Everest Group®

State of the Market Report | Healthcare IT Services

Healthcare Provider Enterprise Insights – Q4 2020 & Q1 2021

August 2021: Complementary Abstract / Table of Contents

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Healthcare ITS

- Application Services
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- Banking & Financial Services ITS
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Benchmarking

Contract assessment

Peer analysis

Market intelligence

Tracking: service providers, locations, risk, technologies

Locations: costs, skills, sustainability, portfolios

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Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

01

Robust definitions and frameworks

F&A pyramid, multi-process FAO definition, Total Value Equation (TVE), PEAK Matrix®, market maturity

02

Primary sources of information

Annual contractual and operational RFIs, service provider briefings and buyer interviews, web-based surveys

03

Diverse set of market touchpoints

Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership

04

Fact-based research

Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and service providers

Proprietary contractual database of Healthcare IT Services (ITS) contracts (updated annually)

Year-round tracking of Healthcare IT service providers

Large repository of existing research in Healthcare

Over 30 years of experience advising clients on strategic IT, business services, engineering services, and sourcing

Executive-level relationships with buyers, service providers, technology providers, and industry associations

Background of the research

Looking back at 2020, which was one of the most challenging years in recent history, probably the biggest learning is that the resilience of the world (humans, businesses, and economies) is stronger than what it gets credit for. Amid what can be called as one of the most widespread biological and economic shocks, the healthcare industry was put under immense pressure and, at many times, was stretched beyond its capacity. The pandemic led to sweeping changes in who receives care, how they access it, and how healthcare organizations (healthcare providers, payers, and community resources) come together to meet the complex and accelerated demand for care, while dealing with provider burnout, customer distrust, and financial turmoil. Providers faced some critical challenges such as loss of revenue, increased costs, and an overburdened health system.

This report provides perspective on how providers performed in 2020 and Q1 2021. The report focuses on industry- and account-level financial and Lines of Business (LoBs) performance, key business, and IT investment themes.

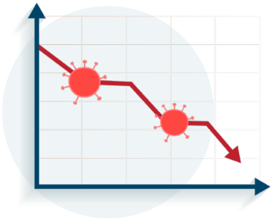
Scope of this report:

Geography
US

Industry
Healthcare provider

Services
Healthcare provider services

Summary of key messages



Financial performance

At the onset of COVID-19, providers reported a drop in revenue due to deferment of non-emergent procedures. Most of the US providers experienced growth in H2 2020 owing to rebound in patient volumes and federal grants received under the CARES Act Providers Relief Fund. Net income and operating margin declined significantly due to additional costs incurred by the purchase of personal protective equipment and other supplies.

Expansion of outpatient business & telehealth services

Due to the pandemic, the provider industry experienced an uptick in telehealth business as virtual care hesitancy diminished. Additionally, providers are focusing on expanding their outpatient business to provide home-care and long-term care opportunities to patients as well as delivering affordable care in remote locations.

Business themes

The pandemic enabled providers to shift their focus on delivering virtual, home, integrated, and long-term care while investing significantly to reduce costs and improve operational efficiency to offset the impact of COVID-19.

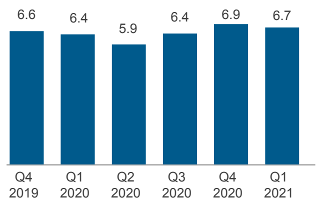
IT themes

In response to COVID-19, providers sought to future-proof their technology with patient care at the heart of the transformation by focusing on IT themes such as modernization, data analytics, cloud, and automation.

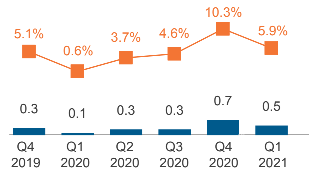
This study offers distinct chapters providing a deep dive into key aspects of healthcare provider market; below are four charts to illustrate the depth of the report

Provider's industry metrics

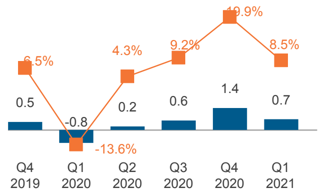
Healthcare providers' average revenue
Q4 2019 - Q1 2021[1], billion



Healthcare providers' average operating income
Q4 2019 - Q1 2021[1], billion



Healthcare providers' average net income
Q4 2019 - Q1 2021[1], billion



- At the onset of COVID-19, providers reported a decline in revenue due to deferment of non-emergent and elective care procedures as well as reduction in overall patient volumes. In addition to this, hospitals had to incur additional expenses in purchasing more personal protective equipment and other supplies. Although the cost of treating patients with COVID-19 is covered by Medicaid, Medicare, and private insurers, it has not completely offset revenue losses from the lack of delivery of other hospital-based medical services. Due to this, the operating and net income for most of the US providers decreased significantly
- Since Q2 2020, patient volumes have rebounded, but remain below pre-pandemic levels for most health systems. Most providers have reported a steady increase in revenue and net income due to increase in patient volumes, strong cost control measures, and recognition of grants received under the CARES Act Providers Relief Fund

