



# Evolving the Health Plan Identity

---

Webinar Presentation  
May 2023

# Your presenter



**Mallory Kirby**  
*Director,*  
*Health Plan Research*

KirbyM@advisory.com

Mallory is a Director of Health Plan Research at Advisory Board, a health care best practice research firm based in Washington, DC. Her team researches the highest-level priorities facing health plans and fosters deep relationship with health plan executive teams to support their strategic initiatives.

Mallory spearheaded research around trends in diversification and integration influencing not just health plans, but the field of competition for cross-industry healthcare stakeholders. Her leadership in this space pushes health plan executives to consider the implications of cross-industry shifts on their own business trajectories.

“Making Optum the patients’ “front door” to the brand **allows the organization to get in front of the 330 million people in the U.S.**, compared with the approximately 50 million patients UnitedHealthcare serves today.”

---

*Sir Andrew Witty, CEO of UnitedHealth Group<sup>1</sup>*

“We [are continuing] our transformation from a health benefits company to a **lifetime trusted partner in health.**”

---

*Gail Boudreaux, CEO of Anthem*

[On acquisition of The Residentialist Group]  
“We felt like it was a **great foundational asset** through which we could build new offerings both for SCAN members but also **for patients in other health plans.**”

---

*Sachin Jain, President & CEO of SCAN Group and Health Plan*

1. Advisory Board is a subsidiary of Optum, owned by UnitedHealth Group. All Advisory Board research, expert perspectives, and recommendations remain independent.

“Anthem, Inc. Announces Intent for Corporate Rebranding,” Business Wire, March 2022; “Vertically integrated payer-provider groups raise antitrust concerns,” Modern Healthcare, March 2022; “SCAN acquires The Residentialist Group to launch new home health provider, Homebase Medical.”

# Roadmap for today's discussion

- 01 ● Introduction to health solutions companies
- 02 ● Market snapshot
- 03 ● Current & future trends in diversification

# 01

## Introduction to health solutions companies

# Health care companies' goals for diversifying are similar to other industries



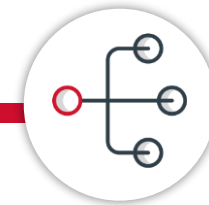
## Increase revenue and earnings

- Sell products & services to a broader customer base
- Grow uncapped revenue on non-insurance products



## Increase stability to endure changing market dynamics

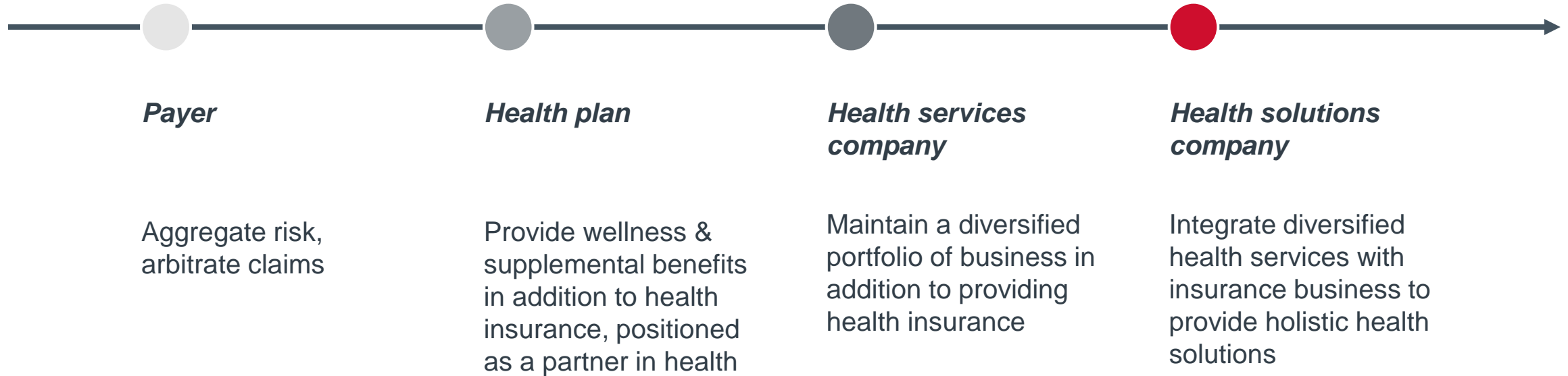
- Add new revenue streams to shield against changing health care landscape



## Create synergies through vertical integration

- Economies of scale
- Greater control over the supply chain/costs
- Less reliance on external partners

# Progress along the maturity model: Health plan identity



1. Lines of business.

## Health plan diversification:

The provision of services or revenue generation **outside of core health insurance responsibilities**, traditional lines of business, or legacy geographic markets.



