Topic: IT Outsourcing in Healthcare Payer Industry – Annual Report 2013: Taking the Debate Beyond the Reforms Mandate

Healthcare Outsourcing
Annual Report: July 2013 – Preview Deck

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  - **Healthcare Outsourcing**

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

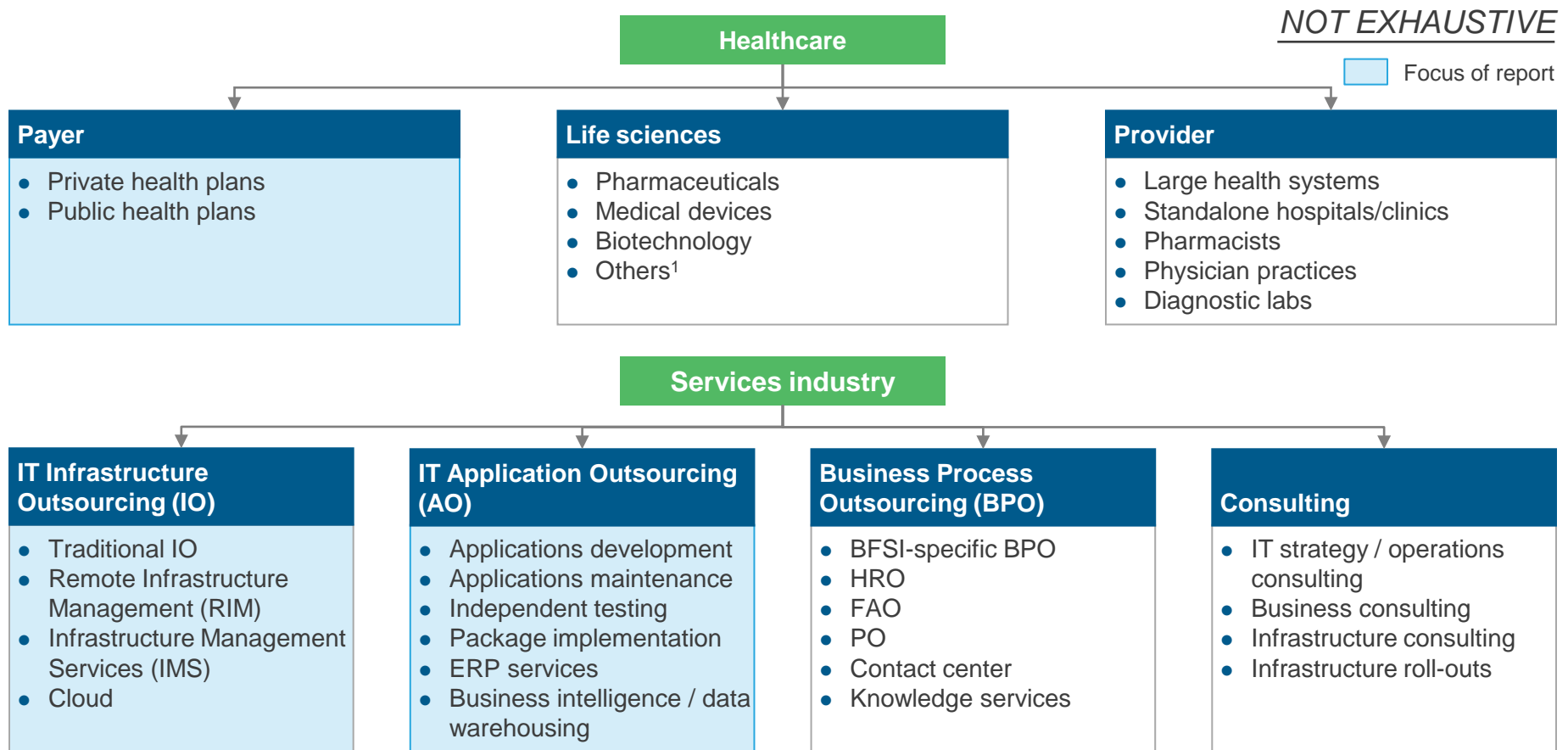|	
BFSI[1] information technology	Finance & accounting
BFSI[1] business process	Procurement
Healthcare information technology	Human resources
Information technology	Recruitment process
Cloud Vista	Contact center
Global sourcing	Service provider intelligence
PricePoint	Transaction Intelligence

