

The Evolution of Healthcare Marketplace and The Formation of Healthcare Giants

RIA Advisory
Whitepaper



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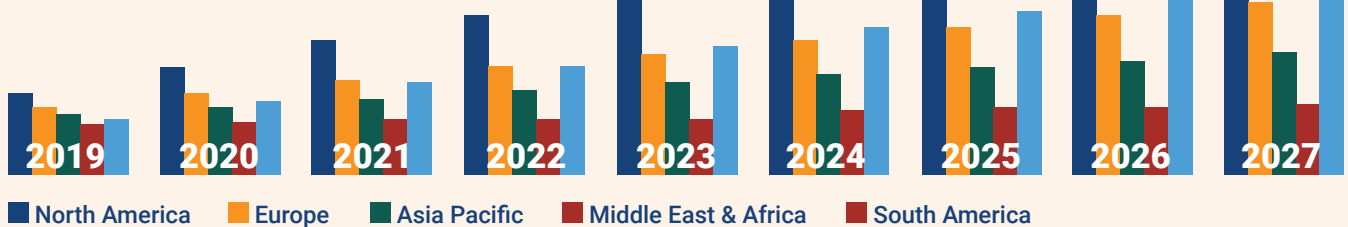
Table of Contents

Introduction	3
The Evolution of Healthcare Products	4
What this means for Providers	6
The Formation of Healthcare Giants	7
Conclusion	10
About RIA Advisory	11
References	12

Introduction

Over the last few years, the healthcare marketplace has been experiencing tremendous growth and development. This burgeoning growth has been driven by the emergence of new technologies, the evolution of new healthcare models, and the entry of new market forces. In addition, advanced medical equipment, developments in communication mediums, and innovations in medical research have further helped the healthcare marketplace evolve.

Global Digital Transformation in Healthcare Market, by Region (2019-2027)



Source: Maximize Market Research

The ongoing pandemic has further changed the course of the healthcare market, with trends like telemedicine and virtual care picking up immense steam. As more and more people get infected by COVID-19, the need for digital, home-based care models is exceptionally high. According to a global outlook survey by Deloitte, 48% of 200 responding insurance executives believe that the pandemic showed how unprepared their business was to weather this economic storm. Furthermore, only 25% strongly agreed their carrier had a clear vision and action plan to maintain operational and financial resilience. Today, more and more people need healthcare; yet spiraling healthcare costs make it difficult for patients to pay for expensive treatments. To keep up with these dynamic and uncertain times, healthcare organizations have had to evolve and transform their products, their service models, as well as the healthcare plans they offer to patients. After all, it is through this constant evolution that healthcare giants formed into who and where they are today.

