

HEALTHCARE IT SERVICES: Q3 (AUGUST) 2016 UPDATE

M & A, Client Wins, Partnerships, Leadership Announcements

This report is a monthly round-up of significant updates from the healthcare segment business of global IT services companies. The focus of the report is on M & A activity, customer wins, partnerships and new product initiatives, and leadership announcements.



HIGHLIGHTS FOR AUGUST 2016

- QoQ growth has slowed down at all the major firms except Wipro which saw the impact of the first full quarter of earnings from its Health Plan Services (HPS) acquisition. Infosys has seen two consecutive quarters of negative growth. All firms (except TCS which does not provide guidance) have reduced their revenue guidance going into the second quarter and beyond.
- Healthcare revenue as a % of total revenue remains steady across all the firms. For Wipro, the impact of HPS has increased the share of Healthcare revenue from 11% to 15%.
- CTS continues to be the dominant player, with healthcare revenues at nearly 30% of company revenues. At a time when other players saw negative growth, CTS managed the highest growth (except for Wipro and the HPS impact) among all the firms.
- Infosys continued to restructure the organization in the wake of a challenging quarter amid rumors of high-profile new hires in the offing.
- In light of the ongoing thrust on automation, almost all firms have renewed their focus on training. TCS states that they trained 120,000 employees with 349,000 competencies (average of 3 new competencies). Wipro plans to retrain more than 10,000 engineers on new programming skills involving cloud, digital technologies, and mobility.
- According to a research report published by Market Research Engine, the value of Healthcare outsourcing will be \$50 billion by 2020, growing at a CAGR of 10% in the forecast period

ACCENTURE

- 1 Accenture to provide guidance and insights to growing roster of digital health startups that TreeHouse Health, a health innovation center, invests in. Accenture will help evaluate these new portfolio companies for future viability and advise and engage with these and other emerging digital health companies.

It will be the third anchor tenant to join TreeHouse Health; Blue Cross and Blue Shield of Minnesota and Hennepin County Medical Center are anchor tenants over the past two years.

COGNIZANT

- 1 The QoQ growth rate for CTS is back to positive, at 4.90% for June 30, 2016 compared to negative 3.99% for the period ending March 31, 2016. However, margins have come down by close to 7 %. More than half the margin reduction was due to a net loss from one fixed priced contract. (CTS has recognized the loss in a fixed price contract which might be a one-time event). The impact of the loss on margin was 2.81%.
- 2 The company reduced its guidance on Healthcare revenue and attributed this reduction to uncertainties arising from M & A activity in the payer segment, as well as lower IT spend by some companies as a result of consolidation.

- 3 Since TriZetto's acquisition CTS has signed several large platform based deals where the contract value is approaching \$2 billion (including Emblem Health).
- 4 Srinivasan V is the new Chief Operating Officer. Sridhar T to head Strategic Initiatives Portfolio. C Prasad would head the industry verticals in North America. Debashis Chatterjee, Executive VP and President, technology solutions would control delivery operations. Santosh Thomas would head the market operations of Latin America along with European Union and Asia Pacific (APAC).

INFOSYS

- 1 Infosys undergoes a major revamp and splits the business into smaller units. Vishal Sikka CEO said that breaking company into more autonomous units with profit and loss (P&L) responsibilities, would enable scalability, freedom of operation and accountability.
- 2 Vishal Salvi, one of the most recognizable names in the information security world joins Infosys as Chief Information Security Officer.
- 3 Executive Vice President Rajesh Krishnamurthy was promoted to the post of President. News reports suggest that Sangita Singh, former Wipro healthcare & Life sciences head will likely join Infosys later in December.

In the interim, Infosys has assigned the healthcare, insurance and life sciences businesses to Mohit Joshi and Sandeep Dadlani, who are presidents, along with Ravi Kumar as head of delivery following the exit of Manish Tandon recently.

- 4 Infosys invests \$4 Million in Cloudyn, an Israeli cloud computing start up that monitors and optimizes cloud deployments of top Fortune 500 companies.

TATA CONSULTANCY SERVICES (TCS)

- 1 TCS is investing in blockchain technology with over 100 consultants dedicated to this technology.

TCS believes this technology can be used in financial services as well as healthcare.

WIPRO

- 1 Wipro earns the Best Global Healthcare and Life Sciences IT Consultancy & Outsourcing Company Award 2016 at the Global Health and Pharma's 2016 International Life Sciences Awards.

The company was also awarded the Product Innovation Award for the Wipro 360 Digital Patient Centricity Suite.

OTHERS

- 1 Virtusa Corporation positioned as a leader in IoT services in the 'New Business Model Development' market segment in Nelson Hall's 2016 IoT Vendor Evaluation and Assessment Tools (NEAT) report.

He currently serves as a special advisor at General Atlantic and is a well-recognized healthcare professional and an industry leader, with an extensive career in investing, clinical medicine, academia, and public policy.

- 2 Persistent Systems partners with Salesforce to help implement and extend the telehealth capabilities in Health Cloud. Powered by Salesforce SOS, new solution enables patients to engage with care teams via live video from their mobile device, delivering more timely, convenient and contextual care.

