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Healthcare Insurance Services Industry Perspective

New regulations set to transform the U.S. healthcare landscape are providing strong growth opportunities for the firms that service health insurance companies.

In 2013, MarketsandMarkets valued the U.S. insurance services industry at \$11.1 billion. The industry is expected to grow at a 30% compound annual growth rate (CAGR) through 2016.

Industry Overview

Insurance services companies provide outsourced services to healthcare payers and administrators. Healthcare payers are the institutions that finance the delivery of healthcare and include insurance carriers, employers, and government entities. Healthcare administrators include managed care organizations and third party administrators (TPAs), organizations that are contracted to administer and manage health plans for healthcare payers.

These companies employ highly complex business processes, which historically have been manually intensive and prone to error. For this reason, they look to insurance services companies to manage their costs, mitigate risks, and improve the operational efficiency of back office processes, allowing them to focus on their core competencies.

Industry Segments

Marketing and Sales	Claims Management	Member Management	Network Management	Plan / Benefit Management	Clinical Management	Administrative
<ul style="list-style-type: none"> • Strategy and planning • Data management and analytics • Content creation and management • Multi-channel delivery: web, email, SMS/text, phone, social media, print, and chat 	<ul style="list-style-type: none"> • Front-end Office and Mailroom Solutions • Claims intake • Claims adjudication • Billing • Coordination of benefits (COB) processing • Claims audit • Fraud mitigation • EDI management • Analysis and resolution of pending claims 	<ul style="list-style-type: none"> • Enrollment and eligibility • Renewal and termination • Member maintenance • Premium billing and reconciliation • Member support services • Customer service and satisfaction • Analytics 	<ul style="list-style-type: none"> • Provider setup and maintenance • Database management • Credentialing • Contract management • Pricing configuration • Fee schedule loading • Provider support services 	<ul style="list-style-type: none"> • Plan setup • Case installation • Product/ site addition • Plan renewal • Contract drafting • Plan coding • Analytics • Pharmacy Benefit Management 	<ul style="list-style-type: none"> • Quality assurance and testing protocols • ICD-10 training initiatives • Medical chart reviews to ensure accurate documentation • Medical Evaluation for applicants • Consolidation of medical records and data for underwriter review 	<ul style="list-style-type: none"> • Human resources • Finance and accounting • Procurement • Legal services • Real estate

Services by Segment

Most commonly, insurance services companies provide services including marketing and sales, claims management, member management, network management, plan and benefit management, clinical management as well as administrative tasks. The bulk of services provided are claims management solutions, followed by member services.

A notable segment of the insurance services industry is the Pharmacy Benefit Management (PBM) space. PBMs are the third-party administrators of prescription drug programs, serving health insurance companies, employers, unions, and other plan sponsors. For health insurance companies, PBMs serve as a liaison between drug manufacturers and themselves, mainly overseeing prescription plan costs and rebate collection. This insurance portion generates \$55.5 billion in global revenue, according to a 2015 IBISWorld report. Looking forward, the PBM market is expected to grow at a 7% CAGR through 2020. This growth has been fueled by an increase in prescription drug costs, and a higher number of consumers. The latter is a result of a rising proportion of the population

over 65 years old—the primary consumers of PBM services.

Drivers of Growth

Insurance providers are facing growing challenges that present an opportunity for insurance services firms.

Rising health care costs have made it imperative that these firms better manage their own costs. In 2012 alone, healthcare costs increased twice as fast as inflation. This puts upward pressure on insurance providers' medical and administration costs, while new regulations squeeze their pricing power.

Further, the health insurance industry is undergoing a major transformation in how it does business. The business model for insurance providers is changing, in large part from government regulation, from transaction-centric to consumer-centric. Essentially, insurance providers are beginning to manage patients and members as customers, providing more personalized products and services. The industry shift to consumer driven healthcare highlights the importance of direct communication with the consumer, requiring seamless connectivity and flow of information made possible through IT integration.

In addition, the Patient Protection and Affordable Care Act has triggered the greatest overhaul of the U.S. health insurance industry in almost half a century, obliging employers to offer affordable health insurance for full-time employees. In a 2014 survey conducted by the American Health Policy Institute, the act increases fees and mandates for large employers, costing them an estimated \$163-200 million by 2016. This represents a 4% rise from their current cost level. The rise will continue to increase revenues for insurance services companies as the act expands affordable coverage to an additional 32 million Americans.

