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Topic: IT Outsourcing (ITO) in the Life Sciences Industry – Annual Report 2014: Analytics Driving the Innovation Engine

Healthcare Outsourcing
Annual Report – June 2014 – Preview Deck

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  - **Healthcare Outsourcing**

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BFSI[1] information technology	**PricePoint™**
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Healthcare information technology	**Procurement**
Information technology	**Human resources**
Cloud Vista™	**Recruitment process**
Global sourcing	**Contact center**
Locations Insider™	**Transaction Intelligence**

Custom research capabilities
- 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

1   Banking, financial services, and insurance

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Background and scope of the research

Background of the research

The healthcare industry is witnessing an unprecedented churn and transformation, leading to a surge in IT and business process outsourcing adoption. Driven by regulatory reforms, tenets of consumerization, market consolidation, and emergence of next-generation digital avenues, outsourcing has accelerated in the space. Service providers across the spectrum have beefed up their capabilities to cater to this growing market.

With healthcare companies stepping up adoption of outsourced delivery, there is an uptick in demand for relevant 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 life sciences market. We focus on the following:
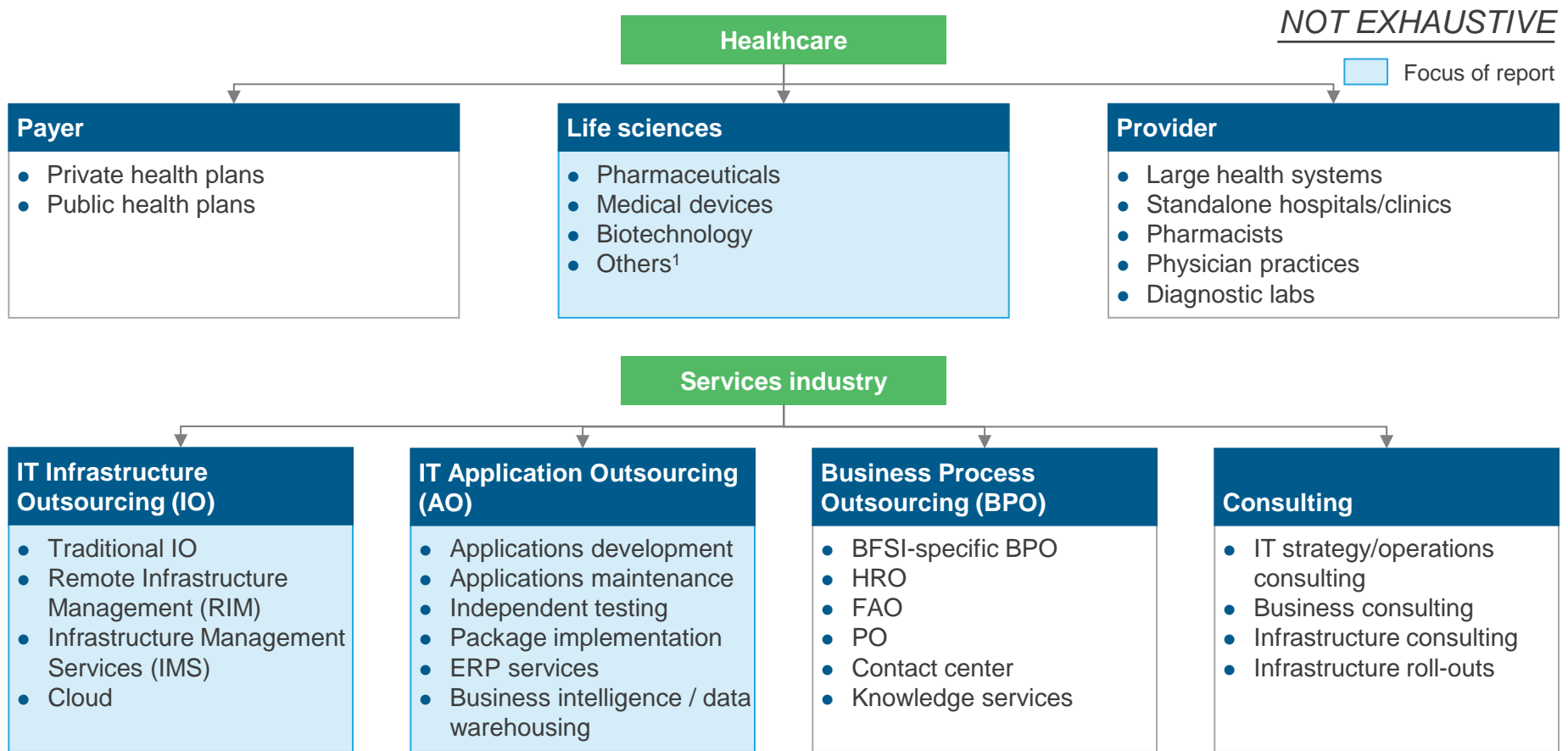- Trends in the healthcare industry
- Market trends and activity for large relationships
- Service provider landscape
- Analytics as the driver of innovation and operational efficiency
- Outlook for 2014-2015

