IT Outsourcing in Payer Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2014: Rise of the Challengers

Healthcare IT Outsourcing
Market Report: October 2014 – Preview Deck

EGR-2014-12-PD-1263

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1 Banking, financial services, and insurance

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 this 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 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 report, we analyze the capabilities of 18 ITO service providers specific to the global healthcare payer sector. Twelve of these service providers are mapped on the Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix, which is a composite index of a range of distinct metrics related to a provider's capability and market success. We focus on:
- The landscape of service providers for healthcare payer ITO
- Assessment of the service providers on a number of capability-related dimensions
- Characteristics of Leaders, Major Contenders, and Emerging Players on the Everest Group PEAK Matrix
- Implications for healthcare payers and service providers

Scope of this report:
- **Industry:** Healthcare payers (public and private health plans)
- **Services:** Large (TCV > US$25 million), multi-year (>3 years), and annuity-based IT outsourcing
- **Geography:** Global (though with a skew towards the U.S. payer market, given dominant market activity)
- **Sourcing model:** Third-party ITO transactions; excludes shared services or Global In-house Centers (GICs)

This report examines the service provider landscape for large annuity contracts in the healthcare payer ITO market

NOT EXHAUSTIVE

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 assesses ITO service providers in the payer vertical with a focus on large (TCV > US$25 million), annuity-based, and multi-year (>3 years) relationships

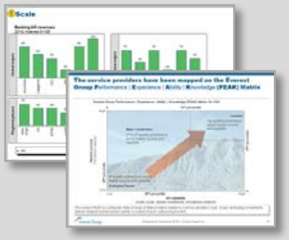
1 Includes healthcare data and information services and medical products distribution

EGR-2014-12-PD-1263

This report is a part of Everest Group's series of nine reports focused on ITO in healthcare in 2014

Focus of report

Annual report



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

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

Everest Group's healthcare outsourcing research is based on two key sources of proprietary information

1

- Everest Group's proprietary database of 1,000**+** large, multi-year ITO contracts within healthcare (updated annually)
- The database tracks the following elements of each large ITO relationship:
  - Buyer details including industry, size, and signing region
  - Contract details including TCV, ACV, term, start date, service provider FTEs, and pricing structure
  - Activity broken down separately for healthcare payer, life sciences, and provider, and by business subsegment (for example, pharmaceuticals and medical devices)
  - Scope coverage of functional activities and buyer geography
  - Global sourcing leverage including delivery locations and level of offshoring

2

- Everest Group's proprietary database of **operational capability of major healthcare ITO service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
  - Overall revenue, total employees, and healthcare employees
  - Major healthcare ITO clients and recent wins
  - Recent healthcare-related developments
  - Healthcare ITO delivery locations
  - Healthcare ITO service suite
  - Domain capabilities, proprietary solutions, and intellectual property investments

Service providers covered in the analysis

accenture, Cognizant, CGI, Dell Services, Fujitsu, HCL, Hexaware Technologies, hp, IBM, IGATE, Infosys, L&T Infotech, Syntel, Tech Mahindra, Tata Consultancy Services, Wipro, Unisys, Virtusa

Note: We continually monitor market developments and track additional service providers beyond those included in the analysis

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

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Overview and abbreviated summary of key messages

This report provides a comprehensive assessment of the service provider landscape for IT Outsourcing (ITO) services in the payer industry, and maps the leading service providers on Everest Group's PEAK Matrix. It also includes segment-wise analysis incorporating enterprises' feedback about service providers.