# Market forces are changing the traditional health insurance landscape



## Motivations driving health insurers to diversify revenue streams

- 1 Higher medical costs and capped margins**  
Supply chain disruptions, workforce shortages, inflation, and utilization uncertainty have all contributed to higher costs and declining margins

---

- 2 Shifting purchaser expectations**  
Cost remains the greatest factor, but purchasers are increasingly asking for new types of services ranging from tele-behavioral health to maternal health

---

- 3 Increased competition**  
Large nationals expanding in breadth and depth; competing with non-traditional competitors, like health systems, and new entrants, such as Amazon and Walmart

# ACA revenue caps and increasing medical spend eroded plan margins



**MLR requirements cap the revenue plans can generate from premium dollars...**

- Established in 2010 under the Public Health Service Act, as added by the ACA
- Requires insurers to spend an established percentage of premium dollars on health care claims or quality improvement efforts, or rebate the difference to enrollees
- Insurers owed over **\$2 billion** in rebates to **9.8 million consumers** in 2021



**...while increasing medical and drug spend further erode margins**

Increase in medical costs

- Increased staffing costs
- Increased medical supply costs

Increase in drug costs

- Annual increases to drug list prices
- Higher list prices for new drugs

Capped margins from premium dollars **triggered** the push for health plan revenue diversification

Keith K, "Final 2023 Payment Rule, Part 1: Essential Health Benefits and other Market Reforms," HealthAffairs, April 2022; "Trends in healthcare spending," AMA, <https://www.ama-assn.org/about/research/trends-health-care-spending>; "Live Updates: January 2022 Drug Price Increases," GoodRx, January 2022; "Medical Plan Costs Expected to See Bigger Rise in 2023," SHRM, August 2022.

# Increasing purchaser demands and expectations for a “lifetime partner in health”

Plans eye diversification as the best path to meet purchaser needs

## TOP PURCHASER CONCERNS

**Ongoing concern about the rising cost of health care**



**Higher bar for exceptional member experience**



**Desire to improve access & understanding of confusing system**



## HEALTH PLAN SOLUTIONS

- Continued interest in soft steerage, particularly within self-contained care ecosystems
- Investment in pharmacy solutions around drug costs & PBM transparency
- Addition of employee-friendly offerings like behavioral health, maternal health services
- Addition of unique supplemental benefits to MA products
- Investment in virtual-first products & telehealth platforms to “own the front door” to care

# Plans facing increased competition on multiple fronts

## New health care conglomerates create overlapping spheres of competition



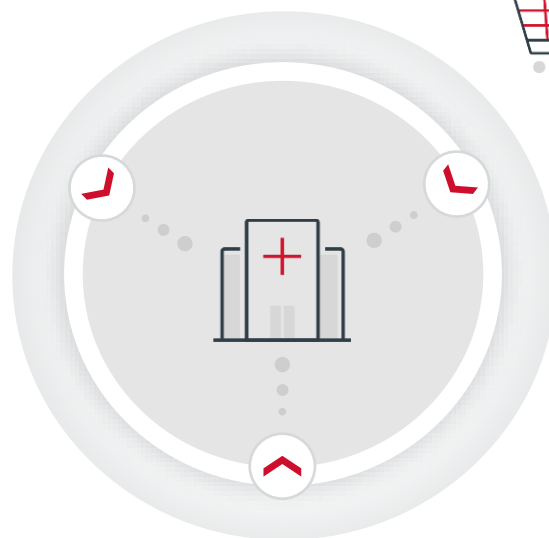
### Health solutions companies

- Health solutions companies are increasingly diversifying their assets and entering new lines of business
  - CVS Health added 10,000 pharmacists and primary care professionals to its rolls in 2021
  - UHG employs 60,000 providers under Optum



### Non-traditional players

- Major retailers enter the health care market
  - E.g., Amazon acquired primary care company One Medical
  - E.g., Walmart launched Walmart Health in 2019



### Health systems

- Health systems are increasingly offering their own health insurance products
  - Nearly 60% of new entrants to the Medicare Advantage market are provider-sponsored health plans

Source: "More Provider-Sponsored Health Plans in the Medicare Advantage Market," Fierce Healthcare, January 2016; "Walmart opening 5 health 'superstores' in delayed Florida launch," Healthcare Dive, April 2022; "Insurers pave new vertically integrated provider model," Modern Healthcare, March 2022.

