



Healthcare Payer State of the Market – Trends, Service Provider Performance in 2019, and Outlook for 2020

Healthcare IT Services

State of the Market Report – February 2020: Complimentary Abstract / Table of Contents

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Background and methodology

The healthcare payer industry has seen an uptick in profitability and revenues – a trend that has been in place since 2015. Though profitable, the healthcare industry has been operating on narrower margins as compared to other industries. Key challenges such as increasing costs, siloed operations, inefficient claims processing, fragmented member data, and dated IT infrastructure continue to plague the industry. Payers have shifted focus toward value-based care models and have acknowledged the indispensable need to adopt digital technologies to tackle intrinsic as well as unconventional extrinsic challenges. With the ongoing transition, payers are also looking to have a broader role in the healthcare environment by collaborating with health systems as well as reexamining their relationships with independent Pharmacy Benefit Managers (PBMs). Amidst all this, BigTechs are in the quest to becoming the leaders in the healthcare payer industry by leveraging their core business strengths to develop member-centric solutions.

In 2020, we expect an increasingly digital centric focus to be exhibited by service providers, which aims to tackle enterprises' challenges and improve business outcomes by ramping up their digital capabilities centered around cloud adoption for better control over healthcare data, newer models of core administration platforms, and initiatives to improve customer experience.



The report talks about:

- Key themes seen in the healthcare payer market in 2019
- Healthcare payer IT services market size and growth
- Position of service providers based on Healthcare PEAK Matrix™ evaluations conducted in 2019
- Market outlook for 2020

Scope of this report:



Geography

Global (with focus on US)



Industry

Healthcare payer industry



Service providers

35+ service providers / product vendors who were featured in Everest Group's Healthcare PEAK Matrix™ services evaluations in 2019

Background and methodology

This report examines the global 2019 healthcare ITS service provider landscape and covers themes expected to garner greater interest in 2020. It focuses on the key global healthcare payer market trends, market size of multiple segments of the payer market, and provides a snapshot of service provider Peak Matrix™ assessments carried out in 2019, covering healthcare payer digital services, healthcare IT security services, and healthcare payer payment integrity services.

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

Industry trends

Key healthcare payer trends witnessed in 2019

- Improving US payers' margins: Large payers seeing rising revenues and enrollments
- Shift to value-based care: Payers increasingly adopting value-based care and outcome-based models
- Broadening role of healthcare payers: Payer-provider collaboration and healthcare landscape convergence on the rise
- BigTech entry in healthcare payer space: BigTech stepping into the healthcare armed with their technological advantage

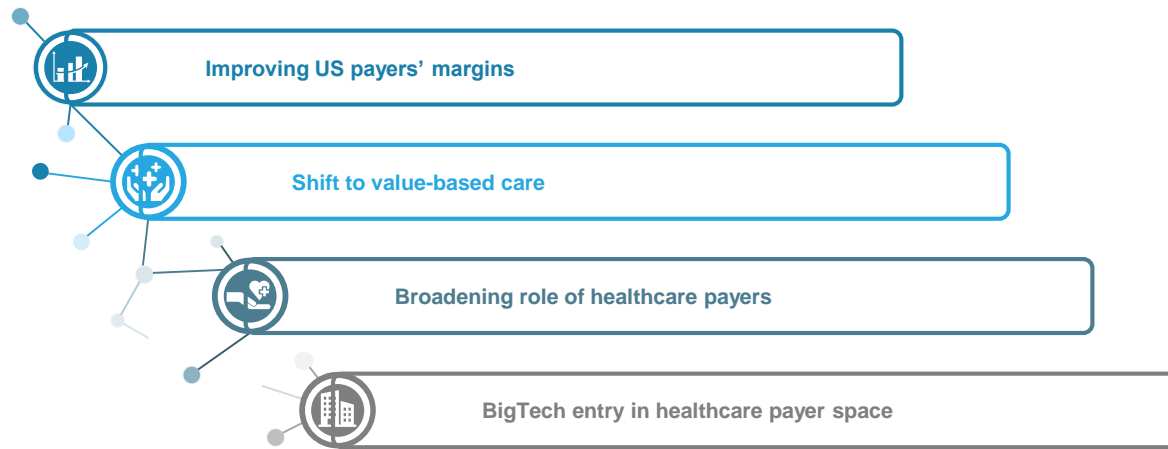
Outlook for 2020

Emerging trends to watch for in the healthcare payer space include

- Data monetization: Data exchanges uncovering potential for monetization of healthcare data
- Cloud adoption: Payers aggressively shifting to cloud for next generation data management capabilities
- Rising consumerism: Consumer interests and demands increasingly contributing to payer strategy
- Evolution of payer core administration platform: Modular platform approach gaining popularity among enterprises

