



Healthcare Payer IT Services: Outsource (Offshore) or Perish

Healthcare & Life Sciences IT
Annual Report – September 2016: Preview Deck

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- 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

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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 IT relationships for the healthcare payer market . We focus on the following:

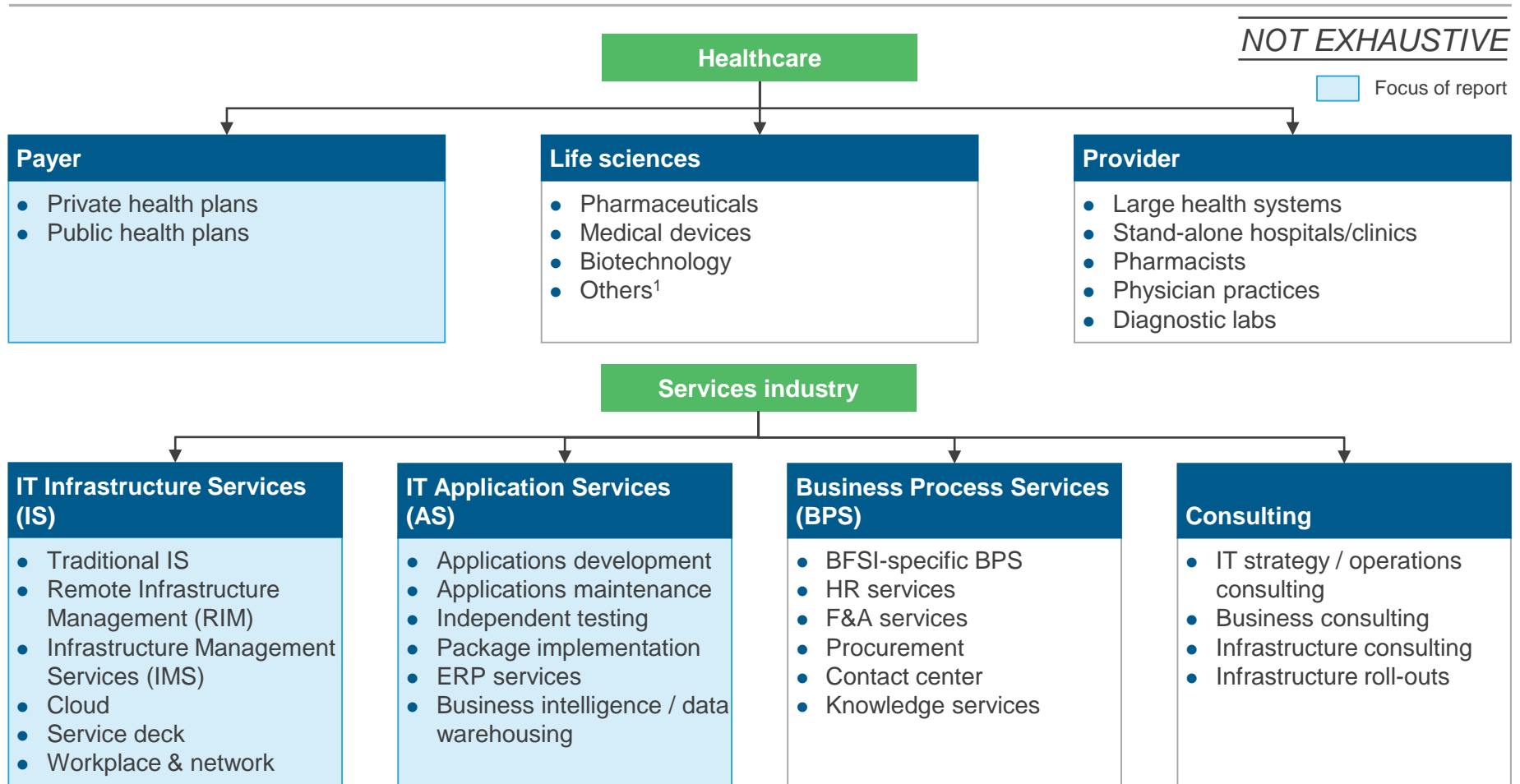
We focus on:

- Trends in the healthcare payer industry
- Key opportunities in the healthcare payer IT market
- Understanding the digital maturity of payer companies as they traverse the adoption journey to achieve business objectives

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)

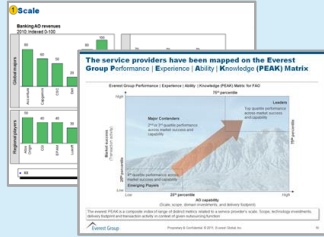
This report examines the service provider landscape for large annuity contracts in the life sciences IT services market



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 and life sciences in 2016

Annual report



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

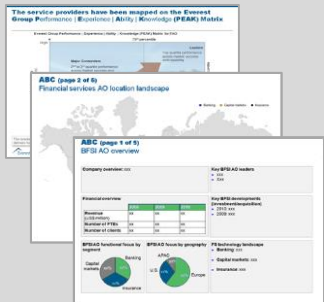
Focus of report

Payer

Life sciences

Provider

Service provider landscape and capability profiles



This set of reports is focused on key HLS 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 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

Life sciences

- Infrastructure services
- Application services
- Digital services

Provider

- Global IT
- EMR implementation services

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Overview and abbreviated summary of key messages

This report provides an overview of the IT market for the healthcare payer industry. Analysis includes market size & growth, forecasts (up to 2020), demand drivers, adoption & scope trends, and implications for key stakeholders. The report also talks about service provider landscape evolution, sourcing priorities, location advantages, and key differentiators.

