State of the Market Report | Healthcare IT Services

Healthcare Payer Enterprise Insights – H1 2021

September 2021: Complimentary Abstract / Table of Contents

EGR-2021-45-CA-4623

Our research offerings

This report is included in the following research program(s):
Healthcare ITS

- Application Services
- Banking & Financial Services BPS
- Banking & Financial Services ITS
- Catalyst™
- Clinical Development Technology
- Cloud & Infrastructure
- Conversational AI
- Contingent Workforce Management
- Cost Excellence
- Customer Experience Management Services
- Cybersecurity
- Data & Analytics
- Digital Adoption Platforms (DAP)
- Digital Services
- Engineering Services
- Enterprise Platform Services
- Finance & Accounting
- Financial Services Technology (FinTech)
- Global Business Services
- Healthcare BPS
- Healthcare ITS
- Human Resources
- Insurance BPS
- Insurance ITS
- Insurance Technology (InsurTech)
- Insurance Third-Party Administration (TPA) Services
- Intelligent Document Processing (IDP)
- Interactive Experience (IX) Services
- IT Services Executive Insights™
- Life Sciences BPS
- Life Sciences ITS
- Locations Insider™
- Market Vista™
- Mortgage Operations
- Multi-country Payroll
- Network Services & 5G
- Outsourcing Excellence
- Pricing-as-a-Service
- Process Mining
- Procurement
- Recruitment Process Outsourcing
- Rewards & Recognition
- Service Optimization Technologies
- Supply Chain Management (SCM) Services
- Talent Excellence GBS
- Talent Excellence ITS
- Technology Skills & Talent
- Trust and Safety
- Workplace Services
- Work at Home Agent (WAHA) Customer Experience Management (CXM)

If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at **info@everestgrp.com**

Learn more about our
custom research capabilities

Benchmarking

Contract assessment

Peer analysis

Market intelligence

Tracking: service providers, locations, risk, technologies

Locations: costs, skills, sustainability, portfolios

Contents

For more information on this and other research published by Everest Group, please contact us:

Abhishek Singh, Partner

Chunky Satija, Practice Director

Kanika Gupta, Senior Analyst

Sana Jamal, Assistant Manager

Vasu Kalra, Information Specialist

Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

01

Robust definitions and frameworks

PEAK Matrix®, market maturity, and technology adoption/investment

02

Primary sources of information

Annual contractual and operational RFIs, service provider briefings and buyer interviews, web-based surveys

03

Diverse set of market touchpoints

Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership

04

Fact-based research

Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and service providers

Proprietary contractual database of Healthcare IT Services (ITS) contracts (updated annually)

Year-round tracking of Healthcare IT service providers

Large repository of existing research in Healthcare

Over 30 years of experience advising clients on strategic IT, business services, engineering services, and sourcing

Executive-level relationships with buyers, service providers, technology providers, and industry associations

Background of the research

COVID-19 has fundamentally altered the functioning of the healthcare industry, by bringing in sweeping changes in who receives care and how they get access to it. Payers faced some critical challenges such as disruption of member service operations; multiple administrative inefficiencies around provider network management/coordination, member communication, and claims management. Now that the dust is settling a bit from the global health crisis and organizations are once again turning profitable, they are looking beyond the immediate issues of cost takeout, care delivery, and capacity utilization toward building resilient business models, improving care outcomes, and enhancing the experience of healthcare users including physicians, patients, and members.

Payers reported huge profits in the first quarter of 2021. Higher enrollment in government plans drove the growth especially Medicare Advantage (MA) plans, although commercial enrolment was still below the pre-pandemic levels. Healthcare enterprises are realizing the need for building coordinated, integrated, and preventive care as they move toward value-based care and invest in bringing costs down while improving the quality of care. Payers have realized this need and are increasingly building strategies to build new home-based health models, strengthen population health initiatives, and build better coordination between different forms of care.

This report provides perspective on how payers performed in H1 2021. The report focuses on industry- and account-level financial and LoB performance and key business and IT investment themes.

Scope of this report:

Geography
US

Industry
Healthcare payer

Services
Healthcare payer services

Summary of key messages

Financial performance

During H1 2021, payers posted strong revenue growth attributed to increased enrollment in government plans. As a result of this, operating and net income for payers increased in Q1 2021. However, in Q2 2021, despite posting strong revenue growth, payers experienced a drop in operating and net income as COVID-19 testing, treatment, and vaccination costs increased along with an increase in care utilization. Some payers also cited acquisition costs to explain the drop in income.

Expansion of government business

Healthcare payers continue to post a steady increase in government enrollment due to the extended Special Enrollment Period (SEP) under the Affordable Care Act, as well as employees moving toward affordable options such as MA and Medicaid plans that offer more flexibility in coverage (unlike group-based coverage policies employer-sponsored health insurance plans). Some payers are reporting organic growth in enrollment, while others are expanding through acquisitions and partnerships.

