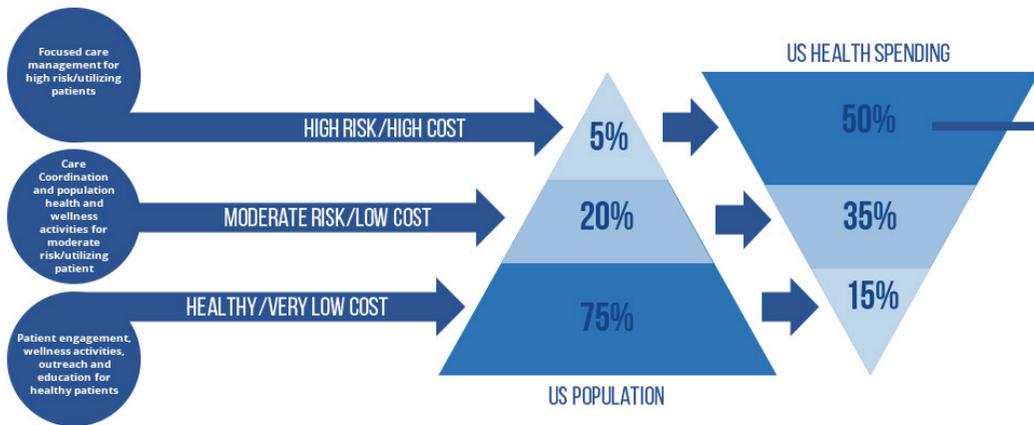


Figure 5: Evolving payment around value-based care, part 3

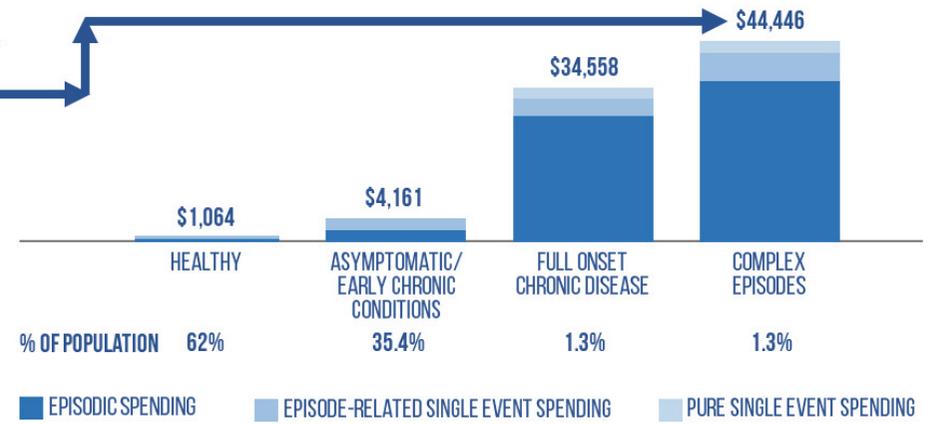


SPEND MANAGEMENT QUITE DIFFERENT FROM POPULATION MANAGEMENT



ECONOMIC FINGERPRINT OF UNDERLYING BIOLOGY

AVERAGE ANNUAL PER CAPITA HEALTHCARE EXPENDITURES BY POPULATION COHORT



The sickest 5% of the population spends **fifty times as much per person** as the healthy majority

Figure 6: Cost of care across populations

Source: 6,7

Over 40% of commercial healthcare spending arises from largely unpredictable, unavoidable single events

Source: 4,5

While making the transition may seem like a steep hill to climb, there are a few key areas where early focus can ease the strain of shifting to new payment models. To realize the benefits of VBP, providers should focus on three major elements that drive short- and long-term VBP success:

- **Effective population health and care management:** Managing the costs associated with your population who needs greater-than-average care is the fastest and easiest way to manage overall spending. Look to your patient populations with multiple chronic conditions, diabetes, asthma, or heart diseases for places where longitudinal care can drive significant positive outcomes.

- **Service cost and utilization management:** Are all of your staff being used at the top of of their license? Are they using their time and energy in the most efficient and productive manner possible? Look to your workflows and processes, and consider adopting organizational efficiency and continuous improvement methodologies to target ways to maximize efficiency.
- **Active patient engagement:** Making patients active participants in their care management can work wonders for driving cost and quality improvements while driving positive patient satisfaction rates.

