Topic: IT Outsourcing in Healthcare Payer Industry – Service Provider Landscape with PEAK Matrix Assessment and Profile Compendium 2013

Healthcare Outsourcing
Market Report: August 2013 – Preview Deck

EGR-2013-12-PD-0931

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BFSI[1] information technology	Finance & accounting
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Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
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- Locations | Cost, skills, sustainability, portfolio
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

1 Banking, financial services, and insurance

Background and scope of the research

Background of the research
The healthcare industry witnessed a rapid increase in the IT and business process outsourcing adoption in recent years. Regulatory reform, consumerization of healthcare, market consolidation, and emergence of new technologies accelerated outsourcing in the healthcare market. In order to cater to this growing market segment, a number and variety of service providers developed capabilities.

With healthcare companies stepping up adoption of outsourced delivery, there is an uptick in demand for research and market intelligence on demand and supply trends in healthcare outsourcing, across the three major market segments – payer, provider, and life sciences. The need is more pronounced for the vertical-specific IT Outsourcing (ITO) function, where business challenges are driving greater adoption. Everest Group's healthcare outsourcing research program addresses this market requirement by analyzing outsourcing trends and service provider capabilities specific to ITO in the healthcare vertical.

In this report, we analyze the capabilities of 15+ ITO service providers specific to the global healthcare payer sector. Twelve of these service providers are mapped on the Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix, which is a composite index of a range of distinct metrics related to a provider's capability and market success. We focus on:
- The landscape of service providers for healthcare payer ITO
- Assessment of the service providers on a number of capability-related dimensions
- Characteristics of the Leaders, Major Contenders, and Emerging Players on the Everest Group PEAK Matrix
- Implications for healthcare payers and service providers

Scope of this report
- **Industry:** Healthcare payers (public and private health plans)
- **Services:** Large (TCV>US$25 million), multi-year (>three years), and annuity-based IT outsourcing
- **Geography:** Global (though with a skew towards the U.S. payer market, given dominant market activity)
- **Sourcing model:** Third-party ITO transactions; excludes shared services or captives

Everest Group RESEARCH

This report examines the service provider landscape for large annuity contracts in the healthcare payer ITO market

NOT EXHAUSTIVE

Focus of report

Healthcare

Payer
- Private health plans
- Public health plans

Life sciences
- Pharmaceuticals
- Medical devices
- Biotechnology
- Others[1]

Provider
- Large health systems
- Standalone hospitals/clinics
- Pharmacists
- Physician practices
- Diagnostic labs

Services industry

IT Infrastructure Outsourcing (IO)
- Traditional IO
- Remote Infrastructure Management (RIM)
- Infrastructure Management Services (IMS)
- Cloud

IT Application Outsourcing (AO)
- Applications development
- Applications maintenance
- Independent testing
- Package implementation
- ERP services
- Business intelligence / data warehousing

Business Process Outsourcing (BPO)
- BFSI-specific BPO
- HRO
- FAO
- PO
- Contact center
- Knowledge services

Consulting
- IT strategy / operations consulting
- Business consulting
- Infrastructure consulting
- Infrastructure roll-outs

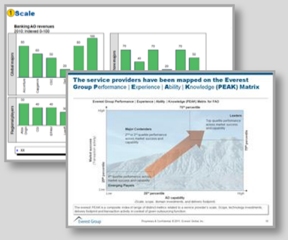
This report assesses ITO service providers in the payer vertical with a focus on large (TCV > US$25 million), annuity-based, and multi-year (>three years) relationships

1 Includes healthcare data and information services and medical products distribution

EGR-2013-12-PD-0931

This report is a part of Everest Group's series of six reports focused on ITO in healthcare in 2013

Annual report



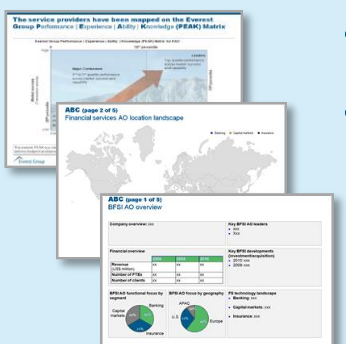
- Each report provides an overview of the ITO market for the specific healthcare subsegment
- The reports analyze **key trends in market size & growth, demand drivers, adoption & scope trends, emerging themes, key areas of investment, and implications for key stakeholders**
- The reports also provide an introduction to the service provider landscape for the specific healthcare subsegment and a mapping of service providers on Everest Group's **Performance | Experience | Ability | Knowledge (PEAK) Matrix**

Payer

Life sciences

Provider

Service provider landscape and capability profiles



Each report provides:

