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Final Report

Case Study: CareCognitics

Throughout the turn of the 20th and 21st Century there has been unbelievable progress made in the field of healthcare. Over the course of 120 years our life expectancy has increased 29 years largely due to advances in modern medicine (Leonhardt 2006). This giant jump in technological capabilities has left us with new problems. Today 81 million Americans have at least two chronic diseases (National Health Council). With the advent of longer life has come longer disease. With two decades under our belt unable to develop cost efficient and effective technology and systems to manage these chronic conditions it could be time to turn elsewhere for solutions. A new company called CareCognitics has done just that by turning its experience in IT systems within the hospitality and casino industries into a new model for manage chronically ill patients. This new firm offers a cost-efficient model that provides benefits to both patients and providers in a unique way that could make it a powerful player in the growing care management industry.

CareCognitics, headquartered in Palo Alto California brings an interesting perspective to chronic care management (CCM). Their CEO, Sunny Tara, holds a degree in computer science from the University of Kentucky and has experience in many different disciplinary fields. His bio states, "Sunny has an impressive track record of Strategy, Business Development, Innovation and Execution in the

Healthcare, Casino Entertainment, Retail and Gaming verticals,” (Carecognitics). Founded in 2016, CareCognitics is quite a young company, but it is already showing a lot of promise, with, “about 2000 active patients on the platform in 4 states,” (Kubo 2018) (Lee 2018). The idea works as a way to manage patient experience in difficult situations. During one conversation the COO of the company, Vishal Agarwal, explains how casino IT services can tie into healthcare. He states that IT services at casinos are about maximizing experience. He gives the example of a Casino monitoring a man who can lose \$100 at the casino and still have a good experience. If on a given night this man loses \$300, he may never come back to the casino. In order to avoid this IT services at casinos track this and when an individual loses more than they can afford to will offer them something such as free tickets to a show or complimentary drinks to improve their experience (Lee 2018). This is easily transferable to healthcare. When dealing with doctors’ appointments, the experience is never awesome, but by avoiding scenarios where patients have terrible experiences and building better experiences, patient care satisfaction can improve.

CareCognitics is working to incorporate this customer satisfaction model into healthcare. CareCognitics, “has developed a, proprietary technology platform, Patient eXperience Management (PXM), that drives better care outcomes, increases digital engagement with your patients and improve quality scores,” (CareCognitics). The platform is for patients with chronic conditions. Along with a patient platform, “CareCognitics supplies a ‘Care Ally,’ a Certified Medical Assistant (CMA) who can respond to requests for additional details, schedule changes, etc., on behalf of the

physician's office, further enhancing the personal VIP touch," (Kubo 2018). These services all work in conjunction to manage the patient experience and improve outcomes. According to CareCognitics, their services have been shown to increase patient quality scores by 30% (CareCognitics).

Implementing their services does require coordination with the doctor, as they must allow some space in their schedule for same day visit scheduling and be willing to allow CareCognitics to cover patient interaction outside of the office. Doctors are, however, inclined to use the CareCognitics because it comes at no extra cost to them. CareCognitics business model leverages a new Affordable Care Act billing code called CCM 99490. CCM 99490 is a payment code that, "incentivizes one of these providers to manage each patient's team of providers. In return, the lead provider can earn about \$41 per month, per patient, in reimbursements for services that previously went unpaid," (Medical Economics). While this is a simple program it is also one that many doctors cannot capitalize on because they lack the staff and resources necessary to do so (Medical Economics). CareCognitics offers physicians the necessary staff and resources to bill for CCM with a revenue sharing model.

CareCognitics is not the only tech company to jump into CCM. There are significant competitors in this field, as well as the opportunity in the future for more traditional players in healthcare IT to enter this market. Care Harmony is one competitor that could pose a risk. Care Harmony uses the same revenue sharing model and also assigns care coordinators (Bill for CPT 99490). Both also offer Software as a Service Platforms to patients and doctors. Additionally, there are numerous companies that offer software solutions direct to provider. Companies

like CSC offer a software that allows doctors themselves to perform CCM more easily without offering care managers (Oliveroz 2016). These software systems are good for physicians who wish to maintain control of their CCM program. Finally, some condition management programs have begun to be developed by state entities. The Mississippi Diabetes Telehealth Network provided care management to 100 diabetic patients and saw success in cutting cost for patient care by over \$339,000 (Care Innovations). This program did not focus on quality improvement and customer satisfaction but instead on monetary savings for the state. In the future state organizations could implement governmental condition management programs that could disrupt CareCognitics market.

While there are many more companies or organizations such as Care Harmony, CSC, and Mississippi Telehealth Network exist there are some factors associated with CareCognitics that place it in a unique position. First, unlike Care Harmony or other Care Coordination SaaS platforms CareCognitics is using Machine learning algorithms to, “enable timely intervention,” (CareCognitics). Using machine learning give CareCognitics and advantage over other CCM firms because it allows them to provides value to the patient without hiring medical professionals. While many of the other CCM companies such as Signallamp Health hire nurses to monitor patient data and manage care CareCognitics relies on their machine learning systems to provide clinical insights to physicians (Signallamp Health). In other words, CareCognitics has a competitive advantage in Human Resource Management, because their care coordinators cost less. This machine learning system also gives

them a Service advantage because it allows the Care managers to focus on VIP casino type concierge services instead of the clinical side of care management.

There is room for concern with the young CareCognitics as well. Providing care managers does hurt the scalability of their business as opposed to software only companies such as ChronicCareIQ which entirely automate CCM services (ChronicCareIQ). However, using cheaper care managers instead of condition management nurses makes them slightly more scalable than organizations who hire medical professionals to perform CCM services. CareCognitics also is limited by its machine learning system in that it must develop a large customer base with large amounts of data in order to optimize its machine learning system. This creates an issue in which scalability makes it difficult to grow, but growth is necessary in order to optimize their services. This will be an important hurdle to tackle in the coming future for the young company.

Once Carecognitics can tackle this hurdle their model is set up quite well to maintain and grow their market share through network effects. The exchanged used in this network is two sided with one side being providers and the other being the patients. As these exchanges happen CareCognitics is able to collect more information on the patient leading to more personalized care through care allies and better condition management through their machine learning systems. To build staying power, Carecognitics uses unique consumer loyalty strategies from the retail and hospitality industry to keep patient coming back and on their services. Carecognitics uses a program they call Care Rewards which offers gift cards and cash rewards for individuals who work to improve their health, this creates

switching costs as people work towards different incentives. Switching to another service would result in patients losing all their progress making them less likely to jump ship for another service. Switching costs overall within the CCM industry are high as well because older individuals who make up the market are less inclined to switch from brands they like (Karani 2010). One area where Carecognitics struggles in developing their network effect is complimentary benefits. There are no API that allows outside firms to build into CareCognitics because of HIPAA compliance rules. The best bet on developing Complimentary benefits is getting the product out there so individuals can build “how to,” videos on the platform making it easier for elderly patients to learn.

Overall, it is clear that CareCognitics is a unique platform for CCM services. In the future it will be interesting to see if they can leverage their unique casino, retail, and hospitality experience to build a strong CCM company. Their advantages in machine learning and a strong focus on building network loyalty will provide them with an opportunity to find success in this market. The development if these types of cross industry ideas making their way into healthcare maybe a sign of significant changes to the way healthcare is delivered in the United States. It will be important to keep an eye on these companies and how traditional players in healthcare react to a swarm of disruptive new IT firms looking to change the way Americans receive care for the better.

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