Unmet need for PHM with growing and aging population

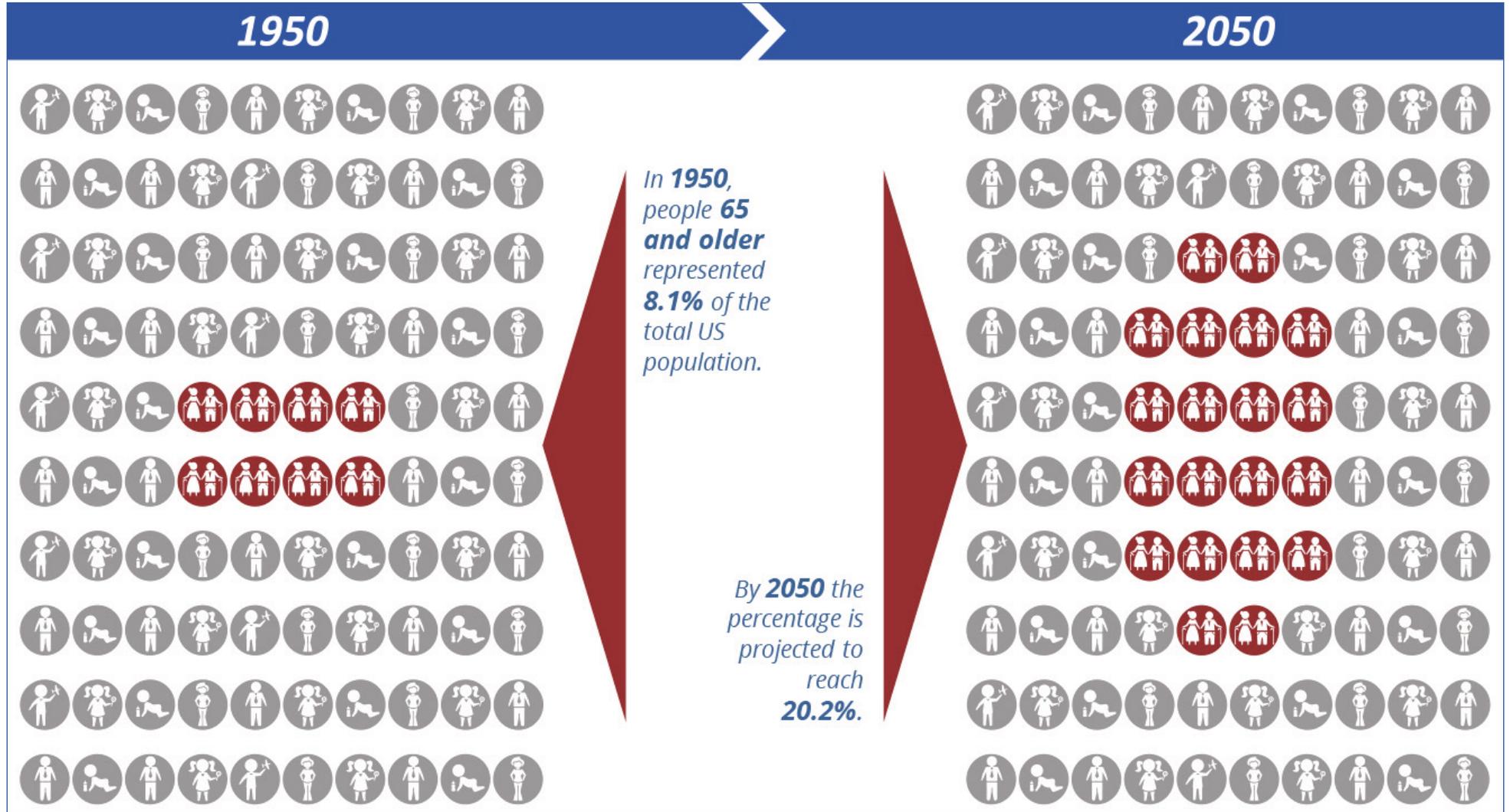


Figure 7: Unmet need for growing population

Source: 8,9

### Managing multiple chronic conditions

- 31.5% of all Americans have multiple chronic conditions (MCC), including 1 in 15 children; for Americans 65 and older this number increases to 80%
- 2 out of 3 Medicare beneficiaries have MCC
- 86% of the \$2.9 trillion in annual healthcare spending is for patients with more than one chronic condition; 71% is for patients with MCC
- In 2001, 21.8% of Americans had MCC; in 2010 this jumped to 26%
- Women are more likely to have MCC (34.7% versus 28.2%)