# **Market forces are pushing health plans to diversify outside their traditional business**

---

Health plans are feeling new stressors on their existing business model, including increased competition from vertically integrated nationals who continue to grow in size and scope.

**Not every health plan needs to become a “health solutions company” but every health plan must respond to changing market dynamics with their own diversification playbook.**

02

# Market snapshot

# Common areas of focus for health plan diversification

## Expanded services health solutions companies can offer

### Pharmacy services

- Specialty pharmacy
- PBMs



### Care delivery

- Primary care
- Behavioral health
- Home health



### Digital/Data services

- Data analytics
- Telehealth platforms
- Tech services



### Limitless diversification

- Venture capital & investment arms
- Housing & real estate



### Traditional health plan diversification:

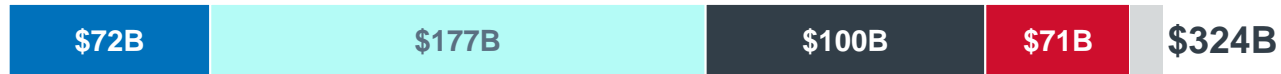
- Line of business diversification
- Expansion into new markets

# Health insurance just one piece of the pie for nationals

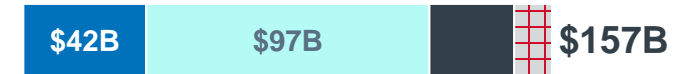
## Largest national insurers diversifying their revenue streams beyond traditional insurance

Total revenue in 2022, by segment, in Billions (\$)¹

### UnitedHealthcare + Optum²



### Elevance (fka Anthem)



### CVS + Aetna³



### Centene



**Business segment**

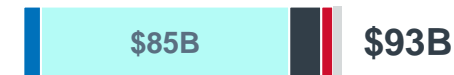
Insurance:

- Commercial
- Government
- PBM
- Provider
- Other

### Cigna + Evernorth



### Humana + CenterWell










1. Revenues by segment may not add up to total revenue due to eliminations and rounding  
 2. Advisory Board is a subsidiary of Optum, owned by UnitedHealth Group. All Advisory Board research, expert perspectives, and recommendations remain independent.  
 3. CVS's 10-K filing does not further break its Aetna insurance business into specific insurance segment revenues.

Source: 2022 year-end earnings reports and 10-K filings from, \$CI, \$CNC, \$CVS, \$ELV, \$HUM, and \$UNH.



# Vertical integration continues among the giants

 Insurer	CVS Health	Elevance	Centene	Cigna	Humana	UnitedHealthcare <sup>1</sup>
 PBM	Caremark	IngenioRx		Express Scripts	Humana Pharmacy Solutions Enclara	OptumRx
 Specialty pharmacy	CVS Specialty	BioPlus		Accredo	Centerwell Specialty Pharmacy	BriovaRx
 Virtual care	CVS Health Virtual Primary Care	Carelon Digital Platforms		MD Live		Optum Virtual Care
 Home care	Signify Health	myNEXUS			Kindred onehome	LHC Group Optum HouseCalls Landmark
 Provider services	Minute Clinic Health Hub	CareMore Aspire	Community Medical Group	Cigna Medical Group (AZ)	CenterWell Conviva	OptumCare Atrius <sup>2</sup> Kelsey-Seybold
 Other key assets	Aetna (insurance), CVS Pharmacy (retail)	Beacon BH	Magellan BH	CareAllies EviCore	Enclara Healthcare	Optum BH naviHealth Change Healthcare <sup>2</sup>

1. Advisory Board and UnitedHealthcare are both subsidiaries of UnitedHealth Group. All Advisory board research, expert perspectives, and recommendations remain independent.

2. Pending.

3. Joint venture or non-exclusive collaboration.

Source: [UnitedHealth's Optum Reportedly Strikes Deal for Landmark Health](#), Home Health Care News, February 21, 2021.