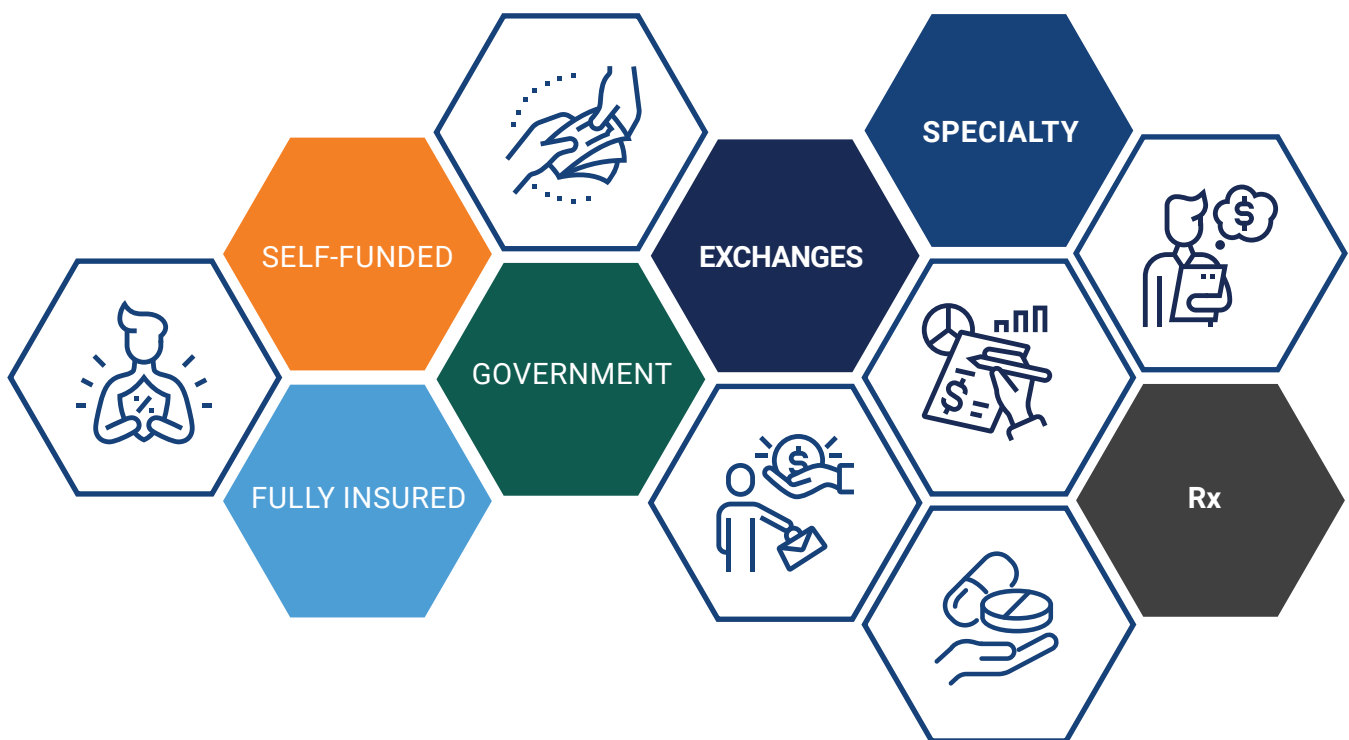
In this whitepaper, we will look at:

- The evolution of healthcare products
- What evolution means for insurance providers
- The significance of specialized plans
- The formation of healthcare giants

The Evolution of Healthcare Products

The healthcare industry has come a long way since 1850, when the first insurance available was against injuries caused by accidents. By 1866, over 60 organizations offered similar types of insurance; however, this number multiplied thereafter. From sickness coverage to insurance for the disabled, several new insurance plans came into play. Patients were expected to pay for healthcare costs out of their own pockets, and over time, most health insurance programs covered the cost of routine, preventive, and emergency health care procedures; some even covered the cost of prescription drugs, but this was not always the case.

Medical insurance offered as an employment benefit: The 1942 Stabilization Act was passed to combat inflation. Designed to limit employers' freedom to raise wages and thus to compete based on pay for scarce workers, the actual result of the act was that employers began to offer health benefits as incentives instead. In addition to government insurance, private insurance companies started venturing into the marketplace, offering several new medical expense policies. These companies began catering to patients with different insurance needs – based on their job profiles, their previous health conditions, as well as their economic status. Listed below are the different healthcare products that are common today in the US healthcare market.



- **Fully insured:** One of the most traditional and common healthcare plans is the fully insured plan, wherein organizations or individuals pay a premium to ensure their employees or their household. Purchasers are well aware of what their plan will cost, but if members do not use much of the healthcare, all the money spent is lost. Premium rates are generally fixed for a year and depend on the number of employees or members enrolled in the plan every month. The insurance carrier pays for healthcare claims based on the outlined coverage benefits described in the purchased policy.
- **Self-funded:** As the name suggests, self-funding involves paying the employees' health claims as they occur – with employers running their health plan instead of purchasing a fully-insured plan from the insurance carrier. Employers can choose ala carte benefits and services with self-funded plans and offer lower premiums to employees. However, unexpected claims can cause the cost to increase dramatically.
- **Government:** Most governments offer a range of subsidized medical health insurance programs, including Medicare, Medicaid, SCHIP, high-risk pools, and Military Health Insurance. These programs are provided to people 65 years and older, younger persons with disabilities, lower-income groups, and more at an affordable cost or even free – depending on the circumstances. For little or no cost to the patient, many government plans pay for doctor visits, immunizations, hospitalizations, and emergency room visits.
- **Exchanges:** As more and more different insurance plans get introduced, employers (and individuals) are increasingly finding it difficult to choose a plan that best fits their needs. Exchanges allow public and private insurance companies to list their health plans, providing a marketplace for comparing different insurance plans and models. While private health insurance exchanges are designed to serve large employers, public health insurance exchanges cater to individual and family health insurance where people pay for the insurance on their own – and not via their employer or the government. In addition, individual exchange programs offer low-income subsidies if the purchasers qualify for that assistance.
- **Specialty:** Specialty insurance types include Dental, Vision, Life, Supplemental Life, Disability, Long-term Care, and other forms of insurance not included in basic medical insurance plans.
- **Rx:** A health insurance plan that helps pay for prescription drugs and medications that come under Rx. Since prescription drugs have contributed substantially to healthcare inflation, this type of insurance allows employers and individuals to pay an annual premium to avail prescription drugs at reduced or no cost. However, as the price of prescription drugs increases, many insurance carriers put restrictions on what they will and will not cover, leading to substantial out-of-pocket costs.

