



Health & Welfare Benefits Administration Outsourcing (H&W BAO) Market Report 2018 – Unlocking Value Through Improved Employee Experience

Human Resource Outsourcing (HRO)

Market Report – July 2018: Complimentary Abstract / Table of Contents

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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

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Everest Group's H&W BAO research is based on multiple sources of proprietary information (page 1 of 2)

- Everest Group's proprietary database of over **1,100 H&W BAO deals** (updated annually)
- The database tracks the following elements of each H&W BAO deal
 - **Buyer details:** Including industry, size, and signing region
 - **Deal details:** Including TCV, ACV, term, start date, total participants managed, and the primary pricing structure
 - **Scope:** Process coverage and geographic coverage
 - Technology ownership and maintenance
 - Global sourcing

- Everest Group's proprietary database of **operational capability of over 11 H&W BAO service providers**
- The database tracks the following capability elements for each service provider
 - Major H&W BAO clients and recent wins
 - Overall H&W BAO revenue, total number of participants managed, and number of H&W BAO FTEs
 - H&W BAO clients split by geography scope and coverage, industry, headquarter location, and buyer size
 - H&W BAO service suite, delivery locations, and level of offshoring
 - H&W Benefits-related technology capability
 - Recent H&W BAO-related developments (investments and partnerships)

Service providers covered in the analyses¹



¹ This assessment excludes Mercer, Businessolver, and Secova's inputs on this particular study and is based on Everest Group's estimates that leverage its proprietary Transaction Intelligence (TI) database, service provider public disclosures, and interaction with buyers

Everest Group's H&W BAO research is based on multiple sources of proprietary information (page 2 of 2)

Buyer surveys and interactions

Global surveys and one-on-one executive-level interviews of buyers are undertaken to understand how organizations perceive performance of their H&W BAO provider. The surveys/interviews focus on different aspects of an outsourcing relationship including:

- Key drivers for outsourcing H&W BAO
- Contract details (including process scope, signing year, and duration)
- Overall performance of the service provider including key strengths and improvement areas
- Detailed assessment of service provider performance across elements such as:
 - Key H&W BAO metrics
 - H&W BAO processes
 - Implementation and transition phases
 - Governance and relationship management

The analyses in this report are presented at two levels:

- Overall market analysis that highlights the overall market composition/dynamics
- The current market trends based on deal activities up to December 2017

The sample size varies for different analyses, based on the deal detail availability.

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

This report provides a comprehensive coverage of the 2018 global H&W BAO market and analyzes it across various dimensions such as market overview and key market trends, buyer adoption and solution trends, and service provider landscape. It also identifies the key implications of the research findings for buyers and service providers.

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

H&W BAO market overview

- The H&W BAO market continues its steady growth of ~9% and has a market size of ~US\$ 3.7 billion. H&W benefits administration outsourcing market accounts for ~45% of the overall BAO market (US\$ 8-8.5 billion)
- The total number of active deals has gone up by 8.6% from 2016 due to Affordable Care Act (ACA) regulations and increase in first-generation outsourcers

Buyer adoption trends

- Most of the H&W BAO deals are local single-country deals restricted to the United States. North America continues to be the largest adopter of H&W BAO, making up for more than 90% of the market
- Deal durations across buyer sizes are converging towards the four-year mark. Small- and mid-sized buyers now have longer deal lengths due to the increased confidence in the outsourcing construct, however, large-sized buyers now expect transformative outcomes within relatively shorter durations
- H&W BAO adoption is mostly industry-agnostic due to the stringent regulatory and compliance requirements