# Blues plans are playing a game of catchup as they look to expand their value prop

## Market trends put some Blues at a disadvantage

### 1 *Rapid growth in enrollment & profitability of government lines of business*

- Low historical focus on government business means Blues are behind the curve operating in Medicare Advantage, Medicaid, and the individual exchange
- Blues lack the expertise and infrastructure to manage non-commercial populations

### 2 *Growing need for capital to drive M&A and innovation*

- Due to low margins, most Blues don't have the capital to invest in large-scale M&A and innovation
- Many Blues are consumed with managing their core operations and don't have the resources to pursue diversification

## ...but not all Blues responding similarly



### **BCBS of Minnesota**

**Strategy:** Grow care delivery arm through provider relationships & in-home services

- Blaze Health – Care delivery collaboration between North Memorial Health & BCBSMN
- Livio Health – Provides in-home care services



### **Cambia**

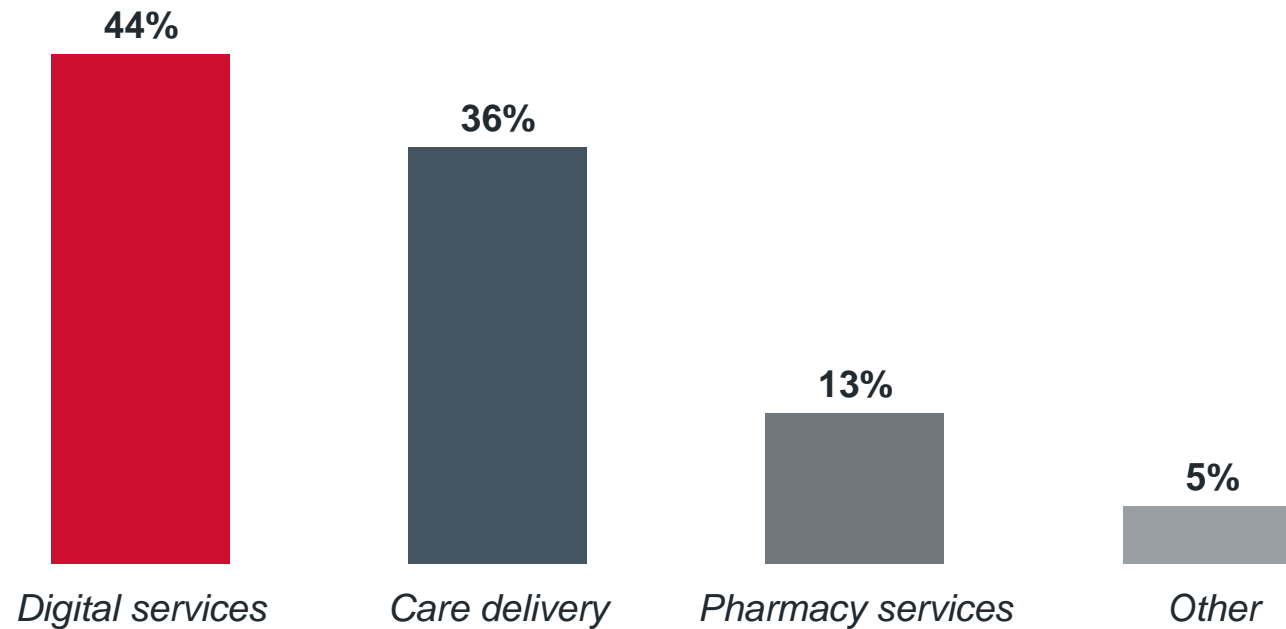
**Strategy:** Double down on insurance identity while diversifying into pharmacy services

- Insurance: LifeMap, BridgeSpan, Asuris
- Pharmacy: MedSavvy
- Wellness: BeyondWell, HMA, Journi

# 03

## Current & future trends in diversification

# Which area of diversification has the most remaining running room for health plans?



# Best bets for the near future



**Invest to support strategic goals, rather than retrofitting your approach**

*Case studies:*

- **Humana** makes strategic investments in home care, acquires Kindred
- **Med Mutual of Ohio** acquires wellness solutions company, Bravo Wellness
- **Blue KC** launches primary care offering, Spira Care



**Partner to create synthetic scale**

*Case studies:*

- **Prime Therapeutics** leverages collective power of Blues'
- **Echo Health Ventures** combines the expertise and capital of Blues'



