



Healthcare Payer Annual Report: Payers Look at Digital to Reinvent in a Turbulent Healthcare Market

Healthcare & Life Sciences BPS and ITS

Annual Report – March 2018: Complimentary Abstract / Table of Contents

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Corporate Headquarters

Office: +1-214-451-3000

info@everestgrp.com



European Headquarters

Office: +44-207-129-1318

unitedkingdom@everestgrp.com



Delhi Office

Office: +91-124-284-1000

india@everestgrp.com

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Background and methodology of research

Background of the research

The healthcare payer market is changing because of certain secular themes, which include increasing consumerism, rise of digital, declining margins, growing distrust, and continuing regulatory uncertainty. These themes require payers to rethink their business models. At the same time, broader healthcare & life sciences market is undergoing tectonic shifts with varied implications for the payers' future. Some of these themes include, rapid pace of health system convergence, increasing number of pharma experimenting with outcome-based models, market participants venturing into convergence-led models, redefined payer-PBM relationship, focus on data flow, extensive use of digital, entry of technology companies in healthcare space.

Amidst all these changes, payers' also need to evaluate the fact that their role is changing and they need to take certain steps to be future ready. For this, we have defined some of the key payer characteristics that will experience significant change in the future, when compared with traditional/conventional way of operating / doing business. Four key tenets that we focus on in this report include members, providers, internal systems, and government.

The report talks about:

- Key themes dominating the healthcare payer market
- Payer of the future
- Key tenets that are crucial for success of transition into payer of the future

The scope for the report includes:

This report covers themes such as current and future state, challenges faced, key transformation enablers/solutions, and government's posturing & its impact on payers for four key tenets i.e., members, providers, government, and internal systems

Overview and abbreviated summary of key messages

This report talks about key themes impacting the payer's business model and how a payer of the future would look like. It also discusses key tenets that will play critical role in transforming payers into a future-ready state. These key tenets include members, providers, government, and internal systems.

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

Secular business themes for payers

- Consumerism: members are demanding more control over their spend and increased transparency
- Rise of digital: use of digital is not just changing the way stakeholders interact, it is also critical for payers to streamline and optimize their operations
- Thin margins: most payers, especially the small and mid-sized plans are still struggling to find their footing in the market, in terms of maintaining strong margin profiles
- Growing distrust: key industry participants, especially members, have seen their trust decline over time
- Regulatory uncertainty: new administration is yet to come out with a detailed health act and has left the industry guessing as to what will be the next major reform

Evolution of HLS landscape

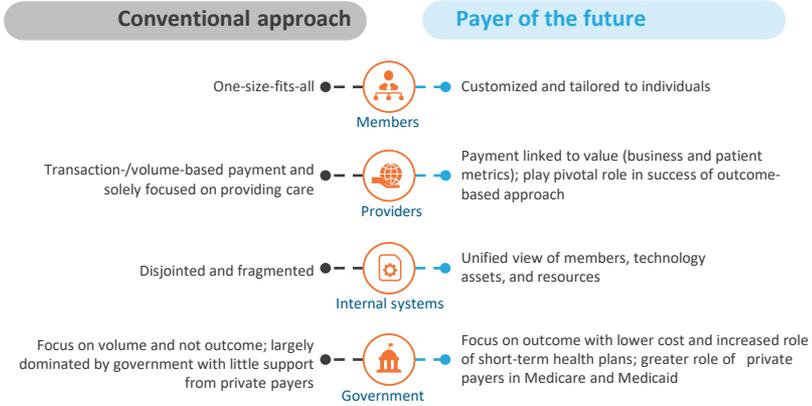
- Rapid pace of health systems convergence
- Pharma companies experimenting with outcome-based contracts
- Market participants venturing into newer convergence-led operating models
- Payers looking at redefining the PBM relationship
- Meaningful movement towards value-based care