Solution and transaction trends

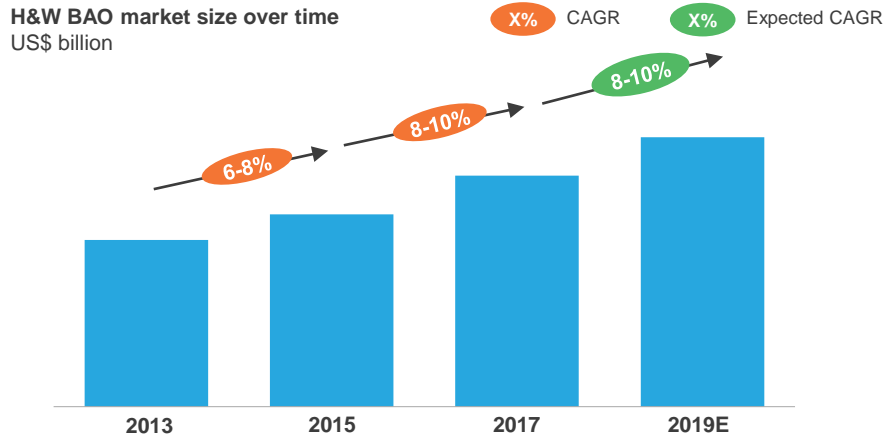
- H&W BAO is an onshore-centric market with 85-90% of the FTEs in onshore locations. India and Southeast Asia are the preferred offshore locations
- Buyers have aggressively adopted cloud-based H&W BAO solutions with ~90% of the total deals being cloud-based due to the confidence in the model. Interestingly, buyers seem to prefer providers' proprietary cloud solutions to off-the-shelf, third-party solutions due to better capabilities in decision support and analytics
- Among the next-generation technologies, AI-enabled automation is generating a lot of interest, with providers seeking to leverage this technology to offer sophisticated and personalized solutions for the employees. New use-cases are emerging for predictive and prescriptive analytics

Service provider landscape

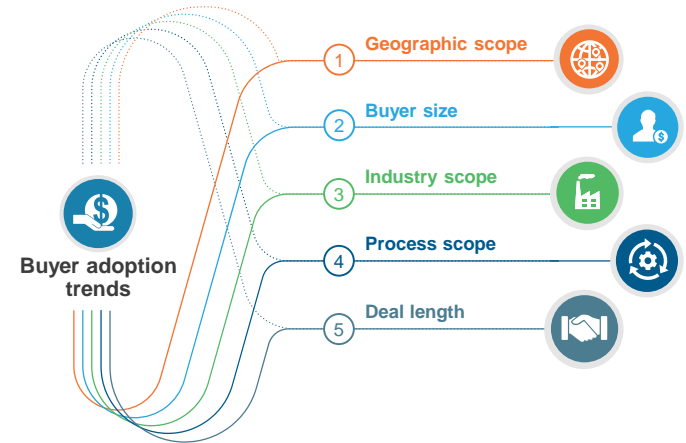
- H&W BAO market can be classified into four categories based on the company background. These are HR consulting/technology, focused H&W benefits outsourcing, HRO/BPO services, and insurance providers
- There has been a lot of market activity in the H&W BAO market with respect to acquisitions and spin-offs
 - Many service providers have spun-off from their parent companies to focus on their strength which is HRO/BPO services
 - Some others have also grown inorganically to expand their scope of services to provide a comprehensive benefits solution

This study offers four distinct chapters providing a deep dive into key aspects of H&W BAO market; below are four charts to illustrate the depth of the report

