



Revenue Cycle Management (RCM) Outsourcing Annual Report 2016: Growth on the Back of Declining Provider Margins

Healthcare and Life Sciences (HLS) BPS
Annual Report – December 2016 – Preview Deck

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¹ Banking, financial services, and insurance

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Overview and abbreviated summary of key messages

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The US\$7.5-8.5 billion Revenue Cycle Management (RCM) outsourcing services market represents a significant opportunity with 11-14% anticipated CAGR growth.

Market for traditionally outsourced RCM functions, such as post-service (medical billing and denial management) getting matured, however, opportunities in functions, such as pre-service (eligibility verification and appointment scheduling) and service (coding and charge capture), are gaining traction.

Key driver for growth in the market is rising administrative expenses which is significantly affecting profitability of hospitals.

Automation is becoming the flavor of the industry with buyers asking for solutions that are integrated across different functions and involve automation. Also, buyers are no longer looking for multiple vendors for different functions, with the trend becoming more prominent in case of large hospitals.

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

Drivers and challenges

- Outsourcing in the RCM market gaining traction as continuously rising administrative expenses putting significant pressure on the profitability of hospitals
- Several regulatory changes – MACRA, ICD-9 to ICD-10 conversion, and HITECH act – also pushing towards increased use of outsourcing as a solution
- Consolidation among the payer community is also driving healthcare providers to optimize non-core spend
- Additionally, rising cases of bad debt write-offs also pushing healthcare providers towards more sophisticated technology systems and solutions

Overview and abbreviated summary of key messages

(page 2 of 2)

State of the market

- With the profitability of healthcare providers taking a hit due to industry shift towards value-based payment systems, outsourcing in the segment is growing at a fast pace
 - The market is expected to reach US\$7.5-8.5 billion in value in 2016
- Post-service functions, such as Account Receivables (AR) and collection processes, continues to be heavily outsourced
 - Over 80% hospitals in the United States outsourcing some part of post-service functions to specialized service providers

RCM solution characteristics

- Output-based pricing models occupy the majority share in the RCM BPO deals landscape
 - Technology leverage in such deals is high vis-à-vis input-based or fixed-fee models, as the reimbursement of service providers is dependent on the end-result and not on the man-hours or the effort employed
- Over 90% of the FTEs delivering RCM BPO services are offshore-based

Service provider landscape

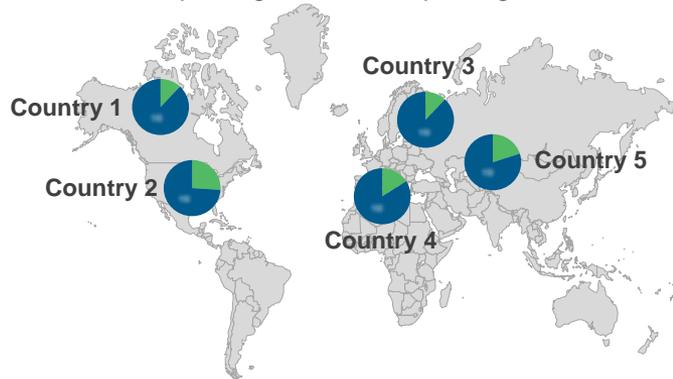
- Onshore specialists, such as Conifer, Athena Health, Advisory Board, Optum, and Parallon, who play on technology leads the market
- Global BPS firms, such as HGS and Sutherland, as well as offshore vendors, such as AGS Health and Access Healthcare, primarily play on cost-arbitrage

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

Drivers and challenges

Hospital administrative costs

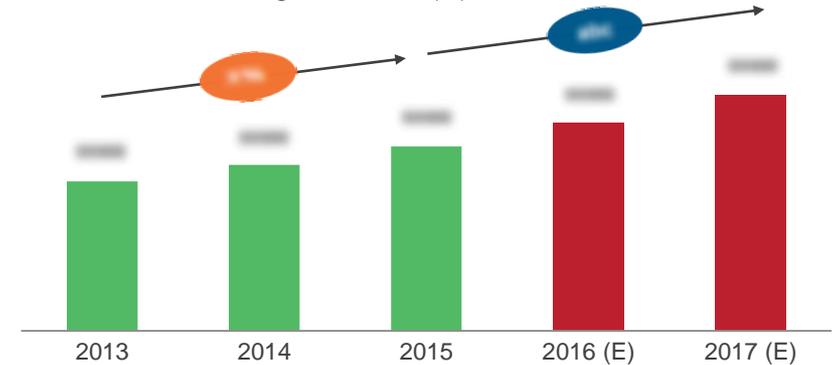
Administrative spending as % of total spending in select countries



