HEALTHCARE IT SERVICES Q3 (SEPTEMBER) 2016 UPDATE

M & A, Client Wins, Partnerships, Leadership announcements

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

KEY UPDATES

1 Cognizant Technology Solutions (CTS) notified the SEC that it is conducting an internal investigation into possible violations of the U.S. anti-corrupt practices law related to payments in India. The company also announced that President Gordon Coburn had resigned and Rajeev Mehta, the head of IT services, would take on the role of President.

2 Accenture announced their financial results for the year ended Aug 31, 2016, delivering strong new bookings of $35.4 billion, and generating record revenues of $32.9 billion, with 10.5% growth in local currency. While net revenues for the quarter were $8.5 billion, or an 8% increase in US dollars, outsourcing revenues were $3.9 billion, up 4% in USD, indicating strength in the traditional consulting business which grew 11%. Health & Public Service (H&PS) posted another strong quarter with 11% growth over the same period last year, driven by continued double-digit growth in health. H&PS growth is expected to be 5% to 8% in the coming year. There is no material impact of Brexit till date.

3 TCS, Tech Mahindra, and HCL Tech are bidding for a 50-80% stake in the HCI group, a leading international provider of IT solutions for healthcare systems. HCI group has a proven track record on three continents, and the bidders are specifically focusing on their Electronic Health Records (EHR) business which will help gain a huge presence in the Healthcare IT space in the USA.

4 HCL Tech won a multi-year deal with University of California San Francisco (UCSF) Health System for IT outsourcing business, valued at $50 million over 5 years. The entire UC system can leverage the contract, which could expand the contract value significantly. A news report in Computerworld raised questions about possible conflicts of interest for Shankar Sastry, Dean of the UC Berkeley School of Engineering, who sits on the Board of Directors of HCL Tech. Around 50 UCSF IT employees and 30 contractors are expected to lose their jobs as a result of this contract.

5 Computerworld reports that Chicago-based Health Care Service Corporation (HCSC), which comprises several Blue Cross Blue Shield (BCBS) plans, including BCBS of IL, is planning to outsource a significant part of its IT operations. The outsourcing deal will impact 70% of the positions in the IT group, in infrastructure, could involve 540 people in IT. Layoffs are expected to take place from February to April.

6 An article in CIO online quotes a report on customers' views on outsourcing vendors by the Temkin Group. Hewlett Packard Enterprises (HPE) earned the highest Net Promoter Score(NPS) among 62 major technology providers for 2016. NPS is a proven measure of customer loyalty hence a leading indicator of corporate growth. CTS came in with the lowest scores and Accenture slipped several notches from the previous year. Wipro was seen to have improved its scores significantly.

ACCENTURE

1 Accenture is helping Stryker, the medical technology company, to transform its business operations by leveraging the Accenture SAP Business Solutions Group to build a solution on S/4 HANA, spanning finance, sales, logistics, supply chain, and procurement.

2 Accenture announced the creation of the Accenture Health Technology Innovation Challenge which will bring together leading edge start-ups from around the globe with

prominent life sciences and health companies to tackle some of the world's greatest health challenges – access, affordability, and transparency.

3 Accenture has introduced the Accenture Health Experience Platform, a suite of intelligent, cloud-based services designed to help health insurers deliver seamless customer experiences and increase long-term growth.

COGNIZANT

1 Gordon Coburn, Cognizant's key executive of two decades who served as President, resigned abruptly amid revelations of an internal investigation into whether some payments relating to a small number of its facilities in India violated the U.S. Foreign Corrupt Practices Act. Rajeev Mehta, the head of IT Services, will replace him as President. The Times of India newspaper, citing "sources privy to internal developments"

internal developments" at Cognizant, reported that lawyers from a U.S. firm arrived in Chennai and were looking into land deals and allegations that "bribes were paid to different political parties." According to its most recent annual report, Cognizant occupied 22.6 million square feet of property at 45 locations in India, including 12.8 million square feet owned by the company.

HCL

1 IBM and HCL Technologies have announced a strategic initiative to accelerate adoption of the Internet of Things (IoT). This long-term partnership will begin with the opening of an Incubation Center in Noida, India, where they will jointly develop IoT solutions. The partnership will initially focus on specific verticals, including Industrial & Manufacturing and Smart Facilities where they will co-develop solutions around "connected products and operations" like remote monitoring, predictive maintenance, smart inventory/asset management, smart building and facility management among others.

2 HCL's IoT business unit took the lead at the Intel Developer Forum where IoT WoRKSTM showcased its healthcare IoT – 'Surgical Kit Track Trace Solution' which was named as one of the best solutions CRN. The solution enables a reduction in inventory costs with improved visibility via real time location including the status of its content. This, apart from inventory reductions, significantly contributes towards operational efficiency across several functions for the equipment provider as well as the healthcare providers.

WIPRO

1 Wipro was recognized as The Best Global Healthcare and Life Sciences IT Consultancy & Outsourcing Company 2016 and also won the Product Innovation Award for Wipro 360 Digital Patient Centricity Solution Suite at the 2016

International Life Sciences Awards which seek to recognize visionary firms and individuals for harnessing disruptive ideas, which will drive the industry forward.

OTHERS

1 **Citius Tech** and Orion Health are partnered with The Keystone Health Information Exchange (KeyHIE®), a network of more than 400 healthcare facilities in 53 counties of Pennsylvania. The alliance will deliver – in real time – critical information to its participating doctors and health care providers to help ensure smoother care transitions for their patients.

2 **CTG Healthcare** appointed Robert Barras and Angela Rivera as Vice Presidents of their North American Health Solutions. Both combined bring 48 years of experience in quality services delivery, value based solutions offerings and high customer retention, having been significant contributors to CTG's past growth and management of CTG's healthcare consulting base.

3 **Dell Technologies** announced the completion of the acquisition of EMC Corporation, creating a $74 billion market leader that provides the essential infrastructure for organizations to build their digital future, transform IT and protect their most important asset, information. This historic merger implies an expansive technology portfolio that solves complex problems for customers in the industry's fast-growing areas of hybrid cloud, software-defined data center, converged infrastructure, platform-as-a-service, data analytics, mobility and cybersecurity.

4 **Dell Services** Wins Aecus Innovation Award for Cloud Solutions in Healthcare. Awarded for its cloud, mobility and managed services engagement with Locala Community Partnerships in the U.K., the Aecus Innovation Awards seek to identify "Innovation in Outsourcing" and celebrate the best examples of service providers, technology providers, and their clients working together, in new ways that create value.

5 **Virtusa** announced that Sundararajan (Sundar) Narayanan, Chief People Officer & Global Head of Human Resources, has been promoted to Executive Vice President, Chief People Officer & Global Head of Human Resources and an Executive Officer of the Company. He has over 20 years of experience in human resources and related disciplines within the information technology industry having joined Virtusa in 2010 and has served in various senior HR leadership positions including, Director of Human Resources for the U.S. and Europe.

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