These key challenges faced by the health insurance industry provide a substantial opportunity for insurance services companies, and one that can be capitalized on immediately given the new health regulations. Insurance services companies able to cut costs through implementation of software and IT solutions will increase their efficiency in high-demand areas such as administration and claims processing. Firms that can help insurance providers recognize, attract, service, and retain new members from the incoming policy holders will also have increased relevance.

Essentially, companies with the ability to shepherd healthcare insurance providers into the new regulatory environment, streamline their revenue cycles, minimize their costs, and also provide them with the capability to continue scaling their businesses will see both success and growth in the coming future.

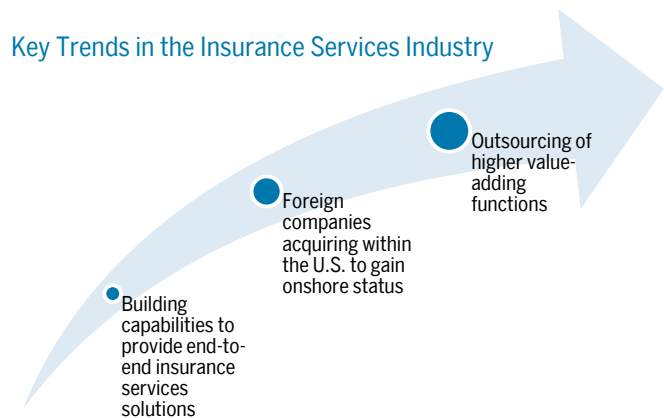
Key Players

The insurance services industry is highly fragmented, with several small scale players performing sometimes just one function alongside large outsourcing specialists that offer comprehensive, end-to-end solutions. There is a high concentration of insurance services firms in India and the Philippines, both extremely popular destinations for outsourcing healthcare functions.

In fact, some of the biggest players in the industry are the healthcare divisions

of Indian outsourcing giants, including Genpact, Infosys, and Wipro. They compete directly with the outsourcing divisions of firms such as Accenture, Cognizant, DST, and Xerox Business Services. There are also notable U.S. companies that specialize in healthcare insurance services, including ExamWorks Group and HMS Holdings. The largest players in the pharmacy benefit management (PBM) space include Express Scripts, CVS, and UnitedHealth Group.

Key Trends in the Insurance Services Industry



Key Trends

Due to insurance providers' preference for a single vendor solution, firms that are able to provide comprehensive solutions make for attractive partners. This has led to a consolidation trend, where larger companies have been acquiring multiple smaller, specialist companies to build a diversified portfolio of products and services.

Another discernible commonality in the insurance services industry is foreign companies acquiring U.S. based companies in order to increase their onshore exposure. This allows them to side step regulation banning the off-shoring of sensitive health data and information, while still remaining competitive due to their offshore capabilities.

The most transformative trend, however, is the outsourcing of higher value-adding functions versus purely back office administrative processes. Insurance providers are employing insurance services companies to help deploy systems and infrastructure that will allow them to prosper in the next generation of healthcare provision.

For example, companies are facing a growing need to prepare for payer-provider convergence. This phenomenon is essentially the blurring of lines between payers and providers, and is making it necessary for healthcare insurance companies to apply integrated solutions, where communication between all health care stakeholders is facilitated. Insurance services firms that provide payer-provider collaboration solutions or online portals for health information exchange will offer great value to insurance providers. It is becoming increasingly important for insurance services firms to deliver integrated solutions that allow for healthcare stakeholder interoperability in order to ensure their clients long term sustainability.



Competitive Matrix

Below is a matrix of selected healthcare insurance services companies. Companies in bold are profiled on the next page.

Company	Marketing and Sales	Claims Management	Member Management	Network Management	Plan / Benefit Management	Clinical Management	Administrative
Anthem, Inc. - Commercial Segment							
Accenture plc							
American CareSource Holdings, Inc.							
Arthur J Gallagher & Co.							
Benefitfocus, Inc.							
Cegedim SA							
Change Healthcare Holdings, Inc.							
Cognizant Technology Solutions Corporation							
Computer Sciences Corporation							
Connecture, Inc.							
CorVel Corporation							
CVS Health Corporation							
DST Systems, Inc.							
ExamWorks Group, Inc.							
Exlservice Holdings, Inc.							
Express Scripts Holding Company							
Genpact Limited							
HealthPlan Holdings, Inc.							
Healthways, Inc.							
Hewlett-Packard Company (HP Enterprise Services)							
HMS Holdings Corp.							
Hooper Holmes Inc.							
IMS Health Holdings, Inc.							
Infosys - BPO Services							
Magellan Health, Inc.							
National Research Corp.							
Qualicorp S.A.							
TATA Consultancy Services - Healthcare							
Trover Solutions, Inc.							
UnitedHealth Group, Inc. (OptumHealth)							
Universal American Corp							
Willis Towers Watson Public Limited Company							
Wipro - Healthcare BPO							
WNS - Healthcare BPO							
Xerox - Healthcare Payer Services							
York Risk Services Group, Inc.							

