Topic: Benefits Administration Outsourcing (BAO) – *Benefits* in Alternate Paths

Human Resources Outsourcing (HRO)
Annual Report – May 2014 – Preview Deck

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Everest Group's BAO research is based on two key sources of proprietary information

①
- Everest Group's proprietary database of over **1,150 BAO deals** (updated annually)
- The database tracks the following elements of each BAO deal
  - Buyer details: Including industry, size, and signing region
  - Deal details: Including TCV, ACV, term, start date, total participants managed, and the primary pricing structure
  - Scope: Process coverage (H&W/DB/DC) and geographic coverage
  - Technology ownership and maintenance
  - Global sourcing

②
- Everest Group's proprietary database of **operational capability of over 10 BAO service providers**
- The database tracks the following capability elements for each service provider
  - Major BAO clients and recent wins
  - Overall BAO revenue, total number of participants managed, and number of BAO FTEs
  - BAO clients split by H&W, DB, and DC, geography scope and coverage, industry, location of headquarters, and buyer size
  - BAO service suite, delivery locations, and level of offshoring
  - Benefits-related technology capability, including health exchange solution
  - Recent BAO-related developments (investments and partnerships)

Service providers covered in detail in the analyses

ADP   AON Hewitt   bswift

businessolver   EMPYREAN

Fidelity.com   ING

MERCER   SECOVA
Engage. Empower. Ensure.

TOWERS WATSON   xerox

The analyses in this report are presented at two levels
- Overall market analyses that highlight the overall market composition/dynamics
- The current market trends are based on deal activities in the last six years

The sample size varies for different analyses based on the deal detail availability

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information we collect that is contract-specific will only be presented back to the industry in an aggregated fashion

Overview and abbreviated summary of key messages

This research report provides a comprehensive coverage of the 2013 BAO market and analyzes it across various dimensions such as market overview, spotlight on H&W outsourcing market, buyer adoption trends, solution and transaction trends, and service provider landscape.

Some of the findings in this report are:

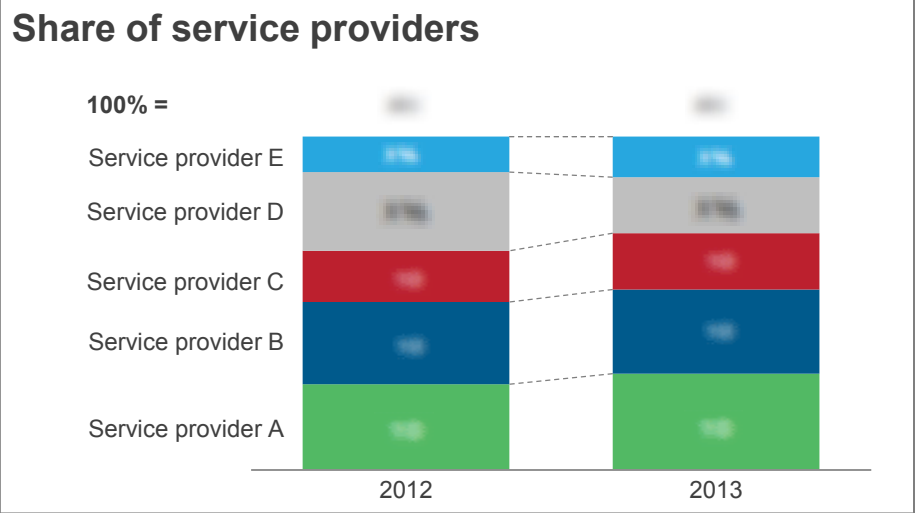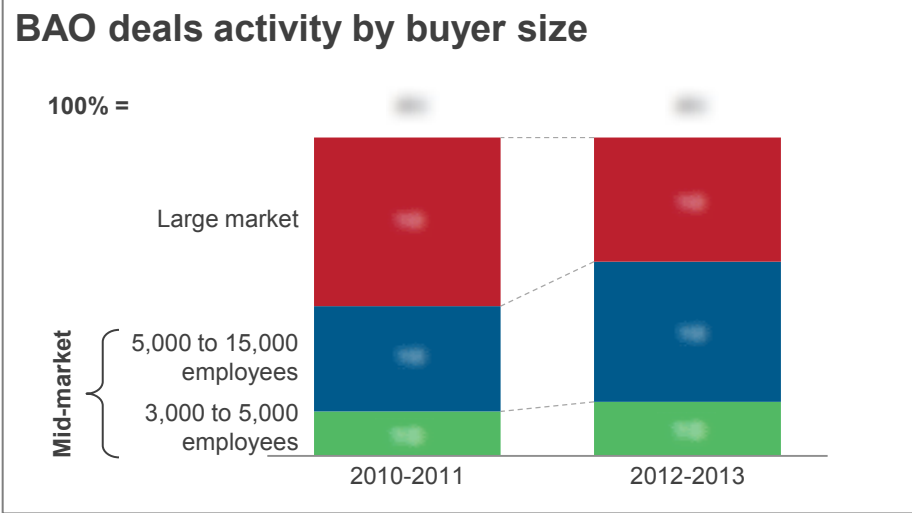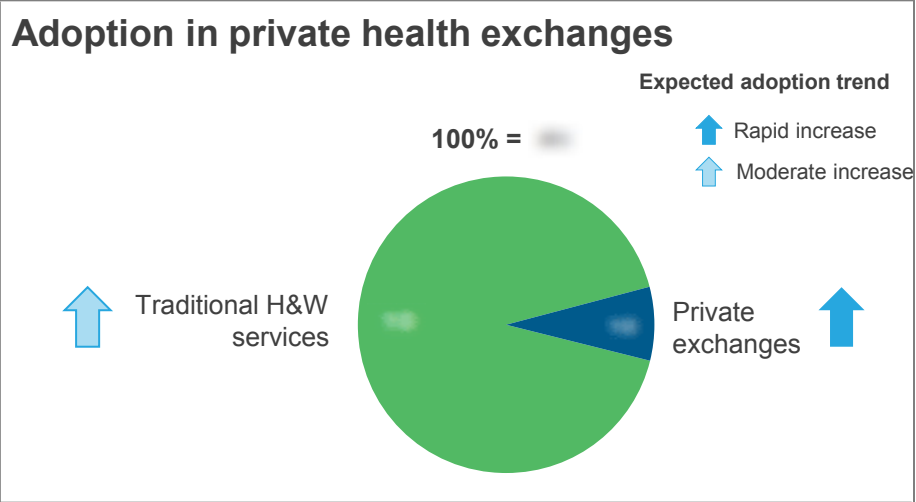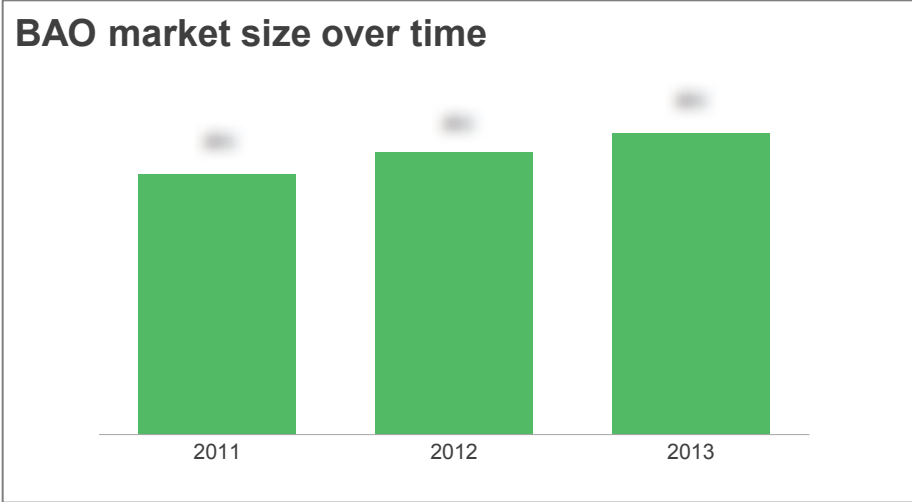| **BAO market overview**	● The Benefits Administration Outsourcing (BAO) market grew at a steady pace of over 6% to reach US$6.3 billion in annualized revenue in 2013
Spotlight on H&W outsourcing market	● H&W outsourcing market, forming approximately one-thirds of the BAO market, is the fastest growing area within BAO space, albeit at a lower base
Buyer adoption trends in BAO	● In H&W, increased adoption was seen from the upper-end of the mid-market (5,000 to 15,000 employees) as this segment entered the market in a big way post the result of the Presidential elections. We expect this momentum to continue during 2014-2015
Solution and transaction trends in BAO	● Buyers continue to take a focused approach towards BAO and outsource individual benefits areas – H&W, DB, and DC with no significant uptick in TBO/TRO deals
Service provider landscape	● The BAO market witnessed a continuous wave of acquisitions over the last two years. Several acquisitions were focused around gaining capability in the health exchange space (e.g., Towers Watson acquired Extend Health and Liazon Corporation to build its HIX capability)