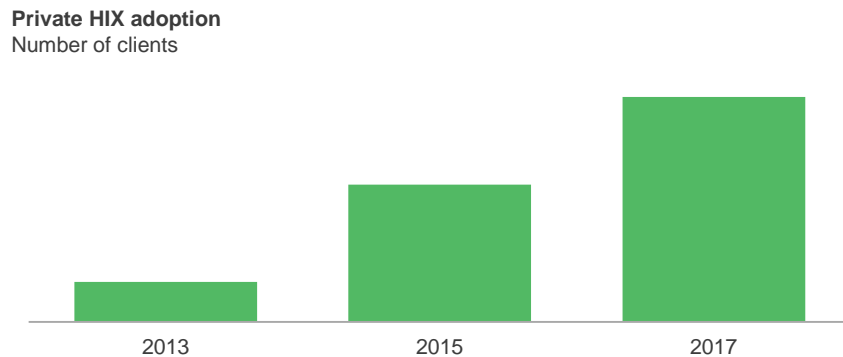
H&W BAO market size and growth



Buyer adoption trends are analyzed across five dimensions

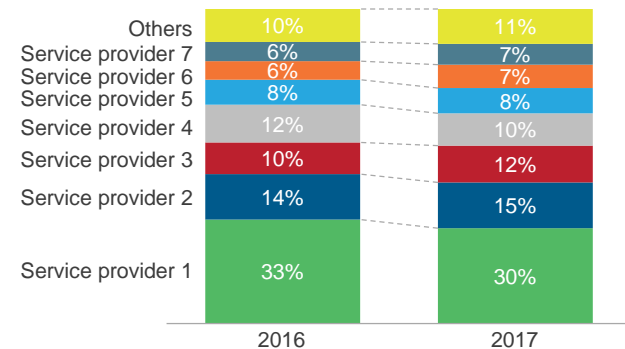


Adoption of private health insurance exchanges (HIX)



Market share by participants managed

Overall service provider share distribution
Annual number of participants managed (in millions)



Research calendar – Human Resources Outsourcing (HRO)

Published
 Planned
 Current release

Flagship HRO reports

Release date

Multi-Process Human Resources Outsourcing (MPHRO) – Buyer Satisfaction Report 2018	March 2018
Heath and Welfare (H&W) Benefits Administration Outsourcing – Service Provider Landscape with PEAK Matrix™ Assessment 2018	June 2018
SuccessFactors Business Process Services – Service Provider Landscape with PEAK Matrix Assessment 2018	June 2018
Heath and Welfare (H&W) Benefits Administration Outsourcing – Service Provider Profile Compendium 2018	July 2018
Health & Welfare Benefits Administration Outsourcing (H&W BAO) Market Report 2018 – Unlocking Value Through Improved Employee Experience	July 2018
Multi-Country Payroll Outsourcing (MCPO) – Service Provider Landscape with PEAK Matrix™ Assessment 2018	Q3 2018
Multi-Country Payroll Outsourcing (MCPO) – Annual Report 2018	Q3 2018
Multi-Country Payroll Outsourcing (MCPO) – Service Provider Profile Compendium 2018	Q3 2018

Thematic HRO reports

The Impact of Technology on HR GICs – A Call to Action	January 2017
Aon Goes Back to its Roots; the (Re-) Birth of an HR Outsourcing Specialist	March 2017
Payroll Outsourcing in Asia Pacific: Climbing Up the Maturity Ladder	March 2017
Long-Tail HR Operations: Key Challenges and How to Overcome Them	March 2017
The Future of HR Services – An Employee-Centric, Digital-First Approach	September 2017
Ulrich Model – Recasting in a Digital Light	Q3 2018

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Additional HRO 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. **Health & Welfare Benefits Administration Outsourcing – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018** ([EGR-2018-24-R-2678](#)); This report gives an overview of the H&W BAO market and analyzes how service providers differentiate themselves. Based on the comprehensive Everest Group PEAK Matrix, each of the 11 H&W BAO service providers are segmented into Leaders, Major Contenders, and Aspirants. The report also provides key insights into the strengths and areas of improvements of each service provider
2. **Multi-Process Human Resources Outsourcing (MPHRO) – Annual Report 2018** ([EGR-2017-3-R-2509](#)); 2017. This research provides comprehensive coverage of the 2016-17 MPHRO market across dimensions such as state of the market, MPHRO market size & adoption, key MPHRO market themes, and buyer adoption trends. It focuses on how the HRO market gained momentum due to the shift in the HR services paradigm
3. **The Future of HR Services – An Employee-Centric, Digital-First Approach** ([EGR-2017-3-V-2316](#)); 2017. This viewpoint looks at the downsides of the traditional model of HR services, the evolving paradigm of HR services driven by focus on employee experience & engagement, and a new model of digital-first HR services that is differentiated from the traditional model in terms of technology, people, and process. It provides use cases in HR for the disruptive technologies of advanced analytics and Service Delivery Automation (SDA). Further, it describes the immense potential of the new model for service providers and best practices that can drive success for enterprises

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About Everest Group

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