Healthcare Provider Annual Report 2017: Will the Real Value-Based Care (VBC) Please Stand Up?

Healthcare & Life Sciences IT Outsourcing
Annual Report – October 2017: Complimentary Abstract / Table of Contents

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- Benchmarking | Pricing, delivery model, skill portfolio
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Corporate Headquarters
Office: +1-214-451-3000
info@everestgrp.com

European Headquarters
Office: +44-207-129-1318
unitedkingdom@everestgrp.com

Delhi Office
Office: +91-124-284-1000
india@everestgrp.com

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Background and methodology of the research

Background of the research

Amidst consistent regulatory uncertainty, falling profit margins, and decreasing in-patient volumes, the demand in the healthcare provider IT market is rebounding with primary focus on value based care initiatives. This is being fueled by factors such as investment in patient engagement and compliance & care performance evaluation initiatives.

Demand in the provider IT market has been concentrated in the larger health systems. To truly unpack the current and future state of value based care driven IT investments, it is essential to evaluate the large health systems in their journey towards adopting value based care.

In this annual report, we analyze the current state of adoption of value based care and evaluate the 40 largest health systems based on their value based care performance and financial health. We focus on:

- Value based care: Market trends and current state of adoption
- Value based care performance evaluation: Analyzing the 40 largest health systems
- Implications for providers: Framework for creating a successful value based care model
- Implications for service providers: Service capability framework

The scope and methodology of this report includes:

- Industry: Healthcare providers (with focus on value based care)
- Geography: U.S.
- Methodology: Both the provider IT market trends and value based care evaluation of health systems are based on analysis done from Everest Group's proprietary databases

Overview and abbreviated summary of key messages (page 1 of 2)

In this annual report, we analyze the current state of adoption of value based care and evaluate the 40 largest health systems based on their value based care performance and financial health. The report also provides actionable frameworks for the health systems to accelerate their value based care initiatives and for the service providers to develop the requisite expertise to support these health systems.

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

Provider IT market

- Demand in the provider IT market has been concentrated in the larger health systems
- Over US$9 billion worth of healthcare IT contracts are due for renewal between 2018 and 2022
- More than 50% of provider IT spending by 2025 will be driven by value based care initiatives

Value based care evaluation of health systems

- Different health systems (among the 40 largest health systems in US) are at different points in their value based care adoption journey and corresponding financial performance:
  - Future Ready: These health systems have high level of value based care adoption and high financial performance
  - At Risk: These health systems have low level of value based care adoption but high financial performance
  - Lagging: These health systems have low level of value based care adoption and low financial performance
  - Invested: These health systems have high level of value based care adoption but low financial performance

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

Implications for providers

- Any healthcare provider, in general, can focus on the following best practices to accelerate the adoption of value based care programs:
  - People and culture: Workforce planning, transparent culture, and organizational restructuring
  - Process improvement: Patient-centered clinical decision making, performance orientation, and standardized processes
  - Stakeholder engagement: Partnership with payers, collaboration among clinicians, finance, and contracting departments, and patient engagement
  - Health information and technology infrastructure: Data-driven personalized care, effective use of EHR, and interoperable systems

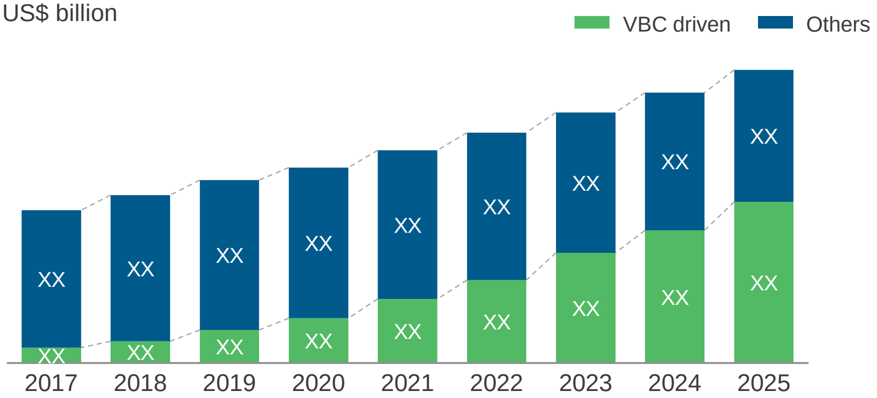
Implications for service providers

- Service providers need to develop differentiated service capabilities to aid providers in adopting value based care models:
  - Data assets, data management, and analytics
  - Talent management
  - Domain credence
  - Engagement across value chain

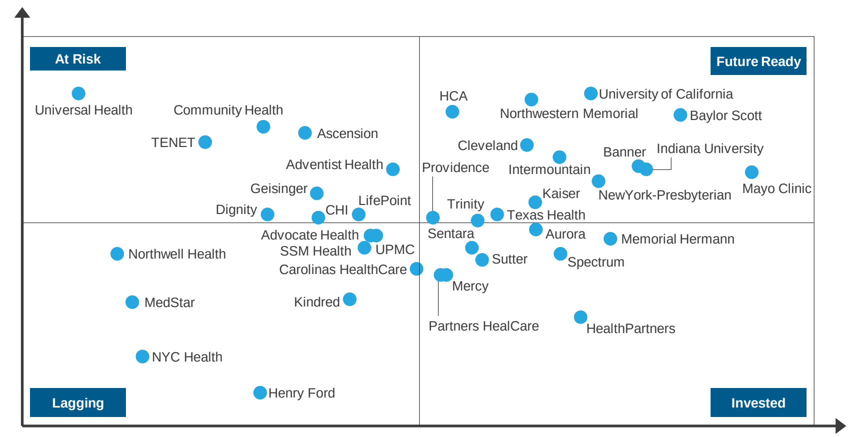
This report offers four distinct chapters providing a deep dive into key aspects of healthcare provider market (VBC focused); below are four charts to illustrate the depth of the report