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This study offers four distinct chapters providing a deep dive into key aspects of the BAO service provider landscape; below are four charts to illustrate the depth of the report

BAO market size over time

2011	2012	2013

Adoption in private health exchanges

Expected adoption trend

⬆ Rapid increase
⬆ Moderate increase

100% =

⬆ Traditional H&W services

⬆ Private exchanges

BAO deals activity by buyer size

100% =

Large market

Mid-market
{ 5,000 to 15,000 employees
3,000 to 5,000 employees

2010-2011	2012-2013

Share of service providers

100% =

Service provider E
Service provider D
Service provider C
Service provider B
Service provider A

2012	2013

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HRO research agenda

Published   Current

Topic	Release date
Global Location Insights: Sun Is Rising in the "Middle" East	October 2013
Enabling Business Agility - How HR Organizations can Lead the Way and the Role of HR Outsourcing	November 2013
Analytics Business Process Services (BPS) - Deciphering the Analytics Code	November 2013
Learning Services Outsourcing (LSO) – Resurgent Market in the Post-Crisis World	December 2013
Growth of horizontal BPO in LATAM	February 2014
Benefits Administration Outsourcing (BAO) – Annual Report 2014	May 2014
The Rise of Procurement and HR Collaboration – Effectively Managing HR-spend	Q2 2014
Benefits Administration Outsourcing (BAO) – Service Provider Landscape with PEAK Matrix Assessment 2014	Q2 2014
Benefits Administration Outsourcing (BAO) – Service Provider Profile Compendium 2014	Q2 2014
Multi-Process Human Resources Outsourcing (MPHRO) – Annual Report 2014	Q2 2014
MPHRO – Service Provider Landscape with PEAK Matrix Assessment 2014	Q2 2014
Evaluation of BPaaS solutions for FAO/PO/HRO	Q3 2014
Talent Management Outsourcing - Will we Attain Nirvana?	Q3 2014
MPHRO – Service Provider Profile Compendium 2014	Q3 2014
Multi-Country Payroll Outsourcing (MCPO) – Annual Report 2014	Q4 2014
Multi-Country Payroll Outsourcing (MCPO) – Service Provider Landscape with PEAK Matrix Assessment 2014	Q4 2014

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Additional HRO research recommendations

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents provide either additional details on the topic or complementary content that may be of interest:

1. **Learning Services Outsourcing (LSO) – Resurgent Market in the Post-Crisis World** (EGR-2013-3-R-1035); 2013. This report provides comprehensive coverage of the 2013 LSO market and analyzes it across various dimensions such as market overview, buyer adoption trends, solution & transaction characteristics, and service provider landscape. Additionally, it includes emerging trends in the LSO market

2. **Multi-Process Human Resources Outsourcing (MPHRO) - Annual Report 2013: The Sun is Rising in the East** (EGR-2013-3-R-0866); 2013. This report provides a comprehensive coverage of the 2012 MPHRO market and analyzes it across various dimensions such as market overview and key regional trends, buyer adoption and solution trends, and service provider landscape

3. **Analytics Business Process Services (BPS) – Deciphering the Analytics Code** (EGR-2013-10-R-1002); 2013. This report provides a comprehensive understanding of an analytics solution with a focus on the business process services aspect. It analyzes the analytics business process services market across various dimensions such as market size and expected growth, value proposition and key business drivers, buyer adoption trends, solution characteristics, and service provider landscape

4. **Creating Value through Analytics in HR - Role of Third-Party Services** (EGR-2013-3-R-0930); 2013. This report examines the role of analytics in HR and identifies the ways to capture its value within an outsourcing construct

For more information on this and other researches published by Everest Group, please contact us:

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