Profiles of Selected Participants

Below are profiles of selected publicly-listed insurance services companies.

Company	Brief Description	LTM* (USD \$M)	
		Sales	EBITDA
	Cegedim SA operates as a technology and services company specializing in the healthcare sector primarily in France, the Americas, Asia Pacific, Europe, the Middle East, and Africa. The company operates in three segments: CRM and strategic data, Healthcare professionals, and Insurance and services. It primarily offers services, IT tools, specialized software, data flow management services, and databases.	505.1	69.1
	CorVel Corporation provides medical cost containment services to manage the medical costs of worker's compensation in the U.S. It offers network access, utilization review, independent medical examinations, and medical bill review. The company assists insurance companies, third-party administrators, governmental entities, and self-administered employers in managing medical costs and monitoring the quality of care associated with healthcare claims.	495.9	63.2
	ExamWorks Group, Inc. provides independent medical examinations (IME), peer reviews and bill reviews in the U.S., Canada, the U.K., and Australia. Its services are used by clients to confirm the veracity of claims by individuals for workers' compensation, personal injury liability, and disability insurance coverage. It provides its services through its medical panel of independently contracted physicians and other medical providers.	813.2	111.7
	EXService Holdings, Inc. provides outsourcing and transformation services in the U.S. and the U.K. Its outsourcing services include claims processing, premium and benefit administration, agency management, account reconciliation, policy research, underwriting support, new business processing, policy servicing, trades/sub-account transactions, add-on processing, premium audit, billing and collection, and customer services in insurance and healthcare sectors.	597.9	88.0
	Express Scripts Holding Company operates as a pharmacy benefit management (PBM) company in the United States and Canada. It serves managed care organizations, health insurers, third-party administrators, employers, union-sponsored benefit plans, workers' compensation plans, government health programs, office-based oncologists, renal dialysis clinics, ambulatory surgery centers, primary care physicians, retina specialists, and others.	101,889.0	6,928.1
	HMS Holdings Corp. provides cost containment services to government and private healthcare payers and sponsors in the U.S. It provides cost avoidance services that offer validated insurance coverage information, which is used by government-sponsored payers to coordinate benefits for incoming claims. Additionally, it offers program integrity services that identify improper payments on a pre-payment and post payment basis, identify and recover overpayments, detect and prevent fraud and abuse, and identify process improvements.	457.9	84.9
	IMS Health Holdings, Inc. provides information, services, and technology to the healthcare industry worldwide. The company also provides consumer health insights, forecasting solutions, payer insights, pharmaceutical measurement solutions, and publications. In addition, it offers healthcare analytics and services that include pharmaceutical R&D services, government solutions, business process outsourcing solutions, patient-centric solutions, pharmaceutical commercial services, payer solutions and consulting services.	2,787.0	723.0
	National Research Corporation provides analytics and insights that facilitate revenue growth, patient, employee and customer retention, and patient engagement for healthcare providers, payers, and other healthcare organizations in the United States and Canada.	101.1	29.3
	Qualicorp S.A. operates as a healthcare benefits administrator and health management services provider in Brazil. Their Affinity segment negotiates contracts with health plan operators on behalf of professional associations and provides brokerage services. In addition, it offers services such as enrollment, billing, customer service, and medical concierge services. Their Corporate and Other segment provides health plan consultancy, brokerage, healthcare IT, and third-party administration services to national and multi-national companies, and governmental entities.	1,673.3	637.7
	UnitedHealth Group provides pharmacy benefit management (PBM) services and healthcare information technology (HCIT) solutions to the healthcare benefits management industry in North America through its subsidiaries, OptumRx and Catamaran. It serves various organizations in the pharmaceutical supply chain, such as federal, provincial, state, and local governments; unions; corporations; pharmacy benefit managers; managed care organizations; retail pharmacy chains; and other healthcare intermediaries.	146,941.0	12,486.0

*Last 12 months as of 1/15/2016