IDC MarketScape: U.S. Contract Management Tools for Payers 2018 Vendor Assessment

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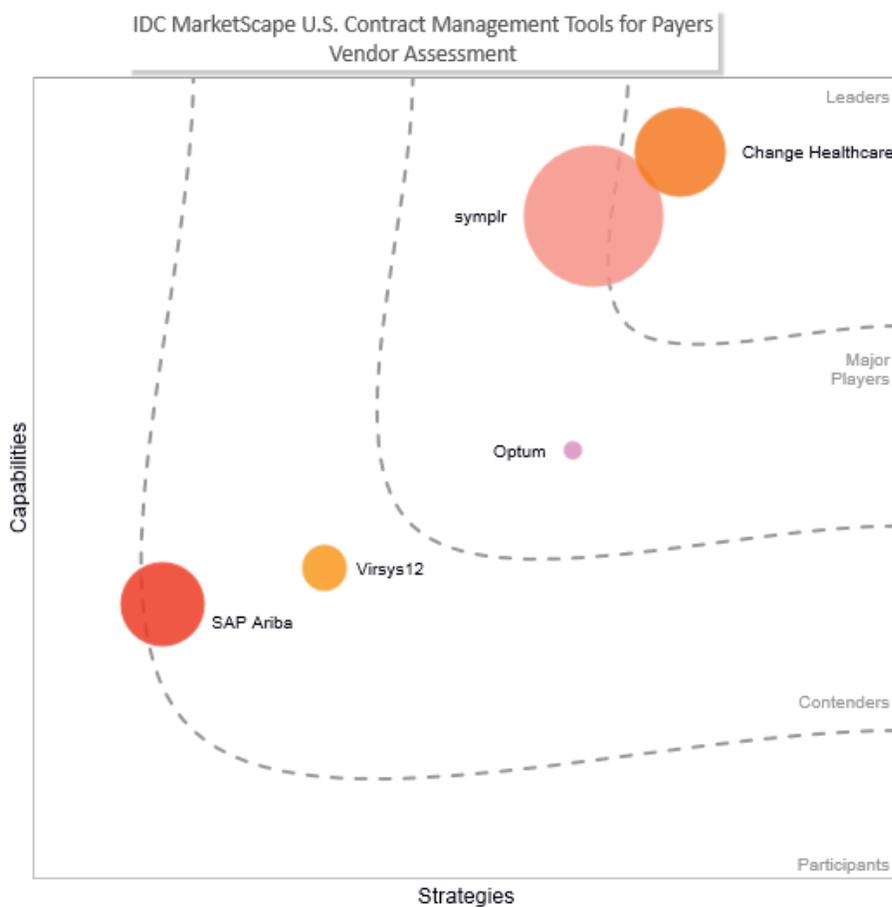**THIS IDC MARKETSCAPE EXCERPT FEATURES: CHANGE HEALTHCARE**

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape U.S. Contract Management Tools for Payers Vendor Assessment

Source: IDC, 2018

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: U.S. Contract Management Tools for Payers 2018 Vendor Assessment (Doc #US43511218). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

This IDC study represents the vendor assessment model called IDC MarketScape. This research is a quantitative and qualitative assessment of the characteristics that explain a vendor's current and future success. This study assesses the capability and business strategy of many of the most prominent contract management vendors found in payers that use the contract management software to contract with providers. This evaluation is based on a comprehensive framework and set of parameters expected to be most conducive to success in providing contract management software today and in the future. A significant and unique component of this evaluation is the inclusion of buyers' perception of both the key characteristics and the capabilities of these vendors. Key findings include:

- Clients generally have a positive outlook on the capabilities of their vendors, particularly in supporting technical requirements, domain expertise, and support for the baseline authoring and workflow requirements of most payer organizations.
- This study centered on the depth and breadth of contract management functionality and its evolving interface landscape. Key authoring and workflow requirements are now only a portion of the fundamentals in establishing a core for the provider information management ecosystem.
- Clients also identified common areas for improvement by market participants, including deeper understandings of reporting capabilities, creative solutions and expanded use of API or other standards for interface, and organizational impact of infusing this technology on organizations that may have been paper-based before.

An interesting evolution in this area is around using Salesforce as a backbone security/workflow/user interface engine and stitching functionality around it to achieve functionality previously only found in custom platforms.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

This research includes analysis of five software providers that offer both on-premise and cloud-based contract management solutions to payers for their purpose of contracting with providers. IDC believes that the vendors in this study generate most of the revenue in this market.