Business themes

Home care, telehealth, and integrated, coordinated, and preventive care emerged as the key themes for payers in H1 2021. Payers leveraged partnerships and acquisitions to enhance their capabilities and improve member experience.

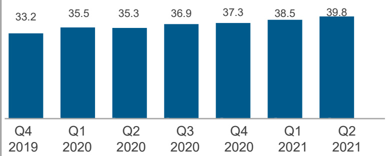
IT themes

Healthcare payers continue to invest in future-proofing their technology to achieve operational excellence by leveraging digital technologies – Artificial Intelligence (AI), Machine Learning (ML), Robotic Process Automation (RPA), cloud, and data analytics.

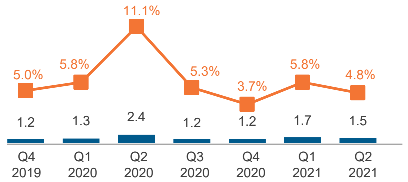
This study offers distinct chapters providing a deep dive into key aspects of healthcare payer market; below are four charts to illustrate the depth of the report

Healthcare payer industry financial performance: revenue and income

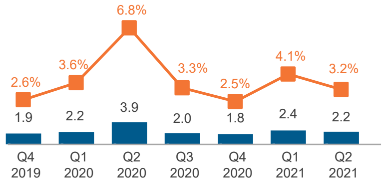
Healthcare payer's average revenue
Q4 2019 – Q2 2021[1], billion



Healthcare payer's average operating income
Q4 2019 – Q2 2021[1], billion



Healthcare providers' average net income
Q4 2019 - Q1 2021[1], billion



- During the first half of 2020, payers reported strong numbers due to deferment of non-emergent procedures resulting in a drop of claims as a result of COVID-19 restrictions, and in the second half of 2020 payers reported a drop in operating and net income due to a rebound in healthcare utilization
- During H1 2021, payers posted strong revenue growth owing to an increase in government enrollment that subsequently led to higher MA revenue. As a result, operating and net income for payers increased in Q1 2021. In Q2 2021, despite posting strong revenue growth, payers experienced a drop in operating and net income as COVID-19 testing, treatment, and vaccination costs increased along with an increase in care utilization. Additionally, some payers cited acquisition costs as the reason for decline in income

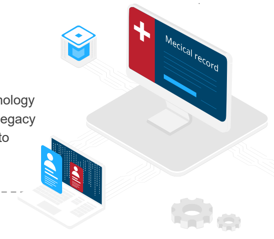
1 Financial information include numbers for Cigna, Anthem, UHG, Centene Corporation, Humana, CVS-Aetna, and Molina Healthcare

IT themes that took center stage in H2 2020

Key IT and technology themes in H2 2020 (also pivotal in H1 2021)

Modernization and automation

The disruptions caused by the COVID-19 pandemic accelerated the need of future-proofing in-house technology with payers investing significantly to modernize their legacy systems and leverage AI, ML, and RPA technologies to reduce Operational inefficiencies and automate time-consuming processes.



Increase operational efficiency

With increased COVID-19 care costs and rebound in healthcare utilization, payers are focusing on improving operational efficiency.

Key IT and technology themes in H1 2021

Blockchain

The payer industry is leveraging blockchain-based public ledger technology to improve transparency and interoperability in healthcare.Z

Platform-based modernization

Evolving market needs and ever-changing regulations have pushed payer organizations to modernize their legacy systems. Payers are looking to reduce their technical debt (the siloed and multi-technology challenge) via an integrated platform approach.

Cloud migration and modernization

Payers are partnering with technology vendors to migrate their systems to the cloud. Additionally, payers are investing in cloud-native applications to achieve operational excellence and provide remote health-monitoring services to members.

Membership change by LoB in major payer accounts

Number of members – by LoB[1]
Millions

Q1 2021 | Q2 2021
Rise | No change | Fall

	LoB	Q1 2021	Q2 2021	Q1 2021 – Q2 2021 movement	Government	Commercial
Payer 1	Government	13.3	14.1	Anthem increased enrollment in government business through its acquisition of MMM Holdings (May 2021) offering its MA plan to Puerto Rican customers.	Rise	Fall
	Commercial	30.2	30.2			
Payer 2	Non-risk membership	0.0	0.0	• In January 2021, Centene expanded its offerings in the health insurance marketplace in 400 new counties across 13 existing states and added New Mexico and Michigan, which resulted in increased enrollment • In March 2021, the federal government extended the SEP under the Affordable Care Act till mid August, which enabled Centene to add members to its government health plans	Rise	Rise
	TRICARE eligible	2.9	2.9			
	Correctional	0.1	0.1			
	International	0.6	0.6			
	Medicaid + [1]	19.1	19.3			
	Commercial	2.4	2.5			

