IT Services in the Payer Industry – Service Provider Profile Compendium 2015

Healthcare and Life sciences IT Services
Market Report: June 2016 – Preview Deck

EGR-2016-12-PD-1781

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**
- **BFSI[1] Business Process**
- **Healthcare & Life Sciences**
- **Application & Digital**
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- **Contact Center**
- **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

Subscription information

- The full report is included in the following subscription(s)
  – **Healthcare & Life sciences IT**
- 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

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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 & 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 IT services in the healthcare vertical.

In this report, we analyze the capabilities of 20 ITS 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 Aspirants 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 IT services transactions; excludes shared services or Global In-house Centers (GICs)

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

NOT EXHAUSTIVE

Focus of 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

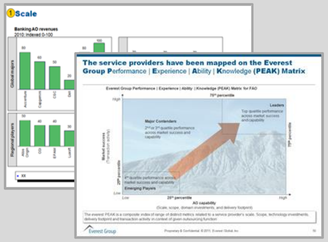
Consulting
- IT strategy / operations consulting
- Business consulting
- Infrastructure consulting
- Infrastructure roll-outs

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 services in healthcare in 2015

Focus of report

Annual report



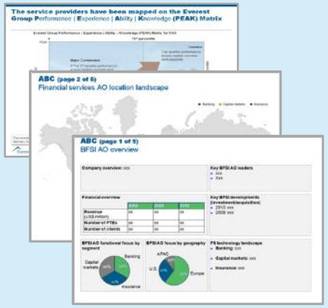
- Each report provides an overview of the IT services market for the specific healthcare subsegment
- Analysis includes the following content in the specific healthcare subsegment:
  - Trends in IT services in the overall healthcare industry
  - Market trends and activity for large IT services relationships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

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 IT services experience. This includes:
  - Service provider overview: Details of IT services capabilities, key investments, proprietary solutions, and technological expertise
  - Functional / Line of Business (LoB) focus
  - Transactions overview for IT 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

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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 Consulting. Technology. Outsourcing
IGATE
Infosys
L&T Infotech
TATA CONSULTANCY SERVICES
Tech Mahindra
UNISYS
virtusa Accelerating Business Outcomes
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

