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RESEARCH

Healthcare Payer BPO – Annual Report: From Cost Reduction to Value-driven Outsourcing – Moving on Up

Healthcare and Life Sciences BPS
Market Report – August 2016 – Preview Deck

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1 Banking, financial services, and insurance

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Overview and abbreviated summary of key messages
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The global healthcare payer BPO market grew at a healthy pace during 2012-2015, reaching ~US$5.5 billion in 2015. Stringent regulatory compliances, increase in healthcare spending globally, and shift in industry characteristics (such as focus on value-based care) are some of the key factors driving growth in the market.

Over the last three years, healthcare payer market witnessed increased volume of work as well as rise in average ACV. Claims processing continues to be the most outsourced and offshored process within the value chain. Technology-led solutions are gaining traction in healthcare BPO, with platform solutions being the most preferred by the buyers. Also, evolved pricing models such as transaction- or outcome-based pricing are gaining dominance.

With increasing adoption, impact of technology, and evolving pricing models, healthcare payer BPO is expected to evolve rapidly in terms of scale, scope, and cost efficiency.

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

State of the market

- The healthcare payer BPO market continued to grow at a healthy CAGR of 15% during 2012-2015
  - Increasing adoption of outsourcing services due to an ever-changing regulatory landscape was the key growth driver
- North America dominated the market, accounting for over 90% of the global healthcare payer BPO outsourcing spend
  - Adoption across other geographies, though prospective, is still very small at the global scale
- Contract renewal activity witnessed increased traction vis-à-vis new contract signings during 2014-2015 owing to buyer's having a wait and watch approach awaiting expected political changes in the country
- Small buyers (revenue <US$5 billion) drove adoption of BPO services during 2014-2015
- In 2016, market expected to register a growth rate of 12-14%

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Overview and abbreviated summary of key messages
(page 2 of 2)

Drivers and challenges

- Increasing stringency of regulatory landscape and needs for compliance creating pressure on the profitability of healthcare payers, driving adoption of BPO services
- Large healthcare spending and increasing private play in countries such as Germany, France, the UK, Japan, China, Brazil and Australia also driving traction in the global healthcare payer BPO market
- Focus on value-based care creating challenges for both providers and payers, creating demand for BPO services

Healthcare payer BPO solution characteristics

- Average ACV of active contracts continue to increase, growing by ~12% during 2012-2015
- Claims processing continues to be the most outsourced and offshored process within healthcare payer BPO value chain, accounting for the bulk of FTEs deployed
- Output- and outcome-based pricing models commonly deployed in the BPO contracts
  - Evolved pricing models such as transaction- or outcome-based pricing are expected to be dominant in the future

Service provider landscape

- Healthcare payer BPO market is consolidated at top with the top three service providers accounting for ~60% of the market share by revenue
- Accenture is the only service provider to feature in the top three across each process outsourced in healthcare payer BPO
- With expanding capabilities of service providers, the service provider landscape is expected to become more competitive
  - Robotic Process Automation (RPA) expected to play an impactful role in the future

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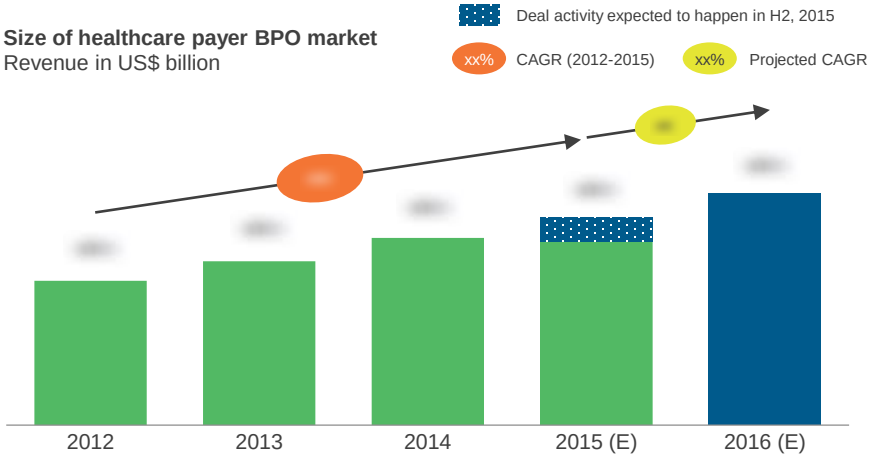
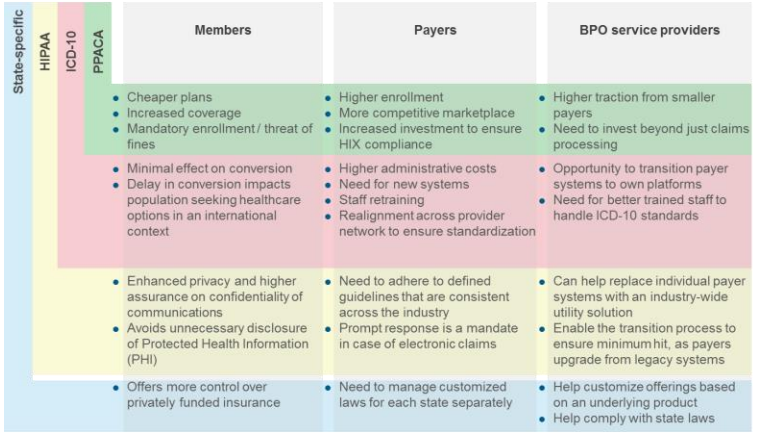
This study offers four distinct chapters providing a deep dive into key aspects of the healthcare payer BPO service provider landscape; below are four charts to illustrate the depth of the report