**Integrate to provide a solution greater than the sum of your parts**

*Case studies:*

- **Cigna's Pathwell** platform integrates assets across Evernorth brand

# Diversification in pursuit of strategic goals

Diversification can be in the pursuit of a variety of different goals—and one might be better for your organization than the other



Grow new consumers



Strengthen internal capabilities



Manage total cost of care

# Use non-insurance assets to attract and retain members



## Case in brief: Humana's recent acquisitions and investments support their specialized focus on senior care

*Historic strengths in Medicare Advantage market*

**90%** of insurance revenue in 2021 came from government lines of business

**2nd** largest Medicare Advantage market share, Q1 2022

*Strategic investment in businesses that support senior populations*

**February 2021:** Partners with DispatchHealth to provide advanced in-home care to members

**March 2021:** Announces new brand CenterWell, dedicated to senior-focused primary care

**August 2021:** Completes \$8.1B acquisition of Kindred at Home; keeps home health services and sell off hospice assets

*Continued growth in other government lines of business*



**August 2022:** Acquires Inclusa, WI-based managed care plan, to "bulk up Medicaid offerings"

Source: 2021 year-end earnings reports and 10-K filings from \$ANTM, \$CI, \$CNC, \$CVS, \$HUM, and \$UHC; "AIS's Directory of Health Plans: 2022," AIS Health; "Humana's Intriguing \$2.8 Billion, 60% Sale of Kindred's Hospice, Personal Care Assets," Home Health Care News, April 2022; "Humana to acquire Wisconsin managed care plan Inclusa," FierceHealthcare, August 2022..

# Diverse service offerings can act as new revenue engines

Med Mutual of Ohio purchased Bravo Wellness to bring wellness benefits in house—and sell to new purchasers

## What is Bravo Wellness?

- Data-driven wellness solution company wholly-owned by Med Mutual of Ohio
- Provides in-house implementation of wellness solutions, compliance, screenings management, data & technology, health coaching, and an online portal
- 1.6M participants from a variety of health plans & employers



**Impetus:**  
Med Mutual's previous wellness vendor acquired by rival plan



**Action:**  
2020 Med Mutual acquisition of Bravo Wellness

## Benefits:

### Savings

- Acquisition of Bravo Wellness allows Med Mutual of Ohio to keep wellness dollars in-house while better serving their members

### Diversified revenue

- Bravo Wellness continues to sell to a variety of employer and health plan purchasers, generating new non-insurance revenue for Med Mutual

Source: "Start seeing the benefits of an employee wellness program," bravowell.com, 2022; "Jim Pshock: The Right Deal Begins With Knowing What You Want, Smart Business Dealmakers, 2022; Med Mutual of Ohio, Cleveland, OH; Bravo Wellness, Cleveland, OH; Advisory Board interviews and analysis.



# Expand into care delivery to impact total cost of care

## Blue KC's ambition in launching a wholly-owned primary care group



### ORGANIZATION SNAPSHOT

#### Blue Cross Blue Shield of Kansas City

- Independent licensee of the Blue Cross Blue Shield Association, headquartered in Kansas City, MO
- Nearly 700K members across commercial and MA business

### SPIRA CARE

---

Blue KC launched Spira Care in 2017 as a combined primary care and insurance offering to its members. Spira Care was initiated in response to increased health system consolidation.

### HOW IT WORKS

---

Enrollees are directed to primary care services at 12 Spira Care centers across Kansas City, in addition to a broader network for downstream services. Members can meet with Care Guides who can assist with both care and coverage questions.

### OUTCOMES

---

- Improvements in member access & experience
- Significant savings for Spira Care enrollees compared to general membership

Source: "A little bit about us," Spira Care, 2022; "[Data that drives informed decisions](#)," Advisory Board, 2019.

A strategic diversification approach can enable health plans achieve further growth and stability by expanding their client base, increasing revenue streams, and allowing them to better manage total cost of care.

