IT Outsourcing in Payer Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2015

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

EGR-2015-12-PD-1620

Our research offerings for global services

- ▶ **Market Vista™**
  Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available
- ▶ **BFSI[1] Information Technology**
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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

Subscription information

- The full report is included in the following subscription(s)
  – **Healthcare & Life Sciences IT Outsourcing**
- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
- **If you want to learn whether your organization has a subscription agreement or request information on pricing and subscription options, please contact us**

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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 report, we analyze the 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.

We focus on:

- The landscape of service providers for healthcare payer IT
- 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 slight 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)

Everest Group
RESEARCH

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

NOT EXHAUSTIVE

Focus of the report

Healthcare & life sciences

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

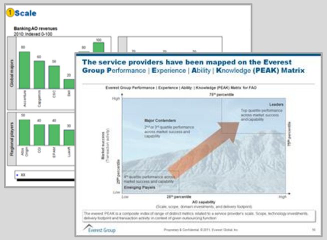
Business Process Outsourcing (BPO)
- BFSI-specific BPO
- HRO
- FAO
- PO
- Contact center
- Knowledge services

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

1 Includes healthcare data & information services and medical products distribution

This report is a part of Everest Group's series of reports focused on IT 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

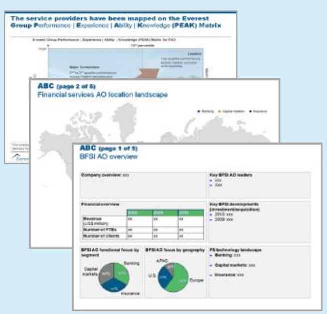
Focus of report

Payer

Life sciences

Provider

Service provider landscape and capability profiles



This set of reports is focused on key healthcare subsegments as well as 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 IT*
- Big data & analytics
- Digital services

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

Provider
- Global IT

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

1

- Everest Group's proprietary database of 1,000+ large, multi-year IT contracts within healthcare and life sciences (updated annually)
- The database tracks the following elements of each large IT 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, provider, and by business subsegment (for example, pharmaceuticals and medical devices)
  - Scope coverage of functional activities and buyer geography
  - Sourcing leverage including delivery locations and level of offshoring

2

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

Service providers covered in the analysis

accenture — High performance. Delivered.
Atos
CGI
Cognizant
CSC
Dell Services
<epam>
FUJITSU
HCL
Hexaware Technologies
Hewlett Packard Enterprise
IBM
Capgemini / IGATE
Infosys
L&T Infotech
TATA CONSULTANCY SERVICES
Tech Mahindra
UNISYS
virtusa
WIPRO — Applying Thought

Note: Assessment for Atos, CSC, Fujitsu, and IBM, excludes service provider inputs on this particular study, and is based on Everest Group's estimates that leverage proprietary Transaction Intelligence (TI) database, ongoing coverage of Atos, CSC, Fujitsu, and IBM, service provider public disclosures, and interaction with buyers

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

Table of contents

Overview and abbreviated summary of key messages

This report provides a comprehensive assessment of the service provider landscape for payer IT services, 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:

PEAK Matrix for payer IT

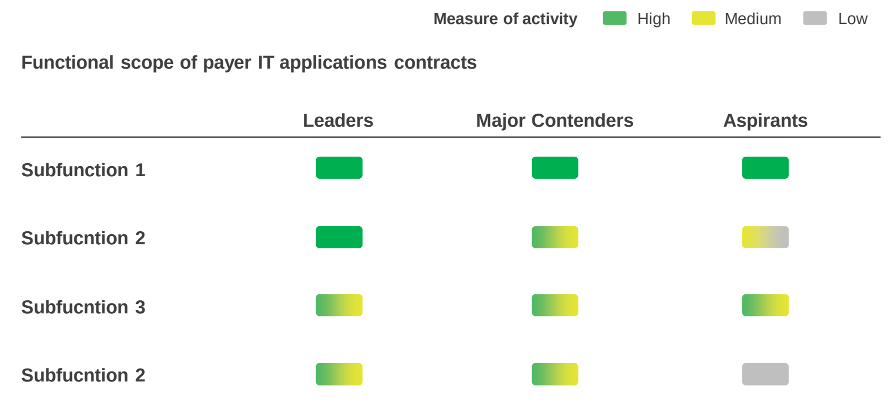
- Analysis of the service provider landscape for payer IT leveraging the Everest Group's PEAK Matrix reveals three distinct categories: Leaders, Major Contenders, and Aspirants
- As payers grapple with costs, regulatory mandates, payer-provider convergence, and rising consumerization, they look towards IT to help navigate the choppy waters
- Healthcare payer organizations, among the slower IT adopters, are now focusing on supplementing "manage the business" aspects with transformational investments to reorient business models
- Enterprises expect service providers to assume greater ownership of technology engagements and bring innovation to the fore to deliver tangible business value
- Payer firms are increasingly expecting service providers to deliver integrated services for attainment of specific business outcomes, irrespective of the individual service silos (infrastructure, applications, or business processes) involved
- Challengers hyperactivity: Leaders continued to dominate large payer IT deals, while Major Contenders enhanced their share in terms of deal volumes