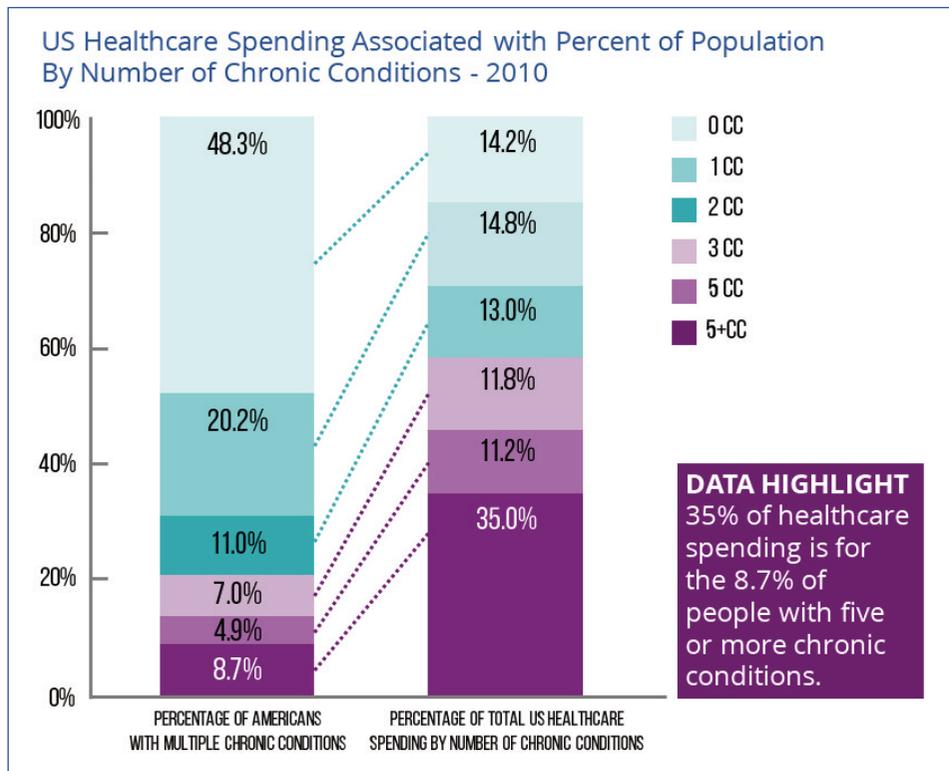


Figure 8: US Healthcare spending

Source: <sup>10</sup>

### Population health is a means to an end

#### Population health management cycle:

These are the steps that provider stake in order to accomplish population health management.



Figure 9: Population health management cycle

Source: <sup>11, 12</sup>

### Growth of population health CAGR

2013 to 2018 CAGR 26% (comprised of solutions and population healthcare) to reach \$40.6 billion, driven by the reforms of the ACA, demand for improved quality of care, and government incentives or PHM program adoption.