The sunsetting of IBM Emptoris (estimated at over 250 installations) and the introduction of value-based reimbursement (VBR) fee schedules and performance-based reimbursement in payers causes a rethink of the payer contracting software market. Both enterprise-oriented and payer-specific vendors were polled and were included based on the following criteria:

- An electronic contract repository with robust search makes all contracts accessible online to those who need them, including potential users in legal, procurement, sales, provider relations, and filing.

- Secure contract authoring allows users to create the contract with standards and solid, auditable, and legal control. This includes products that streamline the process of drafting contracts by allowing end users to choose the appropriate contract structure, enter needed information, and generate the draft contract in compliance with legal standards and guidelines. This could include features such as template libraries, redlining, wizards, document management, address validation, multilanguage support, Microsoft Word/Excel add-ins, flexible fields and clauses, and PADU (preferred, acceptable, discouraged, unacceptable) language delineation.

- A workflow encourages collaboration and compliance and routes the draft contract and revisions to the right people for approval, with complete tracking of who made what change in which version. This could include features such as workflow diagramming, third-party contract support, esignature, rules engines, automated alerts, AI, and machine learning. Ease of use, wizards, and self-service capabilities are distinguishing characteristics.

- Contract reports, dashboards, and analysis provide visibility into the risk and content of the contract portfolio. Examples include the reporting and alerting of expiration dates of all contracts, finding all contracts with specific vendors, and identifying contracts with nonstandard clauses.

- Data integration or facilitation makes contract data available to and from other payer systems such as provider demographic/network systems of record, claims payment, contract modeling, pricing/fee schedules, retrospective and prospective VBR systems, and provider performance systems. This integration allows for two closed-loop performance measures: clinical and financial. This integration differentiates this space from enterprise procurement/contract life-cycle management [CLM] systems.

To separate vendors in this payer-specific category from other generic procurement/contract life-cycle management vendors, a vendor had to demonstrate integration with accompanying engines in a payer paradigm. This integration criteria greatly diminished the field. Therefore, generic CLM, procurement, and configure-price-quote (CPQ) systems were ignored, focusing exclusively on those that have payer installations for provider contracting. An exception to this was the inclusion of SAP Ariba, as the solution was explicitly recommended by IBM in its announcement of the retiring of IBM Emptoris, causing disruption in the payer market.

ADVICE FOR TECHNOLOGY BUYERS

Gone are the days where a payer contract management system sat in a silo, managed by a tangential clerical function that only ensured that contracts had only minor variation to standard terms, covered an HMO or a PPO network, were signed accordingly, and were filed on schedule.

Whether using a "best of breed" approach or one vendor, the silo of provider contract management for payers has been pulverized, enhanced, distributed, and made more complex. New software combinations and broader, tighter integrations are required to meet today's complicated payer/provider contracting environment.

Today, the provider contract is the center of a provider network relationship management dual closed-loop ecosystem. This ecosystem is where rates, reimbursements, networks, and terms are modeled; claims are examined continuously for accurate or more profitable reimbursement; directories and networks are continuously updated; contracts and networks and providers are continuously measured; and providers are continuously delighted.

When evaluating a contract management solution, the basic contract authoring, workflow, management, and reporting are "table stakes" – standard and nonnegotiable. The real power in the future contract management solution is the architecture where interfaces to other powerful modeling and operational engines and systems of record are as seamless as possible. A comprehensive vision enables closed loops for both provider performance and reimbursement management.

First, the closed loop for provider performance starts with the data being entered into the provider system of record as managed by a provider information management system. Data there is used as the demographic base for contracts; in those contracts, live terms of payment and product are invented and managed, and terms/fees are communicated to the claims engine. Claims are then analyzed in bulk by a unified "provider cost/quality performance" set of analytics, and the results are put back into the provider systems of record, finishing that loop for use by network managers, provider relations, contract managers, directories, network adequacy analysis, and the rest of the organization.

Similarly, the closed loop for provider reimbursement starts with the fee schedule inside the contract management system that has been modeled using live claims into a prospective or retrospective value-based reimbursement engine, and communicated to the claims reimbursement engine, then the claims occur, and the results of claims analysis are put back into the contract management engine, finishing that loop to show profitability and be the system of record for settlement.

When re-architecting for future payer/provider contract management, look past the authoring silo to the two closed loops of performance and reimbursement; test how provider contracting affects the provider relationship, demand transparency, and seamless interfaces as data is collected, authored, executed, modeled, and re-instantiated in the next version of contracts; force this hub of data to move from its tangential home to being the hub of your provider relationship management ecosystem.

In this provider relationship mindset, an interesting evolution in this area is around using Salesforce as a backbone security/workflow/user interface engine and knitting functionality around it to achieve functionality previously only found in custom platforms.

