Healthcare Payer IT Services – Service Provider Landscape with PEAK Matrix™ Assessment 2017

Healthcare and Life Sciences ITS
Market Report – October 2017: Complimentary Abstract / Table of Contents

Copyright © 2017, Everest Global, Inc.
EGR-2017-12-PD-2390

Our research offerings for global services

- **Market Vista™**
  Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

- **Application Services**
- **BPS | Banking Financial Services**
- **BPS | Healthcare & Life Sciences**
- **BPS | Insurance**
- **Catalyst™**
- **Cloud & Infrastructure**
- **Contact Center**
- **Digital Services**
- **Engineering Services**
- **Finance & Accounting**
- **Human Resources**
- **ITS | BFSI***
- **ITS | Healthcare & Life Sciences**
- **IT Services Forecaster™**
- **Locations Insider™**
- **PricePoint™**
- **Procurement**
- **Recruitment & Talent Acquisition**
- **Service Optimization Technologies**
- **Transaction Intelligence**

Subscription information

- This 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**

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

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

* Banking, financial services, and insurance

Copyright © 2017, Everest Global, Inc.

Table of contents (page 1 of 2)

Copyright © 2017, Everest Global, Inc.

Table of contents (page 2 of 2)

Copyright © 2017, Everest Global, Inc.

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 20 payer IT service providers specific to the global healthcare sector. These service providers are mapped on the Everest Group PEAK Matrix™, which is a composite index of a range of distinct metrics related to a provider’s vision & capability and market impact.

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 toward the U.S. payer market, given dominant market activity)

Copyright © 2017, Everest Global, Inc.

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

This report provides a comprehensive assessment of the healthcare payer IT services market and maps the leading service providers on Everest Group's PEAK Matrix. It also includes detailed profiles of featured product vendors.

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

Enterprise dissatisfaction

- Almost half of the enterprises are not satisfied with their service providers. As a matter of concern 25% of the enterprises are "highly unsatisfied" with their service providers
- Enterprises believe that large service providers need to improve their client management and commercial models whereas mid- and small- sized service providers need to improve their domain expertise

Market trends

- **Value-based care advancement:** Around 60% of U.S. payer IT spending by 2025 will be driven by value based care initiatives. Commercial payers are following CMS when it comes to adopting value-based care payment protocols. The extent of adoption depends among other factors on, payer size and region of operation
- **Battling falling profitability:** Increasing cost and rising administrative and fraud-related expenses have contributed to the declining overall profitability of payers. Amidst the turmoil, national plans are making decent profits whereas mid-sized and regional plans are under high financial distress
- **Cybersecurity:** Security technology investments in the healthcare market are expected to touch US$10 billion by 2020. Security threats originate from multiple sources, but healthcare organizations currently perceive ransomware as their biggest security threat
- **Regulatory uncertainty:** The U.S. healthcare market is currently undergoing a significant turbulence on account of persistent regulatory uncertainty. Legislative and budgetary uncertainty has lowered the approval rates of new healthcare projects, thus negatively impacting service providers

Copyright © 2017, Everest Global, Inc.

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

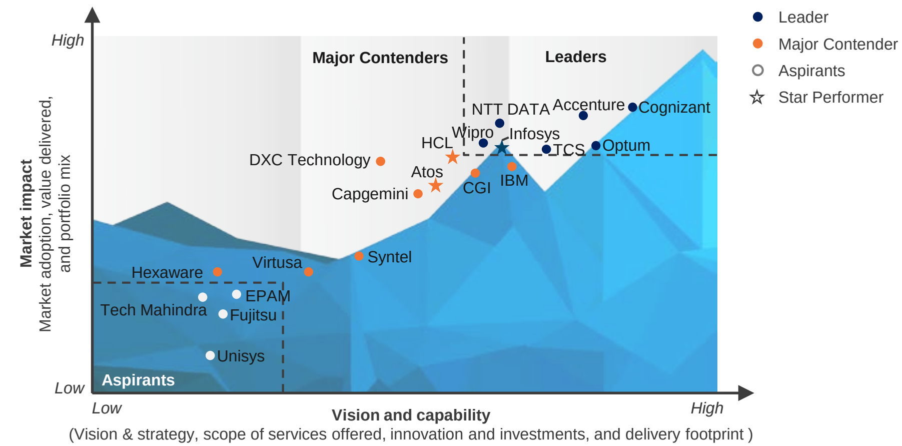
PEAK Matrix for healthcare payer IT services