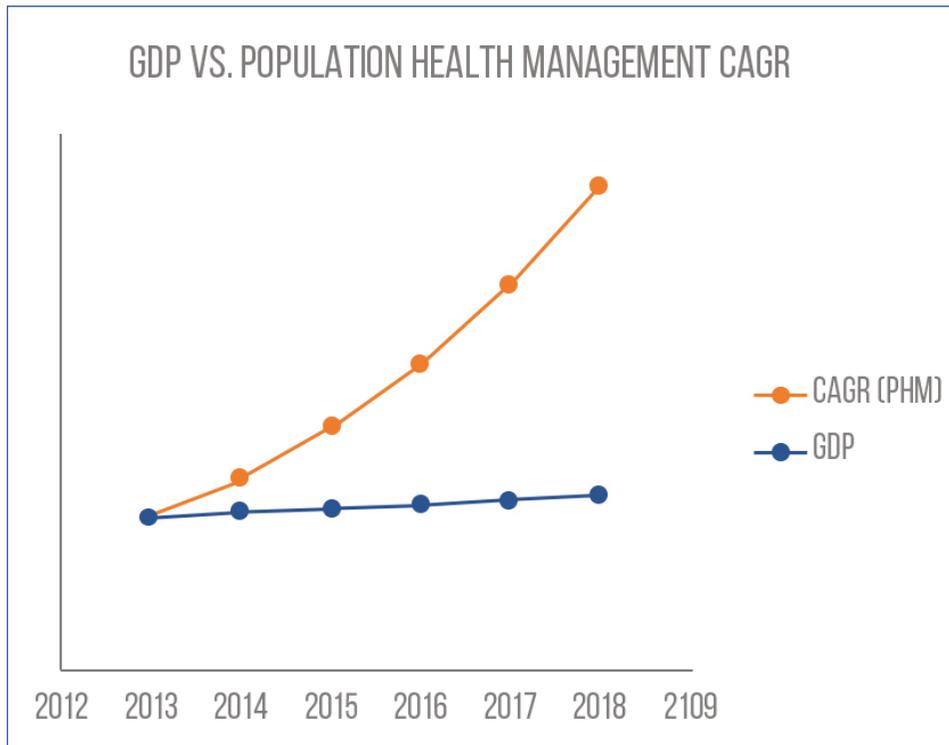


Figure 10: CAGR for PHM will outpace the overall GDP growth by a factor of 10

Source: 13

### PHM implementation trends and considerations

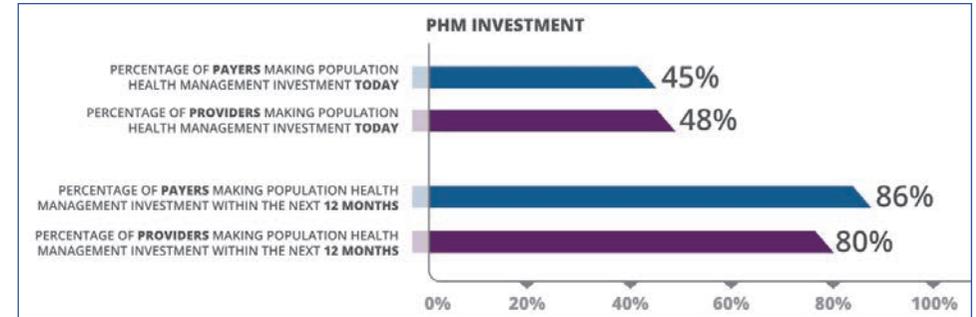


Figure 11: PHM investment

Source: 14

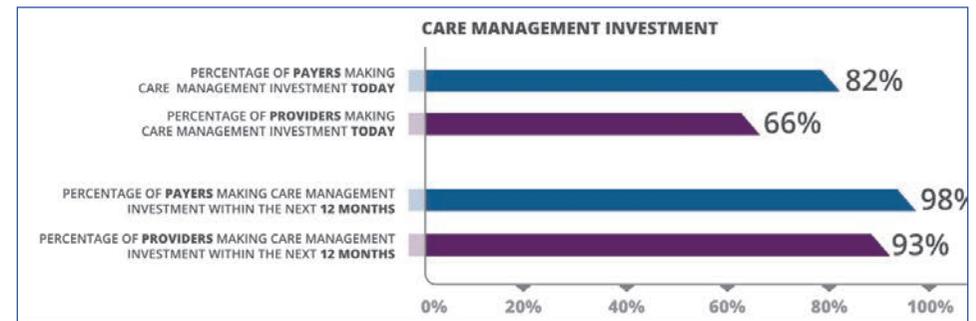


Figure 12: Care management investment

Source: 14

When looking at a population health management tool, one must consider its ability to do the following:

- **Data aggregation and risk stratification**
- **Care/utilization management**
- **Patient engagement**
- **Prevention/wellness and care planning**
- **Health program effectiveness and analytics**