Market overview

RCM outsourcing services market¹ size & growth

Revenue in US\$ billion, growth CAGR (%), 2013-2017E

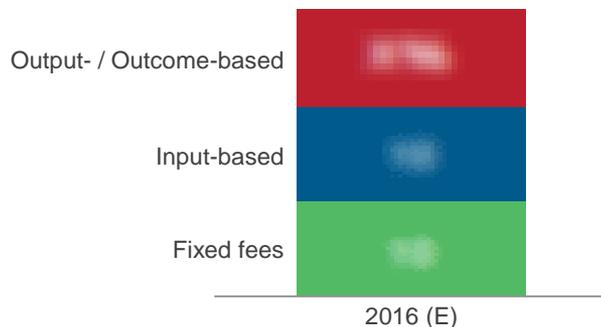


RCM solution characteristics

Leverage of pricing models¹

Number of RCM BPO deals

100% =

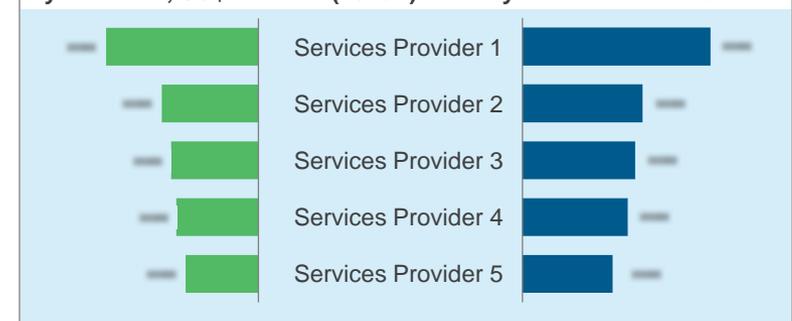


Service provider landscape

Global RCM onshore specialists comparison

By revenue¹, US\$ millions (2016E)

By relative market share



Source: Everest Group (2016)

Healthcare & Life Sciences BPS research calendar

■ Published ■ Current

Topic	Release date
Healthcare Payer BPO – State of market with PEAK Matrix™ Assessment	February 2015
Healthcare Payer BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2015	January 2016
Healthcare Payer BPO – Annual Report: From cost reduction to value-driven outsourcing – Moving on up	August 2016
Healthcare Payer BPO – Service Provider Compendium 2016	October 2016
Healthcare Payer BPO – Viewpoint on Medicaid and Medicare BPO	November 2016
Revenue Cycle Management (RCM) Outsourcing Annual Report 2016: Growth on the Back of Declining Provider Margins	December 2016
Healthcare Payer BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q1 2017
Healthcare Payer BPO – Annual Report 2016	Q1 2017
Life Sciences BPO – Viewpoint on Pharmacovigilance BPO	Q1 2017
Life Sciences BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q1 2017
Healthcare Payer BPO – Service Provider Compendium 2017	Q2 2017
Life Sciences BPO – Annual Report 2017	Q2 2017
Life Sciences BPO – Service Provider Compendium 2017	Q3 2017

Additional BPS 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. **Healthcare Payer BPO – Service Provider Landscape with PEAK Matrix™ Assessment** ([EGR-2016-12-R-1680](#)); 2016. Driven by ObamaCare, the market for third-party BPO in healthcare payer space continues to grow at a healthy rate. This report uses Everest Group's proprietary PEAK Matrix to assess and rate service providers on various dimensions of their capabilities. It also includes market share analysis of service providers and Everest Group's remarks on service providers highlighting their key strengths and development areas
2. **Healthcare Payer BPO – State of market with PEAK Matrix™ Assessment** ([EGR-2015-12-R-1367](#)); 2015. Driven by ObamaCare, the market for third-party BPO in healthcare payer space grew at a healthy rate in 2013. Greater demand for BPO services from the smaller payers led to a slight shift in the buyer adoption. Also, growth of the claims management process was outpaced by several other processes. Factors, such as rise of health insurance exchanges, increased regulatory governance, control of fraud, waste, and abuse, and convergence of payers and providers, emerged as the key drivers shaping this market for the future
3. **Contact Center Outsourcing (CCO) Market for the Healthcare Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2014** ([EGR-2014-1-R-1332](#)); 2014. This report provides an overview of the Contact Center Outsourcing (CCO) market for the Healthcare industry. The analysis includes market size and growth (forecast up to 2015), buyer adoption & scope trends, service provider landscape, service provider positioning on the Everest Group PEAK Matrix, and assessment of the service provider delivery capabilities

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