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Everest Group RESEARCH

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

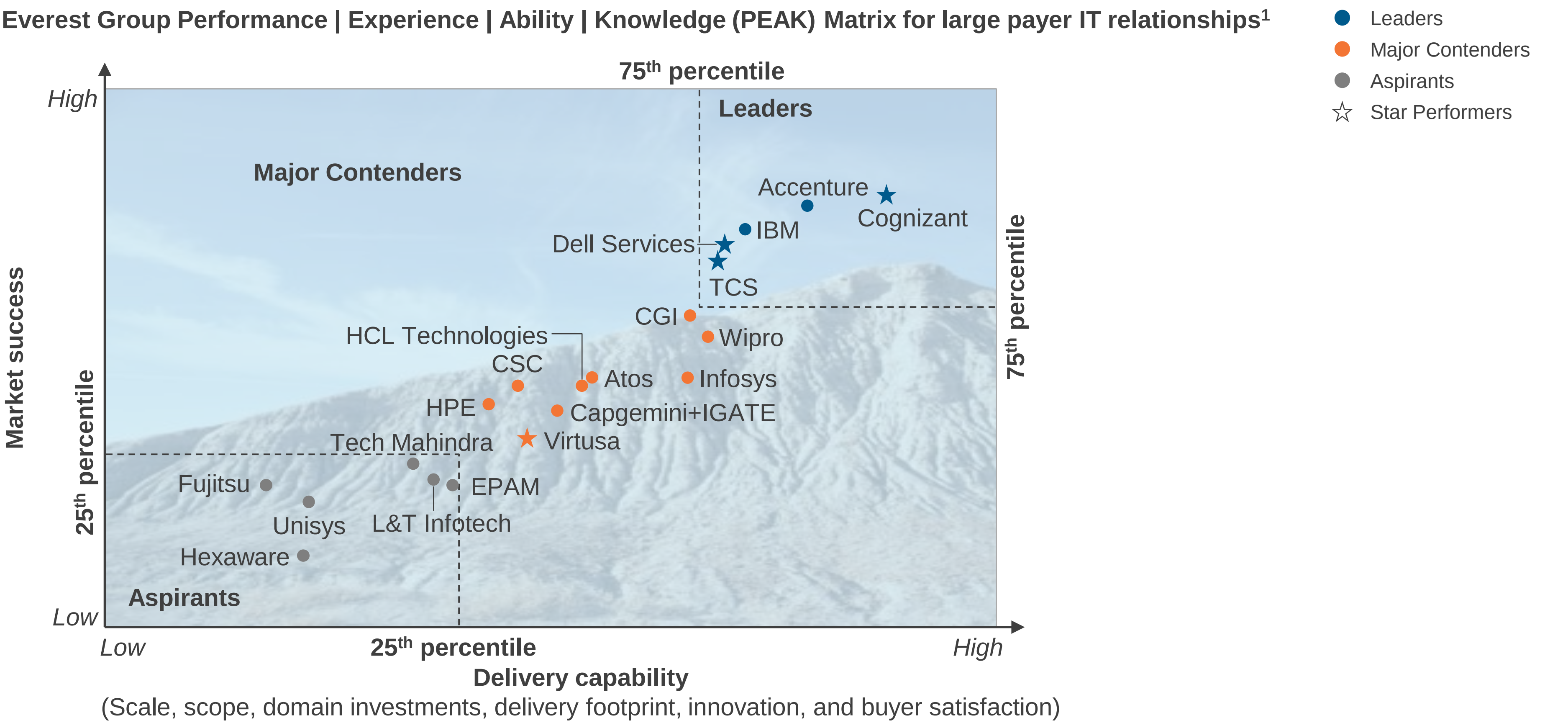
Implications for key stakeholders

- 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

Everest Group's Payer IT Services PEAK Matrix 2015

Everest Group PEAK™ MATRIX

Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for large payer IT relationships[1]



1 PEAK Matrix specific to large (>US$25 million TCV), multi-year (>3 years) application outsourcing relationships within the payer sector (public and private health plans)

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

Source: Everest Group (2016)

Summary dashboard | Delivery capability assessment of service providers for large payer IT services relationships

Measure of capability: Best-in-class · Very high · High · Medium high · Medium · Medium low · Low · Not mature

Service provider	Delivery capability						Market success
	Scale	Scope	Domain investments	Delivery footprint	Innovation	Buyer satisfaction	
Service provider 1	High	Medium high	Very high	High	Very high	Very high	Best-in-class
Service provider 2	Medium high	High	Medium	Medium	Medium high	Medium high	Medium
Service provider 3	High	High	High	Medium high	Medium high	High	Medium high
Service provider 4	Best-in-class	Very high	Very high	High	Very high	Very high	Best-in-class
Service provider 5	Medium	Medium	Medium	Medium	Medium	Medium	Medium
Service provider 6	Medium high	Very high	High	High	Medium high	High	High
Service provider 7	Medium	Medium low	Medium	Not mature	Medium low	Medium high	Low

Source: Everest Group (2016)

Company X | Payer sciences ITS profile (page 1 of 4)

Corporate and healthcare & life sciences (HLS) overview

Company description: Company X is a global Information, Communications, and Technology (ICT) company. It offers enterprise solutions, client relationship management, business intelligence, business process quality, operations management, engineering solutions, digital convergence, product lifecycle management, and infrastructure management services

