



Healthcare Payer BPO – Annual Report: Value-Based Sourcing Helping Payers Stay Afloat in an Era of Uncertainty

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Market Report – March 2017 – Preview Deck

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- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment



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Overview and abbreviated summary of key messages

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Healthcare payer BPO market grew strongly during 2013-2015, reaching US\$9.1 billion (including government business) in 2016. Obamacare contributed to a large extent in this growth story. However, with the election of Donald Trump as the President of the United States, this market is likely to witness a downturn in short-term, owing to the anti-ACA stand of the new President and uncertainty surrounding the changes he could bring in the market. The market grew at ~9% in 2016 reaching US\$9.9 billion.

In 2016, some of the key themes that dominated the market revolved around industry shift towards value-based care models, payer-provider convergence, and withdrawal of several payers from health insurance exchanges citing rising losses as the reason.

On the technology side, payers are increasingly demanding new-age solutions such as RPA, BPaaS, and predictive analytics.

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

Drivers and challenges

- Election of Donald Trump as the President of the United States and his subsequent stand on the healthcare policies is resulting in uncertainty in the market in terms of changes that the new policies could bring in the healthcare market
- Meanwhile, payers continue to withdraw from health insurance exchanges citing rising losses as a reason; a trend which would eventually reduce competition in the market and may give rise to monopolistic behavior by remaining payers
- Another key trend that dominated the market was convergence between payers and providers. 2016 witnessed many new products launched by payer-provider joint entities

Overview and abbreviated summary of key messages

(page 2 of 2)

State of the market

- Healthcare payer BPO market grew at a CAGR of ~11% during 2013-2015. However, prevalent uncertainty in the market likely to result in slower growth in the next 2-3 years
- In terms of adoption characteristics, cost reduction continues to be the most important purchasing driver for buyers; however, their focus on technology (automation, analytics, etc.) and expertise is increasing

Healthcare payer BPO solution characteristics

- Buyers' preference for shorter contract length continues to rise as it gives them the flexibility to replace a service provider in case of non-performance
- Claims management – with a share of 60% – continues to be the most outsourced process in the healthcare payer BPO market

Service provider landscape

- The market continues to remain consolidated at the top, with Accenture, Cognizant, Conduent, and HPE, together accounting for over 60% of the market by revenue
- Service providers such as Conduent and Wipro – focused on serving state Medicaid plans – are losing share, owing to states' shift towards the MCO model

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

- Market thought leadership
- Actionable and insightful research
- Syndicated and custom research deliverables

1 Robust definitions and frameworks
(Healthcare payer BPO definition, value chain, PEAK Matrix, and market maturity)

The diagram illustrates the PEAK Matrix, a framework for understanding the market maturity of healthcare payer BPO. It includes a pyramid labeled 'PEAK Maturity' with 'CORE BUSINESS' at the base. Below it, a 'Market Maturity' chart shows a progression from 'Low' to 'High' across 'Market Penetration' and 'Market Saturation'. A 'Value Chain' diagram shows the flow from 'Contract Negotiation' to 'Service Delivery'. A 'Major Considerations' box lists factors like 'Contract Performance', 'Operational Efficiency', and 'Risk Management'. A 'Market Segments' chart shows the distribution of contracts across different segments.

2 Primary sources of information
(Annual contractual and operational RFIs, service provider briefings and buyer interviews, web-based surveys)

The image shows a screenshot of a survey tool interface with various data fields and filters. Below it is an 'Appendix: respondent profile' which includes a pie chart showing the distribution of respondents by region (North America, Europe, Asia Pacific, Latin America, Middle East & Africa) and a bar chart showing the distribution of respondents by contract type (Contract & Book Business, Other Contract Types, Other Contract Types).

3 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)

The diagram shows a central 'Services Industry' circle surrounded by 'Enterprises', 'Service Providers', and 'Service Enablers'. Below this, a flowchart illustrates the research process: 'Problem' leads to 'Issue', which leads to 'Hypothesis', then 'Data Gathering and Analysis', and finally 'Conclusions and Recommendations'.

4 Fact-based research
(Data-driven analysis with expert perspectives, trend analysis across market adoption, contracting, and service providers)

The image contains two charts. The top chart is a bar chart titled 'Number of new multi-process FAD contracts over time' showing an increasing trend from 2006 to 2011. The bottom chart is a horizontal bar chart titled 'Average number of new contracts in extensions in FAD contracts 2006 (2006) Percentage' comparing 'New contracts' (green) and 'Existing' (blue) across various categories: Accounts receivable, Payroll, Tax, Analytics, Budget & Forecasting, and Regulatory compliance & Reporting.