What this means for Providers

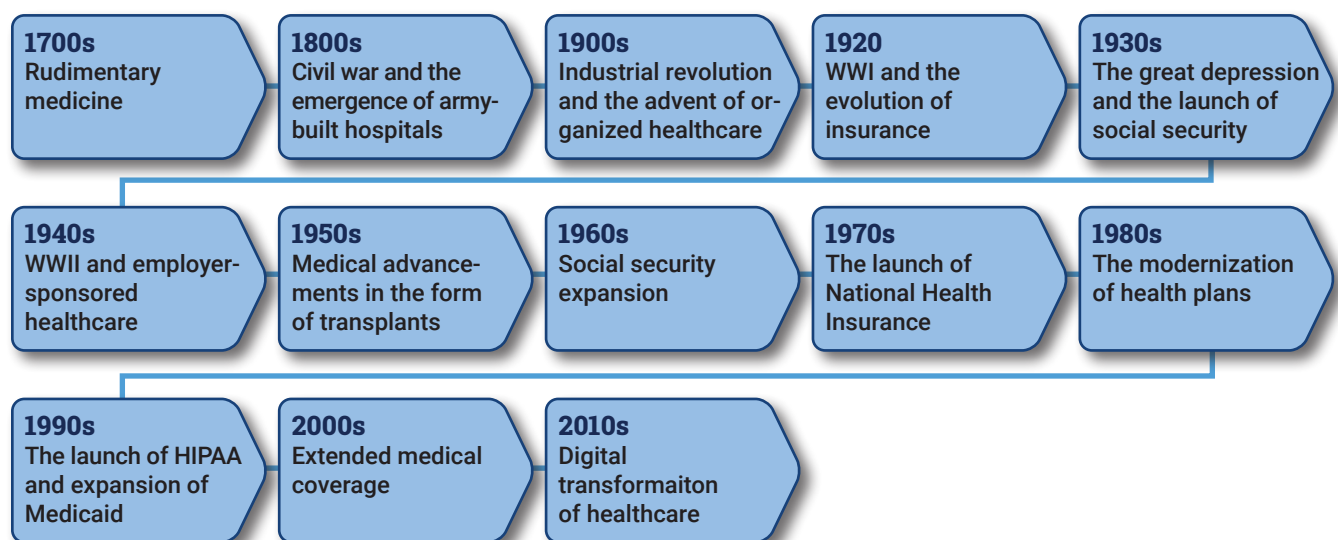
In today's extremely competitive and crowded healthcare market, providers need to constantly work towards enhancing their ability to offer innovative and integrated care models that can improve healthcare quality while delivering better outcomes. They need to constantly develop hybrid and specialized versions of these foundational plan structures to remain relevant. They also need to deliver appropriate health coverage not just to meet the different kinds of needs but also to ensure patients stay in good health. Below are the different types of specialized plans that can allow insurance providers to meet the needs of today's evolving market:



- 1. Critical and Chronic Care Plans:** Even with excellent healthcare insurance, critical and chronic illness can end up being a tremendous financial burden. Since the costs of treating life-threatening illnesses are exorbitantly high – usually far more than any plan will cover – critical care plans allow additional coverage for unplanned medical emergencies and cover overruns in situations where traditional health insurance falls short. In the event of a vital health emergency such as a stroke, cancer, or organ transplant, such plans can go a long way in protecting the health and wealth of patients. Payees can either add these plans to their current health insurance plan or purchase these separately and pay for critical medical services that might otherwise be unavailable.
- 2. Enhanced Personal Healthcare:** Patient-centered, value-based care programs like Enhanced Personal Healthcare offer a great way to reduce healthcare costs and augment patient outcomes. Since such programs move away from the fee-for-service model and bring in expertise at lower costs, they allow insurance providers to improve the quality of care by forging consistent and long-lasting patient-provider relationships. In addition, by receiving specialized support and incentives for improving care coordination, resource utilization, and disease management, they can help save costs by reducing ER visits, hospital readmission rates, outpatient surgeries, and lab services while allowing a faster and improved compliance rate.
- 3. Health and Wellness Variations:** In today's fast-paced, overly stressed world, overall health and wellness often take a backseat. The mere absence of a disease or illness is not enough for sound health; a state of complete physical, mental, and social well-being is what truly matters. Since the primary determinants of health include various social, economic, and physical factors and individual characteristics and behaviors, insurance providers need to offer different health and wellness variations so that patients can preserve the balance between the various aspects of their health. These can include free health check-ups, gym, yoga, and sports club memberships, rewards for maintaining an active lifestyle, renewal benefits, and more.

The Formation of Healthcare Giants

Healthcare forms an enormous part of a country's economy, consuming over 10% of the GDP of most developed nations. Today, healthcare is one of the world's largest and fastest-growing industries. However, like every other industry, the giant leap also began with a single step: from home remedies, the industry moved towards traditional healthcare practices to cure illnesses via trial and error. Colonization, urbanization, and global travel made people vulnerable to infectious diseases, which led to the formation of big players in the market that worked towards eradication campaigns as well as the development of medicines and vaccines to treat and prevent diseases.



Listed below is a brief history that explains how the top five players in healthcare came into being and the flurry of acquisitions and mergers that led to their success:

Anthem[®]