All players in this market have yet to get past phrase/clause libraries and address the digitization of *all* contract language and use machine learning to both search/analyze contract language and explore how to build predictive models and better decision support tools utilizing contract and claims data. Similarly, the rest of the industry is researching how blockchain and smart contracts can be used to facilitate the payer/provider contracting process.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges. IDC's assessment includes five vendors:

- Change Healthcare
- Optum
- SAP Ariba
- symplr
- Virsys12

Change Healthcare

According to IDC analysis and buyer perception, Change Healthcare is positioned in the Leaders category in this IDC MarketScape for contract management tools for payers in the U.S. market for 2018.

Change Healthcare is a merger of two companies, Change Healthcare and McKesson Technologies. On March 2, 2017, McKesson Technology Inc. (MTI), of which McKesson Health Solutions was a division, merged with Change Healthcare Holdings Inc. (CHC), Change Healthcare, as the company is now called, combines substantially all CHC's business and the majority of MTI. McKesson owns approximately 70% of Change Healthcare, with the remaining equity ownership held by CHC stockholders, including Blackstone and Hellman & Friedman. The new company is jointly governed by McKesson and CHC stockholders.

The Contract Manager product has been found in healthcare customers since 2004. Contract Manager was first generally available (known as Guardian, owned by Kryptiq prior to acquisition by Portico, then McKesson) in 2004. Contract Manager offers the following core functionality:

- **A contract repository:** A central source for all contract data, documents, and audit history to enable greater compliance and accessibility
- **A language library:** Codified contract terms, documents, and templates with user-defined variables and risk ranking to support contract compliance and workflow automation
- **A configurable workflow:** Automated end-to-end contracting workflows for new contracts, renewals, and bulk amendments with review and approvals to streamline contracting time frames
- **Reporting:** Standard reports for managing contract inventory, user workloads, and processes that can be scheduled and distributed automatically improving operational efficiency
- **Advanced searching:** User-defined searching capabilities across all key data enables rapid response to inquiries and analysis
- **Integration:** Enterprise service bus (ESB) integration with event subsystem and application programming interfaces for real-time access to all critical contract information across the enterprise
- **Configurability:** User-defined fields, forms, and reference data allow for all data to be captured natively and in forms that can be used to support other surrounding processes like contract configuration

Contract Manager is a provider contract manager solution, which is part of Change Healthcare's Provider Network Management suite. The Provider Network Management suite also includes two companion products:

- **Provider Manager** manages provider networks and demographic data. It is integrated with Contract Manager to orchestrate the end-to-end provider life cycle.
- **Reimbursement Manager** manages rate schedules, model contracts, and price claims. It is integrated with Contract Manager to optimize provider contracts.

There are two additional provider contract management add-on modules:

- **Insight:** A dashboard module allows for the analysis of work inventory, user workloads, process cycle times, contract template usage, and provider coverage by geography.

- **Contract Modeling:** Reimbursement Manager's contract modeling module is integrated with Contract Manager and improves contract optimization by allowing the contracted rates to be modeling throughout the contracting process. The Contract Modeling module ensures the negotiated rates will achieve the budgeted savings and contract intent.

Concurrently, Change Healthcare's Network and Financial Management solutions help health plans manage costs, implement new value-based reimbursement models, enhance payment accuracy, and reduce administrative costs. Supplementary products include:

- **ClaimsXten** is a claims editing and payment policy management solution. The contract terms in Contract Manager are typically enforced during the claims adjudication process utilizing the ClaimsXten rules.
- **HealthQx** is a retrospective value-based payment (VBP) analysis solution. The VBP programs in HealthQx can be contracted via Contract Manager.
- **Payment Integrity Services** is a contingency-based audit and recovery service. These services utilize contracts that can be stored in Contract Manager to find payment recovery opportunities.

Strengths

Change Healthcare emphasizes provider contract optimization (i.e., managing provider contracting activities is only one component of the end-to-end contracting effort). By combining its contract management solution with its contract modeling and repricing capabilities, the company states that it can help payers maximize the impact of their provider contracting efforts. Contract Manager's strengths include:

- **Healthcare-specific data model:** Contract Manager's data model is designed to support the complexities of healthcare information. The data model was built to handle the provider-contract relationships and the complexities of provider-provider relationships, which are critical for networks, directory, and payment accuracy; standard data validations to ensure data quality including address standardization; and the critical ability to effectively manage the contract library with the required controls to improve contract compliance.
- **Analytics:** Contract Manager supports user-defined queries, standard and custom reports, full-text searching of all data by indexing contract information, and drilldown dashboards on workflows, contract term usage, and provider geographic coverage. Contract Manager uses Crystal Reports as its reporting engine and TIBCO Spotfire as its business intelligence engine.
- **Automation:** Contract Manager automates the contract creation and execution processes leveraging standard APIs, the codified contract library, a flexible workflow engine, and bulk processing capabilities.
- **Interoperability:** Contract Manager supports APIs and messaging integration paradigms. The messaging approach utilizes an enterprise service bus for messaging key contracting life-cycle events to ensure contract compliance. This enterprise service bus (TIBCO Business Works) ships with the core product. The ESB is also integrated with (add-on) Provider Manager to support the end-to-end provider life cycle.
- **Scalability:** Contract Manager has payer clients with over 200,000 contracts.
- **Contract Modeling potential (with add-on):** Contract Manager's integration with Reimbursement Manager provides an add-on module to address the largest component of provider contracts (i.e., the rates). By integrating Contract Manager's rate schedule templates with Reimbursement Manager, customers can model rate schedules and payment methods, identify savings opportunities, and forecast medical cost savings associated to all contracts.

- Ability to use Contract Manager separate from Provider Manager in a point solution.
- **Overall payer software integration:** Change Healthcare claims that leading health plans representing 33% of U.S. commercially insured clients are now using value-based payment solutions from the company to design, scale, analyze, and help ensure accurate payment for innovative alternative payment programs.

Challenges

As a mature player in this market, Change Healthcare has taken significant time and effort over the past decade to both optimize the individual features of its modular Provider Network Management suite and integrate the pieces around network/contract management, each coming from different roots. The company's comprehensive product approach is parsed nicely but can be a lot to comprehend if one is coming from a pure contract management mindset.

Some clients have been with Change Healthcare for contract management for more than a decade as their first automation. Upon interview, some Contract Manager clients on earlier versions noted that the workflow engine and clause library was functional but not as "open" as they would have liked; but perhaps that is a natural resistance that occurs when standardization from paper contracts is introduced. According to Change Healthcare, later versions improved workflow flexibility.

Of course, the roots of this product suite were invented significantly before the infusion of Salesforce as some companies' driving workflow and application theme. If a company has this bias, introducing this comprehensive proprietary suite may meet resistance but may be rectified with Change Healthcare's commitment to API and ESB technology.

Consider Change Healthcare When

Consider Change Healthcare when one is serious about shoring up contract management as a point solution or establishing a comprehensive provider management ecosystem when one wants to work with a proven mature vendor that has a commitment to value-based reimbursement.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

The contract life cycle market for payers includes the aspects of contract authoring into an electronic contract repository with robust search that makes all contracts accessible online with standards and solid, auditable, and legal control. Solutions must have workflow that encourages collaboration and compliance and routes the draft contract and revisions to the right people for approval, with complete tracking of who made what change in which version. Offerings must have reports, dashboards, and analysis that provide visibility into the risk and content of the contract portfolio. Finally, selections must provide at least some data integration or facilitation that makes contract data available to and from other payer systems such as provider demographic/network systems of record, claims payment, contract modeling, pricing/fee schedules, retrospective and prospective VBR systems, and provider performance systems. This integration allows for the potential for two closed-loop performance measures: clinical and financial. This integration differentiates this space from enterprise procurement/CLM systems.

LEARN MORE

Related Research

- *IDC PlanScape: Payer/Provider Contract Management 2.0 for Payers* (IDC #US43259117, December 2017)
- *IDC Market Glance: Payer, 4Q17* (IDC #US43315917, December 2017)
- *AHIP Institute 2017 - Back-Office Transformations, Innovation, Collaboration, Consumerization, Creative Payments, Analytics, and Policy* (IDC #US42853917, July 2017)
- *IDC TechScape: 20 Strategic U.S. Payer Technologies, 2017* (IDC #US42298015, February 2017)

Synopsis

This IDC study presents a vendor assessment of the 2018 contract management tools for payers using the IDC MarketScape model.

Whether using a "best of breed" approach or one vendor, the silo of provider contract management for payers has been pulverized, enhanced, distributed, and made more complex. New software combinations and broader, tighter integrations are required to meet today's complicated payer/provider contracting environment. Another interesting evolution in this area is around using Salesforce as a backbone security/workflow/user interface engine and stitching functionality around it to achieve functionality previously only found in custom platforms.

Regardless of underlying platform, when selecting vendors, test how provider contracting affects the provider relationship, demand transparency, and seamless interfaces as data is collected, authored, executed, modeled, and re-instantiated in the next version of contracts.

"When re-architecting payer/provider contract management, vendors are looking past the authoring and approval silos to satisfying the two closed loops of provider contract clinical performance and provider reimbursement management," says Jeff Rivkin, research director for IDC Health Insights. "Force this hub of data to move from its previously tangential home to being the hub of your provider relationship management ecosystem."

About IDC

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