- Proprietary contractual database of 350+ healthcare payer BPO contracts (updated annually)
- Year-round tracking of 20+ healthcare payer BPO service providers
- Large repository of existing research in healthcare payer BPO
- Dedicated team for healthcare payer BPO research, spread over three continents
- Over 20 years' experience of advising clients on healthcare BPO related decisions
- Executive-level relationships with buyers, service providers, technology providers, and industry associations

This report is based on four key sources of proprietary information

1

- Proprietary database of over **350 healthcare payer BPO contracts** (updated annually)
- The database tracks the following elements of each contract:
 - Buyer details including size and signing region
 - Contract details including service provider, contract type, TCV & ACV, service provider FTEs, start & end dates, duration, and delivery locations
 - Scope details including share of individual buyer locations being served in each contract, processes served, and pricing model employed

2

- Proprietary database of **20+ healthcare payer BPO service providers** (updated annually)
- The database tracks the following for each service provider:
 - Revenue and number of FTEs
 - Number of clients
 - FTE split by different processes
 - Location and size of delivery centers
 - Technology solutions developed

3

- **Service provider briefings**
 - Vision and strategy
 - Annual performance and future outlook
 - Key strengths and improvement areas
 - Emerging areas of investment

4

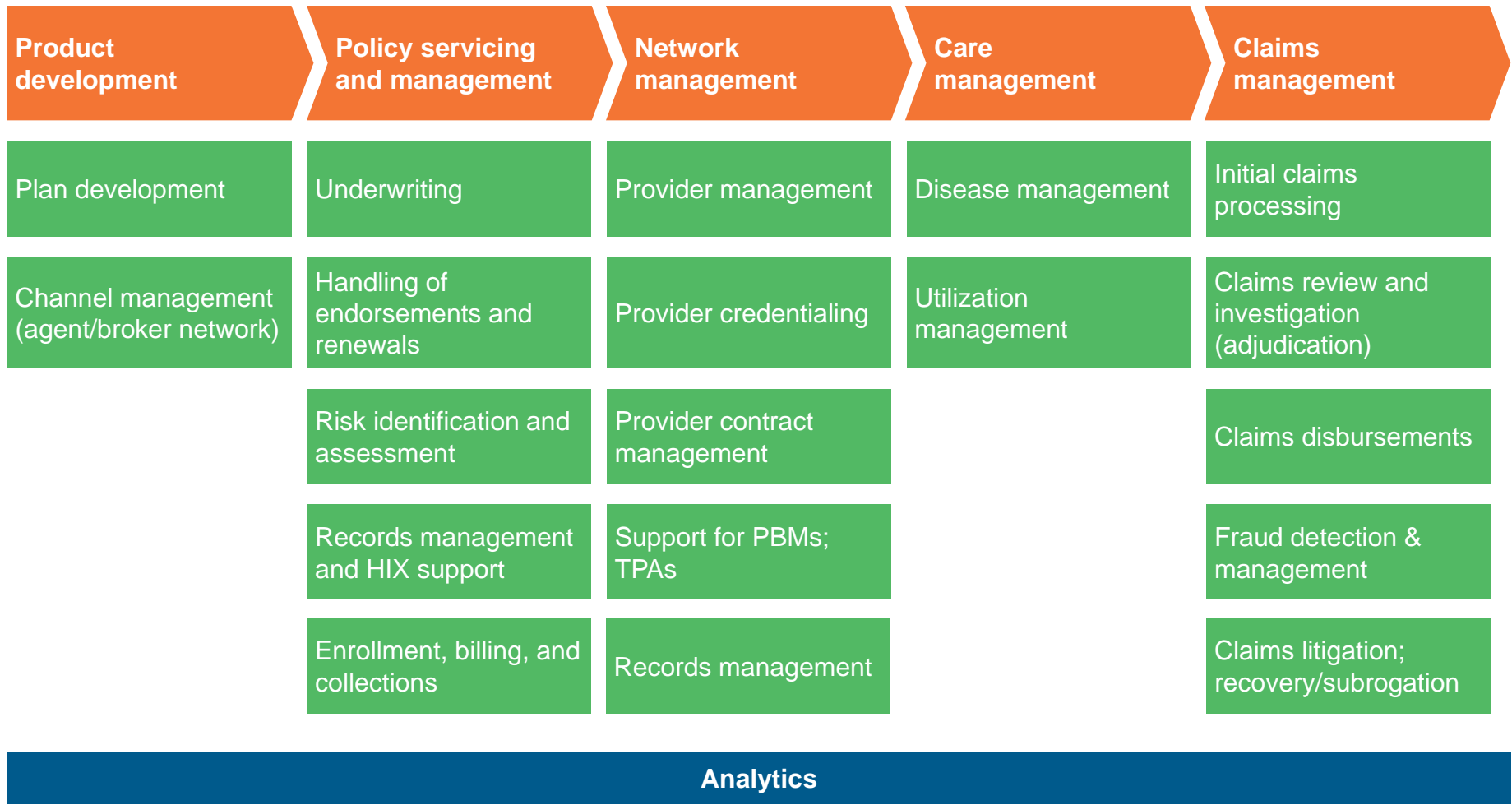
- **Ongoing buyer interactions**
 - Drivers and challenges for adopting healthcare payer BPO
 - Assessment of service provider performance
 - Emerging priorities
 - Lessons learnt and best practices