Headquarters: xx

Website: www.companyx.com

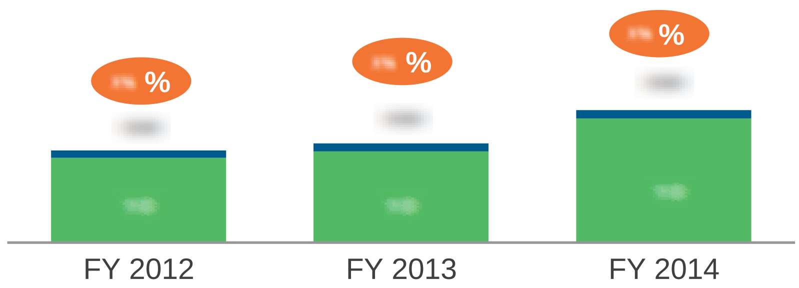
>US$500 million | US$100-500 million | <US$100 million

Scale of HLS subverticals

Payer | Life sciences | Provider

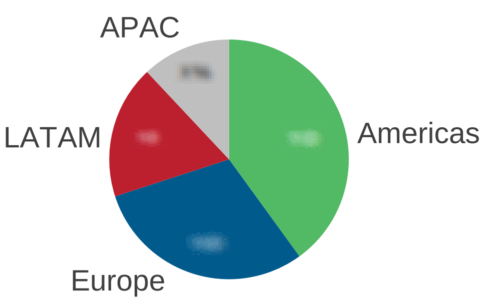
Key financial parameters
Revenue figures in US$ million

Revenue from healthcare
Revenue from other verticals
Operating margin



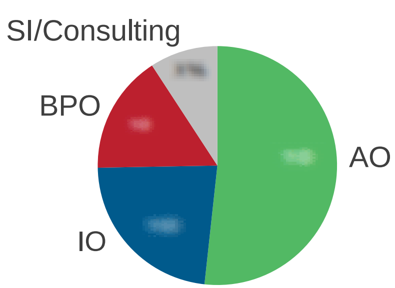
Geographical mix
FY 2015; US$ million

100% = xxx



Service mix
FY 2015; US$ million

100% = xxx



Services offered for the HLS vertical: IT services across the payer, provider, and life sciences segments. Services for the payer segment include ICD-10 transition, healthcare reform compliance, health analytics and BI, claims processing, managed care product configuration and implementation, privacy and security, quality and claims auditing and reporting, and legacy systems modernization

Major HLS clients: Public health plan A, private insurer B, BSBS of C, private health plan D

Source: Everest Group (2016)

Company X | Payer sciences ITS profile (page 2 of 4)

Payer ITS capability assessment and market success

Everest Group PEAK™ MATRIX

Capability dashboard

- Established: Mature capabilities with high adoption
- Credible: Strong capabilities with rising adoption
- Emerging: Nascent capabilities with limited adoption

Payer subsegments

- Public health plans
- Private health plans

Geographic scope

- North America
- EMEA
- Latin America
- APAC

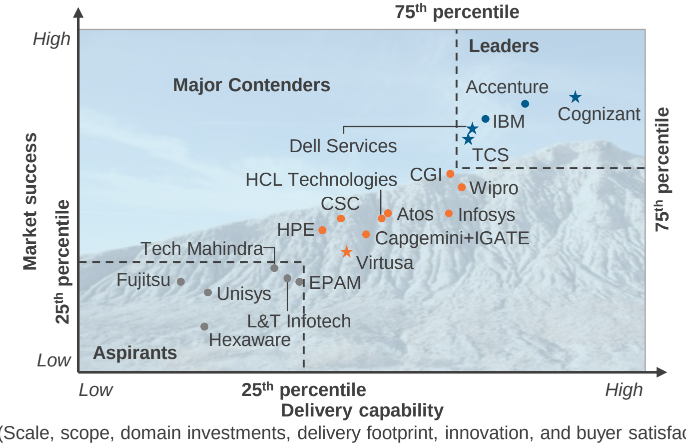
Functional scope

- IO
- SI/consulting
- AO

Value-chain solutions

- Product development
- Policy servicing and management
- Network management
- Care management
- Claims management

Everest Group PEAK Matrix for payer IT services



High Low

PEAK Matrix dimensions assessment	
Dimension	**Rating**
Scale	
Scope	
Domain investments	
Delivery footprint	
Innovation	
Buyer satisfaction	
Market success	

