

## New Product Innovation Leadership

*Value Based Care Administration System-GE Healthcare  
Centricity™ Financial Risk Manager*

F R O S T  S U L L I V A N

A Frost & Sullivan Position Paper

---

Nancy Fabozzi

**TABLE OF CONTENTS**

**GROWING MOMENTUM TO REPLACE FEE FOR SERVICE .....3**

    NEW TOOLS TO MANAGE FINANCIAL CHALLENGES.....4

    SIGNIFICANCE OF NEW PRODUCT INNOVATION.....4

**BEST PRACTICES AWARD ANALYSIS .....5**

**CONCLUSION.....7**

## THE GROWING MOMENTUM TO REPLACE FEE FOR SERVICE REIMBURSEMENT

The U.S. healthcare system is the most expensive in the world with per capita expenditures averaging \$8,508, which amounts to 17.9 percent of U.S. GDP. Unfortunately, we fail to see value from such high expenditures, as indicated in a recent report from the Commonwealth Fund<sup>1</sup> which found that the U.S. consistently underperforms on most dimensions of healthcare performance, ranking last or near last on numerous measures of health outcomes, quality, and efficiency compared to other developed countries. Poor performance and high costs are driving the need to improve quality and financial efficiency across the U.S. healthcare system. Many reform efforts are focused on addressing what is seen as one of the key causes of poor performance—fee-for-service reimbursement. There is growing consensus that fee-for-service (FFS) does not encourage clinicians to practice cost-effective medicine but rather encourages overutilization and even harmful utilization, leading to higher expenditures and, oftentimes, poorer outcomes. Momentum is building for reimbursement systems that emphasize the value and quality of care over the volume of care. The recent [announcement](#) from Department of Health and Human Services validates the move. The healthcare industry also applauded HHS's commitment to value based reimbursements. American Hospital Association (AHA) released a [statement](#) showing its commitment to alternative payment systems that increases value and promotes seamless coordinated care. Private players followed suite with an [announcement](#) from the [Healthcare Transformation Task Force](#) to putting 75% of their business in value based arrangements by 2020.

There are a range of value-based incentive programs, all of which are designed to financially reward healthcare providers that meet designated performance standards. While the majority of healthcare providers are still paid under FFS contracts today, most will inevitably be incorporating some form of value-based reimbursement (VBR) over the next five years. The shift to VBR requires behavioral and cultural changes, such as the need for more cooperation among providers, and also entails more financial risk, which can be significant. There are various flavors of VBR, all of which can be looked at as falling along a spectrum of ever-increasing risk. At the low-end of the risk spectrum, providers may be engaged in some level of pay-for-performance reimbursement but still may remain in a predominately FFS system. At the mid-point of risk are providers who may participate in value-based programs such as the Centers for Medicare & Medicaid Services (CMS) Medicare Shared Savings Program (Shared Savings Program); bundled payments; capitation risk, and other risk-sharing reimbursement models. At the high-end are provider-sponsored health plans. In spite of high risk, healthcare providers who choose to offer their own health plans may see this strategy as ultimately offering the greatest potential competitive advantage and financial rewards.

---

*“Healthcare provider organizations are seeking vendor partners that can help them identify and deliver new innovative ways of delivering high-quality patient care as well as cost-savings opportunities.”*

