IT Outsourcing (ITO) in the Healthcare Payer Industry – Annual Report 2015: Go-to-Market Strategy for Healthcare IT

Healthcare & Life Sciences IT
Annual Report: November 2015 – Preview Deck

EGR-2015-12-PD-1618

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1 Banking, financial services, and insurance

Background and scope of the research

Background of the research

The healthcare landscape has been subject to significant turbulence on account of a gamut of factors including escalating costs, widespread regulatory amendments, changing business models, and evolution of the patient-centric paradigm (with mobile computing, social media platforms, and "anytime-anywhere" information access). This combination of disruptive and legacy factors has driven healthcare firms to adopt new technologies, while also revamping their existing systems, processes, and interfaces.

As the technology mandate for healthcare enterprises evolves, so do their relationships with IT service providers. This, in turn, is driving the need 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. 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 payer market. We focus on the following:

- Trends in the healthcare industry
- Market trends and activity related to large relationships
- Service provider landscape
- Significance of technology opportunities
- Outlook for 2016-2017

Scope of this report

- **Industry:** Healthcare payers
- **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)

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

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
- Stand-alone 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

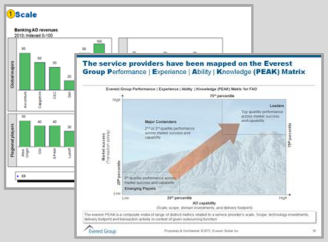
Consulting
- IT strategy / operations consulting
- Business consulting
- Infrastructure consulting
- Infrastructure roll-outs

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

1 Includes healthcare data & information services and medical products distribution

This report is a part of Everest Group's series of reports focused on ITO in healthcare and life sciences in 2015

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

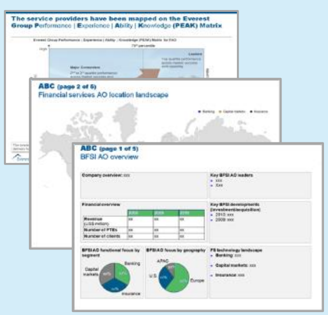
Focus of report

Payer

Life sciences

Provider

Service provider landscape and capability profiles



This set of reports is focused on key healthcare subsegments, and some crucial processes / value chain elements for the subsegments

Each report provides

- Mapping of service providers on **Everest Group's PEAK Matrix**
- Capability profiles of service providers capturing their ITO services experience. 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
- Global ITO
- Big data & analytics
- Digital services
- Care management & patient engagement

Life sciences
- Global ITO
- Life sciences in Europe
- Big data & analytics
- Digital services
- Clinical and R&D services

Provider
- Global ITO

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Overview and abbreviated summary of key messages

This report provides an overview of the IT 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. The report features a special section on enabling a Go-to-Market strategy for healthcare IT

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

Healthcare and life sciences IT market overview

- Growth in healthcare and life sciences IT is being driven by factors such as regulatory requirements, payer-provider convergence, customer-centric care, and M&As/restructuring
- Deal activity in 2014 was led by strong growth in life sciences and provider subverticals, and was partially offset by the payer subvertical. Healthcare buyers showed clear preference for short IT deals, indicating their reluctance to make large commitments amid regulatory uncertainties

Payer IT market overview

- Payers now think of their IT imperatives under the broader context of enabling their growth vs. efficiency initiatives
- Key focus areas currently driving adoption are asset and infrastructure rationalization, security, digitization, and managing payer-provider-convergence
- While larger payers still drive the mega-deal segments, when it comes to the frequency of ITO transactions, over three-fifths of payer ITO transactions lie outside of the Top-20 plans

Special feature: Enabling a Go-to-Market strategy for healthcare IT

- Growing convergence has made it imperative for both care delivery and care financing systems to evolve towards integration
- Hence, there are many more synergies in the payer and provider value chain than previously existed
- Key factors driving systemic transformation and changes include connectivity, care analytics, interoperability, clinician engagement, and payment systems
- Key Go-to-Market components that will enable success include capabilities along key service lines, talent, and aligning themselves with the evolving vendor engagement models

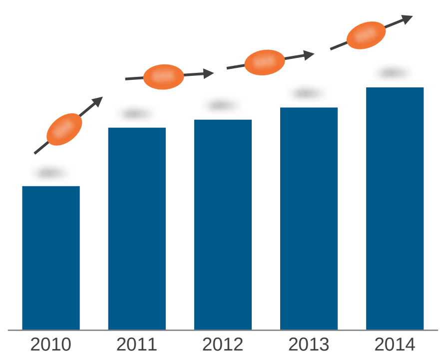
Outlook for 2015-2016

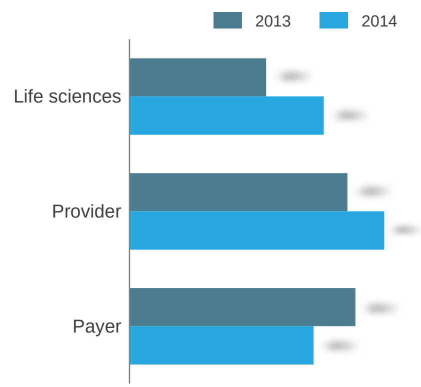
- Factors such as rising costs, growing user base, and stringent government mandates will drive increasing number of healthcare organizations towards integrated services, wherein, focus is laid on specific business outcomes irrespective of individual silos (infrastructure, application, and business process)
- Healthcare payer IT demand is going to be primarily driven by the stabilizing reforms tenets. However, conversations with payers will increasingly start to focus on their digital transformation journey