- Mapping of service providers on **Everest Group's PEAK Matrix** for the specific subsegment
- Capability profiles of service providers capturing their ITO services experience in specific subsegments. This includes:
  - Service provider overview: Details of ITO services capabilities, key investments, proprietary solutions, and technological expertise
  - Functional / Line of Business (LoB) focus
  - Transactions overview for ITO services
  - Delivery footprint

Payer

Life sciences

Provider

From a landscape of 30+ service providers, Everest Group assessed twelve service providers for their capabilities in payer ITO space on the Everest Group PEAK Matrix

Service provider outreach (partial list)

3i Infotech, Accenture, Atos, Capgemini, CGI, Cognizant, CSC, Dell Services, EPAM, Fujitsu, HCL, Genpact, Hexaware Technologies, HP, IBM, iGATE, Indra, Infosys, ITC Infotech, L&T Infotech, Luxoft, Tech Mahindra, Mindtree, Mphasis, NESS, NIIT Technologies, NTT Data, Siemens, Softtek, Syntel, Tata Consultancy Services, Tieto, Unisys, Wipro

Criteria for inclusion in the assessment

- Success in large payer ITO relationships, i.e.,
  - >US$25 million TCV
  - >three years relationship duration
  - Active as of December 31, 2012
- Everest Group's experience and RFI response

Service providers assessed on PEAK Matrix

Accenture, CGI, Cognizant, Dell Services, Fujitsu, HCL, Hexaware Technologies, IBM, Infosys, Syntel, Virtusa, Tata Consultancy Services

Assessment based on:
- RFIs submitted by service providers[1]
- Everest Group Transactions Intelligence database
- Service provider disclosures and interviews
- Everest Group's interaction with payer buyers

Other service providers analyzed in this report

Atos, Capgemini, CSC, HP

1 Assessment for Accenture and IBM is based on Everest Group's proprietary Transaction Intelligence (TI) database, service providers' disclosures, and Everest Group's interactions with payers

Source: Everest Group (2013)

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Overview and abbreviated summary of key messages

This report provides a comprehensive assessment of the service provider landscape for IT outsourcing (ITO) services in the healthcare payer industry, and maps the leading service providers on Everest Group's PEAK Matrix. It also includes detailed profiles of the service providers featured on the PEAK Matrix.

Some of the findings in this report, among others, are:

Payer ITO service provider landscape

- 2012 saw a larger number of service providers catering to the global healthcare market achieve success with large-sized (TCV >US$25 million), multi-year (deal duration >three years) ITO contracts with public and private payer clients, compared to 2011
- United States is the primary client geography for healthcare payer ITO services for most service providers
- Most service providers have opted for multiple delivery locations in low-cost locations such as India, although global majors continue to retain a greater delivery footprint in the United States

PEAK Matrix for payer ITO

- Analysis of the service provider landscape for payer ITO leveraging the Everest Group's PEAK Matrix reveals three distinct categories of service providers: Leaders, Major Contenders, and Emerging Players
- Leaders account for a majority of industry revenues from large payer ITO deals; with a large chunk of new ITO deals emanating from small to medium-sized payers and governments, service providers with a longer standing in this space are seen to be leveraging their legacy presence
- Major Contenders and Emerging Players have a relatively smaller scale; however, with opportunities opening up in newer sub-segments, they are also showing aggression in deal pursuits

Implications for key stakeholders

- Healthcare payers need to prepare for the business and technology implications of the payer provider convergence and the fundamental changes in the payer industry arising in the group and individual target segments
- Service providers need to invest in healthcare-specific service innovations driven by the emerging themes such as mobility, analytics and cloud. They also need to re-shape their go-to-market strategy keeping in mind the changing face of the payer industry and intense competition from niche service providers

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

Payer ITO scope coverage

Measure of activity: High · Medium · Low

↑ Increase from last year ↔ No/minimal change from last year ↓ Decrease from last year

Functional scope of payer ITO contracts:	ADM	Testing	ERP/SI	Others[1]
Service Provider 1	High ↔	High ↑	Medium ↑	Low ↔
Service Provider 2	High ↔	Medium ↔	Medium ↔	Medium ↔
Service Provider 3	High ↑	High ↑	Medium ↑	Medium ↑
Service Provider 4	High ↔	Low ↔	Medium ↑	High ↑
Service Provider 5	High ↔	Medium ↑	High ↔	High ↔
Service Provider 6	High ↔	Medium ↑	Low ↔	Low ↔
Service Provider 7	High ↑	High ↑	Medium ↔	Low ↑
Service Provider 8	Medium ↔	Low ↔	Low ↔	Low ↔
Service Provider 9	High ↑	Low ↑	Low ↔	Low ↑
Service Provider 10	Medium ↔	Medium ↑	Low ↔	High ↔
Service Provider 11	High ↑	Medium ↑	Low ↔	Low ↑
Service Provider 12	High ↑	Medium ↑	Low ↔	Low ↑