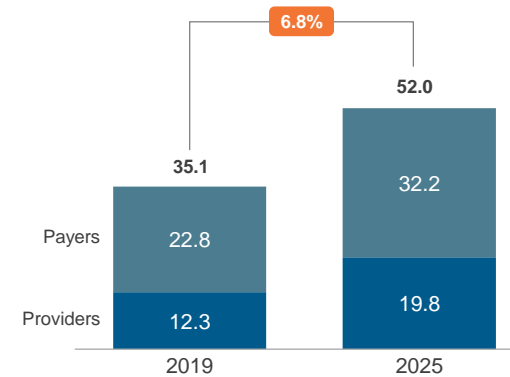
This study offers a deep dive into key aspects of the healthcare payer market; below are four charts to illustrate the depth of the report

Leading trends in the Healthcare payer industry

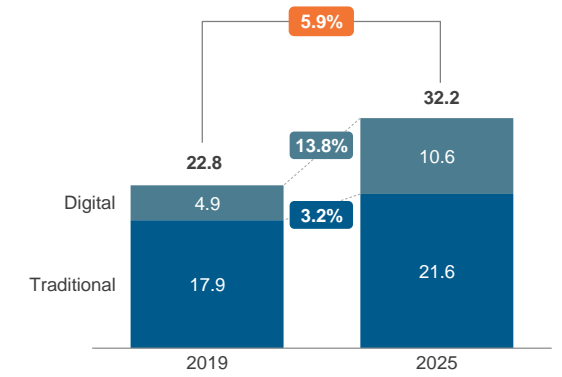


Sizing and analysis of the Healthcare IT services market

Global healthcare IT services market
US\$ billion, 2019-25



Global payer IT services market; digital vs. traditional
US\$ billion, 2019-25



Deal Renewal Analysis

Enterprise/ associations	Service provider	Deal value (US\$ million)	Deal duration	Deal scope
		60	February 2015 – February 2020	Technical support services, to test the functionality across Medicare claims processing systems
		0.47	June 2016 - June 2020	IT application (systems integration); implement a business analytics application
		N/A	September 2016 - September 2020	Support for small business, consumer, health insurance and wellness benefits for AWA members
		75	March 2016 - March 2021	Support, maintain, and provide IT application services
		18	March 2019 - March 2021	Manage IT infrastructure functions, including IT operations, end-user services, and datacenters
		1000	April 2008 - April 2021	Support and maintenance of IT infrastructure, business applications, and administrative business operations
		92	May 2016 - May 2021	Provide technical and business expertise to identify and prevent fraud, waste, and abuse of the Medicare trust fund

Emerging themes for 2020

- Data monetization:** The healthcare industry's ever-growing repository of untapped data both from clinical and non-clinical sources may finally be a part of monetization use cases in the near future. The emergence of a data exchange platform is likely to spur revenue generation for companies holding data assets. At the same time, healthcare companies, researchers, and innovators may begin to realize improved innovation with requisite data up for purchase through data exchange platforms
- Cloud adoption:** A sharp increase in affinity for cloud platforms is evident in the payer IT spectrum. Cloud platforms with built-in next generation tools enable payers to efficiently manage data and run analytics on claims and care data. Keeping the converging healthcare landscape in mind, the use of cloud-based platforms for management of disparate data sources allows for seamless collaboration across multiple stakeholders
- Signs of growing consumerism:** Regulatory policies are pushing for increased price transparency (such as the "transparency in coverage" rule that requires payers to disclose cost and price sharing information to participants). These policies and evolving customer expectations have put out a message for the payers to adopt technological solutions in order to improve customer experience at every touchpoint starting from the enrollment of a member. Payers will seek to adopt AI based chatbots, voice assistants, and other customer experience enhancement technologies in order to fulfill expectations while keeping costs in check
- Evolution of payer core administration platform:** Modular approach for core admin platforms is seen to be taking the front seat due to lack of success of completely integrated end-to-end solutions. Time-to-market being a critical factor for payers in conjunction to the ability to tweak as per requirement and piecemeal implementation capabilities has led enterprises to prefer a modular approach to the conundrum rather than entire rip-and-replace solutions on offer