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

Healthcare payer IT spending: Analysis and projections

- Healthcare IT market is expected to touch US\$ 30 billion by 2020. It is the fastest growing segment in the HLS industry
- Growth will be driven by payer-provider convergence, patient-centric care, evolving reimbursement models, and value-chain digitization
- Enterprises are willing to spend on data security, analytics, legacy modernization, and digital initiatives in the short-term

Payer IT: Key demand drivers

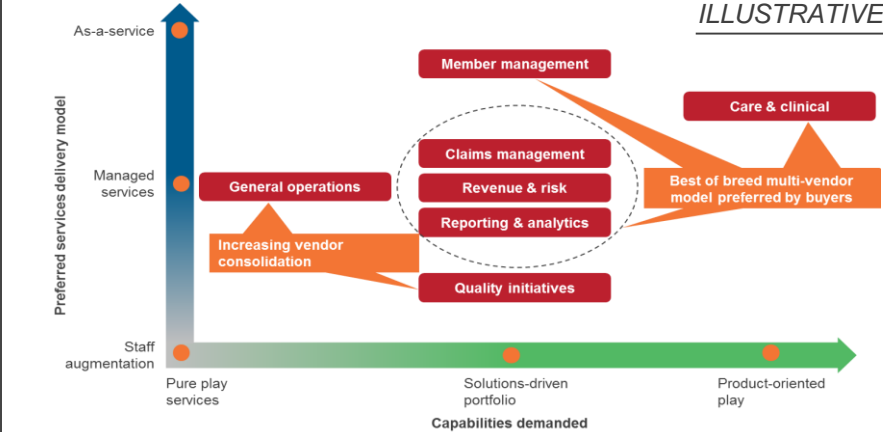
- There are four key trends that will shape IT services in the healthcare payer market. They are the following
 - Payer mergers: Payer mergers will shift focus from implementation to merger planning and integration design and this will have a considerable impact on service provider relationships
 - HIX disillusionment: Scale and functionality of HIX would depend on Department of Justice (DoJ) verdict and impending presidential election
 - IT security: Adoption of security services will be made accountable to return on investments and cost efficiency
 - Integrated operations: Better financial and operational outcomes will incentivize integrated operations. These factors can weigh heavy on the service provider selection

Service provider selection: To outsource (offshore) or not?

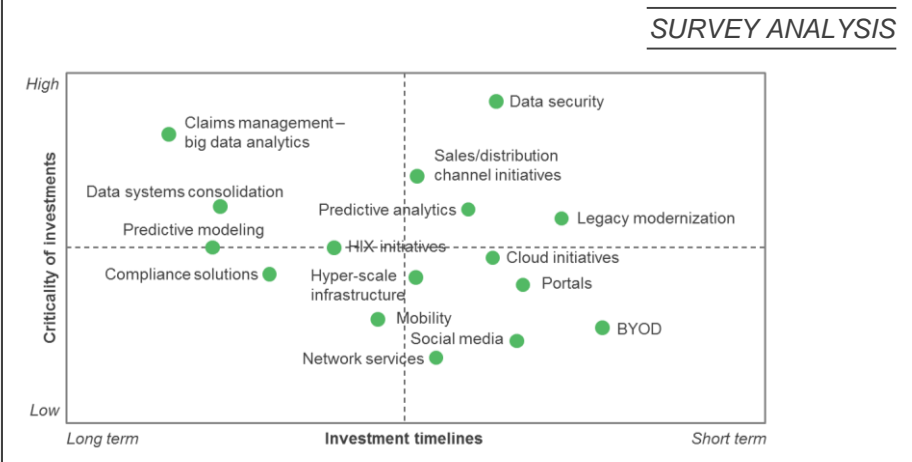
- Growing convergence in service providers will make selection more challenging as platform players try to push for managed services and vice versa
- Vendor selection will become more complex as leading service providers focus on integrated opportunities while challengers focus on best of breed solutions
- Leveraging outsourcing and offshoring for cost takeout is a no-brainer. Operational efficiency is the key lever for these make or buy decisions

This study deep dives into key aspects of the healthcare payer IT market; below are four charts to illustrate the depth of the report