List of service providers covered in the analysis



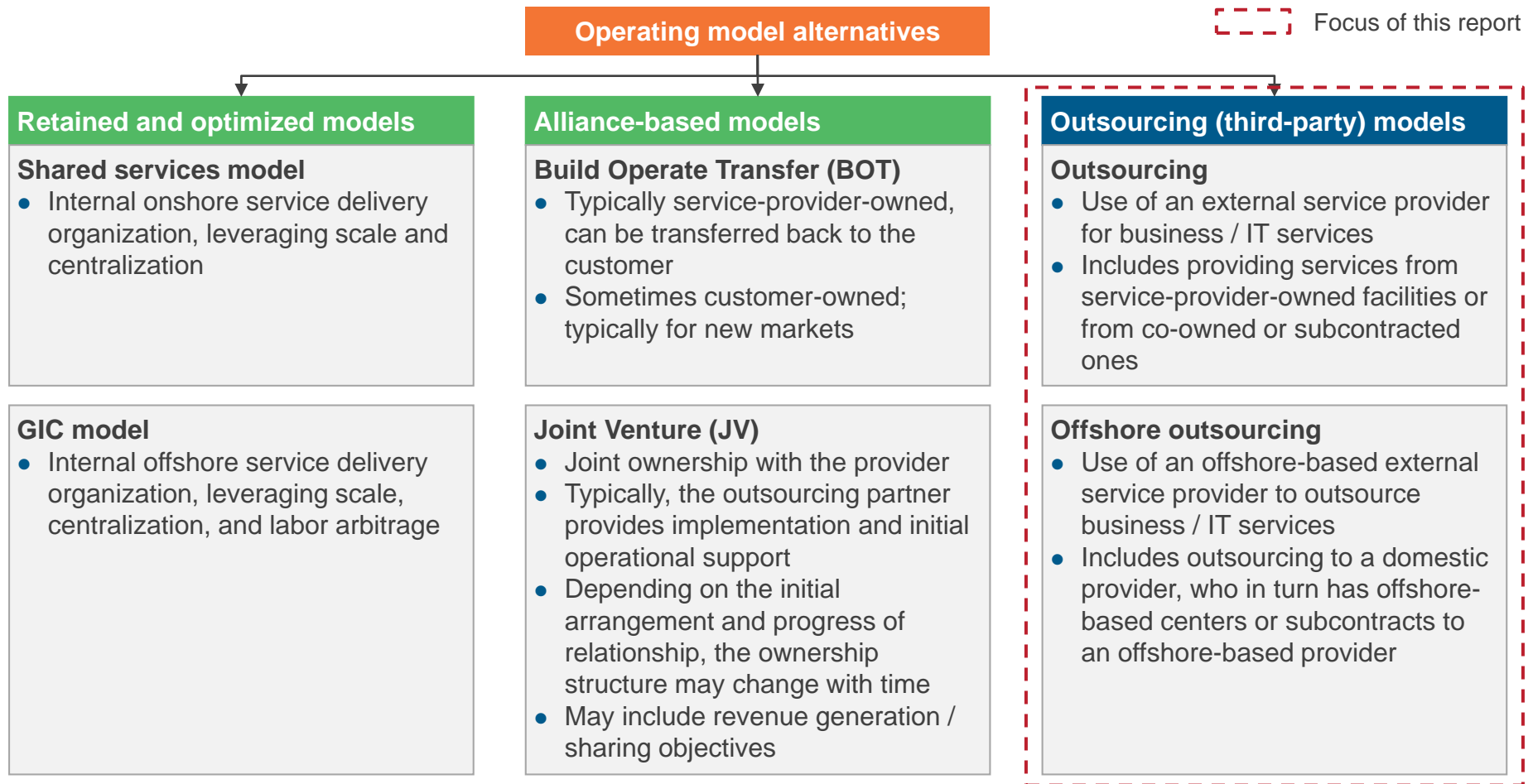
Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any contract-specific information collected, will only be presented back to the industry in an aggregated fashion

