

# Metavante Payment Progress Index

## Healthcare Edition – 2007

### MEASURING THE PROGRESS OF PAYMENT INDUSTRY SEGMENTS

While a great deal of research from highly credible sources is available to the payments industry, most data focuses on market size, growth rates and other key metrics, such as the market share of specific payment types. Without a consolidated view of payment industry segments that define the projected direction in which the industry segments are moving, managing and interpreting this wealth of information can be daunting. Payment professionals have long been in need of a single, universal metric that quantifies the broad situation of significant segments of the payments industry.

The Metavante Payment Progress Index (MPPI) quantitatively tracks and measures the progress of payment industry segments on an annual basis. Introduced in 2006, the MPPI focused on Corporate Payments (B2B). The 2007 MPPI concentrates solely on healthcare payments.

Using a sophisticated model that incorporates four major business factors – market share of payment methods, cost per transaction, investments in payment systems, and satisfaction with payment system performance – the MPPI provides the payments industry with a single index that measures the progress and direction of major segments within the payments industry.

### One Metric – Many Benefits

By tracking data that quantifies both the current position of payment industry segments as well as the future perspective of corporate managers, the MPPI advances the payments industry by helping financial institutions and technology providers develop services and solutions that meet the changing needs of the marketplace.

### MPPI – Structure

In order to ensure the credibility, integrity and insight of the MPPI, Celent LLC was engaged to conduct custom research for the MPPI and provide objective, unbiased analysis of the data.

The MPPI is derived from hundreds of responses from healthcare providers to a questionnaire administered by Celent. Responses have been obtained and analyzed for 2007 with a projection for 2009.

The MPPI, measured on a scale of 0 - 100, is a consolidation of three equally weighted sub-indices. These sub-indices were identified by payment executives as the three most important industry drivers:

1. **COST PER TRANSACTION**
2. **INVESTMENT IN PAYMENT PROCESSING AND SUPPORT SYSTEMS**
3. **OVERALL SATISFACTION**

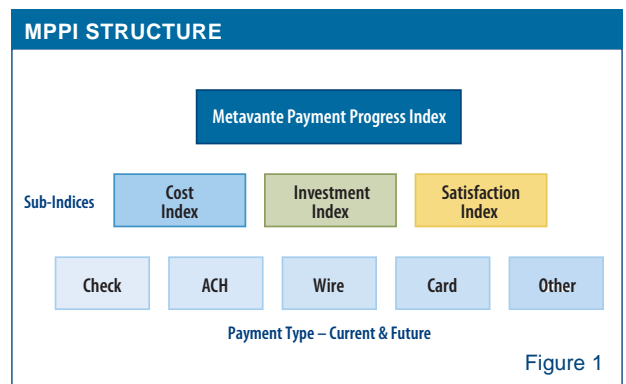


Figure 1

Data from the survey is used to drive a sophisticated model that calculates the three sub-indices – Cost Index, Investment Index, and Satisfaction Index – based upon a weighed-average of the market share percentages of the major payment methods: ACH, Check, Payments Card and Wire. Taken together, the three equally weighted sub-indices produce the MPPI. The MPPI and each sub-index is determined for the current year and projected 24 months out, providing a view into the future. The fundamental structure of the MPPI is shown in **Figure 1**.

### Those Who Will Benefit from the MPPI - Healthcare Edition:

- **HEALTHCARE PROVIDERS AND PAYERS** can acquire a broad perspective on the payments function, measure their situation and plans against an industry standard, and make their operations significantly more efficient.
- **FINANCIAL INSTITUTIONS** can obtain a consolidated perspective and a better understanding of their customers’ needs and plans.
- **TECHNOLOGY AND SOLUTION PROVIDERS** can focus product development in the direction the industry is progressing.
- **MEDIA AND ANALYSTS** can benchmark the progress of the payments industry and use the MPPI as a source of content for articles and analysis.
- **INDUSTRY LEADERS** can define their long-term strategies for optimal efficiency and profitability.

### MPPI – How it is Tracked

The MPPI is tracked using a strategic framework that “maps” the payment industry into nine measurable quadrants, each with unique characteristics. The framework used to track the industry and communicate the results and direction is represented in **Figure 2**.

The framework’s Y-axis divides the MPPI into distinct levels. A MPPI between:

- **0 - 33** is characterized by an industry of low satisfaction, high transaction costs and low investment in transaction processing efficiency.
- **34 - 66** is characterized by an industry of general satisfaction, declining costs and investment in automation.
- **67 - 100** is characterized by an industry of high satisfaction, low transaction costs and strong adoption of and investment in eTransactions.

The X-axis contains the percentage of ePayments and is also divided into three distinct sections that segment the industry by payment environment consisting of:

- **CHECK DOMINATED**
- **MIXED PAYMENTS**
- **ePAYMENT DOMINATED**

This produces a map reflecting nine major characterizations of the corporate payments industry.

