



IT Outsourcing (ITO) in the Healthcare Provider Industry – Annual Report 2015: Building a Coherent Value Proposition

Healthcare & Life Sciences IT

Annual Report: January 2016 – Preview Deck

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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.

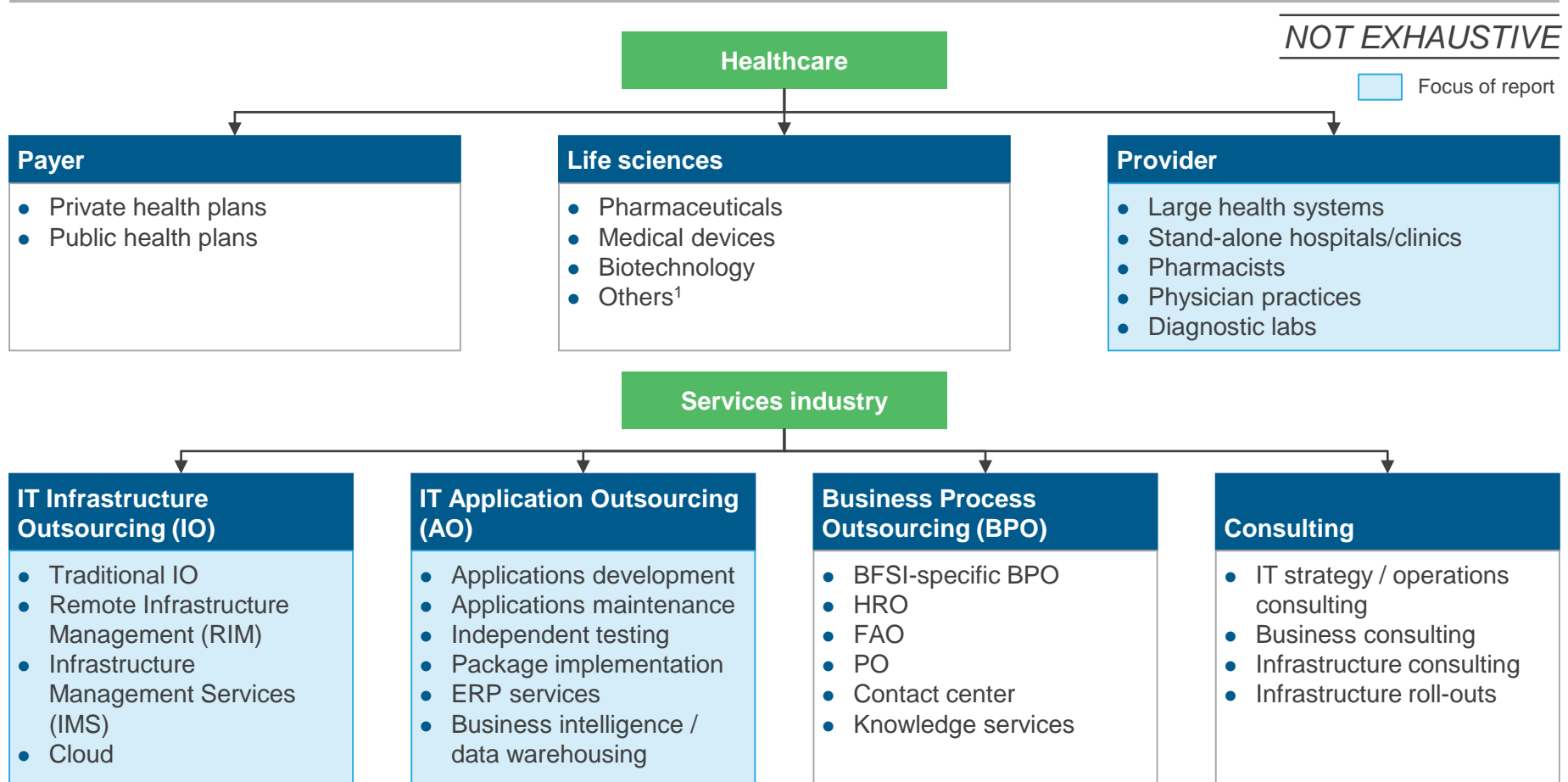
In this annual report, we analyze current trends and the future outlook for large, multi-year ITO relationships for the healthcare provider market. We focus on the following:

- 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 providers (large health systems, stand-alone hospitals/clinics, pharmacists, physician practices, and diagnostic labs)
- **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 provider sector

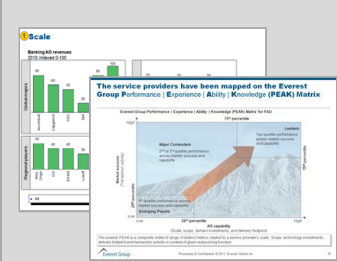


This report analyzes ITO in the provider vertical with a focus on large (TCV > US\$25 million), annuity-based, and multi-year (>3 years) relationships

¹ Includes healthcare data & information services and medical products distribution

