Everest Group
RESEARCH

Healthcare Payer IT Services – Service Provider Landscape with PEAK Matrix™ Assessment 2016

Healthcare and Life sciences IT

Market Report: October 2016 – Preview Deck

EGR-2016-12-PD-1961

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 ITS**
- **Healthcare & Life Sciences BPS**
- **Application & Digital**
- **Cloud & Infrastructure**
- **Global Sourcing**
- **Locations Insider™**
- **PricePoint™**
- **Finance & Accounting**
- **Procurement**
- **Human Resources**
- **Recruitment & Talent Acquisition**
- **Contact Center**
- **Service Optimization Technologies**
- **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 ITS**
- 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 and Life Sciences (HLS) 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, "anytime-anywhere" information access, and self-service channels). This combination of disruptive and legacy factors has driven HLS firms to adopt new technologies, while also revamping their existing systems, processes, and interfaces.

As the technology mandate for HLS 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 HLS IT services across the three major market segments – payer, provider, and life sciences. Everest Group's HLS IT research program addresses this market requirement by analyzing outsourcing trends and service provider capabilities specific to IT services in the healthcare and life sciences vertical.

In this report, we analyze the capabilities of 22 payer IT service providers specific to the global healthcare 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:

- Payer IT market trends
- The landscape of service providers for payer IT
- Assessment of the service providers on a number of capability-related dimensions
- Implications for payer IT buyers and service providers

Scope of this report

- **Industry:** Healthcare payers (public and private health plans)
- **Services:** Multi-year (>3 years) and annuity-based IT services
- **Geography:** Global (though with a slight skew towards the U.S. payer market, given dominant market activity)
- **Sourcing model:** Third-party IT transactions; excludes shared services or Global In-house Centers (GICs)

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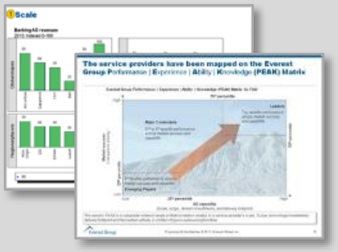
This report is a part of Everest Group's series of reports focused on IT services in healthcare and life sciences in 2016

Focus of report

Annual report



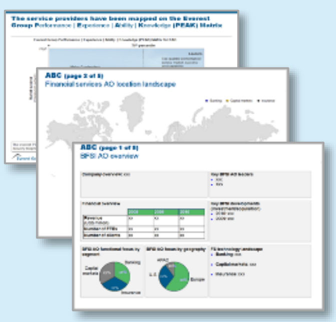
- Each report provides an overview of the ITS market for the specific healthcare subsegment
- Analysis includes the following content in the specific HLS subsegment:
  - Trends in ITS in the overall HLS industry
  - Market trends and activity for large IT services relationships
  - Emerging themes driving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

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
- IT infrastructure services
- IT application services
- Digital services

Provider
- Global IT
- EMR/EHR implementation

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

1

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

2

- Everest Group's proprietary database of **operational capability 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 HLS-related developments
  - HLS IT delivery locations
  - HLS IT service suite
  - Domain capabilities, proprietary solutions, and intellectual property investments

Service providers covered in the analysis

accenture High performance. Delivered. | Atos | Capgemini CONSULTING.TECHNOLOGY.OUTSOURCING
CGI | Cognizant | CSC | DELL Services
epam | FUJITSU | HCL
Hewlett Packard Enterprise | Hexaware TECHNOLOGIES | IBM
Infosys | L&T Infotech | OPTUM
SYNTEL | TATA CONSULTANCY SERVICES
Tech Mahindra | UNISYS | virtusa Accelerating Business Outcomes | WIPRO Applying Thought

Note: Assessment for Accenture, Atos, CSC, Fujitsu, IBM, Tech Mahindra, and Unisys excludes service provider inputs on this particular study and is based on Everest Group's estimates, which leverage Everest Group's proprietary Transaction Intelligence (TI) database, ongoing coverage of Accenture, Atos, CSC, Fujitsu, IBM, Tech Mahindra, and Unisys, 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

