



The Big Bang MACRA-economic Theory of Provider IT Transformation

Healthcare & Life Sciences Outsourcing
Annual Report – November 2016: Preview Deck

Our research offerings for global services

▶ **Market Vista™**

Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

▶ **BFSI¹ Information Technology**

▶ **PricePoint™**

▶ **BFSI¹ Business Process**

▶ **Finance & Accounting**

▶ **Healthcare & Life Sciences ITS**

▶ **Procurement**

▶ **Healthcare & Life Sciences BPS**

▶ **Human Resources**

▶ **Application & Digital**

▶ **Recruitment & Talent Acquisition**

▶ **Cloud & Infrastructure**

▶ **Contact Center**

▶ **Global Sourcing**

▶ **Service Optimization Technologies**

▶ **Locations Insider™**

▶ **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**



Corporate Headquarters

Office: +1-214-451-3000

info@everestgrp.com



European Headquarters

Office: +44-207-129-1318

unitedkingdom@everestgrp.com

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 provider market . We focus on the following:

We focus on:

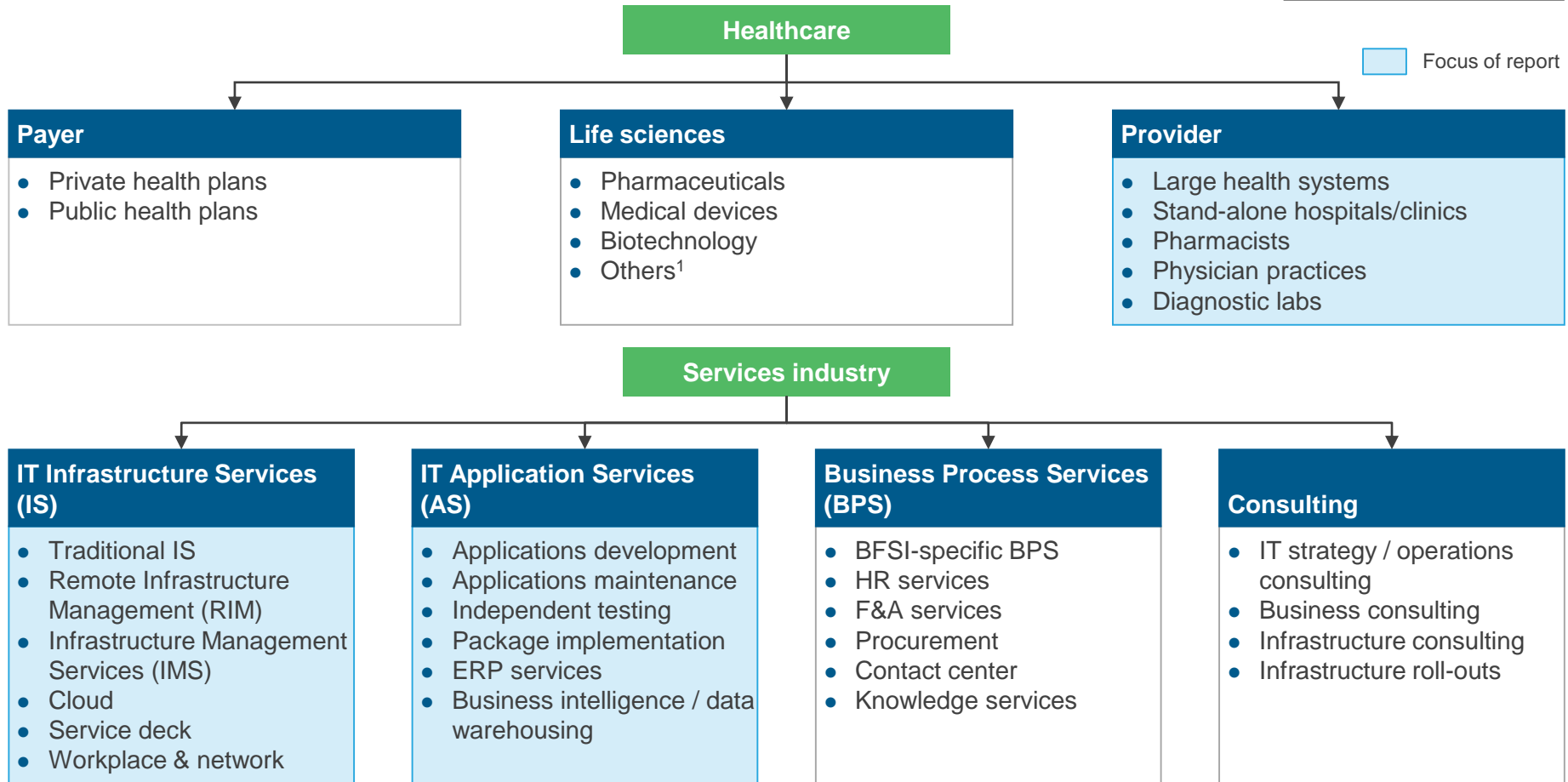
- Current state of the provider IT market
- Changing market dynamics in the provider IT market
- Implications of MACRA-economics and key demand trends in areas such as performance improvement & cost takeout, patient engagement, data security, and EHR