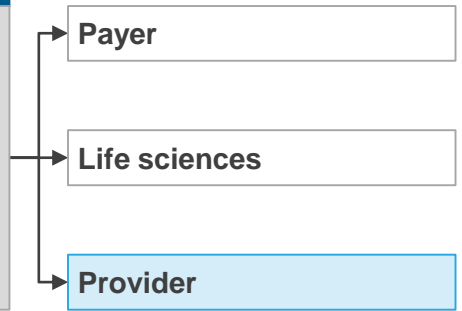
This report is a part of Everest Group's series of reports focused on ITO in healthcare and life sciences in 2015

Annual report

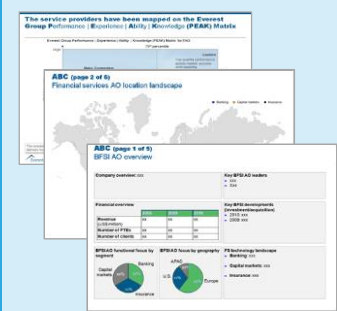


- Each report provides an overview of the ITO market for the specific healthcare subsegment
- Analysis includes the following content in the specific healthcare subsegment:
 - Trends in ITO in the overall healthcare industry
 - Market trends and activity for large ITO relationships
 - Emerging themes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

Focus of report



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

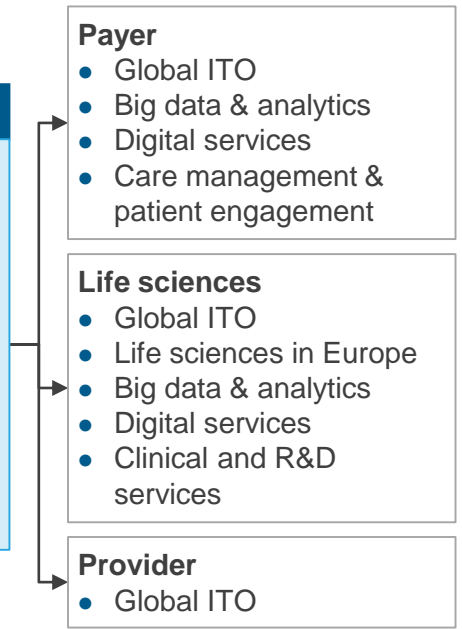


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Overview and abbreviated summary of key messages

This report provides an overview of the IT market for the provider 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 building a coherent value proposition for service providers serving the healthcare provider IT market

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

Provider IT market overview

- Healthcare providers' IT mandates are principally governed by systemic problems, increasing personnel cost, and declining profitability, aligning around the imperatives of containing costs and improving care administration
- Patient engagement and Population Health Management (PHM) have become the predominant mandates being actualized through technology by healthcare providers
- North America continues to remain the principal region for large-sized provider ITO transaction activity
- Over US\$9 billion worth of healthcare provider ITO contracts are due for renewal between 2016 and 2020

Special feature: Building a coherent value proposition

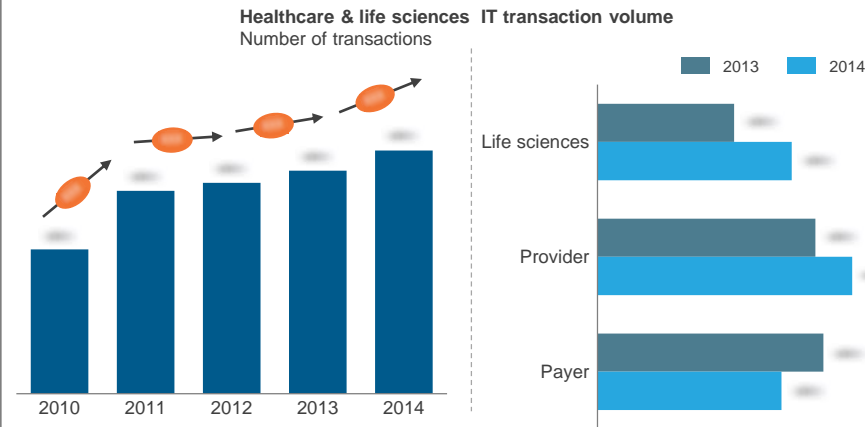
- Growing convergence has made it imperative for both care delivery and care financing systems to evolve towards integration. However, as payer-provider convergence plays out, there are unique imperatives for each stakeholder group to tackle, specific to the payer and provider businesses
- Factors impacting healthcare payer IT demand include multiple value-chain (core functions) and horizontal elements (enabler functions), which have subthemes that directly align with the technology imperatives
- Key factors driving systemic transformation and changes include connectivity, care analytics, interoperability, clinician engagement, and payment systems

