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Brocair Partners, founded in 2004, is a financial advisor to businesses serving the healthcare, wellness, and pharmaceutical industries. We provide mergers & acquisitions, corporate finance, and strategic advisory services to companies worldwide.

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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

Claims Management	Member Services	Network Access	Software & IT	Medical Evaluations	Bill & Utilization Review
<ul style="list-style-type: none"> • Front-end claims mailroom, optical character recognition (OCR) and data entry • Pre-adjudication services • Adjudication & adjustment • Collections 	<ul style="list-style-type: none"> • Customer relationship management • Eligibility and enrollment services • Billing 	<ul style="list-style-type: none"> • Access to network of healthcare providers 	<ul style="list-style-type: none"> • Data analytics and decision support • Web-based solutions • Communication and information exchange platforms • Online transaction processing • Company-wide infrastructure 	<ul style="list-style-type: none"> • Independent physical exams for disputed claims • Medical peer reviews for disputed claims 	<ul style="list-style-type: none"> • Physician/hospital bill review • Surgical cost estimate • Judgement of rendered care, and its accordance with industry guidelines

Services by Segment

Most commonly, insurance services companies provide claims management services, member services, network access, software and IT solutions, independent medical evaluations, and medical bill and utilization review. The bulk of services provided, around 60%, are claims management solutions, followed by member 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, somewhat forcibly through 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 insurance providers to prepare for the millions of new members that will be requiring health coverage by the beginning of 2014. This is due primarily to the implementation of the Health Insurance Marketplace, which allows individual consumers to shop for a plan of their choice. Furthermore, insurance companies will have to adhere to stringent medical loss ratio (MLR) mandates, while also adjusting to new models of care delivery, such as the Accountable Care Organization, bundled payments, and pay for performance models.

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 imminence of the new regulations. Insurance services companies that can cut costs and complexity through swift implementation of software and IT solutions and help increase efficiency in areas such as core administration and claims processing will be in high demand. 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 that can 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 business 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 TriZetto, ExamWorks Group and HMS Holdings.

Key Trends

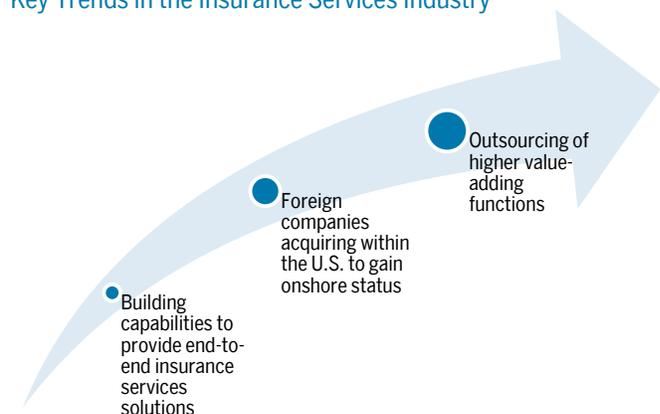
Due to insurance providers' preference for a single vendor solution, firms that are able to provide a comprehensive solution are very attractive partners, which explains the success of large IT and outsourcing firms that pitch their ability to service every need an insurance company might have. This has led to a trend of larger companies making several acquisitions of smaller, specialist companies to build a diversified portfolio of products and services, achieving the goal of being a one-stop shop for insurance 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 and competitiveness.

Key Trends in the Insurance Services Industry



Competitive Matrix

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

Company	Claims Management	Member Services	Network Access	Software & IT	Medical Evaluations	Bill & Utilization Review
Accenture Health Administration BPO Services						
Altegra Health, Inc.						
American CareSource Holdings, Inc.						
Capario						
Cegedim SA						
Cognizant - Healthcare Business Process Services						
Connecture, Inc.						
CorVel Corporation						
CSC Health Services						
DST Health Solutions						
Emdeon Inc.						
ExamWorks Group, Inc.						
Exlservice Holdings, Inc.						
Genpact Limited						
HealthPlan Holdings, Inc.						
HMS Holdings Corp.						
Hooper Holmes Inc.						
HP Enterprise Services - Health Plans						
Infosys BPO Services						
ISG Holdings, Inc.						
National Research Corp.						
NaviNet, Inc.						
TATA Consultancy Services - Healthcare						
TriZetto Corporation						
Trover Solutions, Inc.						
Wipro Healthcare BPO						
WNS's Healthcare BPO						
Xerox Business Services - 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	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.	1,226.1	164.6
 ExamWorks	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.	596.8	77.4
 EXL business process solutions	ExiService 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.	472.0	86.2
 CORVEL	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.	456.7	67.1
 hms	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.	503.3	146.1
 HOOPERHOLMES	Hooper Holmes, Inc. provides health risk assessment services to the life insurance and health industries in the U.S. It performs paramedical and medical examinations for applicants of insurance through a network of health professionals. It also provides services such as telephone interviews of insurance candidates, retrieval of medical records and inspections, and risk management solutions.	144.7	(8.8)
 NATIONAL RESEARCH Corporation	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.	91.7	28.4

*Latest twelve months as of 01/08/2014