Market size

Size of healthcare payer BPO market
Revenue in US$ billion

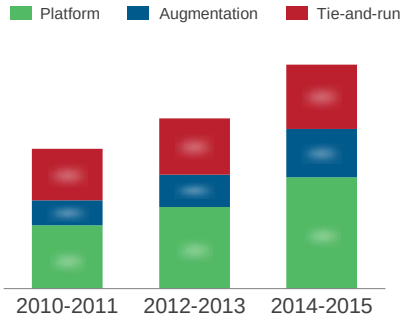


Drivers and challenges

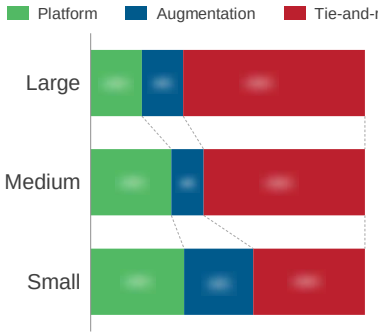


Healthcare payer BPO solution characteristics

Technology solutions across healthcare payer BPO
Average number of active contracts

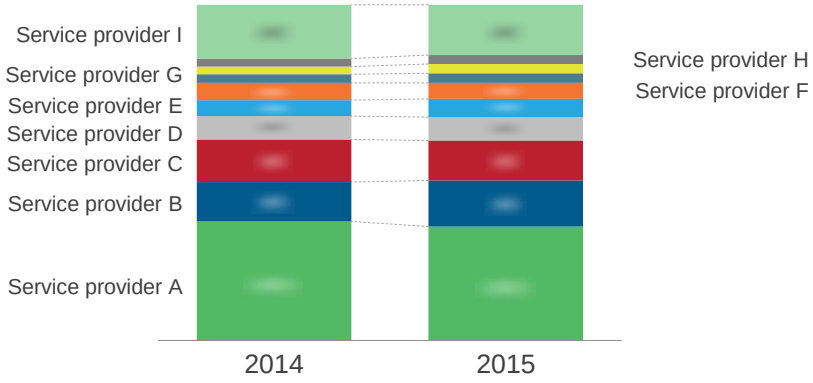


Technology solutions across buyer size for healthcare payer BPO
Percentage of total active contracts



Service provider landscape

Healthcare payer BPO market share
US$ million



Source: Everest Group (2016)

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Healthcare & Life Sciences BPS research calendar

Published Current

Topic	Release date
Healthcare Payer BPO – State of market with PEAK Matrix™ Assessment	February 2015
Healthcare Payer BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2015	January 2016
Healthcare Payer BPO – Annual Report: From cost reduction to value-driven outsourcing – Moving on up	August 2016
Healthcare Payer BPO – Service Provider Compendium 2016	Q3 2016
Healthcare Payer BPO – Viewpoint on Medicaid and Medicare BPO	Q3 2016
Healthcare Provider BPO – State of market for RCM BPO	Q4 2016
Healthcare Payer BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q4 2016
Healthcare Payer BPO – Annual Report 2016	Q1 2017
Life Sciences BPO – Viewpoint on Pharmacovigilance BPO	Q1 2017
Life Sciences BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q1 2017
Healthcare Payer BPO – Service Provider Compendium 2017	Q2 2017
Life Sciences BPO – Annual Report 2017	Q2 2017
Life Sciences BPO – Service Provider Compendium 2017	Q3 2017

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Additional BPS 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. **Healthcare Payer BPO – Service Provider Landscape with PEAK Matrix™ Assessment** (EGR-2016-12-R-1680); 2016. Driven by ObamaCare, the market for third-party BPO in healthcare payer space continues to grow at a healthy rate. This report uses Everest Group's proprietary PEAK Matrix to assess and rate service providers on various dimensions of their capabilities. It also includes market share analysis of service providers and Everest Group's remarks on service providers highlighting their key strengths and development areas

2. **Healthcare Payer BPO – State of market with PEAK Matrix™ Assessment** (EGR-2015-12-R-1367); 2015. Driven by ObamaCare, the market for third-party BPO in healthcare payer space grew at a healthy rate in 2013. Greater demand for BPO services from the smaller payers led to a slight shift in the buyer adoption. Also, growth of the claims management process was outpaced by several other processes. Factors, such as rise of health insurance exchanges, increased regulatory governance, control of fraud, waste, and abuse, and convergence of payers and providers, emerged as the key drivers shaping this market for the future

3. **Contact Center Outsourcing (CCO) Market for the Healthcare Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2014** (EGR-2014-1-R-1332); 2014. This report provides an overview of the Contact Center Outsourcing (CCO) market for the Healthcare industry. The analysis includes market size and growth (forecast up to 2015), buyer adoption & scope trends, service provider landscape, service provider positioning on the Everest Group PEAK Matrix, and assessment of the service provider delivery capabilities

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