Future outlook

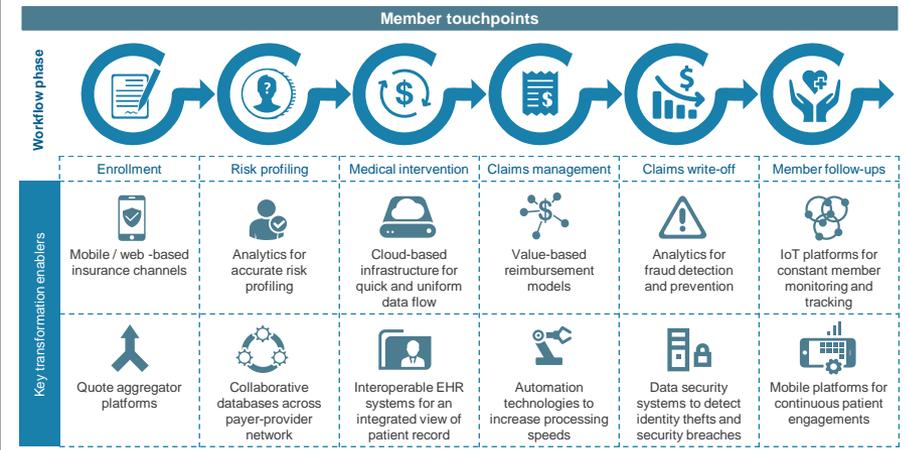
- Member: Focus on customized and tailored services, offerings, and solutions to individuals
- Provider: Increasing share of payment to be linked to value, with focus on both business and patient metrics. Also, providers to play critical role in ensuring success of outcome-based approach
- Internal system: Transition towards a state of unified view of members, technology assets, and resources
- Government: Increasing role of short-term plans and private players in government programs

This study offers a deep dive into payer of the future and key tenets that are critical for payer's transformation journey; below are four charts to illustrate the depth of the report

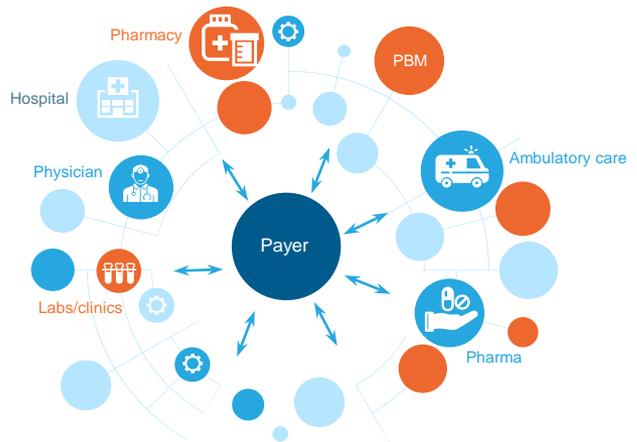
Key components to drive payers' transformation



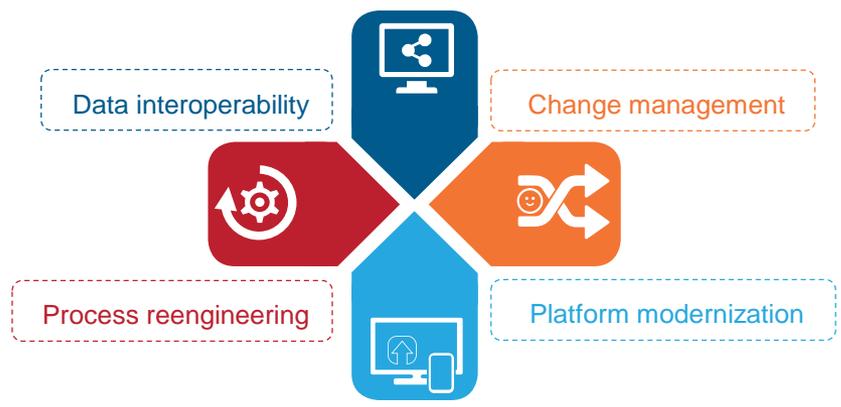
Key transformation enablers for payer-member interactions



Change in nature of payer-network interactions



Key solutions that can help solve for internal system pain point



Research Calendar – Healthcare and Life Sciences BPS

Published
 Planned
 Current release

Flagship HLS BPS reports

Release date

Healthcare payer BPO: Service Provider Profile Compendium	January 2018
Healthcare Report Card 2017: Enterprise Initiatives and Service Provider Performance	February 2018
Life Sciences Report Card 2017: Enterprise Initiatives and Service Provider Performance	February 2018
Healthcare Payer Annual Report: Payers Look at Digital to Reinvent in a Turbulent Healthcare Market	March 2018
Healthcare Provider Annual Report: Addressing Issues Beyond Value-Based Care	March 2018
Healthcare Payer BPO Deal Trends	Q2 2018
Healthcare Provider BPO Deal Trends	Q2 2018
Healthcare Payer BPO: Service Provider Landscape with Services PEAK Matrix™ Assessment 2019	Q4 2018
Healthcare Provider BPO: Service Provider Landscape with Services PEAK Matrix™ Assessment 2019	Q4 2018

