# Topic: IT Outsourcing (ITO) in the Healthcare Provider Industry – Annual Report 2013: Entering the Big League of IT Adoption

Healthcare Outsourcing
Annual Report: December 2013 – Preview Deck

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  - **Healthcare outsourcing**

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- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
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1    Banking, financial services, and insurance

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# Background and scope of the research

**Background of the research**

The healthcare industry witnessed a rapid increase in 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. A number and variety of service providers have developed capabilities to cater to this growing market.

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 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.
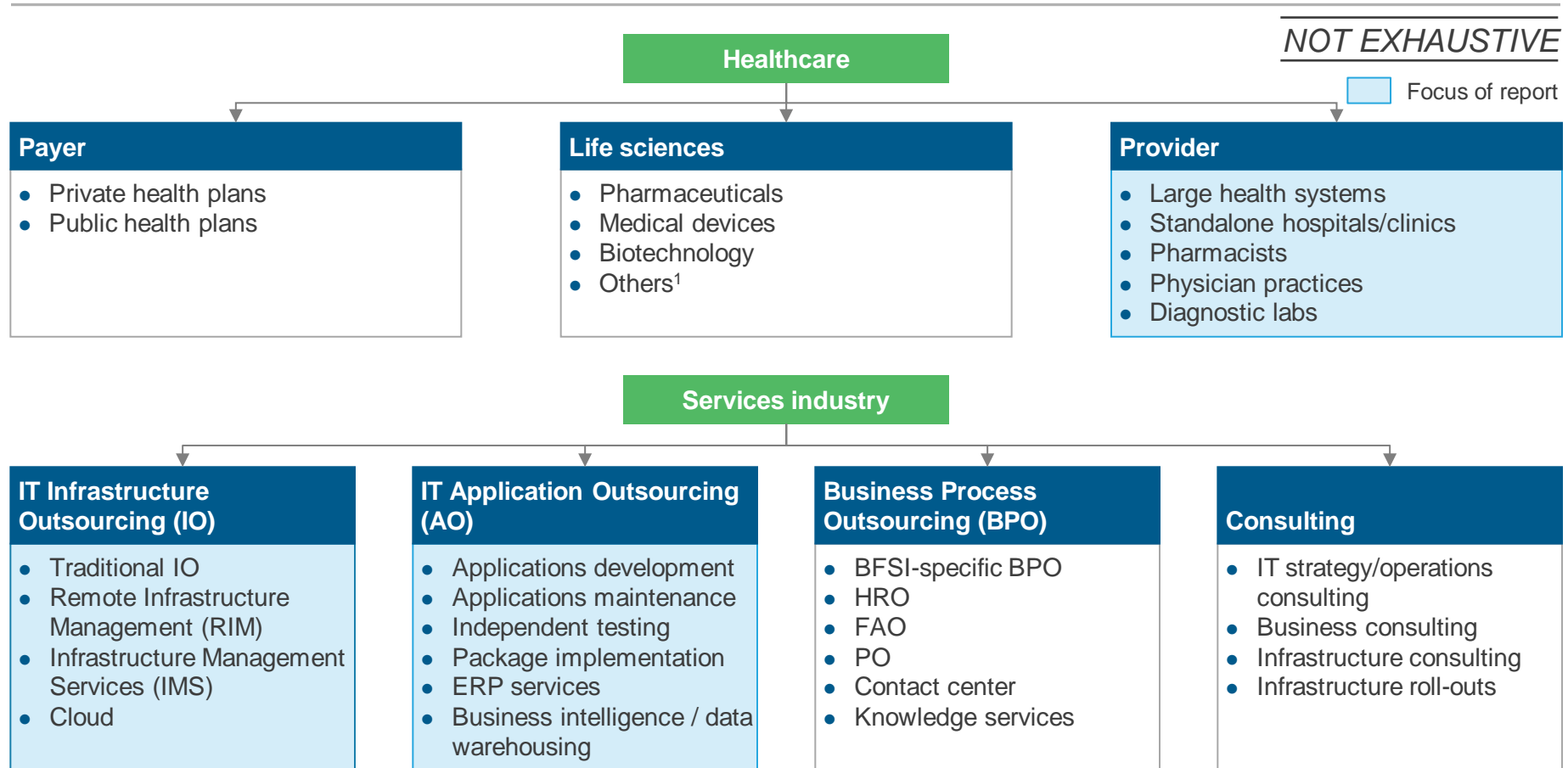
**In this annual report, we analyze current trends and the future outlook for large, multi-year ITO relationships for the healthcare provider market. We focus on:**
- Trends in ITO in the healthcare industry
- Market trends and activity for large ITO relationships in the healthcare provider segment
- Service provider landscape for healthcare provider ITO
- Emerging themes driving ITO in the healthcare provider segment
- Outlook for healthcare provider ITO in 2014