- 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
- Amidst falling profitability, declining margins and persistent regulatory uncertainty, payers are focusing on cost management and efficiency enhancement initiatives. The spotlight is also on Value Based Care (VBC) enablement as it is expected to shape the industry in the near future
- Leaders have a well balanced portfolio across the payer IT services value chain, various subverticals and different customer sizes. They have combined their capabilities in digital technologies with a consultative-led selling approach to position themselves as strategic partners to the clients
- Major Contenders are enhancing their digital capabilities and domain expertise via both organic modes and inorganic means/acquisitions. They are trying to strategically expand their geographical reach as well
- Aspirants' healthcare payer business lags behind in terms of domain expertise and geographic footprint. Payer segment has not been the strategic area of focus for them and they are yet to establish themselves as a strategic partner vis-à-vis a tactical one

Copyright © 2017, Everest Global, Inc.
EGR-2017-12-PD-2390

This study offers four distinct chapters providing a deep dive into key aspects of healthcare payer IT services market; below are four charts to illustrate the depth of the report

Everest Group PEAK Matrix™ for Healthcare Payer IT Services



Key takeaways

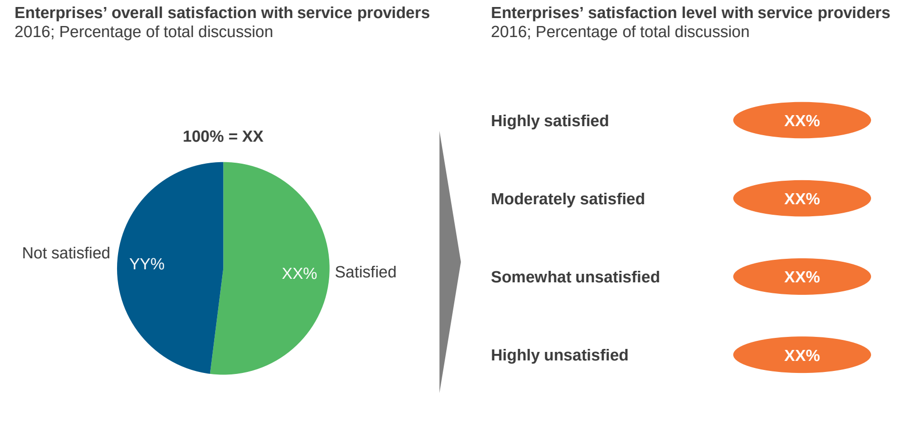
1 In times of uncertainty, payers develop strategies to advance value-based care

2 Falling profitability and declining margins continue to remain industry pain points

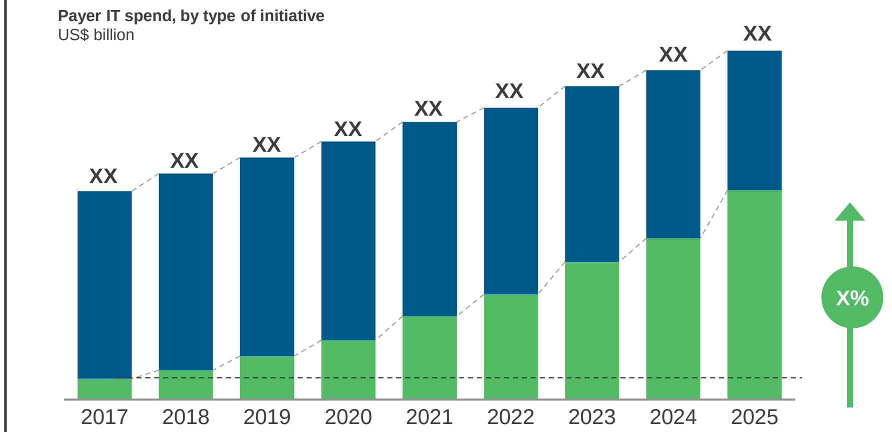
3 Cybersecurity has become a necessity and the industry's survival depends on it

4 Regulatory uncertainty clouds payer agenda as they take a wait-and-watch approach

Enterprise dissatisfaction



VBC driven IT spending by payers



Source: Everest Group (2017)

Copyright © 2017, Everest Global, Inc.
EGR-2017-12-PD-2390

The healthcare payer IT services PEAK report has 20 service provider profiles

XYZ | Payer IT services profile (page 1 of 2)
Overview

Strengths

- Focus on differentiation through a consultative-led selling approach to create downstream technology implementation opportunities
- Strategic emphasis on pursuing business opportunities with large payers
- Developed extensive capabilities in digital technologies, especially data analytics, cloud computing, and artificial intelligence

Areas of improvement

- Traditional cost optimization and efficiency improvement opportunities should be strategically balanced with digital transformation opportunities
- Place strategic bets in the infrastructure continuum to augment end-to-end value proposition

Scope and coverage: Electronic health & medical records, HIE, HIX, analytics, claims processing services, health CRM, health marketing, etc.