Research calendar – Healthcare IT Services (ITS)

Published
 Planned
 Current release

Flagship Healthcare ITS reports

Release date

Healthcare Payer Digital Service PEAK Matrix® Assessment with Service Provider Landscape 2020	November 2019
Healthcare Payer State of the Market – Trends, Service Provider Performance in 2019, and Outlook for 2020	February 2020
State of the Market – Provider IT	March 2020
Provider Digital Services PEAK Matrix® Assessment 2020	Q2 2020
State of the Market – Provider Digital Services	Q2 2020
Provider Digital Services – Service Provider Profile Compendium	Q2 2020
Salesforce Health Cloud Services PEAK Matrix® Assessment 2020	Q3 2020
State of the Market – Salesforce Health Cloud Services	Q3 2020
Salesforce Health Cloud Services – Service Provider Profile Compendium	Q3 2020
Healthcare Specialists PEAK Matrix® Assessment 2020	Q3 2020
State of the Market – Healthcare Specialists	Q4 2020
Healthcare Specialists – Service Provider Profile Compendium	Q4 2020

Thematic Healthcare ITS reports

Big Tech in Healthcare: What it Means for CIOs?	November 2019
A Platform-based Roadmap for Healthcare Payers	Q1 2020
Unpacking the Rise of Telehealth	Q2 2020
Data Monetization in Healthcare	Q3 2020

Note: For a list of all of our published Healthcare ITS reports, please refer to our [website page](#)

Additional healthcare ITS 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. Healthcare Payer Digital Services PEAK Matrix® Assessment with Service Provider Landscape 2020** ([EGR-2019-45-R-3485](#)); December 2019. The payer industry is facing several issues such as escalating costs, declining margins, widespread regulatory amendments, shift from volume- to value-based care model, and rising consumerism. Digital adoption is influencing all aspects of the payer value chain. Payers are focusing on approaching key value chain areas – product discovery (enrollment and risk profiling), medical intervention, and coordinated care (claims management and member follow-ups) – with digital initiatives to create a differentiated impact. In this research, we present an assessment and detailed profiles of 23 digital service providers for the healthcare payer industry, featured on our healthcare payer digital services PEAK Matrix®
- 2. BigTechs in Healthcare: Reimagining the Ecosystem** ([EGR-2019-45-R-3418](#)); November 2019. BigTechs such as Amazon, Apple, Facebook, and Google have a track record of disrupting industries such as retail and telecommunications. The tech giants are now eyeing healthcare – with many having already made significant investments in the industry. This interest is driven by factors such as increasing healthcare spend, demand for data analytics, and rising member/patient expectations. In this report, Everest Group assesses the healthcare investments of 11 large technology firms. We analyze BigTechs’ role across payer and provider value chains, their healthcare investments and initiatives, the ecosystem-driven approach they are taking to gain headway in healthcare, and the challenges they face in the domain – especially care delivery
- 3. Healthcare Payer Payment Integrity Solutions PEAK Matrix® Assessment 2020** ([EGR-2019-32-R-3371](#)); October 2019. Claims processing is becoming ever more complex for payers, given issues such as the need to transform healthcare plans’ business models to accommodate new markets and new lines of business, rising inflow of members, and increasing regulatory mandates. Payment integrity is a potential help – it can reduce rising healthcare waste and fraud to ensure that the medical claims are paid correctly and are free of wasteful and abusive practices. In this report, we analyze 11 payment integrity solutions vendors’ capabilities and map them on the Everest Group PEAK Matrix®, a composite index of distinct metrics related to a vendor’s vision & capability and market impact

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About Everest Group

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