Scope of this report
- **Industry:** Life sciences (pharmaceuticals, medical devices, biotechnology, and other life sciences[1])
- **Services:** Large (TCV > US$25 million), multi-year (>3 years), and annuity-based application outsourcing
- **Geography:** Global
- **Sourcing model:** Third-party ITO transactions; excludes shared services or Global In-house Centers (GICs)

1   Includes healthcare data & information service and medical products distribution

This report provides an insight into current trends and the future outlook for large, multi-year ITO relationships in the global life sciences 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 life sciences vertical with a focus on large (TCV > US$25 million), annuity-based, and multi-year (>3 years) relationships

1   Includes healthcare data & 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 2014

Annual report
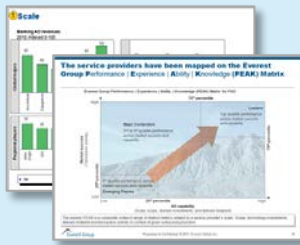
- Each report provides an overview of the ITO market for the specific healthcare subsegment
- Analysis includes the following:
  - Trends in ITO in the healthcare industry
  - Market trends and activity for large ITO relationships in the specific healthcare subsegment
  - Emerging themes driving ITO 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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Overview and abbreviated summary of key messages

This report provides an overview of the ITO market for the life sciences industry. Analysis includes market size & growth, forecasts up to 2020, demand drivers, adoption & scope trends, key areas of investment, and implications for key stakeholders. The report focusses specifically on how analytics has entrenched itself has a core enabler of operational efficiency and will be a primary tool for life sciences firms driving key strategic initiatives.

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

|	
Healthcare ITO market overview	● Healthcare ITO market growth is being driven by reforms impetus, payer-provider convergence, evolving reimbursement models, and value-chain digitization ● New business wins continued to account for a greater proportion of healthcare ITO transactions, as incumbent service providers came under pressure from rivals
Life sciences ITO market overview	● The life sciences industry is in a "recovery" phase, surmounting multi-pronged challenges stifling R&D efficiency, changing portfolio mix, and increasing M&A/restructuring ● Smaller life sciences firms (revenue < US$10 billion), which tend to be more nimble and innovative, signed the largest share of IT contracts, garnering a higher share of new drug approvals
Analytics: A prescription for insight	● Analytics tools, along with a plethora of data sets at hand (combining scientific, clinical, and operational data) are expected to give an impetus to firms looking to navigate choppy waters ● Leading life sciences firms are adopting a multi-pronged analytics roadmap comprising varied technologies leveraging data across clinical, operational, and customer platforms to obtain an enhanced view of business imperatives ● Analytics service partners comprise traditional IT/BPO providers as well as specialists – both with unique value propositions and go-to-market strategies
Outlook for 2014-2015	● Buyers will place increased emphasis on domain expertise and functional proficiency (especially for next-generation tenets such as analytics) ● Among outsourcing transactions, focus will be on augmenting support to next-generation technology initiatives along analytics, ERP, and consumerization

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

LIfe sciences ITO transaction activity

**Healthcare ITO transaction volume**
Number of transactions

2010 | 2011 | 2012 | 2013

Healthcare ITO transaction volume
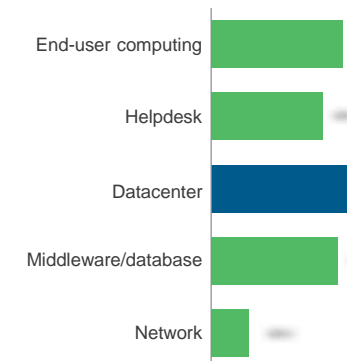Number of transactions