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

Payer ITO service provider landscape

- In 2013, global majors held firm sway with significantly larger payer ITO portfolios than their offshore major and mid-sized counterparts
- Although offshore majors have made sizable progress in the market by closing the gap with global majors, they still lag behind in bagging large-scale transformative payer contracts such as the HealthCare.gov deal (handled by CGI, and later Accenture)
- Global majors also have higher revenue productivity per FTE on account of their IP- and solution-driven portfolio

PEAK Matrix for payer ITO

- Analysis of the service provider landscape for payer ITO leveraging the Everest Group's PEAK Matrix reveals three distinct categories of service providers: Leaders, Major Contenders, and Emerging Players
- The average revenue and headcount of Leaders is over four and three times that of Major Contenders, respectively
- Leaders accounted for over three-fifths of the new deal activity over the last three years

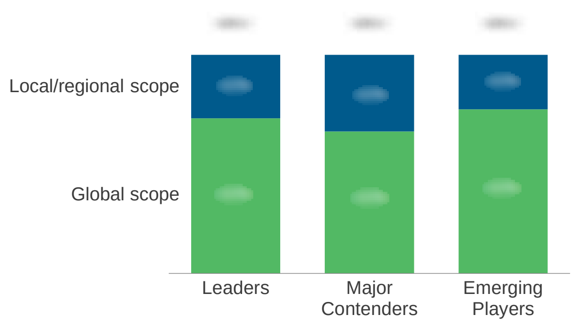
Implications for key stakeholders

- Regulatory reforms are transforming the operating model of health plans with a fundamental overhaul of every value-chain element in health insurance
- Consumerization of demand driven by increasing ownership levels exhibited by individuals and pre-eminence of the individuals are driving payer's technology agenda
- Buyers need to rehaul their go-to-market strategies while service providers must ramp up ramp up capabilities across the portfolio to partner buyers' value-chain-led technology mandates

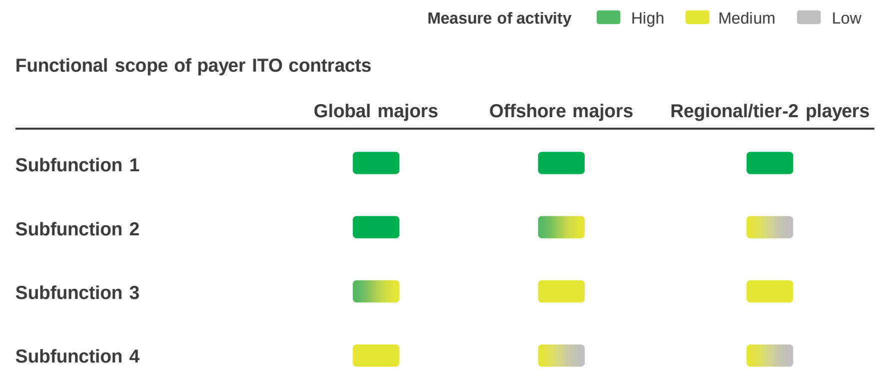
This study offers four distinct chapters providing a deep dive into the payer ITO service provider landscape; below are four charts to illustrate the depth of the report

