2014 North American Contact Center Outsourcing - Healthcare Vertical
New Product Innovation Award
Background and Company Performance

Industry Challenges

The North American contact center outsourcing market is by all accounts, one that is mature and fragmented. In 2014, customer care outsourcing firms in North America will face a set of key challenges in order to deliver customer value:

- Contain cost
- Deliver an omni-channel customer experience
- Make agents more efficient
- Deliver high quality interactions for clients
- Grow top-line revenues

“Do more with less” is the overarching theme in the price-sensitive, cost control - obsessed healthcare industry. To this end, successful Business Process Outsourcing (BPO) service providers are challenged to develop go-to-market strategies for the rapidly evolving healthcare delivery market. Most healthcare organizational goals are simple enough to understand: provide excellent patient care and deploy efficient systems to control costs for providers and insurance companies. However, these objectives are difficult to reach in the context of anticipated future demands on the current dispersed and largely uncoordinated healthcare delivery model.

An increasingly tech-savvy patient raises expectations for better healthcare information and care. These factors, and the following emerging trends, are driving deeper use of BPO technology to improve efficiency and control costs:

- Increasingly mobile and actively engaged patient population that demands greater flexibility and automation in personal healthcare delivery
- Widespread availability and affordability of new point-of-care tools and systems that reduce risk and errors
- An aging population, unhealthy lifestyle habits, and a sharp increase in preventable chronic disease
- The increasing need for improved access between patient and scarce healthcare resources and caregivers

The healthcare industry is being heavily influenced by the widespread availability and affordability of high bandwidth and secure mobile and wireless connectivity, in addition to intelligent handheld devices (i.e., Smart phones and tablets). Anywhere, any time and any
device connectivity is becoming an expectation in this industry. The biggest challenge, globally, is to develop a service model that continues to expand to meet the needs of healthcare providers and their patients throughout the entire patient lifecycle.

**New Product Attributes and Customer Impact for Alorica**

Alorica is a business process outsourcing (BPO) provider of customer management solutions spanning the entire customer life cycle. The company seeks to offer a seamless Customer Experience across all service channels in customer acquisition and sales, customer care and support, as well as logistics and fulfillment. The company is privately owned.

**Highlights**

- **History.** Started in 1999, headquartered in Irvine, California.
- **Leadership team.** Andy Lee, Chairman and Chief Executive Officer; Jack Pollock, Chief Financial Officer; Art DiBari, EVP and Chief Operating Officer; James Molloy, Chief Accounting Officer; Chris Crowley, Chief Sales Officer; Cornelius “Connie” Colao, Chief People Officer.
- **Industry coverage.** Services span both the Business-to-Consumer (B2C) and Business-to-Business (B2B) sectors across the following industries: telecommunications, technology, media & entertainment, consumer products & retail, financial services, healthcare, energy & utilities, travel & tourism, automotive, and government & public sector.

**Criterion 1: Match to Needs**

Population health management is an umbrella term for the tools needed to manage healthcare to determine at-risk patients and intervene with preventive care. Frost and Sullivan research shows that both analytics and patient engagement tools are needed to properly manage population health and cut healthcare costs.

Alorica’s PREEMPT healthcare solution is designed to help health insurance companies identify and educate at-risk members through a multi-channel medical messaging system to mitigate the likelihood and cost of expensive intervention and treatment. PREEMPT enables health insurance companies to evaluate member health, identify future risks and take proactive action to support at-risk members. What makes the solution unique in the BPO market is that it is a proactive, analytics-driven care management solution. At a critical juncture in the American healthcare system, PREEMPT emphasizes preventative care as a top priority for health insurance companies. Competitors do not, at this time, have a similar health management solution in the BPO market.

**Criterion 2: Reliability**

50% of Americans have some sort of chronic disease; their care accounts for around 75%
of the nation’s medical costs based on research conducted by the Center for Disease Control (CDC). The most common, costly, and preventable of all health problems are heart disease, stroke, cancer, diabetes, and arthritis. Alorica takes the position that for every 100 patients that are kept from having a catastrophic event, the healthcare payor will save between $1 to 4 million in hospitalizations for heart attack, stroke, COPD, dehydration, and ulcers.

PREEMPT’s predictive analytics engine statistically determines the migration probability of each patient (by assigning risk attributes) and the likelihood to take medical action. This level of reliability allows insurers to view their members as patients and take responsibility for their education before a catastrophic event. In this way, insurance companies can adopt a new cradle-to-grave paradigm and shed substantial costs.

**Criterion 3: Quality**

*Focus on Wellness & Quality of Life*

PREEMPT uses proprietary predictive analytics to identify at-risk insured members so that the best course of prevention and care is implemented. Specifically, the PREEMPT platform segments patients into risk categories (pre-risk, at-risk, high risk) and offers early intervention by giving current and future at-risk patients disease-specific education and support resources to increase wellness and quality of life.