Thematic reports

Release date

Viewpoint – Rising Cost of Healthcare in the United States: Can Analytics Help?	August 2017
Viewpoint on Member Engagement of the Future, Part 1 (3 Part Series)	Q1 2018
Viewpoint on Member Engagement of the Future, Part 2 (3 Part Series)	Q2 2018
Viewpoint on RPA in Healthcare	Q2 2018
Viewpoint on Risk and Compliance	Q2 2018
Viewpoint on Member Engagement of the Future, Part 3 (3 Part Series)	Q3 2018
Viewpoint on Value Based Care	Q3 2018

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Research Calendar – Healthcare and Life Sciences ITS

Published
 Planned
 Current release

Flagship HLS ITS reports

Release date

Healthcare Report Card 2017: Enterprise Initiatives and Service Provider Performance	February 2018
Life Sciences Report Card 2017: Enterprise Initiatives and Service Provider Performance	February 2018
Healthcare Payer Annual Report: Payers Look at Digital to Reinvent in a Turbulent Healthcare Market	March 2018
Life Sciences Annual Report 2018: DevOps in Pharma	Q1 2018
Life Sciences – North America Digital PEAK™ Matrix for Services Assessment 2018	Q2 2018
Life Sciences – Europe Digital PEAK™ Matrix for Services Assessment 2018	Q2 2018
Healthcare Annual Report 2018: Unpacking AI	Q2 2018
Digital Effectiveness for Payers Pinnacle Model Assessment 2018	Q3 2018
Healthcare Payers – Digital PEAK™ Matrix for Services Assessment 2018	Q3 2018
Healthcare – Analytics PEAK™ Matrix for Products Assessment 2018	Q3 2018
Healthcare Providers – Digital PEAK™ Matrix for Services Assessment 2018	Q4 2018
Engineering Services for Medical Devices – Service Provider Landscape with PEAK Matrix™ Assessment 2018	Q4 2018

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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. Healthcare Report Card 2017 – Enterprise Initiatives and Service Provider Performance** ([EGR-2018-20-R-2557](#)); 2018. This report talks about key themes that dominated the healthcare market in 2017. It also discusses enterprise actions and central sourcing themes. It lists top 15 healthcare service providers based on five healthcare PEAK Matrix™ BP and IT services evaluations done in 2017 and gives a brief description of 2018 market outlook
- 2. Healthcare Payer BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2018** ([EGR-2017-12-R-2455](#)); 2017. Inability of new administration to either replace or decide upon keeping the ACA is leading to high degree of uncertainty. This report uses Everest Group's proprietary Services 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
- 3. Healthcare Provider Annual Report 2017: Will the Real Value-Based Care (VBC) Please Stand Up** ([EGR-2017-12-R-2361](#)); 2017. Amidst consistent regulatory uncertainty, falling profit margins, and decreasing in-patient volumes, the demand in the healthcare provider IT market is rebounding with primary focus on value-based care initiatives. More than 50% of provider IT spending by 2025 is expected to be driven by value-based care initiatives. In this annual report, we analyze the current state of adoption of value-based care and evaluate the 40 largest health systems based on their value-based care performance and financial health. The report also provides actionable frameworks for the health systems to accelerate their value-based care initiatives and for the service providers to develop the requisite expertise to support these health systems

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

Abhishek Singh, Practice Director: abhishek.singh@everestgrp.com

Manu Aggarwal, Practice Director: manu.aggarwal@everestgrp.com

Nitish Mittal, Practice Director: nitish.mittal@everestgrp.com

Naman Sharma, Senior Analyst: naman.sharma@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com



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Dallas (Headquarters)

info@everestgrp.com
+1-214-451-3000

Bangalore

india@everestgrp.com
+91-804-276-4533

Delhi

india@everestgrp.com
+91-124-496-1000

London

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

New York

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

Toronto

canada@everestgrp.com
+1-416-388-6765

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Website



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