Outlook for 2015-2016

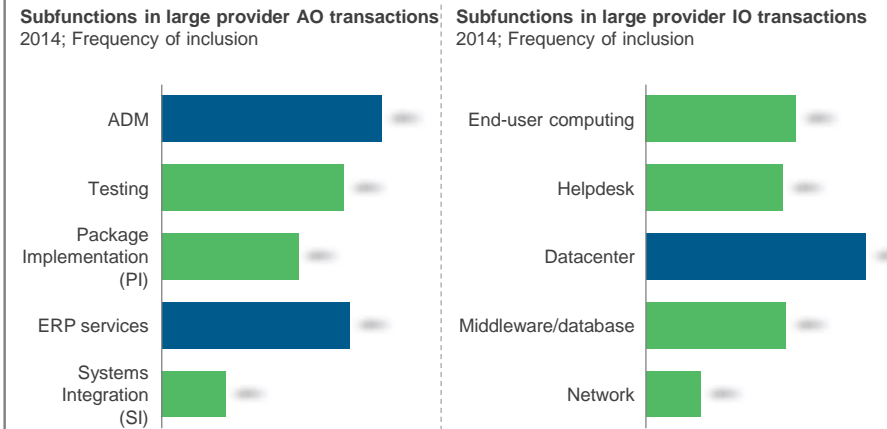
- Healthcare provider ITO demand is going to be primarily driven by the stabilizing reforms tenets
- However, conversations with providers will increasingly start to focus on their digital transformation journey, which is attracting growing interest due to two primary reasons – digital as a technology enabler and convergence and consolidation as two primary business drivers
- Buyers will look towards technology to increasingly navigate the three Cs – consumerization, cost, and compliance

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

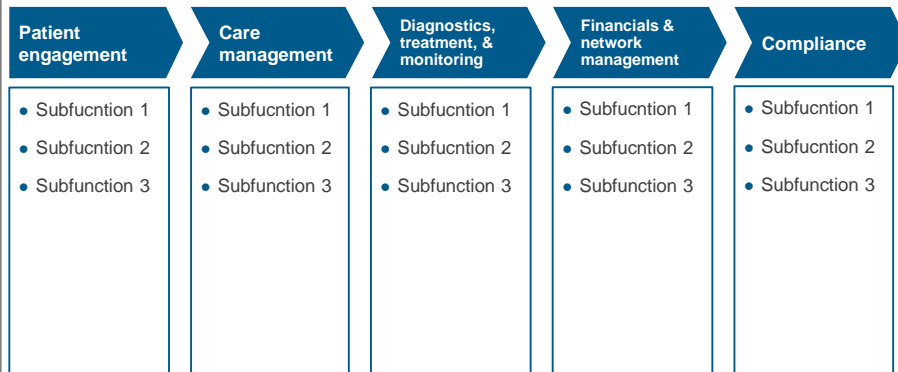
Provider IT transaction activity



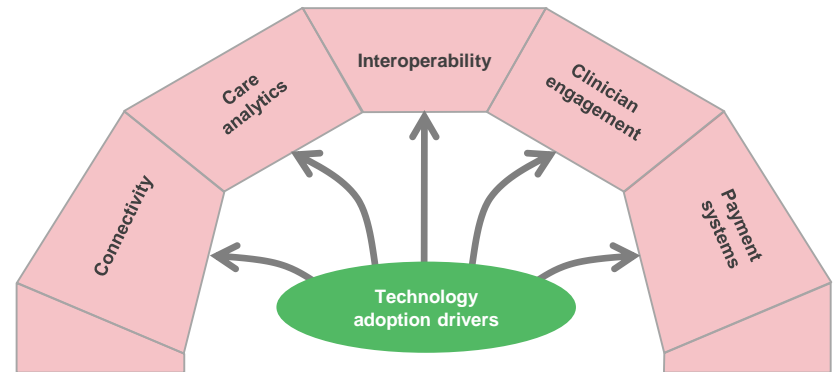
Functional adoption of IT services



Provider IT opportunity: value chain view



Convergence: Key tenets driving technology adoption



Source: Everest Group (2016)

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: Big Data and Analytics – Service Provider Landscape with PEAK Matrix™ Assessment 2015	November 2015
IT Outsourcing in the Healthcare Provider Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2015	November 2015
IT Outsourcing in Healthcare Payer Industry: Digital – Service Provider Landscape with PEAK Matrix™ Assessment 2015	November 2015
IT Outsourcing in Healthcare Provider Industry – Annual Report 2015	January 2016
IT Outsourcing in the Life Sciences Industry – Service Provider Profile Compendium 2015	Q1 2016
IT Outsourcing in Healthcare Provider Industry – Service Provider Profile Compendium 2015	Q1 2016
IT Outsourcing in Healthcare Payer Industry – Service Provider Profile Compendium 2015	Q1 2016
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 the Healthcare Provider Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2015** ([EGR-2015-12-R-1643](#)); 2015. This report provides a comprehensive assessment of the service provider landscape for IT outsourcing (ITO) services in the healthcare provider industry. It maps 18 leading service providers on the Everest Group PEAK Matrix, which is a composite index of a range of distinct metrics related to a service 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 2015-2016 and provides projections on its growth and market size going into 2020
3. **IT Outsourcing (ITO) in the Healthcare Provider Industry – Annual Report 2014: Consumer-focus Driving Transformational Outsourcing** ([EGR-2014-12-R-1339](#)); 2014. This report provides an overview of the ITO market for the provider industry. Analysis includes market size & growth, forecasts (up to 2020), demand drivers, adoption and scope trends, and emerging areas of investment. The report focuses specifically on how providers' technology imperatives are being shaped by consumerization of healthcare, as customers take increasing ownership of health outcomes

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About Everest Group

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