Provider IT spending forecasts

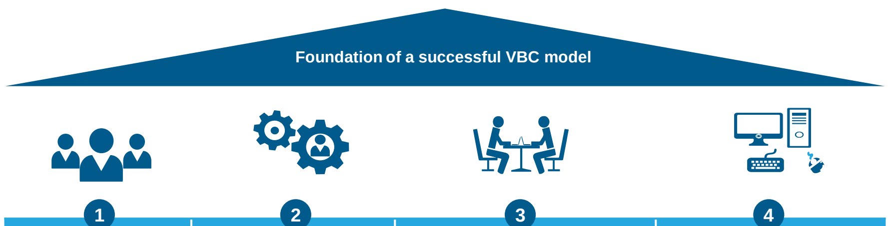
Provider IT spend, by type of initiative
US$ billion



Value based care evaluation of 40 largest health systems



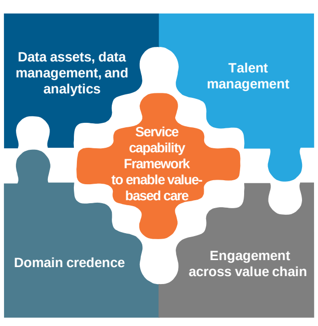
Foundation of a successful value based care model



1 People and culture	2 Process improvement	3 Stakeholder engagement	4 Health information and technology infrastructure
Workforce planning	Patient-centered clinical decision- making	Partnership with payers	Data-driven personalized care
Culture of transparency	Performance orientation	Collaboration among clinicians, finance, and contracting departments	Effective use of EHR
Organizational restructuring	Standardization	Patient engagement	Interoperable systems

Service capability framework for service providers

- Access to large volume of accurate data from varied sources is an essential asset in devising VBC strategies
- The capability to securely manage privileged data and derive actionable insights from the same is important to help providers with VBC initiatives
- All types of data – clinical, financial, and operational – can be analyzed to improve care quality and to lower costs of treatment



- With the healthcare industry embracing the shift to digital, vendors require talent that can help providers with this shift
- Business engagements with providers are driven via long-standing relationships, hence, vendors should focus on retention, engagement, and re-tooling of employees with effective compensation, training, and performance management strategies

- Health systems mostly collaborate with vendors that have extensive experience in the healthcare domain
- Vendors need to focus on consciously building their brand/reputation in the healthcare industry either by projecting existing in-house capabilities or by acquiring firms with known healthcare expertise

- To adopt VBC payment models, providers need to optimize their internal processes and also synchronize them with their patient and payer engagements. So, vendors with capabilities spanning the entire ecosystem have a higher chance of success
- Vendors should partner with-providers, guiding them through all kinds of VBC transformation initiatives

Source: Everest Group (2017)

Research Calendar – HLS ITS

Published | Planned | Current release

Flagship HLS ITS reports	Release date
EHR IT Services in Healthcare Provider Industry – Service Provider Landscape with PEAK Matrix TM Assessment 2016	November 2016
Healthcare Provider IT Services – Service Provider Landscape with PEAK Matrix™ Assessment 2016	November 2016
Healthcare Payer Annual Report: Acing Uncertainties in the Payer Market: The Trump Cards	April 2017
Life Sciences IT Application Services – Service Provider Landscape with PEAK Matrix™ Assessment 2017	May 2017
Life Sciences Clinical and R&D Services – Service Provider Landscape with PEAK Matrix™ Assessment 2017	July 2017
Life Sciences Clinical Trials – PEAK Matrix™ Assessment for Products 2017	September 2017
Healthcare Provider Annual Report 2017: Will the Real Value-Based Care (VBC) Please Stand Up?	**October 2017**
Healthcare Provider IT Services – Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q4 2017

Thematic HLS ITS reports	
Medicare/Medicaid Version 2.0: Exploring the Next Growth Wave in the Market	November 2016
Exploring GICs in the Life Sciences Industry	February 2017
Hot Life Sciences Startups: Friends, Foes, and Frenemies in the Innovation Ecosystem	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
Using Blockchain to Address Interoperability Concerns in Healthcare	June 2017
Healthcare Analytics: Hot Product Vendors 2017	Q4 2017

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Additional HLS IT services 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. **The Big Bang MACRA-economic Theory of Provider IT Transformation** (EGR-2016-12-R-1978); November 2016. 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). 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. Service provider organizations looking at succeeding in this market need to focus on building expertise in key service lines, developing/acquiring talent & skills demanded by providers, and aligning themselves with the evolving vendor engagement models. In this annual report, we analyze the current trends and future outlook of large, multi-year ITO relationships in the provider market. The report also provides specific insights into enabling a go-to-market strategy for healthcare IT

2. **Electronic Health Records (EHR) IT Services in Healthcare Provider Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2016** (EGR-2016-12-R-2000); November 2016. This report covers EHR IT services market trends, the landscape of service providers for EHR IT services market, assessment of the service providers on a number of capability-related dimensions, and implications for EHR IT buyers, product vendors, and service providers

3. **Healthcare Provider IT Services – Service Provider Landscape with PEAK Matrix™ Assessment 2016** (EGR-2016-12-R-1999); November 2016. This report covers provider IT market trends, the landscape of service providers for provider IT, assessment of the service providers on a number of capability-related dimensions, and implications for provider IT buyers 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, Practice Director: nitish.mittal@everestgrp.com
Chathurya Pandurangan, Senior Analyst: chathurya.pandurangan@everestgrp.com
Mayank Thakur, Senior Analyst: mayank.thakur@everestgrp.com

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

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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
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