Source: Everest Group (2016)

Strengths

- Strong focus on differentiation through a consultative-led selling approach to create downstream technology implementation opportunities
- X has proprietary payer solutions for Health Information Exchange (HIE), Health Insurance Exchange (HIX), claims management, and ICD-10 migration, among others
- Strong blend of domain as well as functional experience
- Early mover to leverage the implications of the As-a-Service and consumption-based models

Areas of improvement

- Enhance infrastructure services play to provide greater impetus to integrated services engagement model and the end-to-end life sciences spectrum
- Utilize existing organizational presence across regions and functions to cross-sell and explore adjacencies in other service lines and emerging markets

Company X | Payer sciences ITS profile (page 3 of 4)

ITS domain investments

Proprietary solutions (representative list)	
Line of business	**Solutions**
Payer	• Payer HIX: To enable private insurers to connect to state insurance exchanges • Tool B: Enterprise-wide health plan core administration software for payers. Provides a secure, robust, and flexible environment to enable health plans deal with information in real- time • ICD-10 solutions: Impact analyzer, crosswalk, testing accelerator, and analytics solution to enable ICD-10 migration • Solution B suite: Solutions acquired through Perot Systems legacy. Helps manage information about members, employer groups, providers, health plan, provider contracts, referrals, and authorizations. Enables healthcare services along with accurate provider reimbursement, risk pool accounting, and healthcare cost management • Application modernization: IP-enabled application reengineering and rehosting • Social media: Social listening platform to enable patient and physician centricity

Key alliances (representative list)	
Alliance partner	**Purpose of alliance**
Partner A	To develop a dedicated innovation lab for the healthcare and life sciences vertical
Partner B	Strategic alliance that helps deliver advanced administration and care management solutions to healthcare payers
(Several)	General alliances with vendors, such as BMC, Brocade, Cerner, Citrix, Microsoft, Novell, Oracle, Red Hat, and SAP, across various industry verticals

Source: Everest Group (2015)

Company X | Payer sciences ITS profile (page 4 of 4)