Overview and abbreviated summary of key messages

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

- Analysis of the service provider landscape for healthcare payer IT services leveraging the Everest Group's PEAK Matrix reveals three distinct categories of service providers: Leaders, Major Contenders, and Aspirants
- Although the payer IT market has strong long-term fundamentals, there are distinct headwinds in the short- / medium-term, given regulatory uncertainty, mega mergers, and HIX market problems. Payers are dealing with the cost takeout mandate while balancing revenue growth imperatives
- Leaders have a balanced portfolio straddling deep domain expertise, technology prowess, and consulting capabilities to help payers navigate these uncertain times
- Major Contenders are attempting to capitalize on the anti-incumbency wave and are also ramping up capabilities through investments in developing solutions, specifically around automation and digital capabilities, to bridge the gap
- Aspirants' healthcare payer business is at a relatively fledgling stage and is not a primary area of focus. They tend to lag behind in terms of domain expertise & geographic footprint, approaching the domain from a tactical lens vs. a strategic one

Implications for key stakeholders

- 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
- Service providers should develop specialized skills and IP in the automation space across the applications-infrastructure services spectrum
- Providers should invest in consistent thought leadership to create credibility and market recall

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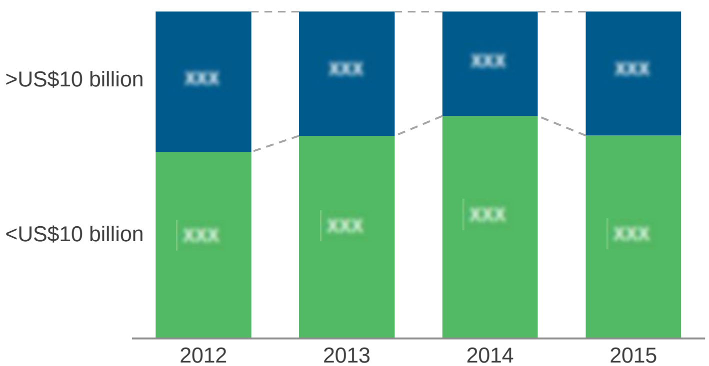
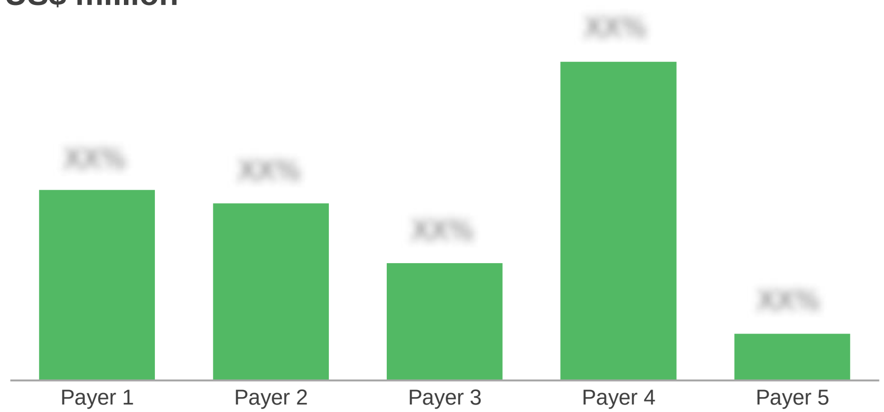
This study provides a deep dive into the healthcare payer IT service provider landscape; below are few charts to illustrate the depth of the report

Transaction distribution by buyer size
Percentage of transactions

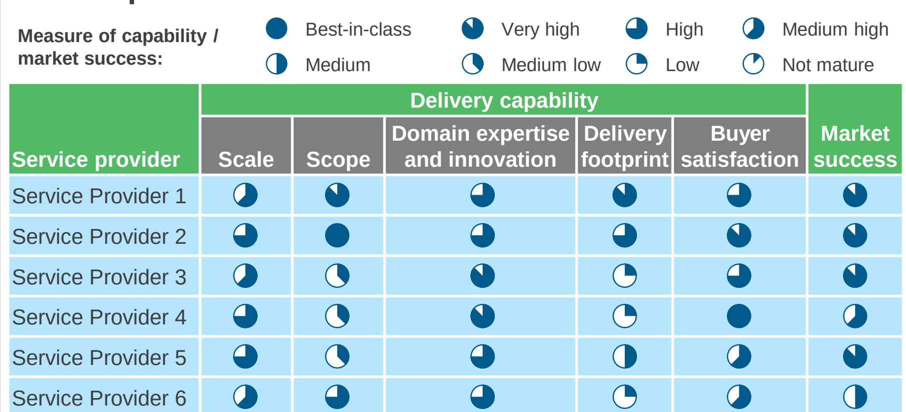


Loss in the HIX market , 2015
US$ million



Criticality of challenges within current IT portfolio
2015; Percentage of payer responses