HCSC
Health Care Service Corporation

**United
Healthcare**

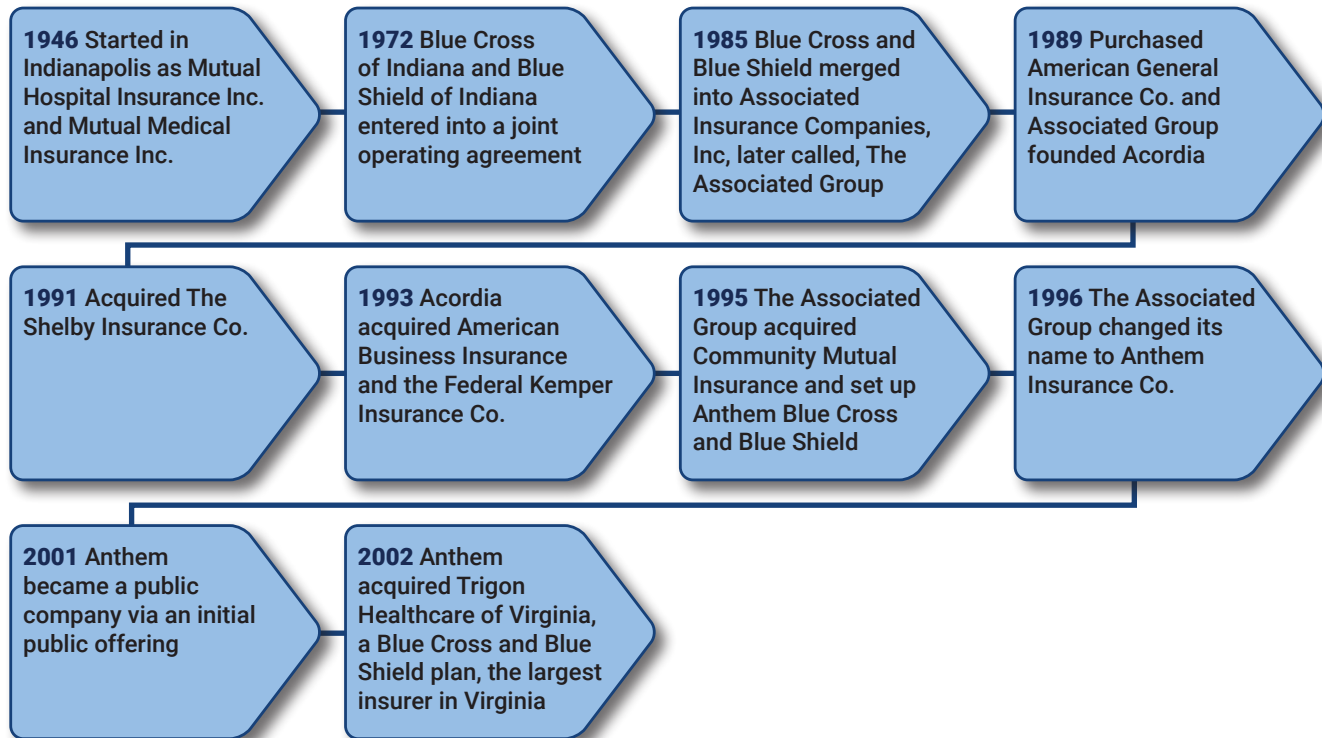
Humana

♥ aetna[®]

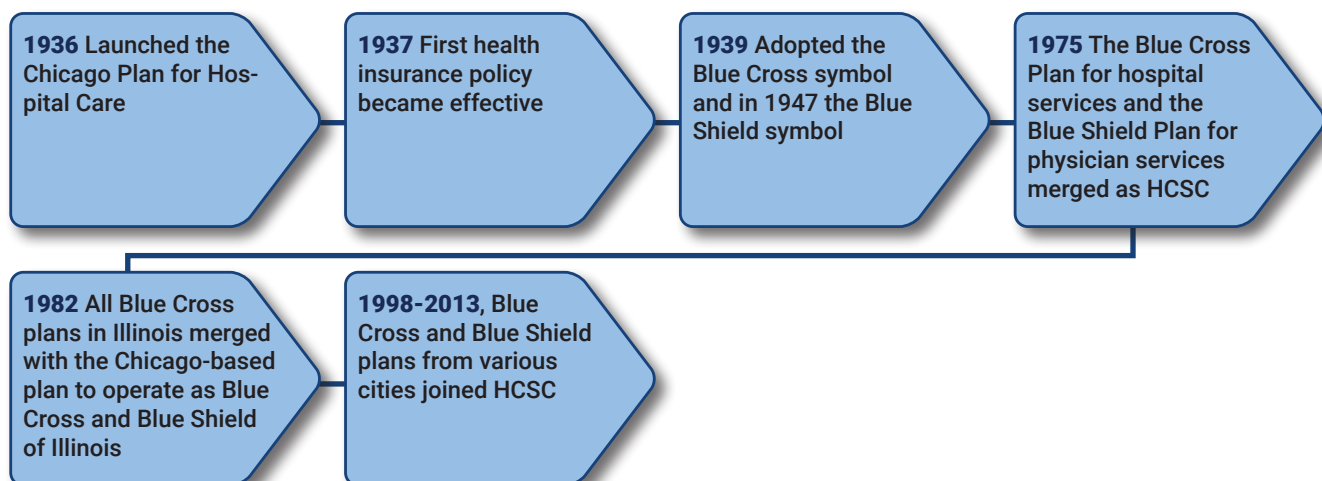
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The Evolution of Healthcare Marketplace and The Formation of Healthcare Giants

1. Anthem: Known today as the largest for-profit managed healthcare company in the Blue Cross Blue Shield Association, a leading health insurance provider in the US. The company operates as Anthem Blue Cross in California, Empire BlueCross BlueShield in NY State, and Anthem Blue Cross and Blue Shield in 10 other states.