Custom research capabilities
- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

1   Banking, financial services, and insurance

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This report provides an insight into current trends and the future outlook for large, multi-year ITO relationships in the global healthcare payer sector

NOT EXHAUSTIVE

□ Focus of report

Healthcare

Payer
- Private health plans
- Public health plans

Life sciences
- Pharmaceuticals
- Medical devices
- Biotechnology
- Others[1]

Provider
- Large health systems
- Standalone hospitals/clinics
- Pharmacists
- Physician practices
- Diagnostic labs

Services industry

IT Infrastructure Outsourcing (IO)
- Traditional IO
- Remote Infrastructure Management (RIM)
- Infrastructure Management Services (IMS)
- Cloud

IT Application Outsourcing (AO)
- Applications development
- Applications maintenance
- Independent testing
- Package implementation
- ERP services
- Business intelligence / data warehousing

Business Process Outsourcing (BPO)
- BFSI-specific BPO
- HRO
- FAO
- PO
- Contact center
- Knowledge services

Consulting
- IT strategy / operations consulting
- Business consulting
- Infrastructure consulting
- Infrastructure roll-outs

This report analyzes ITO in the payer vertical with a focus on large (TCV > US$25 million), annuity-based, and multi-year (>3 years) relationships

1   Includes healthcare data & information services, and medical products distribution

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This report is a part of Everest Group's series of six reports focused on ITO in healthcare in 2013

Annual report
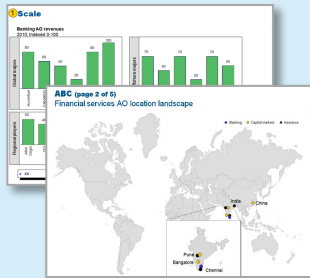
- Each report provides an overview of the ITO market for the specific healthcare subsegment
- The reports draw from data shared by service providers and Everest Group's proprietary database, transaction intelligence, to build a fact-based view of the specific healthcare subsegments
- The reports analyze **key trends in market size & growth, demand drivers, adoption & scope trends, emerging themes, key areas of investment, and implications for key stakeholders**

Payer
Life sciences
Provider

Service provider landscape and capability profiles
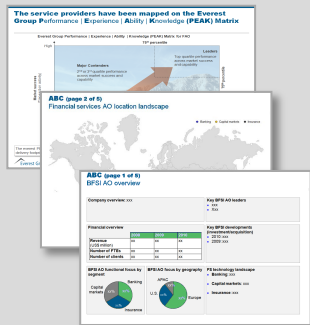
Each report provides:
- Mapping of service providers on **Everest Group's PEAK Matrix** for the specific subsegment
- Capability profiles of service providers capturing their ITO services experience in specific subsegments. This includes:
  - Service provider overview: Details of ITO services capabilities, key investments, proprietary solutions, and technological expertise
  - Functional / Line of Business (LoB) focus
  - Transactions overview for ITO services
  - Delivery footprint

Payer
Life sciences
Provider

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Background and scope of the research

Background of the research

The healthcare industry has witnessed a rapid increase in IT and business process outsourcing adoption in recent years. Regulatory reform, consumerization of healthcare, market consolidation, and emergence of new technologies have accelerated outsourcing in the healthcare market. A number and variety of service providers have developed capabilities to cater to this growing market.

With healthcare companies stepping up adoption of outsourced delivery, there is an uptick in demand for research and market intelligence on demand and supply trends in healthcare outsourcing across the three major market segments – payer, provider, and life sciences. The need is more pronounced for the vertical-specific IT outsourcing, where business challenges are driving greater adoption. 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.

In this report, we analyze current trends and the future outlook for large, multi-year ITO relationships for the healthcare payer market. In addition, we identify the leading and upcoming service providers in this segment. We focus on:
- Trends in ITO in the healthcare industry
- Market trends and activities for large ITO relationships in the payer segment
- Drivers for change and future outlook for ITO in the payer segment
- Implications for healthcare payer buyers and service providers

Scope of this report
- **Industry:** Healthcare payer (public health plans and private health plans)
- **Services:** Large (TCV > US$25 million), multi-year (>3 years), and annuity-based application outsourcing
- **Geography:** Global
- **Sourcing model:** Third-party ITO transactions; excludes shared services or global in-house centers

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Overview and abbreviated summary of key messages

The report provides an overview of the ITO market for the healthcare payer subsegment. Analysis includes key trends in market size & growth, demand drivers, adoption & scope trends, emerging themes, key areas of investment, and implications for key stakeholders.