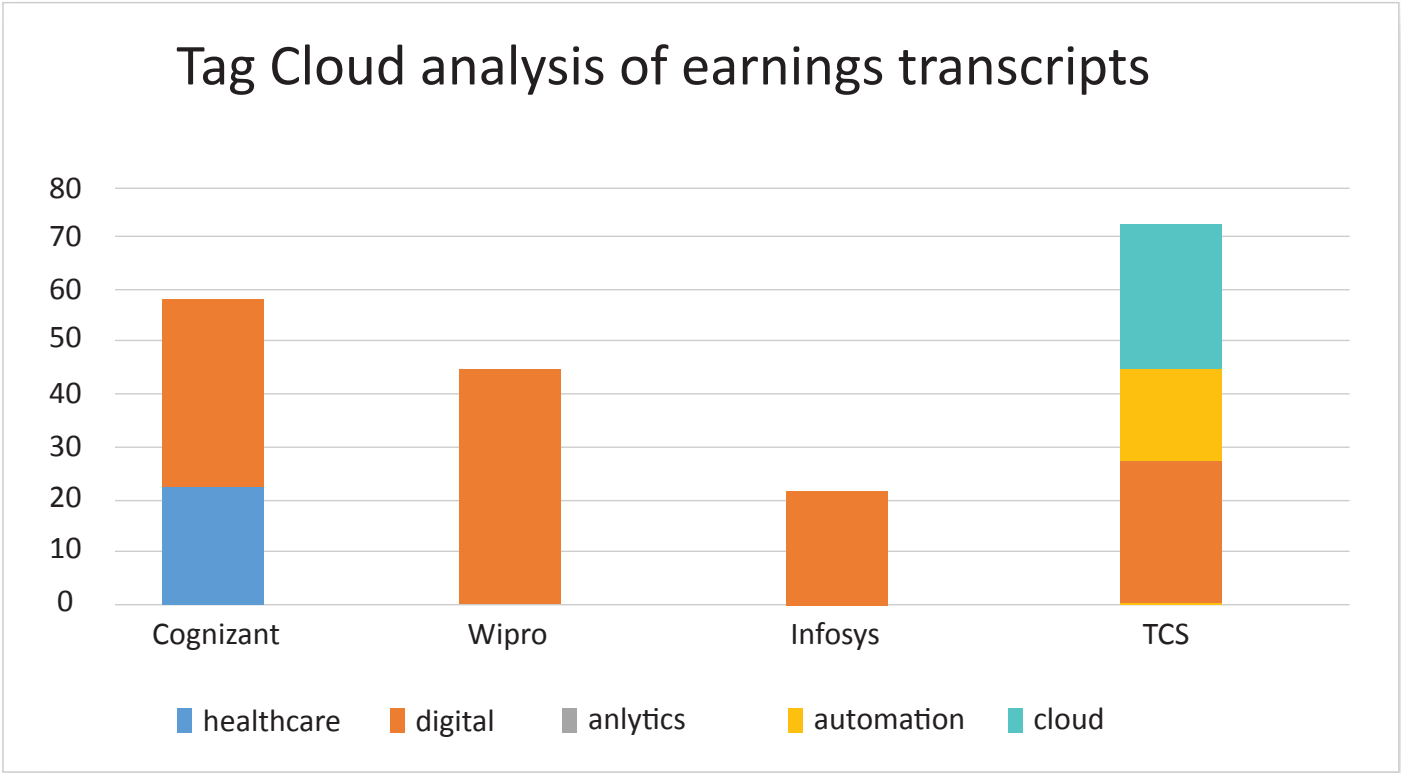
- 4 Sutherland Healthcare Solutions has announced that its SmartHealthConnect™ digital health platform has successfully driven population health and quality improvement initiatives for Atlanta-based Morehouse Choice Accountable Care Organization and Education System and the Choice Health Care Network IPA.

- 3 CitiusTech announced the appointment of Dr. Mohit Kaushal to the company's board of directors.

TAG CLOUD ANALYSIS

The Damo Consulting research team did a fun project to do a tag cloud analysis of the earnings call transcripts of major IT services firms last quarter.

The analysis focused on the top 100 words. We believe the frequency with which a word is mentioned is a broad reflection of the level of focus from the firm on the topic.



The word healthcare was mentioned 22 times by CTS. Interestingly, healthcare did not feature even once in the tag cloud of any of the other firms we analyzed (although, to be fair, the top 100 words include a lot of generic words related to overall financial performance). Digital was mentioned the most by all firms. Wipro mentioned it 44 times, more than any of the others. The words automation and cloud appeared on the top 100 words only for TCS, although these are themes that other firms talk about frequently. The word analytics did not make an appearance, suggesting perhaps that the hype around big data

analytics has run its course. We believe that analytics is being embedded in all digital transformation projects, and newer terms such as AI and cognitive computing are perhaps replacing big data analytics in B2B tech firms’ lexicons.

We will continue to monitor these trends over the coming quarters to give our readers some additional insight into the strategic focus areas of the major IT services firms.

We invite our readers to subscribe to our blog the [TAO of Health](#) and our complimentary newsletter [The Healthcare Leader](#). Readers may also be interested in downloading our detailed earnings analysis of the major IT services firms [here](#))



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Damo Consulting is a Chicago-based management consulting firm that works exclusively in healthcare. Our clients include healthcare enterprises and technology firms. We provide growth strategy consulting, market intelligence and digital marketing solutions.

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