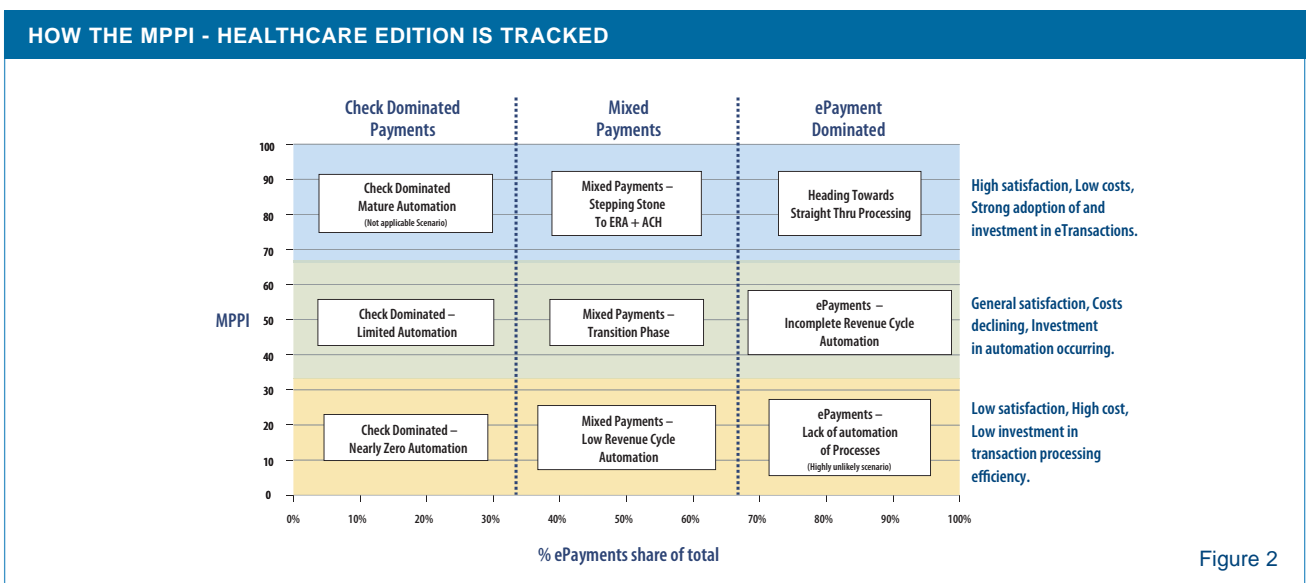


Figure 2

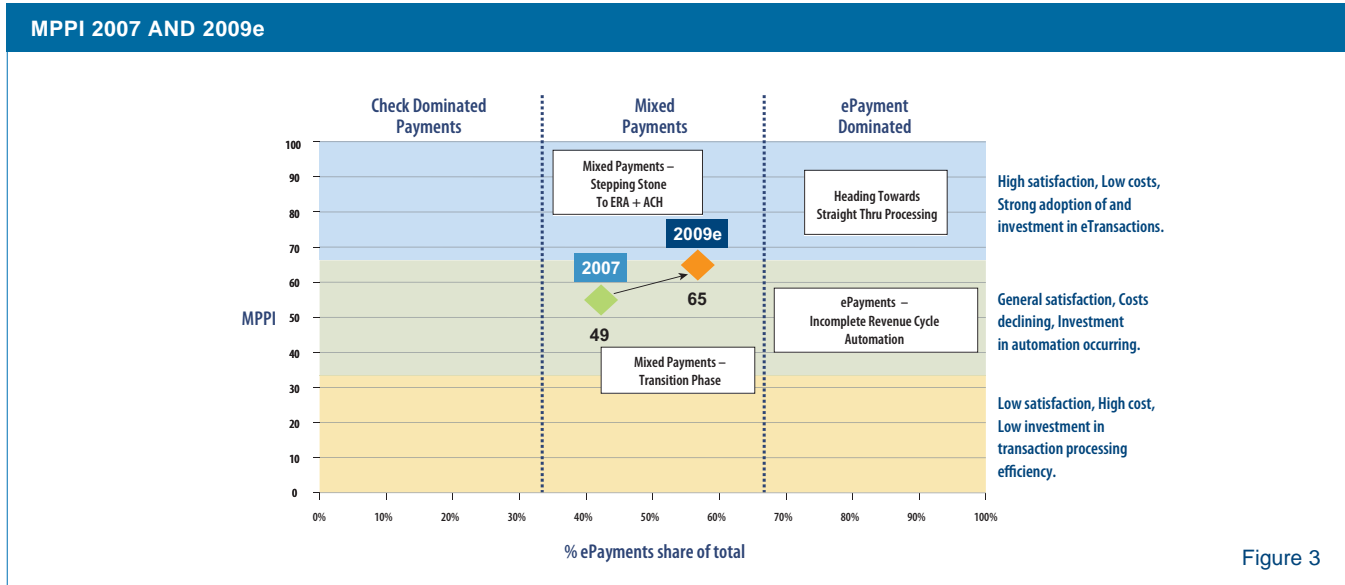


Figure 3

**Where are We Today and Where are We Headed?**

The MPPI for 2007 is at 49 with a projected move to 65 in two years. See Figure 3. The MPPI framework shows that the health-care payment industry is currently in the *Mixed Payment - Transition Phase*, with a projection to stay in this section into 2009. The 2009e MPPI projection shows the industry is close to crossing a major milestone by moving out of the *Mixed Payment - Transition Phase* and into the *Mixed Payment - Stepping Stone to Electronic Remittance Advice (ERA) and Automated Clearing House (ACH)* section, expected to occur after the 2009 timeframe.