Each risk segment receives unique treatment and messaging (type of message, outreach channel of choice) in order to maximize outcomes. The goal is to slow the migration of patients to case management status. What is distinctive about the PREEMPT solution is the inclusion and intervention of seemingly healthy members, as opposed to limiting outreach to the approximately 20% of the insured who are already ill. Therefore, patients with the highest risk of becoming ill would receive more messages with greater frequency.

**Criterion 4: Positioning**

*Reducing Waste and Improving Communication*

The release of PREEMPT, early in 2014, is well-timed. This comes at a period when insurance companies are under considerable pressure to cut costs, eliminate waste and satisfy government regulations. Meanwhile, they are chartered to provide high quality, affordable coverage. PREEMPT’s turn-key delivery platform incorporates a multi-channel, customer centric approach to improving patient communications. This is a critical component since healthcare patients- like all consumers- are demanding service on the channels they prefer; web, self-service, voice, text and social media:

- Phone and live chat communications via a footprint of domestic contact centers
- Print and literature communications via a centralized, domestic fulfillment center
• E-mail, automated voice mail messages and text messages via an automated delivery system

What PREEMPT does is proactively educate current and future “high-risk” members in order to improve medical adherence and lifestyle decisions, while simultaneously minimizing the amount of waste in the system.

**Criterion 5: Design**

*New Holistic Approach*

In the past, the industry as a whole did very little to incorporate a holistic approach to healthcare. Budgetary constraints and a more educated customer base are forcing healthcare providers to start providing better solutions. The growing burden of chronic diseases is a large factor in escalating insurance costs.

Alorica’s PREEMPT program employs a differentiated 5 stage progression plan:

1. Data Segmentation
2. Predictive Analytics
3. Communication Plan
4. Campaign Execution
5. Back-end Analytics

Finally, PREEMPT contains a closed-loop process. It updates clinical outcomes for each patient and compares those outcomes with desired results. This allows for adjustments to the algorithms in the predictive models and refinement to the communication plans.

**Criterion 6: Customer Service Experience**

There are a lot of opportunities to take the provision of healthcare to a place of customer service greatness. Alorica has several advantages over its competitors in delivering a robust healthcare management platform and solution:

a. A leadership team with extensive healthcare experience
b. A growing global footprint, employing more than 20,000 people in 40 domestic, nearshore and offshore customer management centers
c. Knowledge of how to utilize big-data to drive results for its clients
d. Tenured and seasoned management
Conclusion

As the healthcare budget takes up a larger percentage of the national GDP each passing year, health insurance companies look for ways to be proactive in keeping their members healthy while cutting costs. With PREEMPT, Frost & Sullivan believes that Alorica brings an innovative solution that is sorely needed, to the customer care healthcare vertical. Frost & Sullivan is proud to present the 2014 New Product Innovation Award in the North America Customer Care Outsourcing Market – Healthcare Vertical – to Alorica.

Significance of New Product Innovation

Ultimately, growth in any organization depends upon continually introducing new products to the market, and successfully commercializing those products. For these dual goals to occur, a company must be best-in-class in three key areas: understanding demand, nurturing the brand, differentiating from the competition. This three-fold approach to delivering New Product Innovation is explored further below.
Best Practice Award Analysis for Alorica

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are illustrated below.

RATINGS GUIDELINES

The Decision Support Scorecard is organized by New Product Attributes and Customer Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criteria are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key players in as Company 2 and Company 3.

DECISION SUPPORT SCORECARD FOR NEW PRODUCT INNOVATION AWARD (ILLUSTRATIVE)

<table>
<thead>
<tr>
<th>New Product Innovation</th>
<th>New Product Attributes</th>
<th>Customer Impact</th>
<th>Average Rating</th>
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<tr>
<td>Alorica</td>
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<td>8.7</td>
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<tr>
<td>Competitor 2</td>
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<tr>
<td>Competitor 3</td>
<td>7.9</td>
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</tr>
</tbody>
</table>
New Product Attributes

Criterion 1: Match to Needs
Requirement: Customer needs directly influence and inspire the product’s design and positioning

Criterion 2: Reliability
Requirement: The product consistently meets or exceeds customer expectations for consistent performance during its entire life cycle

Criterion 3: Quality
Requirement: Product offers best-in-class quality, with a full complement of features and functionality

Criterion 4: Positioning
Requirement: The product serves a unique, unmet need that competitors cannot easily replicate

Criterion 5: Design
Requirement: The product features an innovative design, enhancing both visual appeal and ease of use

Customer Impact

Criterion 1: Price/Performance Value
Requirement: Products or services offer the best value for the price, compared to similar offerings in the market

Criterion 2: Customer Purchase Experience
Requirement: Customers feel like they are buying the most optimal solution that addresses both their unique needs and their unique constraints

Criterion 3: Customer Ownership Experience
Requirement: Customers are proud to own the company’s product or service, and have a positive experience throughout the life of the product or service

Criterion 4: Customer Service Experience
Requirement: Customer service is accessible, fast, stress-free, and of high quality

Criterion 5: Brand Equity
Requirement: Customers have a positive view of the brand and exhibit high brand loyalty
The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan’s 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often, companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry players and for identifying those performing at best-in-class levels.

About Frost & Sullivan

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