Key ITS delivery locations

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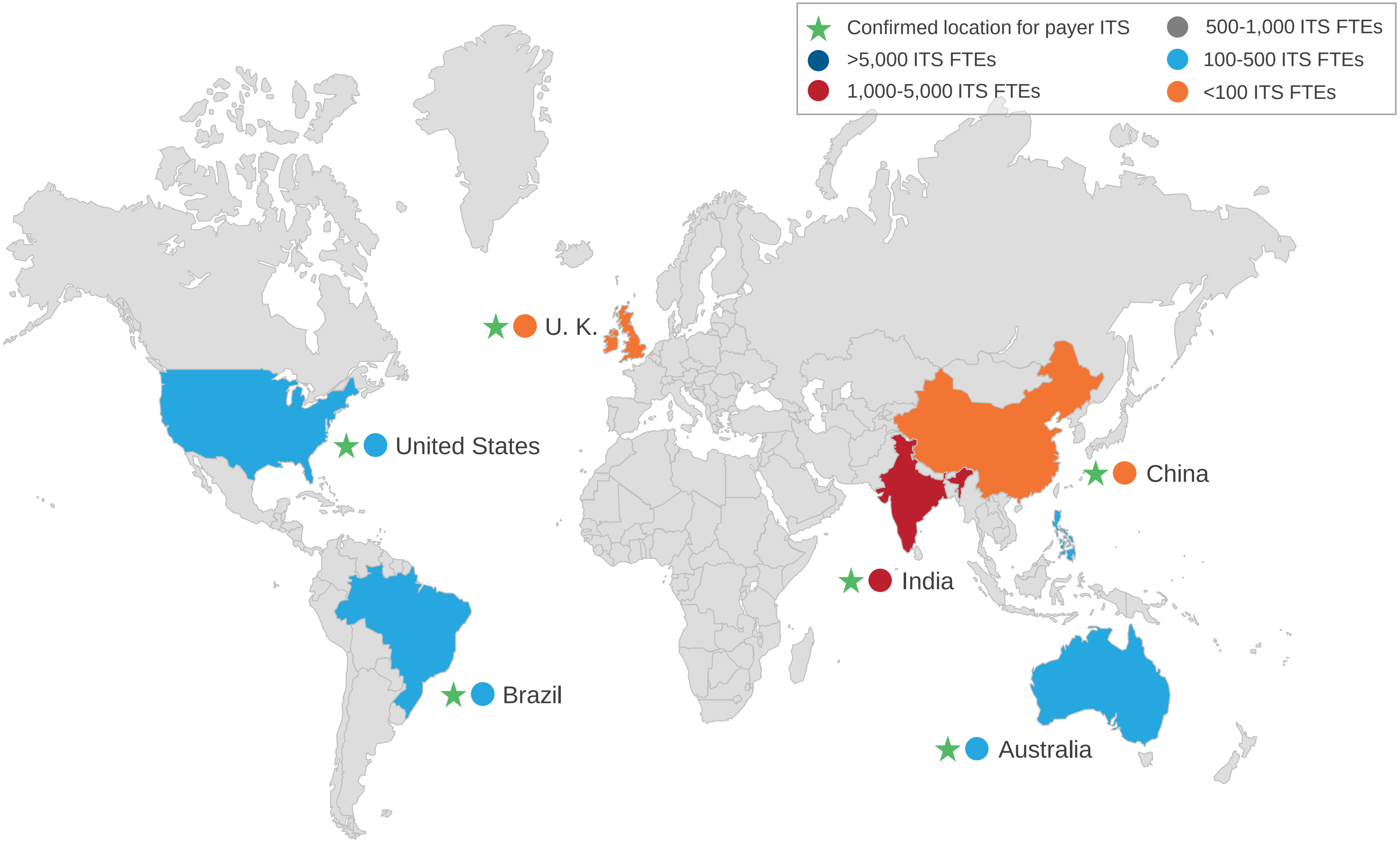

Source: Everest Group (2016)

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
State of the Healthcare and Life Sciences IT Market: 2016	March 2016
IT Outsourcing in Life Sciences Industry – Service Provider Profile Compendium 2015	March 2016
Healthcare & Life Sciences Digital Adoption Trends – Digital Adoption Driven by Consumerization of Healthcare	April 2016
IT Services in Healthcare Payer Industry – Service Provider Profile Compendium 2015	June 2016
IT Outsourcing in Healthcare Provider Industry – Service Provider Profile Compendium 2015	June 2016

Additional Healthcare & Life sciences 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. **Healthcare & Life Sciences Digital Adoption Trends – Digital Adoption Driven by Consumerization of Healthcare** (EGR-2016-4-R-1748); 2016. This report focuses on digital adoption by Healthcare and Life Sciences (HLS) enterprises across North America and Europe. It establishes a definitional framework for digital adoption and assesses the extent of digital technology adoption amongst HLS enterprises. The research identifies drivers for adoption, adoption maturity of digital technologies by HLS enterprises, optimism levels based on existing investments, and key priorities for the future. The report also identifies key implications for HLS enterprises and service providers.

2. **Breaking Viewpoint - IBM Acquires Truven Health to Bet Big on Big Data and Watson Health** (EGR-2016-12-V-1711); 2016. On February 18, 2016, IBM announced plans to acquire Truven Health Analytics, a provider of healthcare data integration and analytics solutions and services, for US$2.6 billion. This was IBM's fourth major acquisition under its Watson Health unit since it was established in 2014. The viewpoint presents an analysis of the deal

3. **State of the Healthcare and Life Sciences (HLS) Market: 2016** (EGR-2016-12-V-1719); 2016. In the midst of an evolving healthcare and life sciences (HLS) landscape (both from the demand and supply side) as well as a services landscape in transition, this report looks at identifying the opportunities, quantifying the market size, comprehending the competitive dynamics, and analysing the key themes for 2016

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From **insight** to ***action***.

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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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