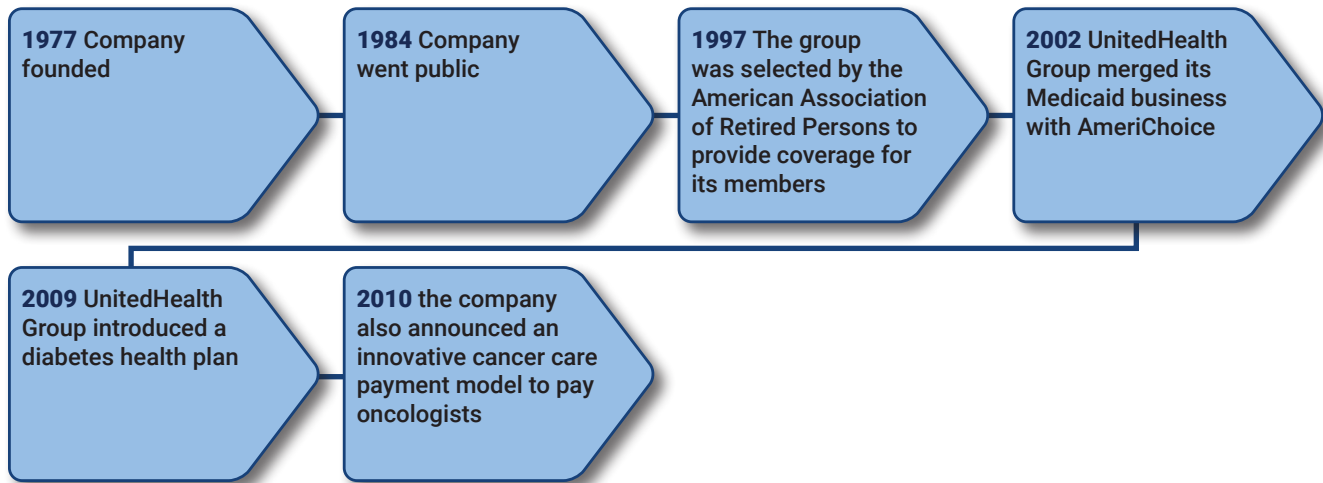


2. HCSC: A member-owned health insurance company, HCSC was founded in 1936 in Chicago, Illinois, with a network of offices in the United States. Today, the company is the fifth-largest insurer in the US, employs over 23,000 people, and serves nearly 16 million members.