Scope of this report:

- **Industry:** Healthcare providers (large health systems, stand-alone hospitals/clinics, physician practices, diagnostic labs, and pharmacists)
- **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. provider 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 healthcare provider IT services market

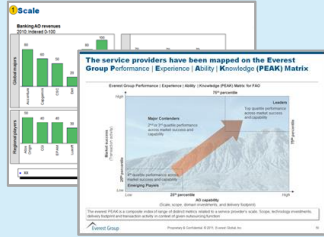
NOT EXHAUSTIVE



¹ Includes healthcare data & information services and medical products distribution

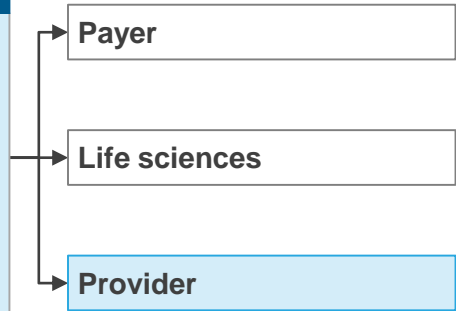
This report is a part of Everest Group's series of reports focused on IT services in healthcare and life sciences in 2016

Annual report

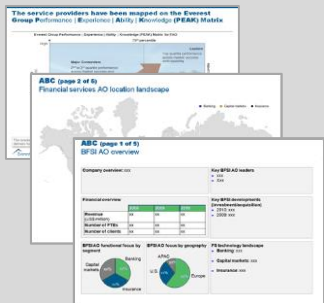


- Each report provides an overview of the ITS market for the specific healthcare subsegment
- Analysis includes the following content in the specific HLS subsegment:
 - Trends in ITS in the overall HLS industry
 - Market trends and activity for large IT services relationships
 - Emerging themes driving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

Focus of report



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

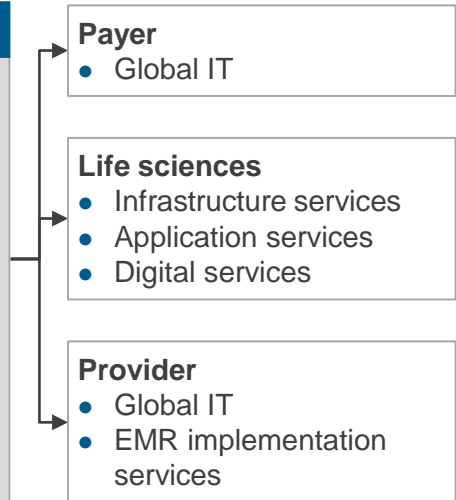


Table of contents

Topic	Page no.
Provider IT Market: Changing market dynamics	5
Provider IT Market: The current state	6
• Healthcare market: Size and growth	7
• Segment analysis: Service lines	8
• Segment analysis: Enterprise size	9
• Scope of provider IT transactions	10
MACRA-economics: The future state of the provider IT industry	11
• MACRA reform rules: Key implications	12
• Provider IT: Key demand trends fueling technology spending	13
• Imperative #1: Performance improvement and cost takeout	14
• Imperative #2: Patient engagement	29
• Imperative #3: Data security	36
• Imperative #4: Electronic Health Records	39
Appendix	43
• Healthcare & Life sciences IT Services research calendar	44
• References	45