Payer ITO technology capabilities

Measure of activity: High · Medium · Low

Service provider	Strength assessment	Examples of technology investments / proprietary solutions
Service provider 1		•
Service provider 2		•
Service provider 3		•
Service provider 4		•

Payer ITO market success

Measure of activity: High · Medium · Low

Large active payer ITO deals
Number of deals

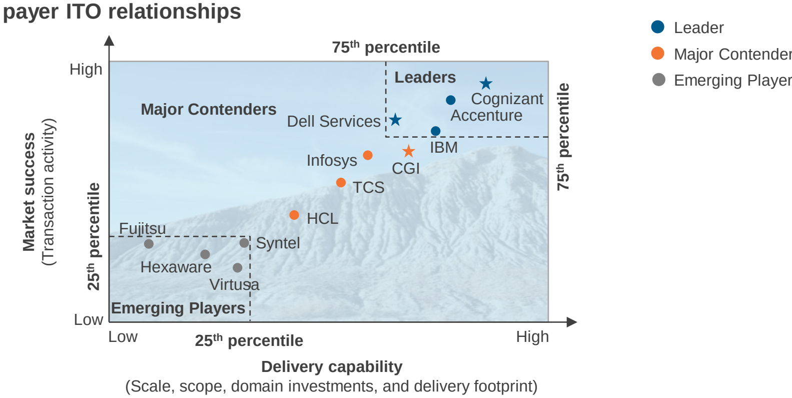
>20	Service Provider 1 Service Provider 2 Service Provider 3
5-20	Service Provider 4 Service Provider 5 Service Provider 6
<5	Service Provider 7 Service Provider 8 Service Provider 9

Payer ITO revenue growth
2010-2012; CAGR (percent)

>20%	Service Provider 1 Service Provider 2 Service Provider 3 Service Provider 4
10-20%	Service Provider 5 Service Provider 6 Service Provider 7
<10%	Service Provider 8 Service Provider 9

Payer ITO PEAK Matrix

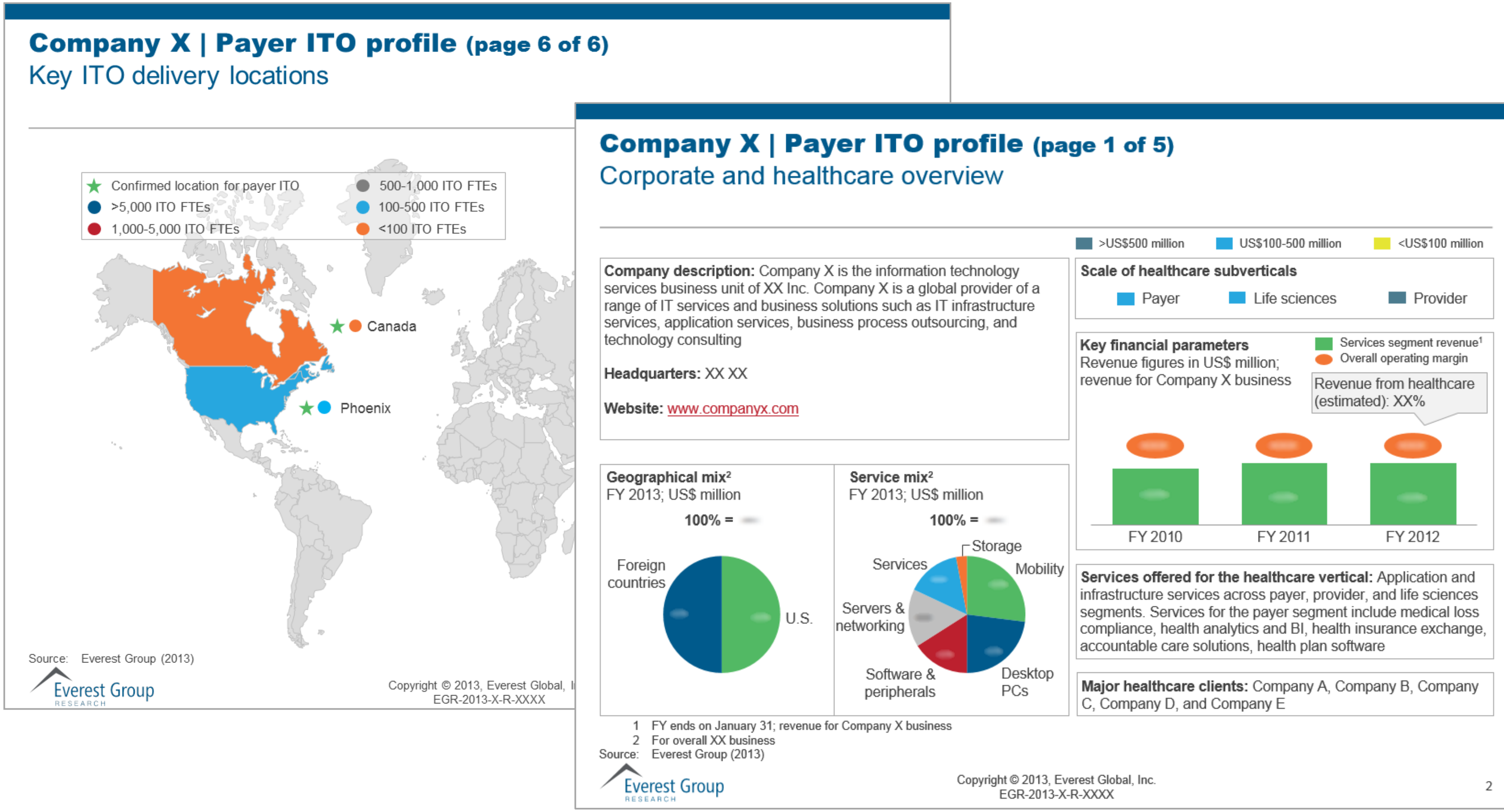
Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for large payer ITO relationships