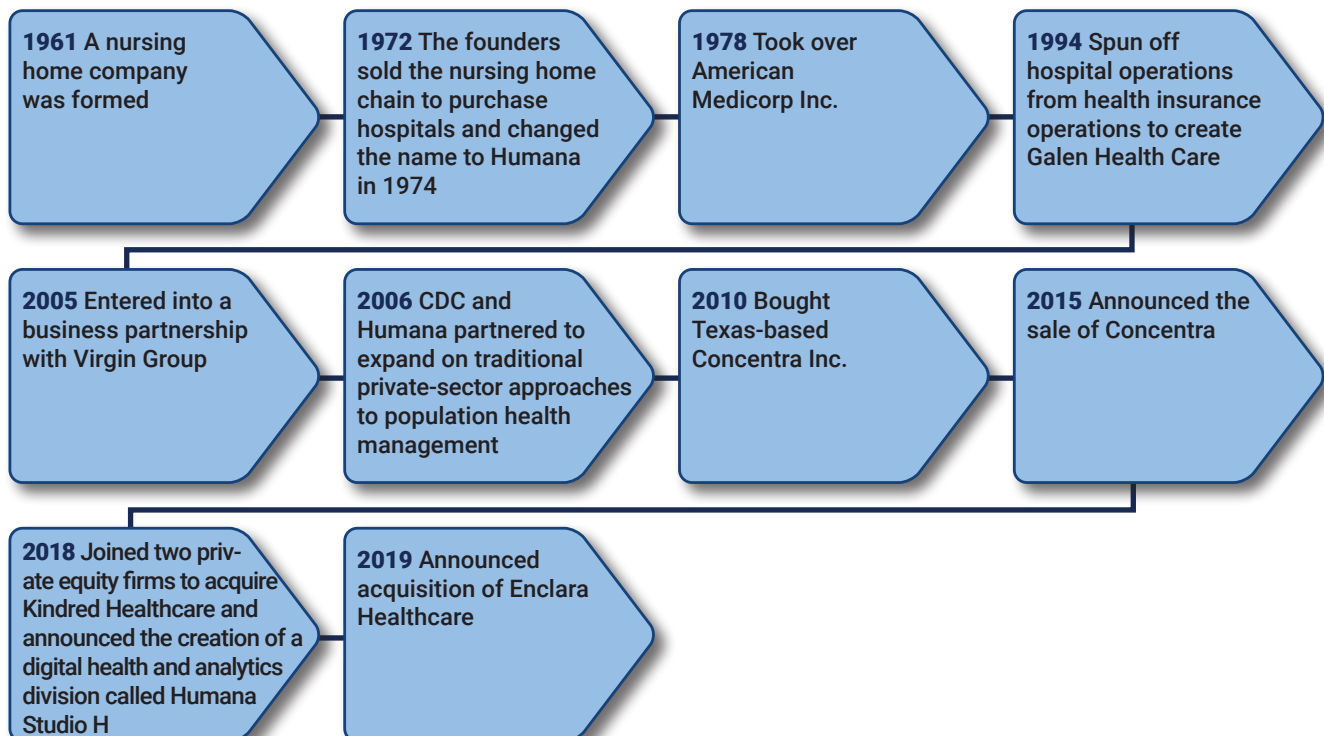


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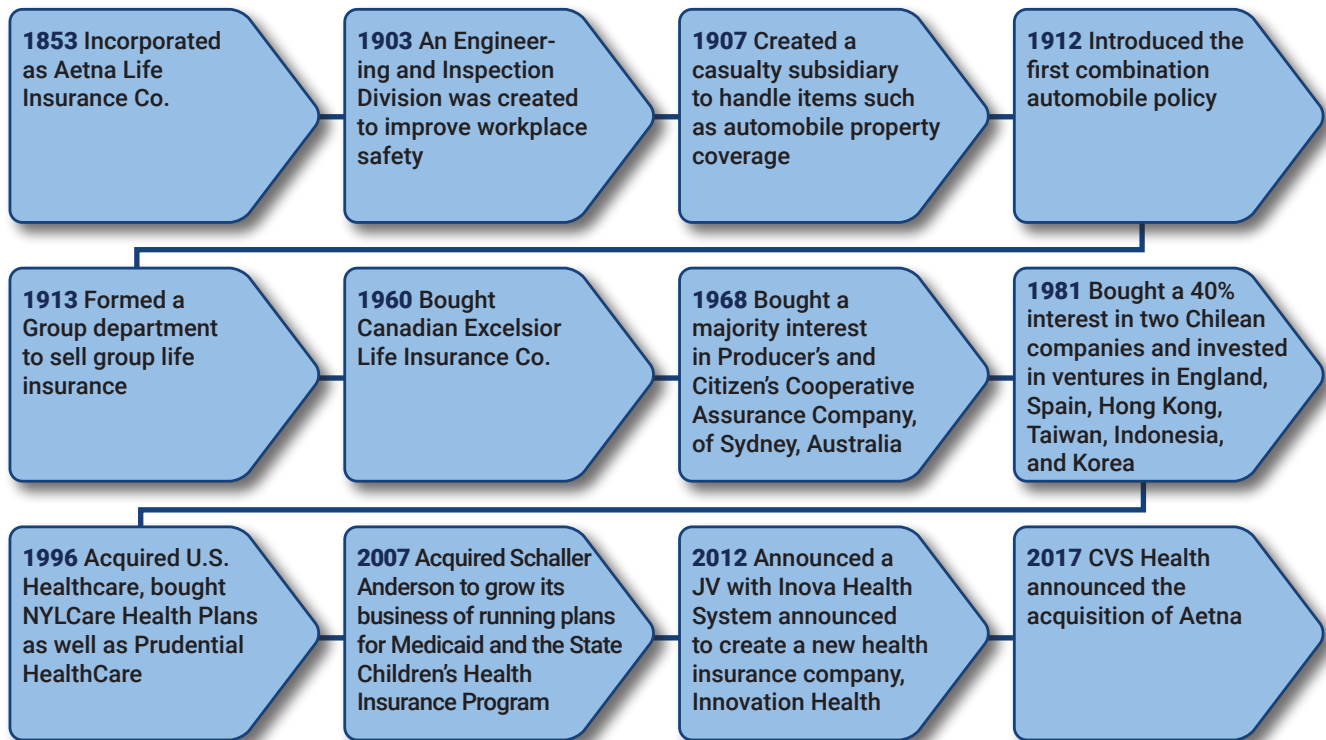
3. United Healthcare: Dedicated to helping people live healthier lives and making the health system more efficient, United Healthcare serves millions of people. Offering health benefit programs for all ages and lifestyles, the company supports people from their earliest years through their working lives and until retirement. Today, the company partners with more than 1.3 million physicians and healthcare professionals in 6,500 hospitals and care facilities, providing care to people across the globe.