**Scope of this report**
- **Industry:** Healthcare provider (large health systems, stand-alone hospitals/clinics, pharmacists, physician practices, and diagnostic labs)
- **Services:** Large (TCV > US$25 million), multi-year (over three years), and annuity-based application outsourcing
- **Geography:** Global
- **Sourcing model:** Third-party ITO transactions; excludes shared services or Global In-house Centers (GICs)

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# This report provides an insight into current trends and the future outlook for large and multi-year ITO relationships in the global healthcare provider sector

☐ 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 analyzes ITO in the healthcare provider vertical with a focus on large (TCV > US$25 million), annuity-based, and multi-year (over three years) relationships

1   Includes healthcare data and information service, and medical products distribution

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# This report is a part of Everest Group's series of six reports focused on ITO in healthcare in 2012

## Annual report
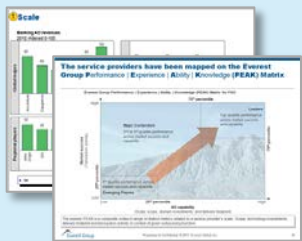
- Each report provides an overview of the ITO market for the specific healthcare subsegment
- Analysis includes the following:
  – Trends in ITO in the healthcare industry
  – Market trends and activity for large ITO relationships in the specific healthcare subsegment
  – Emerging themes driving ITO in the specific healthcare subsegment
  – Future outlook for ITO in the specific healthcare subsegment

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

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# Table of contents

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# Overview and abbreviated summary of key messages

The report provides an overview of the ITO market for the healthcare provider industry. Analysis includes key trends in market size & growth, demand drivers, adoption & scope trends, emerging themes, key areas of investment, and implications for key stakeholders.

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

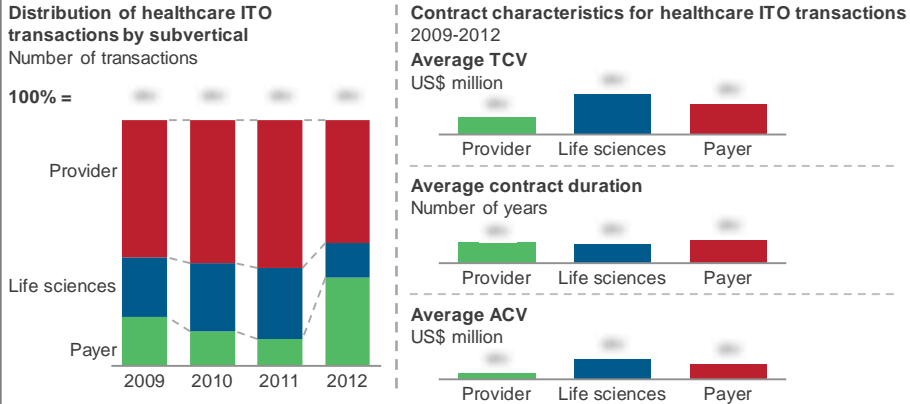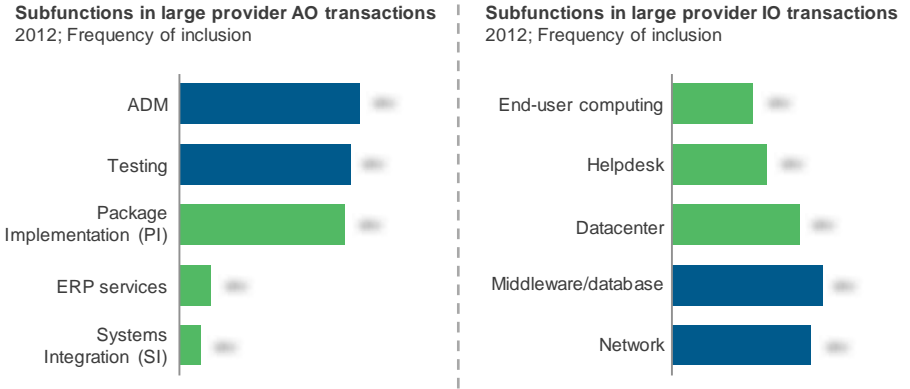| | |
|---|---|
| **Healthcare ITO market overview** | • Growing ITO activity from public sector and government in the healthcare sector is an established trend<br>• Growth was witnessed from deals originating from Europe and in new contract signings globally |
| **Healthcare provider ITO market overview** | • Regulatory reforms and customer-centricity are key factors driving ITO transaction activity; healthcare providers also withheld some ITO spending due to approaching reforms deadlines (from 2014), serving a lead indicator of future spurt in technology budgets<br>• Most of the IT transactions are driven by healthcare providers below US$10 billion in revenue, making this the most active segment in terms of provider ITO transaction activity |
| **Healthcare providers - Key themes driving ITO** | • There are five key themes driving healthcare provider industry's IT investments<br>  – Analytics<br>  – EHR adoption<br>  – Payer-provider convergence<br>  – Compliance requirements<br>  – Digitization |
| **Outlook for 2013-2014** | • Growing prominence of niche provider-specific IT vendors will see growing competition in the healthcare provider IT space<br>• Large health systems and ACOs are expected to continue to dominate the ITO activity among provider subsegments |

