



## Company Update

Currently, Gray Matter's performance and delivery are progressing in 2023 to achieve 100% sales growth over 2019. We thank Cardinal Holdings and Cleveland Avenue Partners, our lead investors, for your support. It allows us to continue the maturation of Gray Matter offerings, develop our pipeline and maintain our keen focus on what's most important: our customers.

Gray Matter's product now offers a two-sided view for payors and providers to access the same data more efficiently. This view in CoreTechs® Contract Insights allows for better collaboration between health systems and health plans, helping hospitals project revenue from risk-based contracts and improve the quality of care through a comprehensive view of patient care.

Health providers and plans once built solutions in house for claims processing, contract management and performance management. The lack of capital available to invest in proprietary solutions and the inability to compete with technology companies for talent mean fewer homegrown solutions for both healthcare providers and payors. This has helped us develop our pipeline and shape our first half of 2023.

## Healthcare Trends:

Healthcare delivery and access to healthcare services became predominately virtual in 2021. The pandemic placed a spotlight on health disparities in the U.S. This greater awareness coupled with new federal regulations to improve health equity have continued to gain support. The focus continues to lie in unlocking a mass of healthcare data that remains unstructured and unaccounted for. This will be key to making stakeholders act across care settings, and it is crucial to gaining big-picture insights into healthcare inequity.

Artificial intelligence and machine learning tools can significantly help health systems reveal valuable health equity insights hidden in unstructured clinical data that is difficult to store, search, analyze and share across health systems.

## Value-Based Care Overview:

Value-Based Care (VBC) is a health care delivery model under which providers are paid based on the health outcomes of their patients and the quality of services rendered. Healthcare must reset its payor-provider performance standards to optimize value-based care arrangements. The industry has a refreshed urgency for policies that drive better outcomes while lowering cost and improving revenue. As the healthcare industry continues to implement new procedures, solutions and technology, providers are re-evaluating the financial arrangements that motivate them to improve their reimbursements, while benefiting patients.

The Center for Medicare & Medicaid Services (CMS) has implemented value-based programs, rewarding healthcare providers with incentive payments for the quality of care they provide to Medicare members.

## Solution Update:

In the past year, Gray Matter has developed and delivered capabilities enabling payor and provider organizations to align on goals and performance on value-based contracts by giving them transparency, timely performance insights and prioritization tools needed to improve care delivery, decrease cost of care and support better health outcomes.

Gray Matter continues to focus on delivering customer-centric solutions, supporting organizations by leveraging their data to be used for better care quality control and cost management. Specific modules that have been developed include:

- **Value-Based Contract Insights** module that enables payor and provider organizations to understand how they are performing on their value-based contracts.
- **Population Navigator** module that gives end users the power and autonomy to identify targeted population lists that would benefit from outreach and care intervention.
- **User Management** module that enables payor clients to provision access to performance insights to their provider partner organizations, so the organizations can align on goals and coordinate efforts.

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To support our Gray Matter solutions and modules, we have enhanced CoreTechs® with the following resources:

- **Data ingestion platform**, which minimized the need for our data engineers to support client onboarding and ongoing refreshes.
- **Centralized customer management system** that enables our customer operations team to create and manage client pipelines without technical resources.

### Client Wins:

Gray Matter continued to add prospects to its pipeline, though dealing with longer sales cycles to close deals and launch implementations. We adapted to the limitations that were set by the pandemic to continue engaging with our customers and provide them with a seamless experience. Gray Matter designed and obtained our SOC-2 Type 1 report in 2022 to demonstrate to prospects and customers that we have designed a robust compliance program to protect their highly sensitive and regulated data.

A northern Ohio health system uses the Population Navigator module to query the full patient population, identifying those who have open gaps in care and have not been seen by a primary care physician to evaluate significant health risks.

For a North Carolina health plan client, we are increasing the scope of our engagement to drive solution innovation efforts aligned to our product development roadmap. This solution will bring a broader measure of performance addressing community health needs, prioritizing community outreach and engagement, and driving targeted improvements in patient access and health outcomes for the most disadvantaged individuals.

We closed the contract for a pilot engagement with a Denver-based mental health organization. The initial solution configuration, achieved during the pilot, will provide analytic insights provisioned through the functionality of the CoreTechs® Dynamic Graphical User Interface for a measures subset applicable to their population.

We are nearing the completion of a successful CoreTechs® pilot engagement with a health plan client in the New England region, specifically for its Medicaid business. As a result of a significant operational change effort, we are currently aligning CoreTechs® solution capabilities to the user group needs in the newly structured operating model and developing parameters for a solution development partnership.

### Team:

Gray Matter significantly increased our staff in 2022 in anticipation of projected revenue. In total, we hired 22 additional employees. A dedicated team was also created to configure and provide technical support for pilots and long-term subscriptions, enabling predictable delivery of product as well as reliable, high-quality support for customers. The Product team was restructured to enable greater ownership and mastery by each product manager of specific market pain points with respect to value-based

care: value-based contract management, provider performance management and member management.

Gray Matter expanded and enhanced our executive leadership team, hiring John Porawski as Chief Technology Officer and Yue-Jing Lee as Senior Director of Value-Based Products. We also elevated John Adams to serve as Director, Voice of the Customer and Solution Innovation, and Michael Kaiser now performs as the Senior Vice President of Services and Customer Success. All of these leaders have extensive experience and expertise and add to the capabilities of the Gray Matter team.

Lastly, we hired two highly qualified user experience professionals who possess significant experience and skill with user interface design, user research and testing.

Our team is now located across 13 different states – a big change from when 90% of our team was based in Chicago. We shifted from in-person to virtual meetings and continued to drive momentum in building our solutions. We implemented a limited reduction in force and revised other operational costs to better align the appropriate resources to support current and projected growth.

Gray Matter continues to work on programs and initiatives in 2023 that will help strengthen our team, their skills and abilities. These include training and development programs, interview etiquette guidelines, competency workbook development, interview feedback form development and salary workbook maintenance.

### Investment Trends:

The investment in healthcare technology saw a macro funding cycle slowdown in 2022. Between Q3 2019 and Q2 2021, investors continuously increased investments in digital health quarter-over-quarter for seven consecutive quarters. This trend experienced an adverse in Q2 2020.

The outlook on Digital Health Funding in 2023 is currently stable, and investors are seeking “strong horses,” or startups that do not rely on magical growth promises, according to Rock Health’s Market Insights Report. These “horses” are grounded in demonstrated cost savings, clinical workflow improvements and interest from market buyers.