Everest Group's view of the healthcare payer BPO value chain



Note: This report covers vertical-specific BPO within the healthcare payer space. It does not include coverage of horizontal business processes such as F&A, HR, procurement, and contact centers

There are multiple operating model alternatives ranging from internal shared services, Global In-house Centers (GICs), to third-party outsourcing. This report focuses on third-party models



There are other variants in the industry as well (e.g., vendor-managed GICs) and some companies choose a “hybrid” approach, adopting a combination of internal and third-party-based models.

Healthcare & Life Sciences BPS research calendar

■ Published ■ Current

Topic	Release date
Viewpoint – Wipro Bets Big on Healthcare through the HealthPlan Services Acquisition	February 2016
Healthcare Payer BPO – Annual Report: From cost reduction to value-driven outsourcing – Moving on up	August 2016
Viewpoint – Medicare/Medicaid Version 2.0: Exploring the Next Growth Wave in the Market	November 2016
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	January 2017
Healthcare Payer BPO – Annual Report: Identifying Key Opportunities in an Era of Uncertainty	March 2017
Healthcare Payer BPO – Service Provider Compendium 2017	Q2 2017
Life Sciences BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q2 2017
Life Sciences BPO – Viewpoint on Trump and Effect on Offshoring of Jobs	Q2 2017
Life Sciences BPO – Viewpoint on Pharmacovigilance BPO	Q2 2017
Healthcare BPO – Viewpoint on Blockchain in Healthcare	Q2 2017
Life Sciences BPO – Annual Report 2017	Q3 2017
Life Sciences BPO – Service Provider Compendium 2017	Q4 2017

Additional BPS research references

The following documents are recommended for additional insight into the topics 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-2017-12-R-2082](#)); 2016. Amid political uncertainties, the market for third-party BPO in healthcare payer space continues to grow, albeit at a slower pace vis-à-vis previous years. 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 – Service Provider Profile Compendium** ([EGR-2016-12-R-1883](#)); 2016. The objective of this compendium is to provide key stakeholders a snapshot of the offerings and capabilities of 19 major healthcare payer BPO service providers. Specifically, the report allows for comparison of the service providers on their areas of strength and development. It helps current and potential buyers of healthcare payer BPO services to assess the service providers on the capabilities that they desire
3. **Medicare/Medicaid Version 2.0: Exploring the Next Growth Wave in the Market** ([EGR-2016-12-V-1971](#)); 2016. During 2010-2015, regulations such as PPACA and ARRA revitalized growth in the market by significantly enhancing the scope of healthcare coverage in the country. The increased scope led to fast paced increase in enrollment of both the plans. With the onset of the second wave of regulations (such as MACRA), the Medicare/Medicaid market in the country is expected to witness another overhaul during 2015-2020. Additional factors such as uncertain political scenario, fast growth in the number of elderly people (65+ age), and industry shift towards value-based care would also be driving the market growth
4. **Revenue Cycle Management (RCM) Outsourcing Annual Report 2016: Growth on the Back of Declining Provider Margins** ([EGR-2016-12-R-2029](#)); 2016. Market for the traditionally outsourced RCM functions such as post-service is now maturing. However, opportunities in pre-service and service functions are gaining traction. A key driver for growth in the market is the incident of rising administrative cost, which is significantly affecting profitability of hospitals. Also, automation is becoming the flavor of the industry, with buyers asking for solutions that are integrated across different functions and involve automation

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About Everest Group

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