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# This study offers four distinct chapters providing a deep dive into key aspects of the healthcare provider ITO market; below are four charts to illustrate the depth of the report
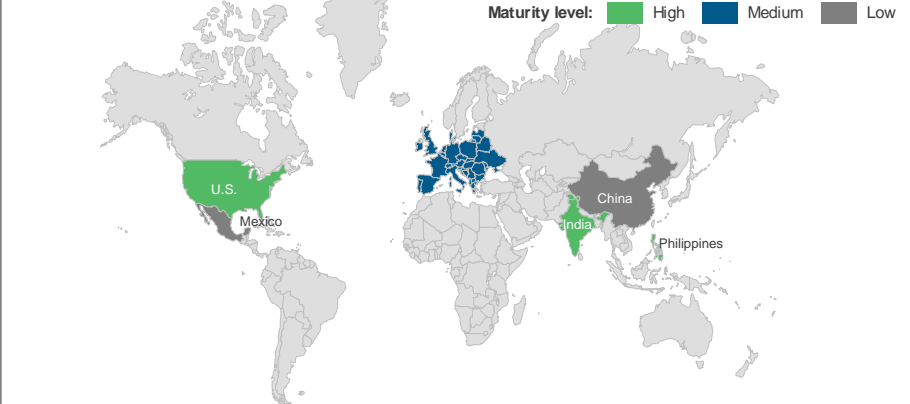
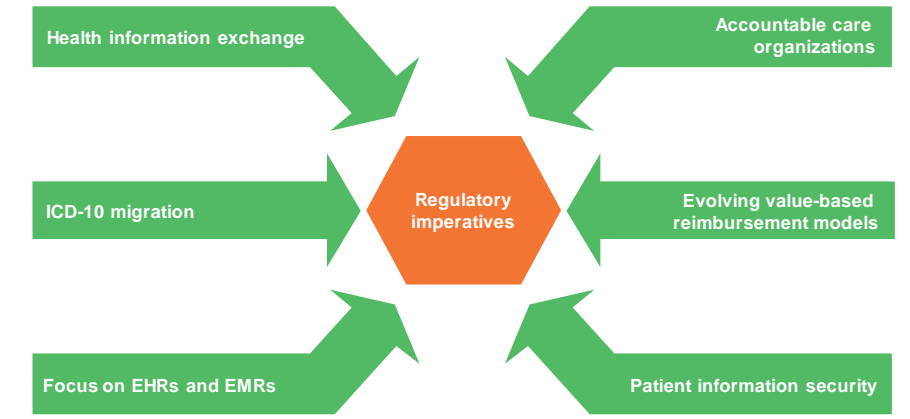## ITO in healthcare provider industry vs. other healthcare segments