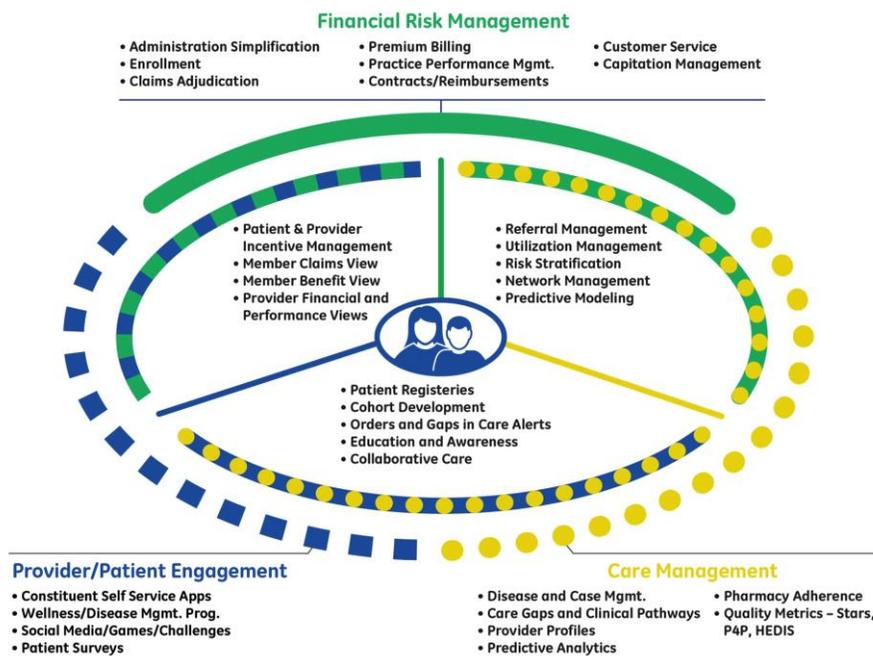
---

<sup>1</sup> K. Davis, K. Stremikis, C. Schoen, and D. Squires, *Mirror, Mirror on the Wall, 2014 Update: How the U.S. Health Care System Compares Internationally*, The Commonwealth Fund, June 2014

**HEALTHCARE PROVIDERS NEED NEW TOOLS TO MANAGE FINANCIAL CHALLENGES ASSOCIATED WITH VALUE-BASED REIMBURSEMENT**

The shift to value-based reimbursement (VBR) entails more financial risk for providers. Successful management of the transition to VBR can only be achieved when healthcare organizations are clinically and financially integrated to ensure tight care coordination and efficient resource utilization. That level of integration requires the aid of a robust IT infrastructure to support the enterprise. It is particularly important that those taking on the greatest risk, e.g., provider-sponsored health plans, leverage health IT solutions that are designed to help them effectively carry out their mission of higher quality and greater cost-efficiency.

The core IT infrastructure needed to support VBR includes electronic health records (EHRs), business intelligence and predictive analytics, clinical decision support, patient portals and a full complement of revenue cycle and financial management tools that help administer risk based contracts, and manage increased financial risk. In addition to new IT platforms, the move to VBR will require providers to re-engineer their entire financial management workflow to enable tighter control of data flow among various inpatient and ambulatory care settings as well as new administrative processes that reduce overhead. A fully integrated ambulatory and hospital revenue cycle system can help improve control over data flow and reduce risk of lost revenue.



Providers engaged in risk contracts need to build infrastructure to support three initiatives:

1. Engage provider and patient network in delivering care
2. Effectively deploy care plans and coordinate care at the lowest cost
3. Understand financial risk and take measures to reduce administrative cost

The above diagram highlights the technology capabilities in each of the aforementioned initiatives. It is also important that technology infrastructure built around these initiatives interoperate with each other.

## SIGNIFICANCE OF NEW PRODUCT INNOVATION LEADERSHIP IN FINANCIAL MANAGEMENT

Healthcare providers understand that the new world of risk-based contracts is coming, but most don't have the IT solutions or internal capabilities to successfully manage these new challenges. Value-based reimbursement shifts financial risk from payers to provider organizations. Thus, providers are increasingly in need of trusted vendor partners that offer a full suite of IT solutions and services that can help them navigate the dramatic disruptions that lie ahead. Market opportunities for vendors with end-to-end solutions designed to manage increased financial risk are particularly attractive in this environment.

GE Healthcare's Centricity Financial Risk Manager is a unique offering in the financial management marketplace. Centricity Financial Risk Manager is positioned for provider organizations that manage their own health plan(s) and/or are contracted with other payers to manage care for specific populations, offering an end-to-end suite of software and services designed to administer risk-based claims and monitor utilization and reimbursements. The application platform includes a full product suite that automates essential financial functions while value added services further enhance customers' business performance. As a stand-alone, system agnostic solution, Centricity Financial Risk Manager can interface with clinical and financial solutions from other vendors and is highly customizable and scalable so that it can grow with customers' changing needs.

## BEST PRACTICES AWARD ANALYSIS FOR GE HEALTHCARE

The following parameters form the foundation of the visionary innovation and product excellence exhibited in GE Healthcare's Centricity Financial Risk Manager.

### Focus on Improving IT Optimization and Maximizing Operational Efficiencies

Numerous highly disruptive forces are impacting U.S. healthcare providers, none more so than the rapid move to value-based reimbursement. Healthcare market transformation is leading to new financial realities for providers who must now learn to manage increased risk. GE Healthcare's mission is to create the next-generation of IT performance breakthroughs. The company is ready to enable healthcare organizations to bring on new capabilities that ensure success in an era of dramatic transformation. GE Healthcare offers a suite of clinical and financial IT solutions that are specifically designed to improve operational efficiency in the face of increasing financial constraints and changing reimbursement models.