4. Humana: A for-profit American health insurance company based in Kentucky. Humana's cultural foundation is aligned to help members maintain their health by delivering personalized, simplified, whole-person healthcare experiences. Today, the company is ranked 52 on the Fortune 500 list and recognizes the healthcare needs of different people in different communities.



5. Aetna: An American managed healthcare company, Aetna sells traditional and consumer-directed health insurance and related services through employer-paid benefit programs. Today, the company's network includes 22.1 million medical members, over 690,000 primary care doctors and specialists, and over 5,700 hospitals.



Conclusion

The healthcare marketplace is constantly evolving, with new trends, regulations, and market forces coming into play. **To keep up with these changes, healthcare players need to build effective insurance plans and strategies and create efficiencies that will eventually lead to revenue optimization, profitability, predictability, and higher levels of customer satisfaction.** After all, that is how the top five insurance companies in the world came into being: by monitoring the changes in the market and carefully studying the different healthcare products, they tweaked their business models, embraced new processes, and acquired existing companies so that they could strengthen their foothold in the market. **If you are looking to stay relevant and competitive, you need to align your business processes and strategies with the current demands of your industry.** In addition, make sure to offer members the flexibility to customize their insurance plans and add-ons and allow them to plug and play different variations for improved medical coverage – but in a cost-effective manner.

Connect with us at info@riaadvisory.com to learn more about insurance revenue transformation.

About RIA Advisory

[RIA Advisory](#) is a business advisory and technology company specializing in Revenue Management and Billing for Banking, Payments, Capital Markets, Exchanges, Utilities, Healthcare, and Insurance industry verticals. With a highly experienced team in Pricing, Billing, and Revenue Management, RIA prioritizes understanding client needs and industry best practices to approach any problem with insight and careful strategic planning. Each Managing Partner at RIA Advisory has over 20 years of industry expertise and experience. Our leadership and consulting team demonstrate our continued efficiency in serving our clients as a strategic partner for their revenue transformation programs. As a result, we empower our customers to resolve complex issues and streamline business and technology processes with increased ROI from our vast and in-depth subject matter expertise.

Our services include:

- Business Process Advisory
- Technology Consulting & Implementation
- Advanced Product Development
- Managed Services
- Quality Assurance
- Cloud Services
- Analytics
- Co-Innovation

For the healthcare industry, we provide a range of implementation, support, and advisory services including:

IMPLEMENTATION SERVICES	APPLICATION MANAGEMENT AND SOLUTION SUPPORT	TESTING CENTRE OF EXCELLENCE	BUSINESS PROCESS OPTIMIZATION & ADVISORY SERVICES
<ul style="list-style-type: none">• Highly qualified and experienced Business and Technology specialists.• Extensive knowledge of the healthcare industry through successful implementations for some of the largest healthcare payers.• Access to tools that accelerate revenue management product implementations.	<ul style="list-style-type: none">• World-class application support services that help reduce the overhead of on-site resources.• Access to Solutions Centre helps analyze the most challenging issues and respond with documentation.• This resolves the issue while it aids the utility staff to understand the process of resolution.	<ul style="list-style-type: none">• Pool of testing experts that support business and IT teams to write test strategies, scenarios, and scripts.• Offer assistance in functional (SIT, UAT, etc.) and non-functional testing (Performance testing, Usability testing, Security testing, Automated regression testing, Configuration testing, etc.).	<ul style="list-style-type: none">• Enable continuous process improvement to stay agile and competitive.• Access business experts and solution architects at the high end of the experience scale.• Provide assistance to overcome business challenges by working with client leadership to select options and solutions.

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