



Population Health, Accountable Care Payment Reform, and Analytics Lift the Mired Payer BPO Market towards \$8.0B, Black Book Survey

The health payer outsourcing industry anticipated whopping gains from the expansion of health insurance access to more than 30 million Americans but post-ACA deals ran lackluster in contrast to the stakeholder expectations revealed in a 2013 Black Book poll. However, a new health plan BPO marketplace is emerging, driven by the urgencies for claims processing modernization, big data aggregation, member information security, population health and business intelligence, rebooting the industry and signifying a 22% year-to-year increase, the majority of new contracts being linked to these revolutionary business process outsourcing services.

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The US healthcare payer industry, facing a number of challenges due to regulatory reform and market disruption is motivated by the potential of implementing unconventional business process outsourcing and innovative software-as-a-service. Increasingly, health plans, particularly newly established plans and provider-based payer organizations, are flocking to BPO to help them operate smarter by reducing the cost of front, middle and back office processing.

Black Book's survey 5,400 health plan BPO user were collected from Q3 2014 to Q1 2015. Top ranking vendor results can be accessed at <http://blackbookmarketresearch.com/health-plans-payers/>

"At a time of great change in health care, BPO vendors are helping public and private payers achieve great efficiency and cost savings, improve transparency and member services, and enhance the health plans' ability to participate in the reforming health care business models," said Doug Brown, Managing Partner of Black Book.

The payer market place for traditional BPO services rose only 13% in contrast to the 7.2 million new paying members enrolled in plans as a result of the Affordable Care Act. "The routine BPO functions of claims adjudication, call centers, and member processing produced only modest gains for outsourcing vendors compared to projections which could have emerged had the 30 million possible new Obamacare members been realized," said Brown.

However, inventive and unchartered administrative services in the industry, which include government payers, private health plans, commercial insurers, hospital and physician/provider sponsored plans, third party payers, managed care organizations, accountable care organizations and care management groups stand are pushing the \$5.2B 2014 BPO marketplace to a predicted \$8.0B in 2016.

"Payer contracting in these evolving areas has nearly doubled in just the past twelve months," said Brown. From Q1 2013 to Q1 2015, Traditional payer BPO services including call centers, member enrollment and claims processing barely pushed a 9% CAGR as reported to Black Book.

The most popular BPO functions now span outsourcing analytics, new plan set up, claims modernization, alternative payment services, utilization management, security, value-based solutions development, sales and marketing, population health and big data initiatives, and multi-channel contact center management.

"The most significant opportunities for outsourcing service providers to support both public and private insurers lies within member analytics, population health and claims processing modernization."

87% of health plan managers polled collectively indicated population health, software-as-a-service, accountable care/chronic care management assistance, big data aggregation, health information exchange, data security, and analytics are their top priorities in 2015-2016. 74% indicated they would likely outsource the development and management of new value-based payment models because of inadequate technology, staffing, resources or competing IT ventures currently underway.

83% of payers participating in the survey confirmed improved claims processing and modernized claims system capabilities top organizational strategies with project start dates before Q2 2016. 68% indicated they are considering outsourcing among the best solutions for claims modernization at this time.

61% of health plans are contemplating outsourcing utilization management by 2016, and 27% of payers are currently reviewing the potential for plan effectiveness by outsourcing care coordination and case management.

“Recent outsourcing adoption advances are being fueled by service and start up urgencies of newly developed health plans, expanding provider-based plans, and insurers experiencing higher membership demands driven by Obamacare,” said Brown. “But 92% of current and prospective users source the big gains for payer BPO vendors to the need for swift solutions to address increased regulatory governance, controlling fraud/waste/abuse, and the lack of capabilities in the current mix of in-house technologies.”

Black Book determined the major upturns in outsourcing implementations were in large part due to the 39% of small to medium sized plans now contracting for some processes, up from 20% in 2012. Eight of ten of the largest US health plans are outsourcing significant portions of their operations, including offshored services to India and the Philippines.

Top vendors were honored by clients in seven payer BPO service and software categories for outstanding health plan performances across eighteen key performance indicators through Q1 2015. These top rated vendors include:

Population Health Services: Cost Optimization, Accountable Care & Care Management – Lumeris

Population Health: Utilization Management - HCCA

Population Health: Analytics & Big Data Management – IBM Global

Claims Processing & Modernization – Accenture

Member Services & Contact Centers – Xerox

Provider & Network Management Services– Trizetto

Payer Marketing & Sales Outsourcing – DST Health Solutions

About Black Book™

Black Book Rankings, a division of Black Book Market Research LLC, provides healthcare IT users, media, investors, analysts, quality minded vendors, and prospective software system buyers, pharmaceutical manufacturers, and other interested sectors of the clinical technology industry with comprehensive comparison data of the industry's top respected and competitively performing technology vendors. The largest user opinion poll of its kind in healthcare IT, Black Book™ collects over 450,000 viewpoints on information technology and outsourced services vendor performance annually. Black Book was founded in 2000, is internationally recognized for over 15 years of customer satisfaction polling, particularly in technology, services, outsourcing and offshoring industries.

Black Book™, its founders, management and/or staff do not own or hold any financial interest in any of the vendors covered and encompassed in this survey, and Black Book reports the results of the collected satisfaction and client experience rankings in publication and to media prior to vendor notification of rating results.

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PAYER INDUSTRY BPO ADOPTION CHANGES 2013-2016 (Notable 2 Year Gains >20% Highlighted)

Outsourced Function	Percent of Public & Private Health Plans/Insurers/Payers Outsourcing Small/Medium Payers (Annual Revenue Under \$7B)		
Outsourced Function	2013	2015	Projected 2016
Claims Processing/Modernization	20%	35%	59%
Provider Services	13%	21%	33%
Member Services	19%	30%	38%
Utilization Management	4%	11%	25%
Care Coordination & Management	7%	15%	31%
Analytics	1%	5%	68%
Population Health Initiatives	1%	7%	75%
Coding ICD10	6%	30%	48%
Marketing and Sales	17%	19%	36%
Human Resources/Payroll	30%	44%	47%
Financial Services/AR/AP/Purchasing	12%	22%	30%
Other	5%	8%	12%

Outsourced Function	Percent of Public & Private Health Plans/Insurers/Payers Outsourcing Large Payers (Annual Revenue Over \$7B)		
Outsourced Function	2013	2015	Projected 2016
Claims Processing/Modernization	62%	79%	90%
Provider Services	16%	23%	38%
Member Services	19%	52%	75%
Utilization Management	14%	24%	58%
Care Coordination & Management	20%	29%	72%
Analytics	3%	15%	77%
Population Health Initiatives	4%	18%	94%
Coding ICD10	10%	42%	50%
Marketing and Sales	41%	63%	82%
Human Resources/Payroll	12%	24%	47%
Financial Services/AR/AP/Purchasing	35%	42%	48%
Other	6%	16%	21%