Select population health vendors

COMPANY	DESCRIPTION	SERVICE OFFERED	AMOUNT RAISED
<b>Explorys</b>	Explorys, Inc. develops a cloud-computing platform for the enterprise performance management of healthcare systems in the United States. The company's platform enables integrated healthcare systems to identify patterns in diseases, treatments, and outcomes.	Provides clinical integration, data management, business intelligence, population analytics, population management, performance measurement, and research and innovation solutions.	<b>Total Raise \$15.05M before selling to IBM in April 2013</b>
<b>Health Catalyst</b>	Health Catalyst, LLC provides data warehousing, analytics, and outcomes improvement solutions to healthcare organizations in the United States.	Health Catalyst offers Late-Binding Data Warehouse, a data warehouse platform that provides solutions in the areas of registries and reporting, population health, and clinical and financial risk modeling. Catalyst Analytics Platform that extracts data from a healthcare organization's source systems and gathers them into Late-Binding Data Warehouse. The company also provides data warehousing tools, including Source Mart Designer that captures that metadata; Atlas, a web-based tool that provides self-service analytics for technical and nontechnical users; EDW Console, an ETL management dashboard; SAM Designer, which provides a visual user experience for creating and deploying custom data marts in the enterprise data warehouse; and an instant data entry application. In addition, it offers data security solutions comprising access management and auditing solutions; The Accelerated Practices (AP) Program that prepares healthcare teams to accelerate outcomes improvement; foundational, discovery, and advanced applications; and installation and clinical services.	<b>Raised \$70M in March 2015; Post-Valuation of \$500M</b>
<b>HealthEdge</b>	Develops integrated financial, administrative, and clinical software platform for healthcare payers.	Offers HealthRules Payor, a claims and benefits administrative solution; HealthRules CareManager, a solution that enables ACOs, health plans, MCOs, PCMHs, Medicare plans, Medicaid plans, TPAs, and pharmacy-related and specialty needs organizations to focus on prevention, care coordination, and patient engagement; and HealthRules Answers, a business intelligence solution. It also provides HealthRules Portal, an integrated set of portals that enables communication with members, providers, employers, and brokers; and HealthRules Connector, an enterprise-class integration layer that provides real time and batch access to various HealthRules and data and functionality. In addition, the company offers cloud hosting, implementation, and education services.	<b>Raised \$30M in September 2014; Post-Valuation of \$182.47M</b>

Source: Pitchbook



COMPANY	DESCRIPTION	SERVICE OFFERED	AMOUNT RAISED
<b>Enli Health Intelligence (formerly Kryptiq care manager)</b>	Enli Health Intelligence provides population health management solutions for physician practices, healthcare systems, accountable care organizations, and health plans.	Offers risk stratification solutions that enable provider organizations to pursue payment incentives and value-based programs; care coordination solutions that help provider organizations to coordinate the care of high-risk patients; and care delivery solutions for high-functioning primary care and clinically integrated networks.	<b>Raised \$43MM</b>
<b>Lumeris</b>	Provides enablement services for accountable healthcare delivery systems, including accountable care organizations (ACOs), star-rated Medicare Advantage plans, virtually integrated delivery networks (IDNs), and hospital bundled payment programs.	Offers Maestro, a solution that includes quality optimization, documents management and coding, provider network management, disease management, and cost management applications.	<b>Raised \$71.03M in May 2014; Post-Valuation of \$1.12B</b>
<b>Medecision</b>	Provides care cycle management and care management services.	Offers Software as a Service-based care cycle management platform that provides proof care management services, including data aggregation and analysis, case and disease management, clinical programs, utilization management, provider portal, consumer engagement, and outcomes and reporting. Offers population health management services, such as clinical decision support, clinical analysis, and gaps in care, as well as population health management tools that enable providers to manage preventive care and implement clinical measures.	<b>Raised \$30M in 2008; sold to HCSC for \$114 M in 2008</b>
<b>MedHok</b>	Provides Software-as-a-Service care, quality, and compliance software solutions for utilization management, prior authorization, predictive modeling, case management, disease management, Rx specialty management, and medication therapy management in the United States.	Offers Care Management modules for clinical management; Utilization Management module, a business intelligence reporting tool; pharmacy prior authorization solution, a solution for processing coverage determinations and prior authorizations electronically; a predictive modeling, identification, and stratification solution; a case management solution; a disease management software; a Rx specialty management solutions.	<b>Raised \$77MM (Nov 2013)</b>