- 2012
- 2013
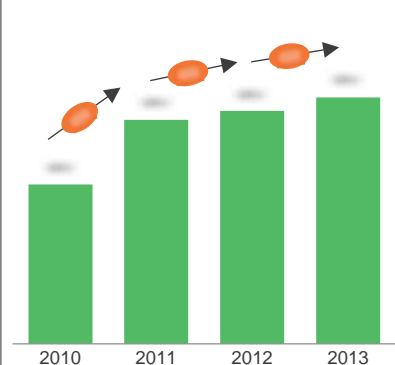
Life sciences
Provider
Payer
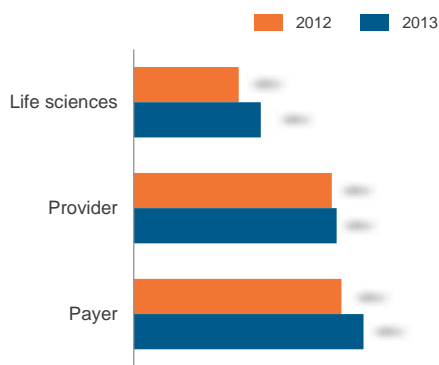
Functional adoption of IT services

Subfunctions in large life sciences AO transactions
2013; Frequency of inclusion

ADM
Testing
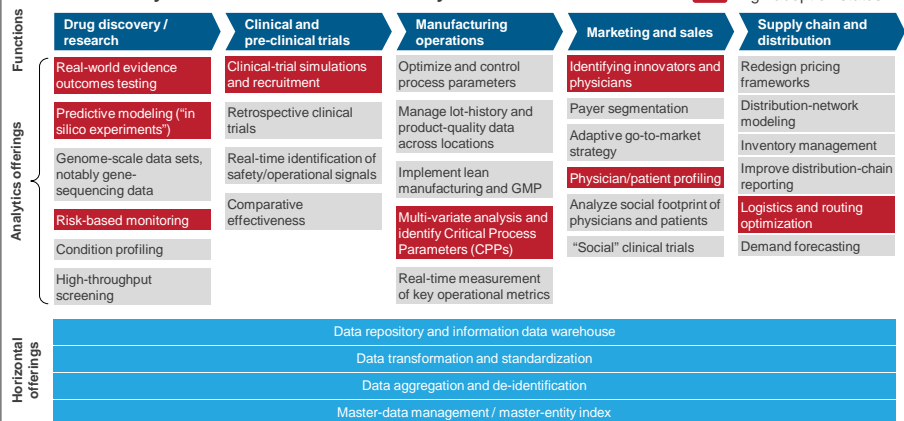Package Implementation (PI)
ERP services
Systems Integration (SI)
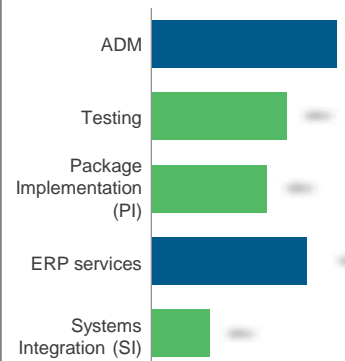
Subfunctions in large life sciences IO transactions
2013; Frequency of inclusion

End-user computing
Helpdesk
Datacenter
Middleware/database
Network
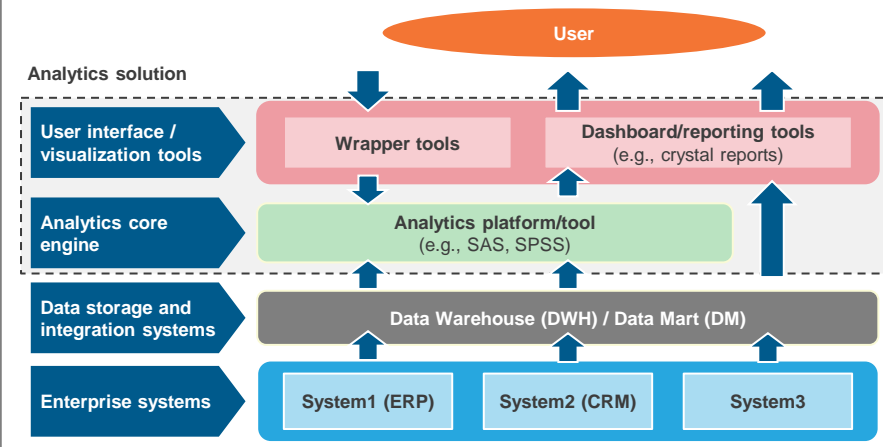
Value chain adoption of analytics in life sciences