Payer IT services focus by subvertical (High / Medium / Low)

Public health plans | Private health plans

Payer IT services focus by service scope (High / Medium / Low)

Infrastructure services | SI/consulting | Application services

Payer IT services focus by value chain (High / Medium / Low)

Product development | Policy servicing and ma[…]ent | Network management | Care management | Claims management

Payer IT services revenue

Payer IT services focus segme[…]

Small (annual revenue < US$1 b[…]

Medium (annual revenue = US$1[…]

Large (annual revenue > US$5 b[…]

Payer IT services delivery map

XYZ | Payer IT services profile (page 2 of 2)
Offerings and recent developments

Proprietary solutions (representative list)

Solution	Details
XXXX	For end-to-end services with core platform technology and business processing services for government clients. XXXX is the foundation for its offerings in the HIX market and Medicaid market. The platform helps states and managed care organizations reduce cost & risk of deploying new capabilities, and provides budgeted focus on improving outcomes
XXXX	Flexible, service-based technology platform to help public health agencies manage a wide array of citizen services in an integrated manner and improve service delivery
XXXX	Applies patented advanced analytics across multiple transaction types to address business imperatives, increase cost savings, and improve customer experience
XXXX	Suite of analytics-based solutions that help enterprises to build evidence-driven models. XXXX uses data and analytics to determine which treatments and services lead to better patient provider and economic outcomes. XYZ has formed alliances with ABC, DEF, and GHI to deliver these solutions
XXXX	Provides various services and offerings to improve health outcomes in target U.S. states
XXXX	Helps to develop and deliver comprehensive patient programs based on the requirements of unique patient segments
XXXX	Cloud solution that enables health insurers to deliver seamless customer experiences

Key events (representative list)

Event name	Type of event	Details
Innovation center in YYYY	Capability expansion	July 2016: XYZ opened an Innovation Center for Technology in YYYY, United States. The facility will support the U.S. Social Security Administration (SSA) and Centers for Medicare and Medicaid Services (CMS) with implementation of cloud and mobile technologies

Copyright © 2017, Everest Global, Inc.

Research Calendar – HLS ITS

Published | Planned | Current release

Flagship HLS ITS reports	Release date
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 Payer IT Services – Service Provider Landscape with PEAK Matrix™ Assessment 2017	**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
Exploring the Middle East Healthcare Opportunity	August 2017

Note: For a list of all Healthcare & Life Sciences IT Outsourcing reports published by us, please refer to our website page

Copyright © 2017, Everest Global, Inc.
EGR-2017-12-PD-2390

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. **Using Blockchain to Address Interoperability Concerns in Healthcare** (EGR-2017-12-V-2217); June 2017. Seamless sharing of health information across stakeholders is key to enabling better quality care. This ability of the health IT systems to share information with each other and use that shared information is called interoperability. In order to make interoperability a reality, not only does the underlying core technology need to be perfected, but also the human barrier to such a massive change needs to be adequately dealt with. This report discusses some possible ways to address interoperability concerns in healthcare by looking at two promising technologies – Blockchain and IOTA Tangle – while simultaneously bringing out the cultural challenges in enabling interoperability

2. **Automation Playbook for Healthcare Payers: The Ultimate Guide to the Next Big Treasure Hunt** (EGR-2017-12-R-2143); April 2017. The healthcare payer market is currently going through a state of turbulence owing to regulatory uncertainty, fast-changing consumer dynamics, and tight competition. Payers are struggling to balance the dual mandate of cost containment and growth. Automation technologies are expected to solve the issues of cost optimization, burden of IT legacy, and talent management. This report analyzes the key drivers behind automation adoption, market size & growth of payer IT automation market, evolution of automation, building blocks of automation, adoption trends, and opportunity assessment by healthcare payer value chain, IT Services (ITS), and Business Process Services (BPS). The report also charts out automation amenability for various processes within the healthcare payer value chain and technology services

3. **Healthcare Payer BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2016** (EGR-2017-12-R-2082); February 2017. The report provides detailed analysis of the service provider market share, relative position on the Everest Group PEAK Matrix, capability assessment, and Everest Group's remarks on service providers highlighting their key strengths and development areas

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

Copyright © 2017, Everest Global, Inc.

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 empower 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
+1-416-388-6765

Stay connected

Website
www.everestgrp.com

Social Media
@EverestGroup
@Everest Group

Blog
Sherpas In Blue Shirts
www.sherpasinblueshirts.com