Everest Group RESEARCH

# Automation Playbook for Healthcare Payers: The Ultimate Guide to the Next Big Treasure Hunt

Healthcare & Life Sciences ITS
Market Report – April 2017 – Preview Deck

EGR-2017-12-PD-2143

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  – **Healthcare & Life Sciences ITS**
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- Benchmarking | Pricing, delivery model, skill portfolio
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* Banking, financial services, and insurance

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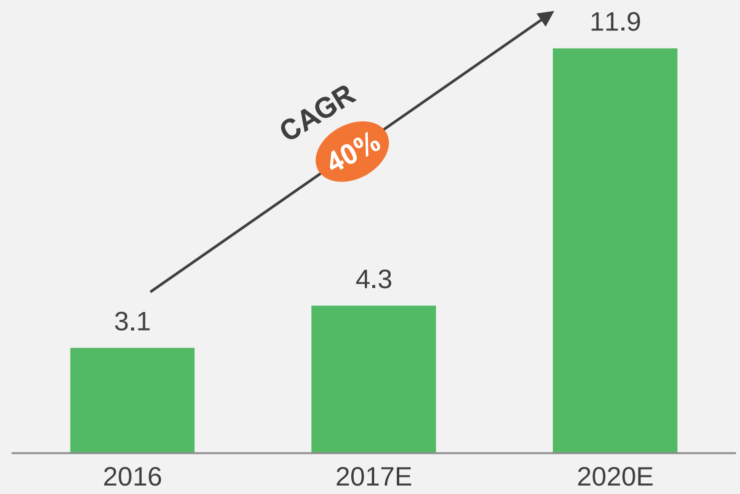
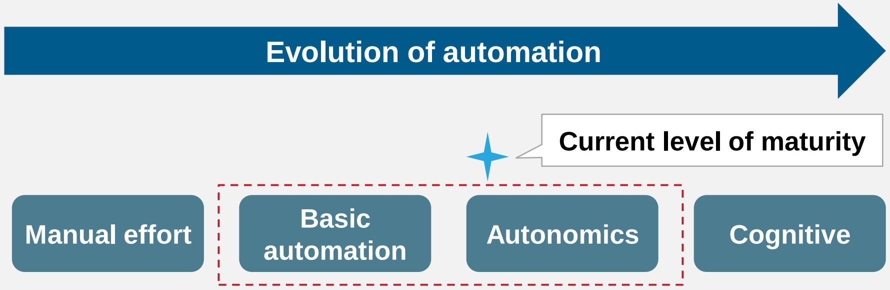
# Summary of key messages

**Automation playbook for healthcare payers**

- Payers have started to embrace automation and AI in order to find solutions for pressing industry imperatives
- Cost takeout mandate, rationalization of IT platforms, and intrinsic talent issues are expected to drive the push for widespread automation adoption
- Automation and AI have moved beyond the realm of ideation and have become real in the payer ecosystem
- Enterprise imperatives and pre-existing service models play a key role in determining the mode of automation adoption, and the resulting benefits
- Claims, population health, and fraud detection are some of the key industry process areas where automation/AI can create significant impact
- Automation has a new-found implication for service providers in today's competitive and dynamic services market
- While service providers stand to derive significant cost & productivity benefits, revenue cannibalization is a short-term outcome that they need to brace for
- Assisting payer industry senior executives requires helping them prioritize their automation/AI investments across business imperatives, industry processes, IT, and horizontal (operations) services

**Payer automation market – size and growth**
US$ billion




Source: Everest Group (2017)

# Payers CXOs have realized the fundamental impact of AI in catalyzing core business themes

"When we started to develop our platform, the main concern was how to accelerate access to information so we could train our cognitive systems quickly and provide actionable insights within a short time frame. To do that, we relied on containers and microservices that allowed us to make data and processes reusable across the enterprise."

**Anil Bhatt, IT Architecture, Digital Transformation and Delivery Leader, Anthem**

"Every healthcare system should be looking to artificial intelligence to analyze its large and complex data sets. Our traditional processes, which worked well in the past, just do not work well at that scale."

**Dr. Todd Stewart, MD, Vice President - Clinical Integrated Solutions, Mercy Healthcare**

"(on security and AI)…it is becoming more and more prevalent not only in healthcare but other industries too. We just need to prepare for it. I see the need to prepare for it rather than just react to a specific situation. I think a lot of artificial intelligence will be needed."