Source: Everest Group (2013)

This report also features detailed profiles of the service providers featured on the Everest Group PEAK Matrix for Payer ITO

ILLUSTRATIVE



Source: Everest Group (2013)

Healthcare outsourcing research calendar

Published | Current

Topic	Release date
IT Application Outsourcing (AO) in the Healthcare Provider Industry – Service Provider Landscape	January-2013
Outsourcing Implications of Healthcare Payer-Provider Convergence	March-2013
IT Outsourcing in Healthcare Payer Industry – Annual Report 2013	July-2013
IT Outsourcing in Healthcare Payer Industry – Service Provider Landscape with PEAK Matrix Assessment and Profile Compendium 2013	August-2013
Regulation and Reforms in Healthcare	Q3-2013
IT Outsourcing in Life Sciences Industry – Annual Report 2013	Q3-2013
IT Outsourcing in Life Sciences Industry – Service Provider Landscape with PEAK Matrix Assessment and Profile Compendium 2013	Q3-2013
Consumerization in Healthcare	Q3-2013
IT Outsourcing in Healthcare Provider Industry – Annual Report 2013	Q4-2013
IT Outsourcing in Healthcare Provider Industry – Service Provider Landscape with PEAK Matrix Assessment and Profile Compendium 2013	Q4-2013
SMAC in Healthcare – Drivers and Implications	Q4-2013

Additional healthcare research references

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

1. **IT Outsourcing in Healthcare Payer Industry – Annual Report 2013: Taking the Debate Beyond the Reforms Mandate** (EGR-2013-12-R-0894); 2013. The focus in the healthcare payer ITO market is slowly but steadily moving away from the reforms mandate to the next-generation of payer IT outsourcing. This report provides an in-depth analysis of outsourcing in the healthcare payer industry, with focus on IT outsourcing transactions in the industry, buyer adoption of outsourcing and service provider landscape. The report also focuses on the emerging trends in payer IT outsourcing

2. **Webinar Deck: The Changing Face of IT Outsourcing in the Healthcare Payer Market: Don't Miss the Sailing Ship**; 2013. This research provides an in-depth analysis of the seminal changes taking place in the healthcare payer industry. As the payer industry is moving towards a new normal, this research provides trends, recommendations, and IT investment roadmaps for both payers and service providers

3. **Outsourcing Implications of Healthcare Payer-Provider Convergence** (EGR-2013-12-V-0854); 2013. This viewpoint provides an in-depth analysis of a key theme in the U.S. healthcare payer industry – payer-provider convergence. This research delves into the background of this theme and deciphers the key technology implications for payers

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

Jimit Arora, Vice President: jimit.arora@everestgrp.com
Abhishek Singh, Senior Analyst: abhishek.singh@everestgrp.com
Nitish Mittal, Analyst: nitish.mittal@everestgrp.com

Everest Group
Two Galleria Tower
13455 Noel Road, Suite 2100
Dallas, TX 75240

Phone: +1-214-451-3110
Email: info@everestgrp.com

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Dallas (Corporate Headquarters)
info@everestgrp.com
+1-214-451-3000

Toronto
canada@everestgrp.com
+1-416-865-2033

India / Middle East
india@everestgrp.com
+91-124-496-1000

New York
info@everestgrp.com
+1-646-805-4000

London
unitedkingdom@everestgrp.com
+44-207-129-1318

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