Overview and abbreviated summary of key messages

This report provides an overview of the IT market for the healthcare provider industry. Analysis includes market size & growth, forecasts (up to 2020), segment analysis with respect to service lines and enterprise size, and scope of provider IT transactions. The report also talks about future state of the provider IT industry which covers implications of MACRA and key demand trends in areas such as performance improvement & cost takeout, patient engagement, data security, and EHR.

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

Healthcare providers IT market: Changing market dynamics

- There is an increased focus on performance improvement to attract public funding and to obtain value-based reimbursements
- There is also a heightened pressure to deliver new models of care to create differentiation in patient engagement. Providers experiment with new channels to increase per-patient revenue

Healthcare providers IT market: Current state analysis and market opportunities

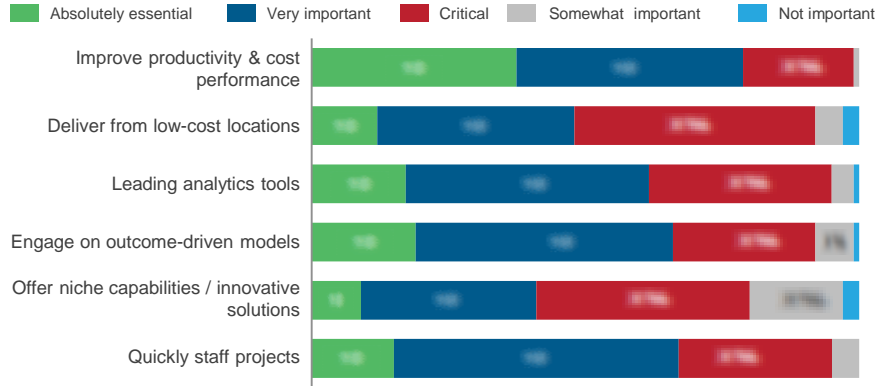
- Healthcare provider IT market is expected to touch US\$ 16.9 billion by 2020.
- Increased spending by the healthcare providers will be driven by technology services in areas such as compliance, legacy modernization, EHR, and patient engagement
- Demand in the provider ITO market has been concentrated in the large health systems
- ADM, testing, and network services formed the top scope inclusions in IT service deals within the provider segment

Healthcare providers IT market: Implications of MACRA and key demand trends

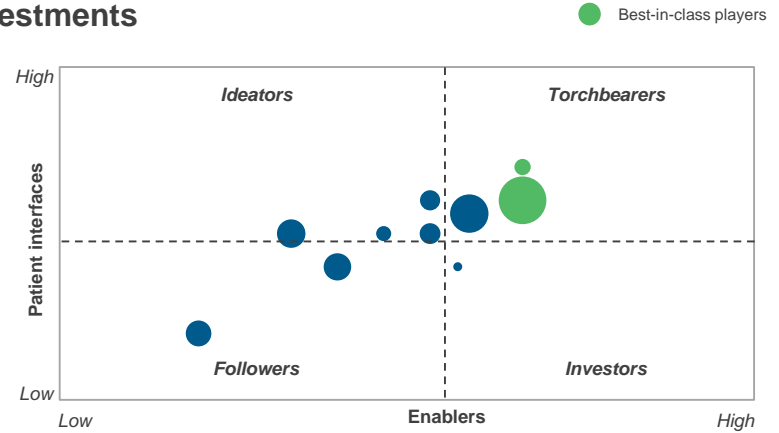
- CMS' October 2016 release on MACRA rules has a significant role in shaping the future of IT services in the healthcare provider market. The release is a significant step in streamlining Medicare payments and establishing the definition of "value" in care
- Some of the key areas that fuel technology spending are the following
 - **Performance improvement and cost takeout:** providers look to get value out of their technology investments to offset effects of reducing profitability, rising wages, and decreasing patient volumes
 - **Patient engagement:** investments in the patient interfacing applications and internal IT systems such as CRM and analytics will actualize better patient engagement
 - **Data security:** nearly 90% of the provider stakeholders view data security as their key challenge and hence investments in this area is a primary priority for the top-level executives
 - **EHR:** lack of collaborative API-based systems and interoperability have constrained ROI in the EHR market and hence innovation-based IT implementations is a key focus area