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

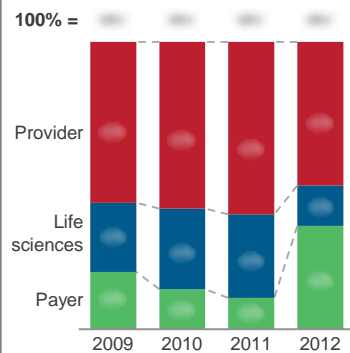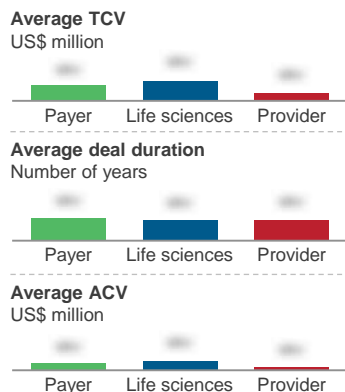|	
Healthcare ITO market overview	• Growing ITO activity from public sector and government in the healthcare sector is an established trend • Growth was witnessed from deals originating from Europe and in new contract signings globally
Payer ITO market overview	• Smaller payers have driven the growth of ITO in the industry, with their IT spending more than other payer segments combined • While North America continues to be the largest signing geography, Europe Middle-East & Africa (EMEA)has steadily grown to become a significant signing region for large payer ITO deals

Emerging themes and outlook	• There are five key themes driving payer industry's IT investments
	  – Contingency
	  – Consolidation
	  – Coordination
	  – Consumerization
	  – Competition

Implications for key stakeholders	• Analysis of the emerging themes brings out the need for buyers and healthcare service providers to start focusing on six technology towers, namely, healthcare mobility, business-financial analytics, infrastructure modernization, device support services, network services, and database services

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

ITO in payers vis-à-vis other healthcare subsegments

Distribution of healthcare ITO transactions by subvertical
Number of transactions

100% =

Provider

Life sciences

Payer

2009 2010 2011 2012

Deal characteristics for healthcare ITO transactions
2009-2012

Average TCV
US$ million

Payer   Life sciences   Provider

Average deal duration
Number of years

Payer   Life sciences   Provider

Average ACV
US$ million

Payer   Life sciences   Provider

Key themes driving current adoption in the payer segment

Key payer IT themes in large deals
2011-2012; Number of deals

100% =   deals

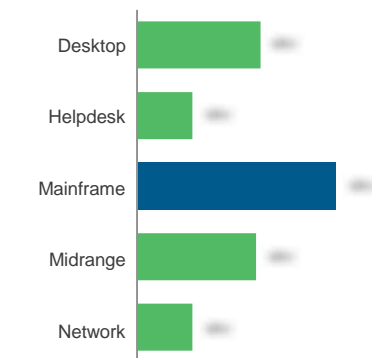ICD   Public HIX   Claims transformation   Medicare   Infrastructure modernization   Network services   **Total**
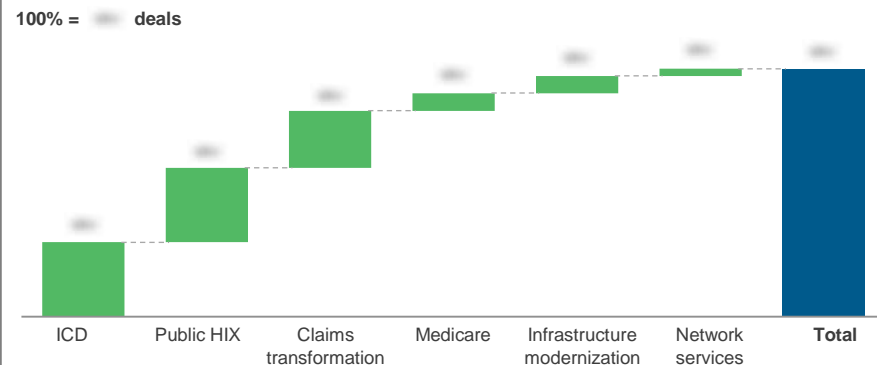
Key ITO subfunctions in large payer ITO contracts