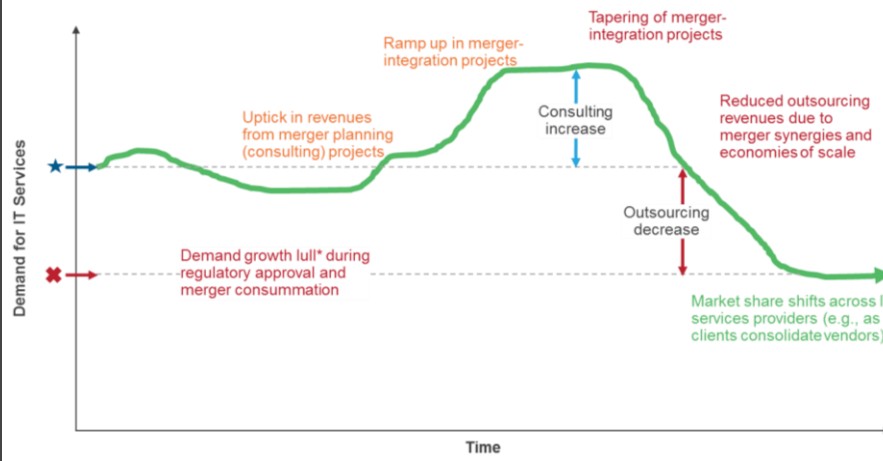
Payer IT spending | Preferred services delivery model vs. capabilities demanded



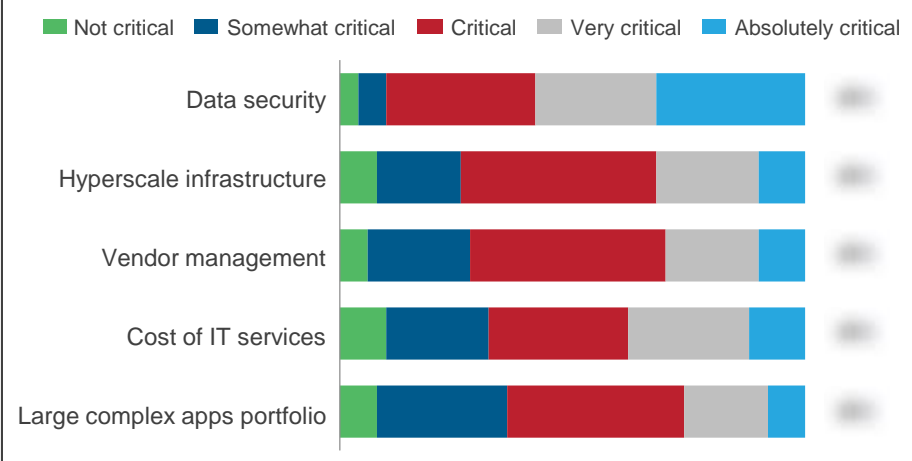
Payer technology imperatives | Criticality vs. investment timelines



Payer mergers | IT demand patterns caused by payer client mergers



Payer IT security | Criticality of challenges within current IT portfolio



Source: Everest Group (2016)

HLS ITS services research calendar

Published
 Current

Topic	Release date
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 the 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
Pre-competitive Collaboration Platforms in the Biopharmaceutical Industry	May 2016
IT Outsourcing in Healthcare Payer Industry – Service Provider Profile Compendium 2015	June 2016
Life Sciences IT Infrastructure Services – Service Provider Landscape with PEAK Matrix™ Assessment 2016	July 2016
Healthcare Start-ups: State of Innovation	August 2016
Life Sciences IT Application Services – Service Provider Landscape with PEAK Matrix™ Assessment 2016	September 2016
Life Sciences Digital IT Services – Service Provider Landscape with PEAK Matrix™ Assessment 2016	September 2016
IT Outsourcing in Healthcare Provider Industry – Annual Report 2016	September 2016
Global Payer IT Services – Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q4 2016
Global Healthcare Provider IT Services – Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q4 2016
Healthcare Provider EMR/EHR Implementation Services – Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q4 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 Start-ups: State of Innovation** ([EGR-2016-12-R-1882](#)); August 2016. Cost, access, and quality problems have plagued the US healthcare market. Stakeholders are trying to tackle endemic industry issues through technology use. Consumer expectations are fundamentally changing from their healthcare experience. Start-ups have a fertile ground to reap benefits through innovative solutions which address these challenges through a fresh approach combining the elements of user experience (UX), design, and digital channels. Hence, even though the overall funding climate has begun to show signs of correction, healthcare is witnessing a sustained resurgence in investment activity. Services providers, enterprise buyers, and investment firms alike have varied reasons to better understand this exciting landscape and unlock opportunities in a fast evolving market. From a long list of over 200 start-ups, we selected start-ups in five primary areas of investments – care financing, care management, EHR, practice management, and telehealth. This report provides an overview of the challenges these start-ups are trying to address, how they are disrupting the status quo, and hyper-catalyzing the innovation mandate. It also covers the five hot start-ups in each of the five areas with spotlight on business overview, leadership details, funding trail, and disruption across technology & business, as well as market buzz
- 2. Healthcare & Life Sciences Digital Adoption Trends – Digital Adoption Driven by Consumerization of Healthcare** ([EGR-2016-4-R-1748](#)); April 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
- 3. State of the Healthcare and Life Sciences (HLS) Market;** ([EGR-2016-12-V-1719](#)); March 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 analyzing the key themes for 2016

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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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