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

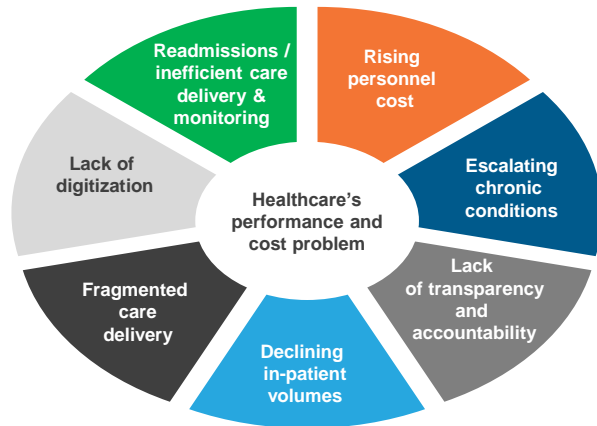
Provider IT demand trends | Vendor capabilities for application services In order of importance (by providers)



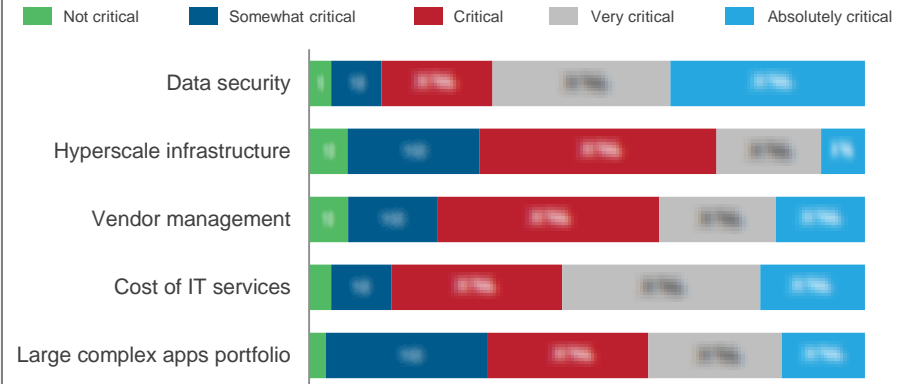
Provider IT spending | Maturity of patient engagement investments



Provider IT key issue | Performance and cost problem



Provider IT security | Criticality of challenges within current IT portfolio



Source: Everest Group (2016)

Healthcare & Life sciences IT Services research calendar

■ Published ■ Current

Topic

Release date

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	October 2016
Global Payer IT Services – Service Provider Landscape with PEAK Matrix™ Assessment 2016	October 2016
IT Outsourcing in Healthcare Provider Industry – Annual Report 2016	November 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:

Jimit Arora, Partner:

jimit.arora@everestgrp.com

Abhishek Singh, Practice Director:

abhishek.singh@everestgrp.com

Nitish Mittal, Senior Analyst:

nitish.mittal@everestgrp.com

Chathurya Pandurangan, Analyst:

chathurya.pandurangan@everestgrp.com

Jaskaran Singh, Analyst:

jaskaran.singh@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com



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.

Dallas (Headquarters)

info@everestgrp.com
+1-214-451-3000

Bangalore

india@everestgrp.com
+91-804-276-4533

Delhi

india@everestgrp.com
+91-124-496-1000

London

unitedkingdom@everestgrp.com
+44-207-129-1318

New York

info@everestgrp.com
+1-646-805-4000

Toronto

canada@everestgrp.com
+1-647-557-3475

Stay connected

Website



www.everestgrp.com

Social Media



@EverestGroup



@Everest Group

Blog

[Sherpas In Blue Shirts](http://www.sherpasinblueshirts.com)

www.sherpasinblueshirts.com