Centricity Financial Risk Manager is an innovative technology solution that helps providers and health plans administer risk-based contracts, including claims adjudication, capitation processing, eligibility management and utilization management. The solution supports monitoring of utilization and related payments and can handling a range of complex contract terms. The product is derived from a legacy GE solution, Centricity Business Managed Care Application, which was originally developed in the 1990's for Health Maintenance Organizations. New features and functions have recently been added to upgrade the solution so that it can be leveraged to meet growing needs around risk-based reimbursement. This end-to-end financial management suite of software and services is specifically targeted for providers who have their own health plan and are looking for new tools to administer the plan.

---

*"According Shiv Gopalkrishnan, VP and GM, Health System Solutions at GE Healthcare, in the next five years, over 70 percent of all lives will be covered under value-based or risk-based contracts."*

---

### Providing a Full Range of Applications and Services Needed to Manage Increased Financial Risk

Many financial management solutions on the market today fall far short of what is needed to ensure optimal functionality for risk-based environments. In recent years, financial solutions have taken a backseat to clinical solutions because of providers’ need to focus on adopting EHRs required for meaningful use (MU). As the MU program matures and healthcare reform efforts take hold, the market is shifting to next-generation financial management solutions that can help providers to prepare for changes in reimbursement and patient demographics. GE understands that succeeding in risk-based contracts takes more than just achieving clinical targets. Healthcare providers need to optimize all clinical and financial operations to ensure financial success and prevent revenue loss.

Revenue optimization is best enabled by a full solution that consists of software applications and business process outsourcing services. These applications and services must work efficiently to help medical practices collect payments from insurance companies and/or patients by rationalizing a number of complex processes and steps that occur across the entire patient-accounts pathway. For example, the software application platform must be able to perform a range of tasks needed to adjudicate claims and manage benefits of members. Furthermore, business outsourcing allows providers to access new capabilities or expertise that may not exist in-house or that may be more cost-efficient to source from an external vendor.

### Customizable, Provider-Focused Technologies Designed to Adapt to Changing Practice Dynamics

GE Healthcare’s Centricity Financial Risk Manager is a provider-focused technology solution that is ideally suited to meet new market dynamics. Centricity Financial Risk Manager helps providers and provider sponsored health plans address unmet needs around maximizing their claims processes and reducing administrative costs. The solution is available as a stand-alone offering that integrates with clinical and financial IT products offered from a variety of vendors, not just GE Centricity, thus providing a flexible and customizable option that can help augment limitations in other systems’ capabilities. In addition, GE Healthcare has added new business process outsourcing (BPO) services to compliment the Centricity Financial Risk Manager application platform.

---

*“GE Healthcare’s Centricity Financial Risk Manager is based on proven technology that allows providers to quickly bring on new capabilities to help manage the transition to value-based reimbursement.”*

---

### Long Established Leader in Healthcare Financial Management

GE Healthcare is a market-leading company with a global reach that few technology vendors can match. The company serves almost 8,000 global healthcare customers and works with over 100 partners to deliver a robust range of solutions that help healthcare organizations improve productivity and drive innovation in care delivery. The company’s mission is to provide integrated care solutions for the healthcare enterprise encompassing imaging, care delivery management, population health management, and financial management, all of which enable better clinical and financial outcomes. GE Healthcare is a market leader in the financial health IT space and its solutions are deployed in many of the world’s most prestigious healthcare organizations.

Today, financial management processes and workflows are receiving unprecedented attention as medical practices realize they must take every measure to maximize revenue and address inefficiencies and shortfalls in getting paid fully and on a timely basis. Many medical practices will need to significantly re-engineer their entire financial function. Centricity Financial Risk Manager is a proven, provider-focused solution that is used by 33 prominent healthcare organizations serving over 7 million lives including Sharp Healthcare, Scripps Clinic, Dignity Health, and others. In an increasingly crowded vendor marketplace, GE Healthcare has proven time and again that its solutions offer the highest level of reliability and quality to ensure that customers are able to maximize their IT investments and ensure financial and operational success.

#### **Product/Service Value Based on Proven Technology Platforms**

Centricity Financial Risk Manager was initially built for providers with their own health plans, offering tremendous value as a full service solution to help these organizations adjudicate and pay claims. Centricity Financial Risk Manager is based on proven technology and comes equipped with a number of unique features as described below:

- The application platform includes a full product suite that automates essential functions such as claims adjudication, eligibility processing, claims systems configuration, health plan benefit administration, utilization management, EDI transactions, coding and compliance, document imaging, provider credentialing, and analytics and reporting.
- Offered as stand-alone, system agnostic solution so that it has the ability to interface with clinical and financial solutions from other vendors.
- The solution is highly customizable and scalable so that it can grow with customers' changing needs.