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

Payer IT transaction activity

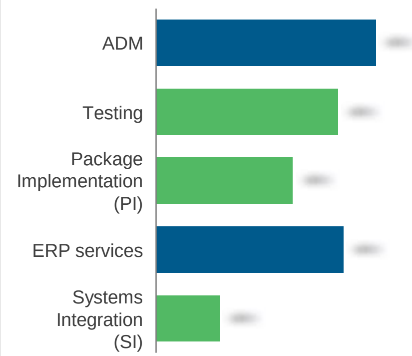
Healthcare & life sciences IT transaction volume
Number of transactions



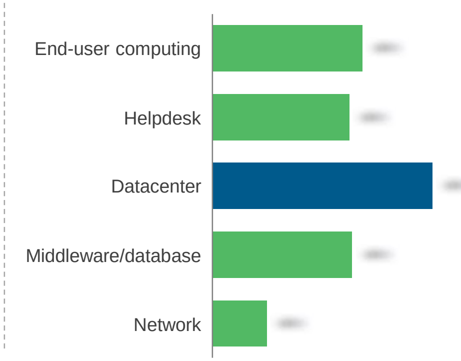


Functional adoption of IT services

Subfunctions in large payer AO transactions
2014; Frequency of inclusion



Subfunctions in large payer IO transactions
2014; Frequency of inclusion



Payer IT opportunity: value chain view

Product development
- Patient portals
- Mobility solutions
- Workflow
- Data integration

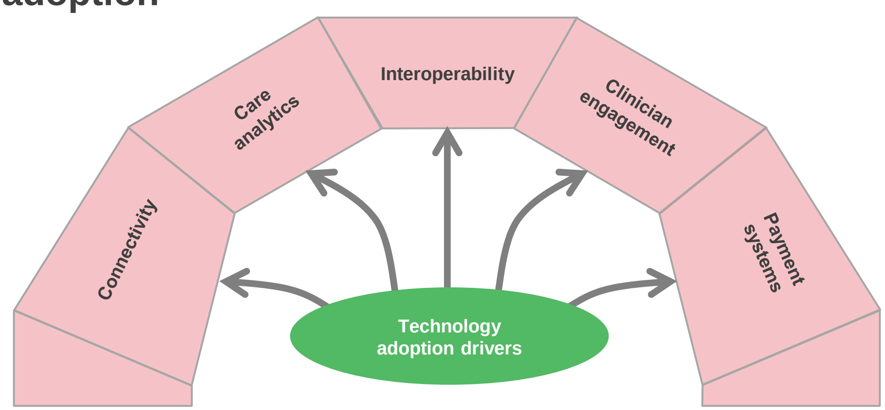
Policy servicing and management
- Underwriting
- Risk identification
- Agent/broker engagement
- HIX
- Enrollment and billing

Network management
- Provider management
- Linkages to PBMs and TPAs
- Convergence-led business models

Care management
- Telehealth
- Remote monitoring
- Wearables / fitness trackers

Claims management
- Processing
- Adjudication
- Disbursement

Convergence: Key tenets driving technology adoption



Source: Everest Group (2015)

Healthcare & Life Sciences research calendar

Published | Current

Topic	Release date
IT Outsourcing in the Life Sciences Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2015	June 2015
IT Outsourcing in Life Sciences – European Service Provider Landscape with PEAK Matrix™ Assessment 2015	July 2015
IT Outsourcing (ITO) in the Life Sciences Industry – Annual Report 2015: Integrated Services Strategy in the Age of Digital	July 2015
IT Outsourcing in Life Sciences: Digital – Service Provider Landscape with PEAK Matrix™ Assessment 2015	July 2015
IT Outsourcing in Life Sciences: Big Data and Analytics – Service Provider Landscape with PEAK Matrix™ Assessment 2015	August 2015
IT Outsourcing in Life Sciences: Clinical and R&D Services – Service Provider Landscape with PEAK Matrix™ Assessment 2015	October 2015
IT Outsourcing in Healthcare Payer Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2015	November 2015
IT Outsourcing in the Healthcare Payer Industry – Annual Report 2015	November 2015
IT Outsourcing in Healthcare Payer Industry: Digital – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q4 2015
IT Outsourcing in Healthcare Payer Industry: Big Data and Analytics – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q4 2015
IT Outsourcing in the Life Sciences Industry – Service Provider Profile Compendium 2015	Q4 2015
IT Outsourcing in Healthcare Provider Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q4 2015
IT Outsourcing in Healthcare Provider Industry – Annual Report 2015	Q4 2015
IT Outsourcing in Healthcare Provider Industry – Service Provider Profile Compendium 2015	Q4 2015
Payer care management and patient engagement – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q4 2015
State of the Healthcare IT Market: 2016	Q1 2016
State of the Life Sciences IT Market: 2016	Q1 2016

Additional Healthcare & Life Sciences 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 in Healthcare Payer Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2015** (EGR-2015-12-R-1620); 2015. The report analyzes capabilities of 20 ITO service providers specific to the global healthcare payer sector. 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

2. **State of the Healthcare ITO Market: 2015 - Decoding the Winds of Change** (EGR-2015-12-R-1429); 2015. This report delves into the evolving healthcare industry and provides insights into specific IT outsourcing trends, industry tailwinds, buyer imperatives, market opportunities, and implications for enterprises and service providers. It looks at how the healthcare ITO opportunity will pan out in 2016-2017 and provides projections on its growth and market size going into 2020

3. **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

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