# Diversification can be incremental

## PARTNERSHIP

- Opportunity to increase access to diversified solutions with less upfront investment
- Shared decision making with other stakeholders around strategy and execution of goals

## INVESTMENT

- Potential path to ownership through first right of refusal
- Opportunities to generate shared revenue
- Scoped authority over investment strategy, investment rollout to member population

## OWNERSHIP

- Full strategic control of asset
- Maximum potential to generate revenue, sell services to other entities

# Cross-plan partnerships combine resources, influence towards a shared goal

Prime Therapeutics leverages collective power of Blues' data & analytics to provide localized pharmacy solutions

## INITIAL JOINT VENTURE



**1998:** Joint venture between BCBS Minnesota and BCBS Nebraska to enter the PBM space



## CURRENT COALITION



**2022:** Complete drug cost management company partnered with **23 Blues plans**, 19 as both clients and equity owners

- \$36.4B estimated managed drug spend
- 424M estimated claim volume
- 33M+ members

### *Notable activity*

- 2021: Launches MedsYourWay to offer participating Blue Plan members home delivery through Amazon Pharmacy
- 2022: Enters agreement to acquire Magellan Rx for \$1.35 B

"About Prime Therapeutics LLC", Prime Therapeutics, 2022.

# Invest alongside like-minded stakeholders to overcome capital constraints

## Echo Health Ventures

Echo is a healthcare venture capital and growth equity investment firm, bringing together Cambia Health Solutions<sup>1</sup>, Mosaic Health Solutions<sup>2</sup>, USAble Corporation<sup>3</sup> and BCBS of Tennessee.

Echo provides not only capital, but also valuable health care market insights, sector expertise and active engagement with each portfolio company to grow, compete, and scale their business. The health plans in the alliance also provide fertile testing grounds for portfolio companies.

1. Cambia is the parent company of Regence, a member of the BCBS Association operating in Oregon, Idaho, Utah, and Washington

2. Mosaic Health Solutions is a subsidiary of BCBS of North Carolina

3. USAble Corporation is a subsidiary of BCBS Arkansas

## Notable companies in their investment portfolio

- Aledade
- Amwell
- DispatchHealth
- Eleanor Health



### DATA SPOTLIGHT

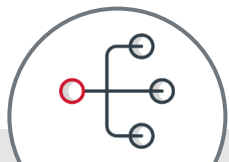
- **Over 25 unique investments**, since 2017.
- **Multiple IPOs and exits**, plus substantial value creation across the portfolio.
- **Over 80% of portfolio** have executed commercial agreements with Alliance members.
- **Cover more than 10 million members** collectively across the 4 enterprises

Source: "About us," Echo Health Ventures, 2022.

Many individual insurers lack the capital and resources to compete with publicly traded national plans when it comes to acquiring or building out diverse assets. However, plans can work together and partner with other stakeholders across the healthcare ecosystem to scale their diversification efforts.

# Chasing synergies – easier said than done

Health solutions companies struggle to deliver on the promise of vertically integrated solutions



*Ambition*

Pursue a strategic portfolio of health care solutions aimed at improving the member experience and becoming a **lifetime trusted partner in health**

*Potential outcomes from synergies*

- Reduced total cost of care for members
- Improved care coordination and member experience
- Seamless access to providers
- Improved health outcomes



*Reality*

**Struggle to fully integrate** health solutions across multiple points in the member journey and **lack meaningful metrics** on the ROI of their approach

*Challenges to integration*

- **Restructuring organizational silos** across data sharing, communication, and quality measurement
- **Realigning financial incentives** between different business segments
- **Reconciling workplace culture** after acquisition to address lack of trust, resistance to downsizing, and territorial behavior

# Harnessing complementary assets to create synergistic solutions

## Cigna

National health solutions company offering health insurance products across lines of business.

### Contributes...

- High-performing provider organization networks
- Medical benefits management



## Evernorth

Wholly-owned subsidiary of Cigna; health services segment that brings together PBM, specialty pharmacy and data & analytics.

### Contributes...

- Data analytics capabilities
- Clinical expertise
- Personalized digital support

## Pathwell

Concierge care platform that **combines the strategic assets of Cigna and Evernorth** to provide comprehensive and personalized care for members with high-cost conditions.

- In practice: Pathwell leverages **Evernorth's analytics capabilities** to predict potential surgeries for members with MSK conditions and connects those patients to physical therapy options through **Cigna's provider network**.

Source: "Cigna launches Pathwell, a concierge care platform that taps into the strengths of Evernorth," Fierce Healthcare, September 2022.



# Understand what matters most to consumers looking to buy your products



## Crafting your value proposition

How well does *your organization* understand the differentiating value of your product?

### KEY CONSIDERATIONS

- Identifying—or working towards creating—a meaningful differentiator
- Tying your differentiating features to your overall branding, identity, and culture
- Aligning your organizational strategy with your stated value proposition



## Marketing on differentiation

How do you communicate your value to purchasers through metrics they care about?