**Distribution of healthcare ITO transactions by subvertical**
Number of transactions

100% =

Provider

Life sciences

Payer

2009 | 2010 | 2011 | 2012

**Contract characteristics for healthcare ITO transactions**
2009-2012

**Average TCV**
US$ million

Provider | Life sciences | Payer

**Average contract duration**
Number of years

Provider | Life sciences | Payer

**Average ACV**
US$ million

Provider | Life sciences | Payer

## Functional adoption of IT services

**Subfunctions in large provider AO transactions**
2012; Frequency of inclusion

- ADM
- Testing
- Package Implementation (PI)
- ERP services
- Systems Integration (SI)

**Subfunctions in large provider IO transactions**
2012; Frequency of inclusion

- End-user computing
- Helpdesk
- Datacenter
- Middleware/database
- Network

## Maturing delivery model of service providers across geographies

Maturity level: High | Medium | Low

U.S.
Mexico
China
India
Philippines

## Evolving ITO imperatives of the healthcare reforms

Health information exchange

Accountable care organizations

ICD-10 migration

**Regulatory imperatives**

Evolving value-based reimbursement models

Focus on EHRs and EMRs

Patient information security

Source:   Everest Group (2013)

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# Healthcare outsourcing research calendar

| | Published | | Current |
|---|---|---|---|

| Topic | Release date |
|---|---|
| Webinar Deck: The Changing Face of IT Outsourcing in the Healthcare Payer Market: Don't Miss the Sailing Ship | June-2013 |
| IT Outsourcing in the Healthcare Payer Industry – Annual Report 2013: Taking the Debate Beyond the Reforms Mandate | July-2012 |
| IT Outsourcing in Healthcare Payer Industry – Service Provider Landscape with PEAK Matrix™ Assessment and Profile Compendium 2013 | August-2013 |
| IT Outsourcing (ITO) in the Life Sciences Industry – Annual Report 2013: All or Nothing: IT as the Trump Card for Life Sciences | October-2013 |
| Value-chain Digitization in the Pharmaceutical Industry | October-2013 |
| Webinar Deck: Value-chain Digitization in the Pharmaceutical Industry Is Causing Tectonic Shifts in ITO Strategy | October-2013 |
| IT Outsourcing in Life Sciences Industry – Service Provider Landscape with PEAK Matrix™ Assessment and Profile Compendium 2013 | November-2013 |
| IT Outsourcing in Healthcare Provider Industry – Annual Report 2013 | December-2013 |
| IT Outsourcing in Healthcare Provider Industry – Service Provider Landscape with PEAK Matrix™ Assessment and Profile Compendium 2013 | Q4-2013 |
| State of the Healthcare & Life Sciences Industry: Future Outlook | Q1-2014 |
| SMAC in Healthcare – Drivers and Implications | Q1-2014 |

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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. **Value Chain Digitization in the Pharmaceutical Industry: IT Outsourcing as the Vehicle to the Evolution of the Pharmaceutical Industry** (EGR-2013-12-R-0975); 2013. This viewpoint analyzes the current state and transformational changes occurring in IT adoption in the pharmaceutical industry. The analysis delves into the imperatives and drivers of digitization in the various value chain elements of the pharmaceutical industry

2. **IT Application Outsourcing (AO) in the Healthcare Provider Industry – Annual Report 2012** (EGR-2012-12-R-0808); 2012. This report provides an overview of the AO market for the healthcare provider industry. Analysis includes key trends in market size & growth, demand drivers, adoption & scope trends, emerging themes, key areas of investment, and outlook for the coming year. The report also provides an introduction to the service provider landscape for the healthcare provider industry

3. **IT Application Outsourcing (AO) in the Healthcare Payer Industry – Service Provider Landscape** (EGR-2012-12-R-0721); 2012. This report provides an in-depth analysis of the service provider landscape for AO in the healthcare payer segment. It includes PEAK Matrix for Payer AO, analysis of service providers in terms of their delivery capability and market success, and detailed profiles of the service providers featured on Payer AO PEAK Matrix

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

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