Demand for analytics in the life sciences industry value chain

High adoption status

Functions

Drug discovery / research	Clinical and pre-clinical trials	Manufacturing operations	Marketing and sales	Supply chain and distribution

Analytics offerings

Real-world evidence outcomes testing	Clinical-trial simulations and recruitment	Optimize and control process parameters	Identifying innovators and physicians	Redesign pricing frameworks
Predictive modeling ("in silico experiments")	Retrospective clinical trials	Manage lot-history and product-quality data across locations	Payer segmentation	Distribution-network modeling
Genome-scale data sets, notably gene-sequencing data	Real-time identification of safety/operational signals	Implement lean manufacturing and GMP	Adaptive go-to-market strategy	Inventory management
Risk-based monitoring	Comparative effectiveness	Multi-variate analysis and identify Critical Process Parameters (CPPs)	Physician/patient profiling	Improve distribution-chain reporting
Condition profiling			Analyze social footprint of physicians and patients	Logistics and routing optimization
High-throughput screening		Real-time measurement of key operational metrics	"Social" clinical trials	Demand forecasting

Horizontal offerings

- Data repository and information data warehouse
- Data transformation and standardization
- Data aggregation and de-identification
- Master-data management / master-entity index

Growing importance of analytics in life sciences

User

Analytics solution

User interface / visualization tools	Wrapper tools	Dashboard/reporting tools (e.g., crystal reports)
Analytics core engine		Analytics platform/tool (e.g., SAS, SPSS)
Data storage and integration systems		Data Warehouse (DWH) / Data Mart (DM)
Enterprise systems		System1 (ERP) — System2 (CRM) — System3

Source: Everest Group (2014)

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2014 healthcare IT outsourcing research calendar

Topic	Release date
IT Outsourcing in Life Sciences Industry – Service Provider Landscape with PEAK Matrix™ Assessment and Profile Compendium 2013	November-2013
IT Outsourcing (ITO) in the Healthcare Provider Industry – Annual Report 2013: Entering the Big League of IT Adoption	December-2013
IT Outsourcing in Healthcare Provider Industry – Service Provider Landscape with PEAK Matrix™ Assessment and Profile Compendium 2013	December-2013
State of the Healthcare & Life Sciences ITO Market: 2014	January-2014
IT Outsourcing (ITO) in the Life Sciences Industry: Analytics Driving the Innovation Engine – Annual Report 2014	June-2014
Webinar Deck: What's Driving the Surge in Life Sciences IT Outsourcing?	Q2-2014
IT Outsourcing in Life Sciences Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2014	Q2-2014
IT Outsourcing in Life Sciences – Service Provider Profile Compendium 2014	Q3-2014
IT Outsourcing in Healthcare Payer Industry – Annual Report 2014	Q3-2014
IT Outsourcing in Healthcare Payer Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2014	Q3-2014
IT Outsourcing in Healthcare Payer Industry – Service Provider Profile Compendium 2014	Q3-2014
IT Outsourcing in Life Sciences – European Service Provider Landscape with PEAK Matrix™ Assessment 2014	Q3-2014
IT Outsourcing in Healthcare Provider Industry – Annual Report 2014	Q4-2014
IT Outsourcing in Healthcare Provider Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2014	Q4-2014
IT Outsourcing in Healthcare Provider Industry – Service Provider Profile Compendium 2014	Q4-2014

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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 Outsourcing (ITO) in the Life Sciences Industry – Annual Report 2013:** *IT is the Trump Card for Life Sciences* (EGR-2013-12-R-0959); 2013. This report provides an overview of the ITO market for the life sciences 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. The report also provides specific insights on the importance of technology enablement across the life sciences value-chain and how digitization is becoming paramount for driving key strategic initiatives in this industry

3. **IT Outsourcing in Life Sciences Industry – Service Provider Landscape with PEAK Matrix™ Assessment and Profile Compendium 2013** (EGR-2013-12-R-0970); 2013. This report provides a comprehensive assessment of the service provider landscape for IT outsourcing (ITO) services in the life sciences industry. It maps 14 leading service providers on the Everest Group PEAK Matrix and includes detailed profiles of these service providers. This evaluation categorizes the service providers into Leaders, Major Contenders, and Emerging Players. It also identifies top three service providers as Star Performers, based on their year on year movement on the Matrix

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