Implications for key stakeholders

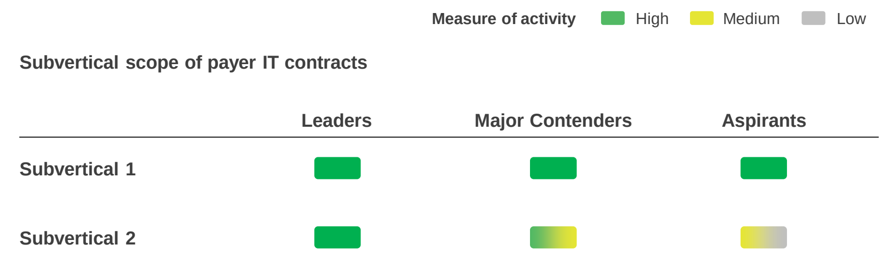
- Enterprise buyers need to evolve a reform-transition roadmap that marries IT and technology imperatives
- Buyers should leverage consumer channels to engage, educate, service, and drive retention
- reorient business models to focus on core competence vs. spreading too thin
- Vendors need to drive focus on omnichannel offerings with a view to drive customer centricity
- Vendors should harvest demand from payer-provider convergence through a balanced portfolio
- Service providers should adapt to newer deal constructs (As-A-Service, integrated services, and gainsharing) to exhibit more skin in the game

This study provides a deep dive into the payer IT service provider landscape; below are few charts to illustrate the depth of the report

Payer IT transaction activity across different application functions



Payer IT transaction activity in different subsegments



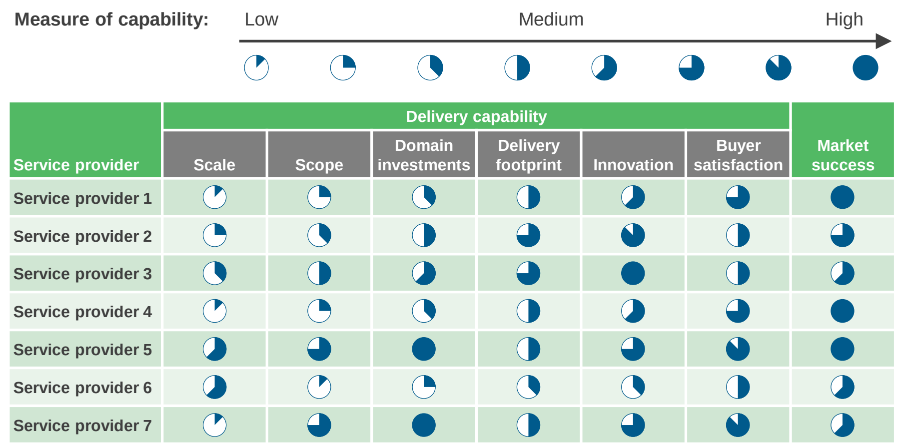
Payer IT revenue size & growth of service providers

Measure of activity: High, Medium, Low

Payer IT revenue 2014

Growth (%)	Revenue < US$250 million	Revenue > US$250 million
>20%	Service provider 1 Service provider 2 Service provider 3	Service provider 1 Service provider 2 Service provider 3
10-20%	Service provider 1 Service provider 2 Service provider 3	Service provider 1 Service provider 2 Service provider 3
<10%	Service provider 1 Service provider 2 Service provider 3	Service provider 1 Service provider 2 Service provider 3

Capability assessment of service providers



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	Q4 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 research references

The following documents are recommended for additional insight into 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. **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 2015-2016 and provides projections on its growth and market size going into 2020

2. **IT Outsourcing in Payer Industry – Service Provider Profile Compendium 2014** (EGR-2015-12-R-1356); 2015. The payer ITO service provider profiles' compendium provides comprehensive and fact-based snapshots of 18 leading service providers featured on Everest Group's Payer ITO PEAK Matrix. The document includes an overview of the payer ITO service provider landscape as well as detailed profiles of the providers that have been covered. Each comprehensive profile provides a perspective of the provider's service suite, scale of operations, scope, domain investments, transaction success, delivery locations, and Everest Group's assessment of the service provider

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

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

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About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empowers clients to improve organizational efficiency, effectiveness, agility and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com and research.everestgrp.com.

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