1 Line of Business

Key investment themes in major payer accounts

Logo 1

H2 2020 – H1 2021

Payer 1 focused on expanding its health insurance services to new regions and enhance its MA network. Additionally, the company invested in cloud technology

H2 2020: business themes
Virtual care, improved and reduced cost of care, and focus on expanding MA

H2 2020: IT/technology themes
Mainframe modernization, applications testing, and cloud migration

H1 2021: business themes
- **Expansion of care:** partnered with Oscar Health to provide health insurance services in Connecticut, Bay Area, Central Coast, Greater Sacramento, Inland Empire, Los Angeles, Orange County, North Bay, and San Diego regions
- **MA:** partnered with Iora Health to expand its MA network; appointed Lisa Wagamon, Robert Pettigrew, and Jamie Benedict as Head of its MA plans in the Carolinas, Alabama & Northwest Florida, and Ohio respectively to support its continuing expansion
- **Behavioral health:** partnered with Ginger to provide on-demand behavioral health coaching to its members
- **Virtual care:** acquired MDLIVE to expand its virtual care capabilities through its Evernorth segment

H1 2021: IT/technology themes
- **Application development:** development support for its Coordination of Benefits (CoB) application, payment integrity, and transaction services
- **Cloud:** announced Majesco as its cloud IT vendor for supplemental health offering

Logo 2

H2 2020 – H1 2021

Payer 2 reported continued focus on enhancing home care and mental health capabilities. Additionally, the company is investing in blockchain technology to achieve operational excellence

H2 2020: business themes
Behavioral health, mental health, home care, and member engagement

H2 2020: IT/technology themes
AI, ML and data analytics

H1 2021: business themes
- **Expansion of care: partnered with Iora Health providers to provide care to its members in Harris County, Texas, US**
- **Mental health:** launched a service offering mental/behavioral health services in its pharmacy locations
- **COVID-19 vaccination:** launched Return Ready to increase access to vaccines at employer-based centers
- **Home care:** launched a medical alert system for caregivers to monitor patients through a collection of in-home and wearable devices to provide 24/7 personal emergency response platform; partnered with Cancer Treatment Centers of America to increase access to chemotherapy at home

H1 2021: IT/technology themes
- **Blockchain:** partnered with HCSC, Anthem, and IBM to form Avaneer, which will leverage blockchain technology to remove inefficiencies and improve transparency and interoperability in healthcare

Research calendar
Healthcare IT Services (ITS)

Published | Planned | Current release

Flagship Healthcare ITS reports	Release date
Healthcare Provider Digital Services PEAK Matrix® Assessment 2020	June 2020
Salesforce Health Cloud Services PEAK Matrix® Assessment 2020	December 2020
Healthcare Specialists PEAK Matrix® Assessment 2020	December 2020
State of the Market – Salesforce Health Cloud services	March 2021
Healthcare Automation Services Peak Matrix® Assessment 2021	Q3 2021
Healthcare Analytics Services PEAK Matrix® assessment 2021	Q3 2021
Healthcare Cloud Data Platforms PEAK Matrix® assessment 2021	Q4 2021
Telehealth Solutions PEAK Matrix® Assessment 2021	Q4 2021

Thematic Healthcare ITS reports	Release date
Unpacking the Rise of Telehealth	July 2020
Platform-based Modernization of Healthcare Payer	August 2020
A Tectonic Shift in the Healthcare Market - UnitedHealth Group's Optum Acquires Change Healthcare	January 2021
Healthcare Member Experience Transformation	July 2021
Interoperability in Healthcare	September 2021
Healthcare Payer Enterprise Insights – H1 2021	**September 2021**
BigTechs in Healthcare Industry – Microsoft, AWS, Google, Salesforce	Q4 2021

Note: For a list of all our published Healthcare ITS reports, please refer to our website page

Everest Group®
With you on the journey

Everest Group is a research firm focused on strategic IT, business services, engineering services, and sourcing. Our clients include leading global companies, service providers, and investors. Clients use our services to guide their journeys to achieve heightened operational and financial performance, accelerated value delivery, and high-impact business outcomes. Details and in-depth content are available at **www.everestgrp.com**.

Stay connected

Website
everestgrp.com

Social Media
@EverestGroup
@Everest Group
@Everest Group
@Everest Group

Blog
everestgrp.com/blog

Dallas (Headquarters)
info@everestgrp.com
+1-214-451-3000

Bangalore
india@everestgrp.com
+91-80-61463500

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

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

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