Delivery capability and market success assessment of service providers



Source: Everest Group (2016)

Profile sample: Service Provider XXX | Payer IT services profile (page 1 of 2)

Payer IT services overview

Strengths	Areas of improvement
[illegible]	[illegible]

Scope and coverage:

[illegible]

Payer IT services revenue

<US$50 million	**US$100-500 million**
US$50-100 million	>US$500 million

Payer IT services focus by subvertical ■□□ Low ■■□ Medium ■■■ High

Public health plans	■■□	Private health plans	■■□

Payer IT services focus segments ■□□ Low ■■□ Medium ■■■ High

Small (annual revenue < US$1 billion)	■□□
Medium (annual revenue = US$1-5 billion)	■■■
Large (annual revenue > US$5 billion)	■■□

Payer IT services focus by service scope ■□□ Low ■■□ Medium ■■■ High

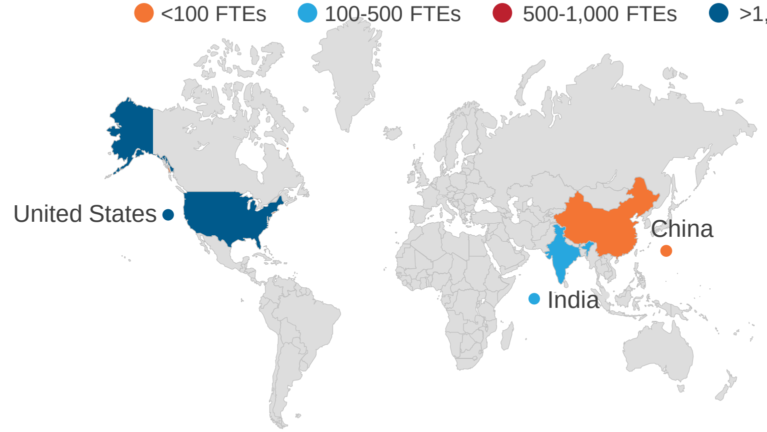
Infrastructure services	■■□	SI/Consulting	■■□
Application services	■■■		

Payer IT services focus by value-chain ■□□ Low ■■□ Medium ■■■ High

Product development	■□□	Policy servicing and management	■■■
Network management	■□□		
Claims management	■■□	Care management	■■■

Payer IT services delivery map[1]

<100 FTEs · 100-500 FTEs · 500-1,000 FTEs · >1,000 FTEs



1 Map reflects overall payer IT service delivery presence

Source: Everest Group (2016)

Profile sample: Service Provider XXX | Payer IT services profile (page 2 of 2)

Offerings and recent developments

Proprietary solutions (representative list)	
Solution	**Details**
Solution A	Description and value proposition
Solution B	Description and value proposition

Key events (representative list)		
Event name	**Type of event**	**Details**
Event A	Reorganization	Description
Event B	GTM partnership	Description
Event C	M&A	Description
(several)	Partnerships	Has alliances with vendors such as X, Y, and Z

Source: Everest Group (2016)

Healthcare & Life sciences IT 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
Hot Healthcare Start-ups: Dawn of a New World Order	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
Healthcare Payer IT Services – Service Provider Landscape with PEAK Matrix™ Assessment 2016	October 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 Payer IT Services: Outsource (Offshore) or Perish** (EGR-2016-12-R-1928), September 2016: 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, key areas of investment, and implications for key stakeholders. The report also talks about service provider landscape evolution, sourcing priorities, location advantages, and key differentiators

2. **Hot Healthcare Start-ups: Dawn of a New World Order** (EGR-2016-12-R-1882); August 2016. Cost, access, and quality problems have plagued the US healthcare market in the recent years. Stakeholders are trying to tackle endemic industry issues through technology use. Consumer expectations are fundamentally changing from their healthcare experience. Stakeholders are trying to evolve the operating model of healthcare in the new normal. Start-ups have a fertile ground to reap benefits through innovative solutions that 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.

3. **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

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

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Everest Group

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

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.

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