Source: Pitchbook



COMPANY	DESCRIPTION	SERVICE OFFERED	AMOUNT RAISED
<b>Phytel</b>	Phytel, Inc. provides population health management and improvement solutions for healthcare organizations.	Provides Phytel Atmosphere, a platform that enables providers to manage and improve chronic and preventive care; Phytel Outreach that automates process—leveraging technology to identify patients who need recommended care and initiate customizable notifications regarding visits, tests, procedures, or other follow-up care; Phytel Insight, an EMR patient-centered registry that enables users to access data across their providers, locations, medical groups, and conditions; Phytel Coordinate that establishes patient cohorts in users’ patient population.	<b>Raised \$40.39M by Aug 2013; sold to IBM in 2015 for \$231M</b>
<b>Trizetto</b>	Develops healthcare information technology solutions and services for health plans, benefits administrators, health systems, and healthcare providers.	Offers benefits administration, network and care management, consumer portals, population health management, value-based benefit design and reimbursement, provider connectivity, revenue cycle management, and analytics solutions for payers and provider solutions in the areas of patient access, claims, collections, denial management, contract management, and customer care. The company also provides infrastructure and application management services, such as application hosting and infrastructure services.	<b>Acquired for \$2.7BB by Cognizant in Sept 2014</b>
<b>Truven Health</b>	Provides healthcare data integration and analytics solutions and services in the United States and internationally. The company operates through two segments, Commercial and Government.	Offers population health and cost analysis, performance management, payment integrity and compliance, patient care, market analysis, claims management, and research solutions.	<b>\$1.2BB (LBO in 2012)</b>

Source: Pitchbook



COMPANY	DESCRIPTION	SERVICE OFFERED	AMOUNT RAISED
<b>Valence Health</b>	A healthcare information technology and services company, provides clinical integration, population health, and value-based care solutions to IDNs/health systems, standalone hospitals, IPA/PHOs, ACOs, and consumer oriented and operated plans in the United States.	Designs, builds, and manages value-based care models, including clinically integrated networks, bundled payments, risk-based contracts, ACOs, and provider-sponsored health plans. Its software solutions and services include value-based consulting, vision platform, quality measurement, cost and utilization, data collection, vElect for IPAs contract administration, value-based managed services, and actuarial services. It also offers clinical and financial solutions and advisory services, analytical solutions, and outsourced services. The company offers solutions in the areas of clinical integration, population health, quality management, care management, business intelligence, physician network design, and managed services.	<b>Raised \$15M in Nov 2014; Post-Valuation of \$144.36</b>
<b>Wellcentive</b>	Provides cloud-based population health management and data analytics solutions for physicians and their organizations.	Offers Wellcentive Advance, a healthcare intelligence solution suite that provides various solutions, including population management, clinical decision support, care management, accountable care, delivery system reform incentive, chronic care management, clinical integration, enterprise-wide insights, and quality-based reimbursement; and solutions for reducing avoidable hospital readmissions. The company also offers Advance Outcomes Manager, a solution that empowers physicians and their organizations to improve clinical and financial outcomes.	<b>Raised \$12M in April 2014; Post-Valuation of \$92.7M</b>
<b>ZeOmega</b>	Develops and provides population health management software solutions for payers, providers, and value-based care organizations.	Offers Jiva, a Web-based population health management platform that transforms traditional episodic-based care management into proactive and collaborative population health management through electronic health record (EHR)-enabled care plans, point of care tools, decision support, and user-configurable workflows for care management. The company's platform also provides interoperability, analytics, integrated medication management, and clinical content solutions.	<b>Raised \$21.5M in Sep 2013; Post-Valuation of \$100.84M</b>

Source: Pitchbook

## Summary

Taking charge of the way you manage the health of your populations is critical for driving value-based savings and success. Embrace effective, intelligent approaches to meeting the needs of your patients. Strong approaches can drive the growth of your margin, improving your capabilities to reinvest in your development.



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