IT and technology themes

Modernization	Data and analytics	Cloud and automation
Shifting focus from a fee-for-service to value-based care and growing need to adopt analytics is driving modernization initiatives. Healthcare providers are actively partnering with Service Providers (SPs) and Independent Software Vendors (ISVs) to overcome design and architectural challenges, minimize technical debt, and improve data access for caregivers and patients.	Providers are actively investing in analytics solutions to improve clinical outcomes, predict and prevent diseases, enhance experiences, and reduce costs. Providers are also charting out a strategy around integrating patient data into a single view. In order to leverage advanced analytics for enhanced care management and operational efficiency, healthcare providers are partnering with SPs and tech vendors.	Healthcare providers are partnering with technology vendors and SPs to shift their legacy systems to the cloud. Cloud adoption provides health systems with enhanced interoperability, business agility, and improved cost efficiencies. Keeping the converging healthcare landscape in mind, cloud also allows for seamless collaboration.
Key areas of focus		
Digitization of billing & supply chain management systems, business processes, web-based applications, enterprise provider data management, and mainframe systems.	Developing visual dashboards leveraging Tableau, PowerBI, IBMD2, etc., providing on-demand analytics to end-user, enterprise data warehouse platform, and effectively organize data.	Migration of legacy systems to cloud, sharing systems and data, improve and enhance operability, automate infrastructure services, system administration tasks, and iterative tasks.

Provider's revenue by line of business

Revenue – by LOB
Percentages

Rise / No change / Fall

Provider	Period	Inpatient care	Outpatient care	Commentary	Inpatient revenue	Outpatient revenue
HCA Healthcare	Q1 2021	64.2%	35.8%	In 2021, HCA Healthcare sold four smaller hospitals to enhance its focus on outpatient and home-based procedures and healthcare services. It plans to use the proceeds from the sale to focus on such initiatives; HCA Healthcare focused on adding capabilities to its telehealth applications that resulted in enhanced virtual care visits	Fall	Rise
	Q4 2020	65.0%	35.0%			
CHS Community Health Systems	Q1 2021	50.2%	49.8%	Community Health Systems is making acquisitions to amp up operations in long-term acute care centers	Rise	Fall
	Q4 2020	49.0%	51.0%			
UHS	Q1 2021	29.4%	70.6%	Universal Health services actively enhanced its telehealth capabilities and looked to enhance its home and behavioral care capabilities	Fall	Rise
	Q4 2020	29.5%	70.5%			

Business themes

Providers	Business themes	IT and technology themes
Ascension	• **Telehealth:** the pandemic has triggered caregiving at home, which has resulted in over 10,000 virtual visits per day as compared to approximately 500 before the pandemic • **Outpatient care:** – Partnered with Premier Radiology, a radiology services provider, to develop an imaging center in Milwaukee and Racine as well as manage its Wisconsin outpatient sites – Partnered with Regent Surgical Health to acquire ambulatory surgery centers and provide patients with high-quality outpatient sites	• **Cloud:** leveraged Google Health to consolidate data into a single, cloud-based, and integrated health record for each patient • **Data analytics:** partnered with Google Health to enhance its private cloud to organize data and integrate advanced analytics at the point of care • **Modernization:** development of web-based applications, digitize inventory, procurement, and billing records
CommonSpirit	• **Telehealth:** launched Health at Home, to provide telehealth biometric monitoring through a mobile application, medication delivery, and management services to help patients adhere to a regimen of medications • **Outpatient care:** partnered with Paladina Health to provide direct-to-employer primary care offering with access to 24/7 virtual healthcare, in-house pharmacy, and lab services • **Mental health:** joined forces with Concert Health to offer support for depression and anxiety by connecting patients with Concert Health's remotely-located behavioral health care managers, who provide therapy and develop a behavioral health care plan • **Data sharing:** partnered with multiple healthcare providers to form a new company Truveta, to build a new data platform that will leverage AI and machine learning as well as promote data sharing between providers	• **Modernization:** web content migration, designing of data warehouse applications, and migration of payroll systems • **Data analytics:** data sharing platform for care management
CHS Community Health Systems	• **Telehealth:** partnered with Apple, for its Apple Health application, to provide its patients with access to data about medications, immunizations, labs, and other health data records in approximately 100 hospitals	• **Modernization:** migration of legacy systems and interface engines • **Maintenance:** maintenance of nursing, billing, HR, and finance systems

Research calendar

Healthcare IT Services (ITS)

Published | Planned | Current release

Flagship Healthcare ITS reports	Release date
Healthcare Provider Digital Services PEAK Matrix® Assessment 2020	June 2020
Salesforce Health Cloud Services PEAK Matrix® Assessment 2020	December 2020
Healthcare Specialists PEAK Matrix® Assessment 2020	December 2020
State of the Market – Salesforce Health Cloud services	March 2021
Healthcare Automation Services Peak Matrix® Assessment 2021	Q3 2021
Healthcare Analytics Services PEAK Matrix® assessment 2021	Q3 2021
Telehealth Solutions PEAK Matrix® Assessment 2021	Q4 2021
Healthcare Cloud Data Platforms PEAK Matrix® assessment 2021	Q4 2021

Thematic Healthcare ITS reports	Release date
Unpacking the Rise of Telehealth	July 2020
Platform-based Modernization of Healthcare Payer	August 2020
A Tectonic Shift in the Healthcare Market - UnitedHealth Group's Optum Acquires Change Healthcare	January 2021
Healthcare Payer Enterprise Insights – H2 2020	April 2021
Healthcare Member Experience Transformation	July 2021
Healthcare Provider Enterprise Insights – Q4 2020 & Q1 2021	**August 2021**
Interoperability in Healthcare	Q3 2021

Note: For a list of all our published Healthcare ITS reports, please refer to our website page

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