**Ed McCallister, Senior Vice President and CIO, UPMC**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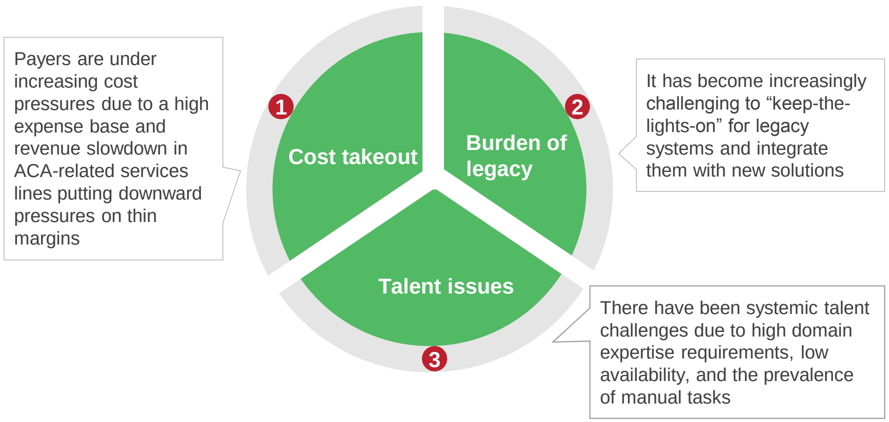
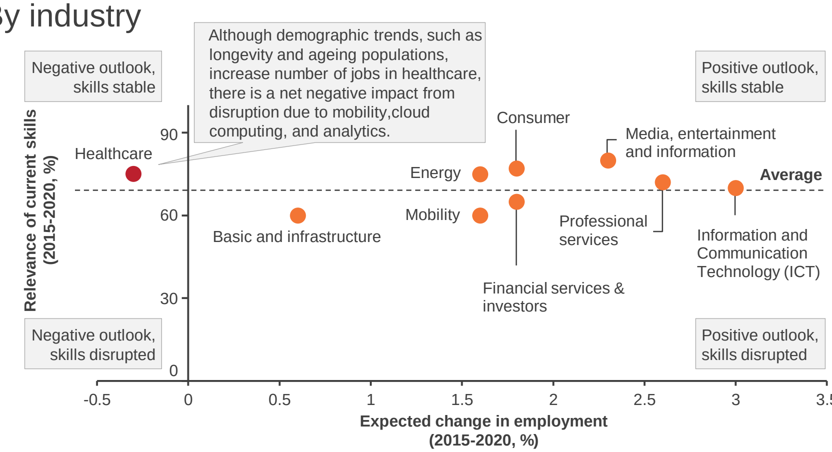
# This study deep dives into key aspects of automation in the healthcare payer IT market; below are four charts to illustrate the depth of the report

## Key drivers of automation in the healthcare payer market




## Employment outlook and skills stability

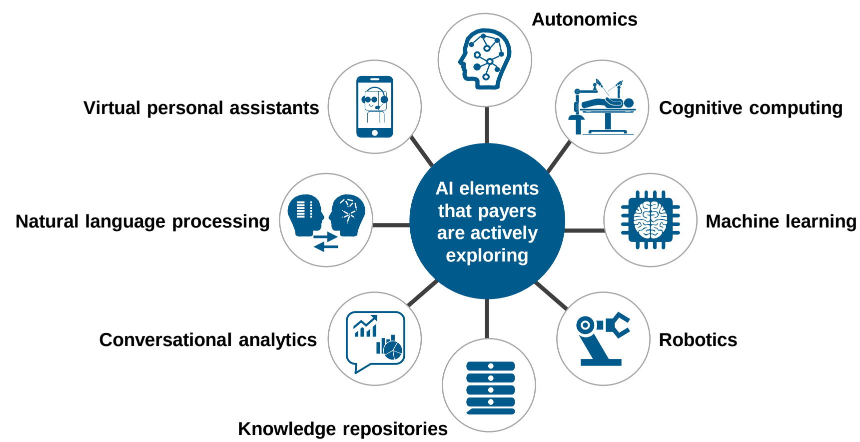
By industry




## Key takeaways | Underlying tenets to sharpen automation articulation

1. **Hyper cost-takeout:** Guaranteed savings will drive sourcing decisions
2. **Time to value:** Significant focus on products and platforms to drive business initiatives
3. **Predictability:** Consumption-based (PMPM) pricing will be the preferred model
4. **Automation:** Less dependency on human resources to improve scalability & productivity

## AI elements actively explored by payers




Source: Everest Group (2017)

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# HLS ITS research calendar

Published | Current

| Topic | Release date |
|---|---|
| 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: Outsource (Offshore) or Perish | September 2016 |
| Healthcare Payer IT Services – Service Provider Landscape with PEAK Matrix™ Assessment 2016 | October 2016 |
| Medicare/Medicaid Version 2.0: Exploring the Next Growth Wave in the Market | November 2016 |
| The Big Bang MACRA-economic Theory of Provider IT Transformation | November 2016 |
| EHR IT Services in Healthcare Provider Industry – Service Provider Landscape with PEAK Matrix ™ Assessment 2016 | November 2016 |
| Healthcare Provider IT Services – Service Provider Landscape with PEAK Matrix™ Assessment 2016 | November 2016 |
| Transition from Obamacare to Trumpcare | December 2016 |
| Addressing Payer Costs through a Comprehensive Model | December 2016 |
| Customer (Dis)satisfaction: Why are Enterprises Unhappy with their Service Providers | January 2017 |
| Exploring GICs in the Life Sciences Industry | February 2017 |
| Hot Life Sciences Startups: Drivers of Innovation and Sought-After Partners in the Market | March 2017 |
| Internet of Things (IoT) in Medical Devices | March 2017 |
| Automation Playbook for Healthcare Payers: The Ultimate Guide to the Next Big Treasure Hunt | April 2017 |
| Addressing Uncertainties in the U.S Payer Market | April 2017 |
| Life Sciences IT Application Services – Service Provider Landscape with PEAK Matrix™ Assessment 2017 | Q2 2017 |
| Life Sciences Clinical R&D Services – Service Provider Landscape with PEAK Matrix™ Assessment 2017 | Q2 2017 |

# Additional HLS ITS research references

**The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details 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. **Healthcare Start-ups: State of Innovation** (EGR-2016-12-R-1882); August 2016. Cost, access, and quality problems have plagued the U.S. 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. Service 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 Payer IT Services – Service Provider Landscape with PEAK Matrix™ Assessment** (EGR-2016-12-R-1961); October 2016: This report analyzes the capabilities of 22 payer IT service providers specific to the global healthcare sector. These 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, and implications for payer IT buyers and service providers

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