Between 2007 and 2009, ePayments represent an increase

from 46% of the total market share of all payments to 60%.

The Investment Index is therefore increasing by 96% between 2007 and 2009e, reflecting that the industry is moving to more electronic payments and electronic remittance technology as appropriate.

Major drivers of the 2007 MPPI are the Cost and Satisfaction Index sub-indices, with each respectively contributing 31% and 49% of the MPPI. Major drivers of the 2009e MPPI show a more even distribution among the three sub-indices with the Cost Index at 31%; Investment Index at 28%; and the Satisfaction Index at 42%. Each sub-index is projected to improve and indicates a progressing industry. See Figure 4.

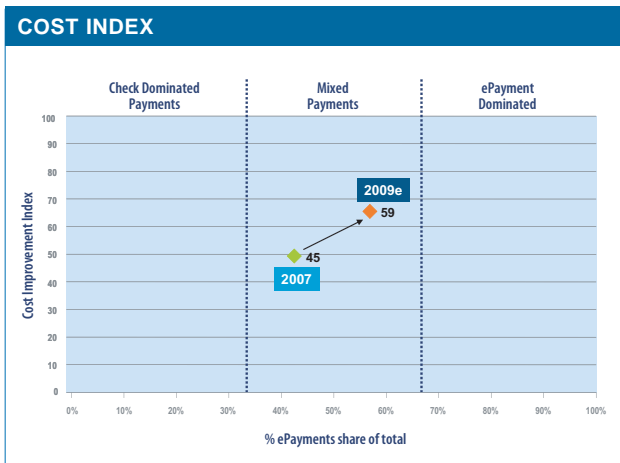
THE 2007 AND 2009e MPPI SUMMARY				
Indices	2007	2009	% Change	Explanation of Shift
	Unweighted (weighted)			
Cost Improvement	45 (15)	59 (20)	30%	Healthcare providers are expected to realize cost improvements driven by increased automation and epayment usage by payers Providers are also expecting to benefit from an increased ability to accept electronic remittance advice (ERA) transactions for direct posting to their patient management systems
ePayment Investment	28 (10)	56 (18)	96%	Providers are expecting to invest in the ability to receive ePayments and process ERAs automatically Providers expect payers to be increasingly enabled to send ePayments and eRemittances
Satisfaction	73 (24)	81 (27)	11%	Providers expect their satisfaction in their payment processing system to grow only slightly based on planned investments The small growth in satisfaction is likely driven by the fact that providers have manual processes that work albeit in a much less efficient manner Providers have tended to rate process improvements due to automation as moderate instead of high
MPPI	49	65	34%	Progressing industry

Figure 4

## MPPI – Sub-Indices

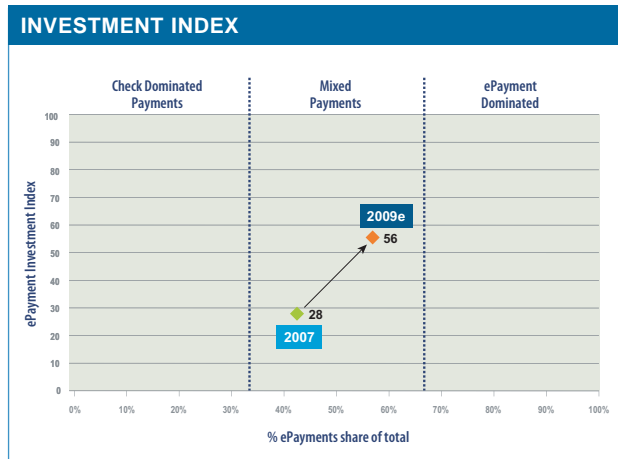
### Cost Index

Survey results showed that providers expect to realize cost improvements driven by more automation of check handling, increased ERA share and by increased payer ePayments. The rate of change between 2007 and 2009e is high at 0.95.



### Investment Index

The ePayment Investment Index is expected to increase due to greater investment by providers in solutions that will allow them to receive electronic remittance advice (ERA) transactions for direct posting into their patient management systems. The investment shift is up and to the right, paralleling an expected increase in ePayments usage by payers. There is a significant rate of change between 2007 and 2009e of 1.88, which is very high.



### Satisfaction Index

Although providers are optimistic about the growing use of ePayments and ERAs on the part of payers and their ability to automatically process ERAs, the shift in their satisfaction level is relatively small. Providers' satisfaction in their accounts receivable and payment processing system is expected to rise slightly. There is a relatively low 0.55 rate of change in the Satisfaction Index between 2007 and 2009e.

