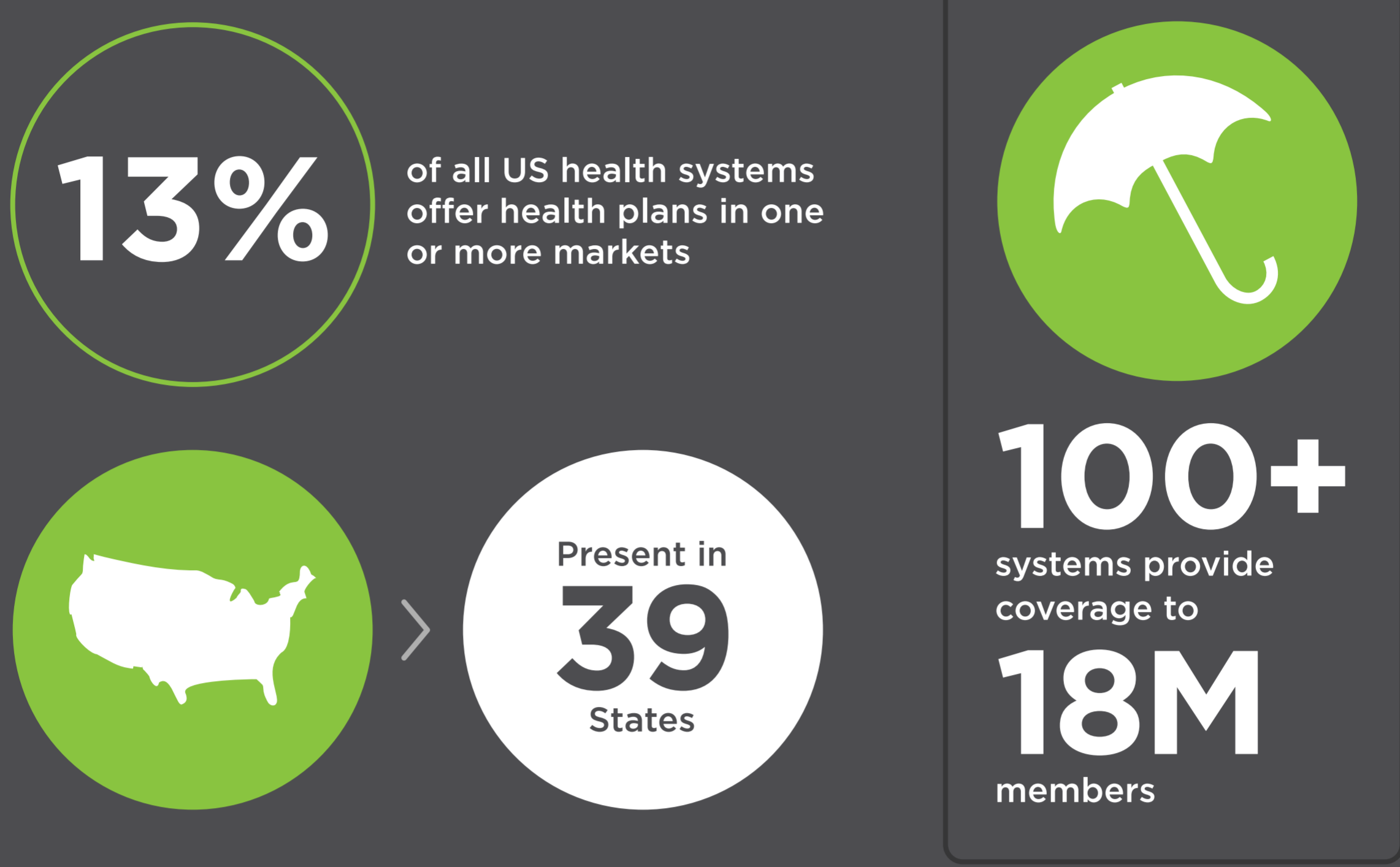




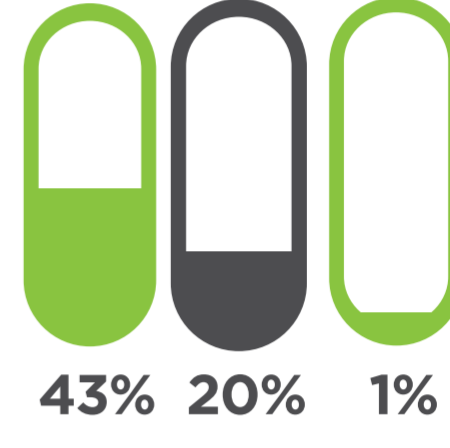
# PROVIDER-SPONSORED RISK: WHERE ARE YOU ON THE JOURNEY?

## TODAY'S NUMBERS



## PROVIDER-SPONSORED HEALTH PLANS GO BEYOND 80/20 RULE

The number of PSHPs continues to increase but they are still concentrated:



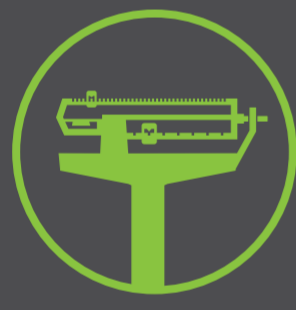
- 10 largest health plans account for 43% of 18M covered lives
- Next 10 largest plans cover another 20% of lives
- Conversely, 10 smallest plans represent only 1% of covered lives



## TREND OF HOSPITALS AND HEALTH SYSTEMS DEVELOPING HEALTH PLAN CAPABILITIES IS EXPECTED TO CONTINUE

A 2015 Modern Healthcare survey of 58 hospital CEOs found that more than seven out of 10 foresee the trend of providers becoming payers progressing unabated. Nearly three in 10 say the number of providers entering the insurance business will “accelerate,” while 43% indicate it will lead to “more fully-integrated delivery networks.”

## SUCCESS FACTORS



### Scale Matters

Plans with larger enrollments perform better than plans with lower enrollments: In general, small enrollments correlate to operating losses, high administrative costs, and poor financial performance.



### Lines of Business Matter

Variability in performance among PSHPs is significantly impacted by the lines of business pursued and market conditions (opportunity).



### Markets Matter

The relative scale (enrollment) of non-PSHPs in markets where PSHPs compete is a major determinant of the success of the PSHP.

## IMPLICATIONS

### INTEGRATED DELIVERY SYSTEMS WILL BECOME INTEGRATED SYSTEMS OF HEALTH

| Providers  | Payers   | Federal/State  |
|--|--|--|
| Providers will need to understand whether their scale, operational competencies and lines of business are optimal to succeed | As providers assume more risk, payers will need to react to maintain market share and negotiation leverage | States and private exchanges are looking to provider-led plans to drive greater quality and further reduce medical spend |

## NAVIGANT'S INTEGRATION SERVICE OFFERINGS ARE TIGHTLY ALIGNED WITH MARKET DRIVERS AND NEEDS



Helping health systems partner with, or acquire, a health plan

Helping health systems license and develop a health plan

Helping health systems determine and execute their integration strategy

Helping health plans evaluate and execute performance improvement activities

Navigant has the expertise to help health plans understand their market position relative to their competitors, from the competitive landscape to medical and administrative expenses, that will allow health plans to develop a competitive, viable, and effective long-term strategic vision.