#### **Focusing on the Healthcare Enterprise to Enable the Complete Continuum of Care**

The first priority for GE Healthcare is to ensure that it delivers on strong enterprise capabilities. The company's development roadmap is focused on resource optimization through IT. GE Healthcare understands that, as the healthcare market transforms, it will be increasingly important for vendors to offer a full suite of flexible and customizable clinical and financial solutions that span all care settings. Furthermore, clinical and financial integration is a core component that enables value-based care. For this to happen, providers must have a single view of patient transactions, including a single statement of financial transactions which leads to more transparency that enhances operational efficiencies and patient engagement. GE Healthcare offers an enterprise RCM solution, Centricity Business that combines hospital and ambulatory billing to create a single view of patient transactions. GE Healthcare's strategy is to continue to develop its interoperability capabilities so that its solutions connect with an even wider range of health IT products offered from various vendors.

GE Healthcare believes that its focus on interoperability and stand-alone offerings offers a distinct competitive advantage in a rapidly consolidating provider market that will be characterized by considerable IT fragmentation for some time to come. Providers are often not in a position to fully rip and replace existing IT systems, and this is a particularly disruptive and expensive process for RCM solutions. GE Healthcare's leadership and expertise in

---

*“Frost & Sullivan believes that GE Healthcare’s Centricity Financial Risk Manager is well-positioned for growth as the market moves toward value-based reimbursement and providers seek to bring on new capabilities to help manage this transition.”*

---

healthcare financial management make it the vendor of choice for many providers even if they do choose to implement clinical solutions from other vendors. GE Healthcare is committed to providing innovative solutions that drive productivity and efficiency.

### **Commitment to Product Innovation**

GE Healthcare’s mission is to provide customers with a portfolio of solutions that help them enable cost-savings, workflow improvements, and enhance the patient experience. In 2013, the company announced a \$2 billion investment in the Industrial Internet, designed to help companies, including healthcare providers, leapfrog efforts in efficiency and productivity by enabling the convergence of machine and intelligent data. GE believes that the Industrial Internet will ultimately transform how caregivers work and provide patient care in the future. GE, as one of the largest software companies in the world, is uniquely positioned to take a leading role in this brave new world.

### **CONCLUSION**

GE Healthcare’s Centricity Financial Risk Manager is a unique offering in the financial management marketplace that enables healthcare systems to reduce the cost of administering risk-based contracts by streamlining associated business processes, thus improving profitability and maximizing efficient workflows. In recognition of the breakthrough innovation that Centricity Financial Risk Manager delivers to the healthcare IT marketplace, Frost & Sullivan is proud to present the 2014 New Product Innovation Leadership Award in Healthcare Financial Management to GE Healthcare.

Auckland  
Bahrain  
Bangkok  
Beijing  
Bengaluru  
Bogotá  
Buenos Aires  
Cape Town  
Chennai  
Colombo  
Delhi/NCR  
Detroit

Dubai  
Frankfurt  
Iskander Malaysia/Johor Bahru  
Istanbul  
Jakarta  
Kolkata  
Kuala Lumpur  
London  
Manhattan  
Mexico City  
Miami  
Milan

Mumbai  
Moscow  
Oxford  
Paris  
Pune  
Rockville Centre  
San Antonio  
São Paulo  
Seoul  
Shanghai  
Shenzhen  
Silicon Valley

Singapore  
Sophia Antipolis  
Sydney  
Taipei  
Tel Aviv  
Tokyo  
Toronto  
Warsaw  
Washington, DC

#### Silicon Valley

331 E. Evelyn Ave. Suite 100  
Mountain View, CA 94041  
Tel 650.475.4500  
Fax 650.475.1570

#### San Antonio

7550 West Interstate 10,  
Suite 400,  
San Antonio, Texas 78229  
Tel 210.348.1000  
Fax 210.348.1003

#### London

4 Grosvenor Gardens  
London SW1W 0DH  
Tel +44 (0)20 7343 8383  
Fax +44 (0)20 7730 3343

877.GoFrost  
myfrost@frost.com  
www.frost.com

Frost & Sullivan, the Growth Partnership Company, works in collaboration with clients to leverage visionary innovation that addresses the global challenges and related growth opportunities that will make or break today's market participants. For more than 50 years, we have been developing growth strategies for the Global 1000, emerging businesses, the public sector and the investment community. Is your organization prepared for the next profound wave of industry convergence, disruptive technologies, increasing competitive intensity, Mega Trends, breakthrough best practices, changing customer dynamics and emerging economies?

*For information regarding permission, write:*

Frost & Sullivan  
331 E. Evelyn Ave. Suite 100  
Mountain View, CA 94041