Regional scope of payer ITO contracts with service providers

Scope distribution of large payer ITO contracts
2013; Percentage of transactions



ITO transaction activity in different payer ITO functions

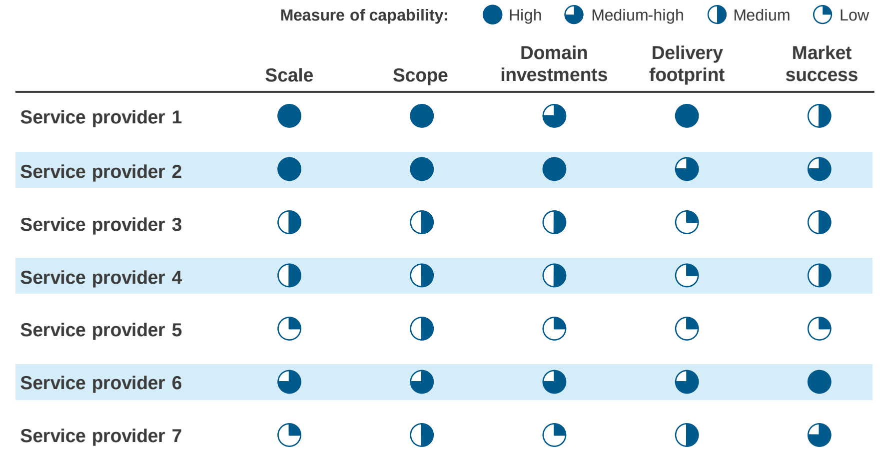


Payer ITO revenue growth of service providers

Payer ITO revenue
2012-2013

Growth%	Revenue < US$250 million	Revenue > US$250 million
>15	Service provider 1 Service provider 2 Service provider 3	Service provider 10 Service provider 11 Service provider 12
5-15	Service provider 4 Service provider 5 Service provider 6	Service provider 13 Service provider 14 Service provider 15
<5	Service provider 7 Service provider 8 Service provider 9	Service provider 16 Service provider 17 Service provider 18

Delivery capability assessment of service providers



Source: Everest Group (2014)

Everest Group RESEARCH

Healthcare IT outsourcing research calendar

Published | Current

Topic	Release date
IT Outsourcing in Life Sciences Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2014	July 2014
IT Outsourcing in Life Sciences – Service Provider Profile Compendium 2014	September 2014
IT Outsourcing (ITO) in the Payer Industry – Annual Report 2014: Tackling the Regulations Conundrum	October 2014
IT Outsourcing in Healthcare Payer Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2014	October 2014
IT Outsourcing in Healthcare Payer Industry – Service Provider Profile Compendium 2014	Q4 2014
Viewpoint: Consumerization strategies in Healthcare	Q4 2014
IT Outsourcing in Europe Life Sciences Industry – Service Provider Landscape with PEAK Matrix Assessment 2014	Q4 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
Viewpoint: Opportunities in the focus segments of HLS: Pharmaceutical and Mid-tier payers	Q1 2015
State of the Healthcare & Life Sciences ITO Market: 2015	Q1 2015
Payer Industry viewpoint on value chain-driven IT	Q1 2015
IT Outsourcing (ITO) in the Life Sciences Industry – Annual Report 2014: Analytics Driving the Innovation Engine	Q2 2015
Introducing the Life Sciences ITO 2015 PEAK Matrix	Q2 2015
IT Outsourcing in Life Sciences Industry – Service Provider Landscape with PEAK Matrix Assessment 2015	Q2 2015
IT Outsourcing in Life Sciences Industry – Service Provider Profile Compendium 2015	Q2 2015

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. **IT Outsourcing (ITO) in the Payer Industry – Annual Report 2014: Regulations on Payers' Mind** (EGR-2014-12-R-1238); 2014. This report provides an overview of the ITO market for the payer industry. Analysis includes market size & growth, forecasts (up to 2020), demand drivers, adoption & scope trends, key areas of investment, and implications for key stakeholders (buyers and service providers). The report focuses specifically on how payer's technology imperatives are being fashioned, primarily by wide-sweeping structural regulatory reforms in the United States (PPACA). It also provides an overview of payers' regulatory conundrum and mitigation strategies

2. **Webinar Deck: The Changing Face of IT Outsourcing in the Healthcare Payer Market: Don't Miss the Sailing Ship**; 2013. This research provides an in-depth analysis of the seminal changes taking place in the healthcare payer industry. As the payer industry is moving towards a new normal, this research provides trends, recommendations, and IT investment roadmaps for both payers and service providers

3. **Outsourcing Implications of Healthcare Payer-Provider Convergence** (EGR-2013-12-V-0854); 2013. This viewpoint provides an in-depth analysis of a key theme in the U.S. healthcare payer industry – payer-provider convergence. This research delves into the background of this theme and deciphers the key technology implications for payers

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At a glance

- With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of the next generation of global services
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- Established in 1991, Everest Group serves users of global services, providers of services, country organizations, and private equity firms in six continents across all industry categories

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