**Subfunctions in large payer AO transactions**
2012; Frequency of inclusion

ADM

Testing

Package Implementation (PI)

ERP services

Systems Integration (SI)
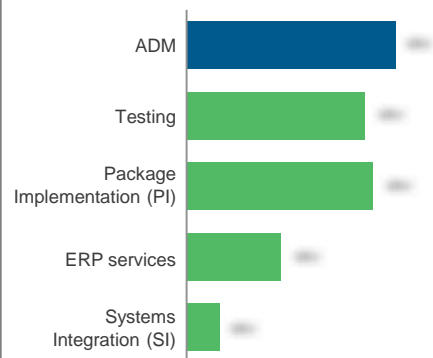
Subfunctions in large payer IO transactions
2012; Frequency of inclusion

Desktop

Helpdesk

Mainframe

Midrange

Network

Renewal opportunities in the payer segment

TCV of contracts coming up for renewal
2014-2018; US$ million

⬤ Number of transactions

2014   2015   2016   2017   2018
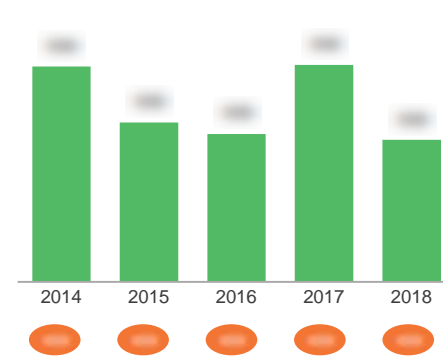
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Healthcare outsourcing research calendar

Topic	Release date
IT Application Outsourcing (AO) in the Life Sciences Industry – Service Provider Landscape	November-2012
Application Outsourcing (AO) in the Healthcare Provider Industry – Is IT the Cure? – Annual Report 2012	December-2012
IT Application Outsourcing (AO) in the Healthcare Provider Industry – Service Provider Landscape	January-2013
Outsourcing Implications of Healthcare Payer-Provider Convergence	March-2013
Webinar Deck: The Changing Face of IT Outsourcing in the Healthcare Payer Market: Don't Miss the Sailing Ship	June-2013
IT Outsourcing in the Healthcare Payer Industry – Annual Report 2013: Taking the Debate Beyond the Reforms Mandate	July-2012
Regulation and Reforms in Healthcare	Q3-2013
IT Outsourcing in Healthcare Payer Industry – Service Provider Landscape with PEAK Matrix Assessment and Profile Compendium 2013	Q3-2013
IT Outsourcing in Life Sciences Industry – Annual Report 2013	Q3-2013
IT Outsourcing in Life Sciences Industry – Service Provider Landscape with PEAK Matrix Assessment and Profile Compendium 2013	Q3-2013
Consumerization in Healthcare	Q3-2013
IT Outsourcing in Healthcare Provider Industry – Annual Report 2013	Q4-2013
IT Outsourcing in Healthcare Provider Industry – Service Provider Landscape with PEAK Matrix Assessment and Profile Compendium 2013	Q4-2013
SMAC in Healthcare – Drivers and Implications	Q4-2013

Additional healthcare research references

The following documents are recommended for additional insight on 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. **Webinar Deck: The Changing Face of IT Outsourcing in the Healthcare Payer Market: Don't Miss the Sailing Ship**; 2013. This research provides an in-depth analysis of the seminal changes taking place in the healthcare payer industry. As the payer industry is moving towards a new normal, this research provides trends, recommendations, and IT investment roadmaps for both payers and service providers

2. **Outsourcing Implications of Healthcare Payer-Provider Convergence** (EGR-2013-12-V-0854); 2013. This viewpoint provides an in-depth analysis of a key theme in the U.S. healthcare payer industry – payer-provider convergence. This research delves into the background of this theme and deciphers the key technology implications for payers

3. **IT Application Outsourcing (AO) in the Healthcare Payer Industry – Annual Report 2012** (EGR-2012-12-R-0711); 2012. This report provides an in-depth analysis of outsourcing and offshoring in the healthcare payer industry, with focus on application outsourcing transactions in the industry, buyer adoption of outsourcing and service provider landscape. The report also comments on the key future trends to watch, for buyers and service providers

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

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