### POTENTIAL COMPLEXITIES

- Clarifying “localness”
- Using your value proposition to communicate a clear story
- Communicating to consumers on metrics they care about (e.g., financial, experience)
- Understanding how your value prop translates across lines of business

The potential of diversification is truly unlocked when health insurers can effectively integrate their diverse assets to drive synergies across their business. While integration remains a major challenge, the tantalizing synergies are too great to ignore.

# Conclusions

1. Diversification can positively impact a health plan's bottom line by potentially both lowering medical/drug costs and leading to better patient outcomes.  
—
2. Care delivery, pharmacy services, and digital services receive a lot of attention, but may not be your only options. Consider which areas of diversification have synergistic impacts with your current business when thinking about where to invest.  
—
3. While large nationals have charted the course for health plan diversification, there is no one-size-fits-all approach. Significant opportunity still exists to get in the game—hedge your bets for long-term growth and stability through some degree of diversification.  
—
4. Translating today's information into strategic guidance is going to be extremely personal for each organization—use this information as a jumping off point for future discussions with leaders at your company.  
—

# Download your copy of the slides!





## LEGAL CAVEAT

---

Advisory Board has made efforts to verify the accuracy of the information it provides to members. This report relies on data obtained from many sources, however, and Advisory Board cannot guarantee the accuracy of the information provided or any analysis based thereon. In addition, Advisory Board is not in the business of giving legal, medical, accounting, or other professional advice, and its reports should not be construed as professional advice. In particular, members should not rely on any legal commentary in this report as a basis for action, or assume that any tactics described herein would be permitted by applicable law or appropriate for a given member's situation. Members are advised to consult with appropriate professionals concerning legal, medical, tax, or accounting issues, before implementing any of these tactics. Neither Advisory Board nor its officers, directors, trustees, employees, and agents shall be liable for any claims, liabilities, or expenses relating to (a) any errors or omissions in this report, whether caused by Advisory Board or any of its employees or agents, or sources or other third parties, (b) any recommendation or graded ranking by Advisory Board, or (c) failure of member and its employees and agents to abide by the terms set forth herein.

Advisory Board and the "A" logo are registered trademarks of The Advisory Board Company in the United States and other countries. Members are not permitted to use these trademarks, or any other trademark, product name, service name, trade name, and logo of Advisory Board without prior written consent of Advisory Board. All other trademarks, product names, service names, trade names, and logos used within these pages are the property of their respective holders. Use of other company trademarks, product names, service names, trade names, and logos or images of the same does not necessarily constitute (a) an endorsement by such company of Advisory Board and its products and services, or (b) an endorsement of the company or its products or services by Advisory Board. Advisory Board is not affiliated with any such company.

### **IMPORTANT: Please read the following.**

Advisory Board has prepared this report for the exclusive use of its members. Each member acknowledges and agrees that this report and the information contained herein (collectively, the "Report") are confidential and proprietary to Advisory Board. By accepting delivery of this Report, each member agrees to abide by the terms as stated herein, including the following:

1. Advisory Board owns all right, title, and interest in and to this Report. Except as stated herein, no right, license, permission, or interest of any kind in this Report is intended to be given, transferred to, or acquired by a member. Each member is authorized to use this Report only to the extent expressly authorized herein.
2. Each member shall not sell, license, republish, or post online or otherwise this Report, in part or in whole. Each member shall not disseminate or permit the use of, and shall take reasonable precautions to prevent such dissemination or use of, this Report by (a) any of its employees and agents (except as stated below), or (b) any third party.
3. Each member may make this Report available solely to those of its employees and agents who (a) are registered for the workshop or membership program of which this Report is a part, (b) require access to this Report in order to learn from the information described herein, and (c) agree not to disclose this Report to other employees or agents or any third party. Each member shall use, and shall ensure that its employees and agents use, this Report for its internal use only. Each member may make a limited number of copies, solely as adequate for use by its employees and agents in accordance with the terms herein.
4. Each member shall not remove from this Report any confidential markings, copyright notices, and/or other similar indicia herein.
5. Each member is responsible for any breach of its obligations as stated herein by any of its employees or agents.
6. If a member is unwilling to abide by any of the foregoing obligations, then such member shall promptly return this Report and all copies thereof to Advisory Board.



Advisory  
Board