



The WITCH Report: 2019 Mid-Year Review

A review of the financial and market performance of global technology consulting firms in healthcare



This report is a summary of the financial and market performance of major global technology consulting firms, specifically in the healthcare segment. The focus of the report is on M&A activities, customer wins, partnerships, new product initiatives, and leadership announcements. The report is based entirely on publicly available information about the companies covered. For consistency, timelines are referred to in calendar quarters, though the fiscal year periods are different for the companies covered here.



Demand environment is soft in the healthcare segment; life sciences looks better



Most firms in our coverage have shown declining growth rates in the past two quarters due to a variety of factors. Large-scale M&A in the health insurance industry (notably CVS-Aetna and Cigna-Express Scripts) has created pricing pressures and related challenges for some firms, such as Cognizant. In the highly consolidated payer space, several clients are in-sourcing their operations which leads to further pressures on topline growth for

firms with large exposure to this sector. At the same time, cost pressures faced by clients have resulted in demand slowdown for the short term.

For most firms, the life sciences segment has done better than the healthcare segment (Infosys is an exception). TCS seems to have gained significant traction based on the Advanced Drug Discovery (ADD) platform, reporting seven new wins and two go-lives for the fiscal year that ended on March 31. The ADD platform deals, while relatively smaller in size, are nevertheless proving to be an effective tip-of-the-spear for pull-through business for the more traditional IT services business. Wipro's challenges with the HPS business seem to be bottoming out, while the core healthcare services business is picking up, suggesting that 2019 could be a turnaround year for the HLS vertical.

In terms of deal wins, publicly announced transactions were a few, though our market intelligence has indicated several large outsourcing transactions were concluded in the past two quarters, and a few more are in flight. These include a major outsourcing deal at a large health system and a leading health insurer, and at least one large international transaction in the healthcare space. Named deals in the past two quarters include Wipro's

contract with Dana-Farber Cancer Institute and Infosys' deal with Molina Healthcare. We expect more deals to be announced in the coming quarter. Cognizant saw a major ramp down following the termination of its subcontract with Conduent for a Medicaid contract with NY State. Most firms remain underweight in the provider space, notwithstanding recent transactions. Accenture remains a standout firm for its continued success in winning U.S. Federal Government deals in the health space which seem to be the primary growth driver for their overall healthcare business.

A challenge for many of the firms is increased levels of H1B visa rejections which create pressures on hiring and margins for onsite client engagements. The outcome of opioid lawsuits could affect firms with exposure to the impacted companies.

Several firms in the group have seen significant top-level changes. Wipro's long-time Chairman, Azim Premji stepped down from his role. Rishad Premji is now the Chairman of Wipro. Cognizant, which brought in Brian Humphries as CEO earlier in the year, saw several leadership exits, and a change in the top leadership for the healthcare business. Jeff Heenan-Jalil, former Head of Wipro's HLS business, is the new Head of the Healthcare and Life Sciences business for Cognizant. Accenture named Julie Sweet as CEO, replacing the late Pierre Nanterme, and set off a series of other executive changes. IBM Watson Health has hired Paul Roma, former CEO of Ciox Health, as its new head. Infosys remains the only major firm without a dedicated leader overseeing the healthcare and life sciences business.

After a strong year of M&A in 2018, activity has remained muted in the past two quarters.

DXC closed its acquisition of Luxoft in June. HCL acquired Strong-Bridge Envision, a digital transformation advisory firm in Seattle for \$45 million, and is consolidating its operations after making significant acquisitions of IBM's intellectual property (IP) businesses in 2018. Atos announced it is acquiring IDnomics, a digital identify management firm, in Q2.

Starting with this report, we are dropping Capgemini from our coverage due to the lack of any substantial updates on their healthcare business. We have included Optum, largely based on its entry into the traditional IT services space through its deal with John Muir Health, and Deloitte which we had not included till date since they are a privately held company.

We have included some new information and insights in this report; a set of charts comparing HLS revenues with revenues from other vertical segments for each of the companies, a timeline of leadership changes, and more. Also check out the bonus download at the end of this report.

We hope you find this report informative. We would love to hear from you. Write to us at info@damoconsulting.net with your questions and comments.

To receive monthly updates of the WITCH and other companies covered in this report, [subscribe](#) to our newsletter.



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