



HOULIHAN LOKEY

STRATEGIC CONSULTING | Healthcare

# Capturing the Self Funded Opportunity

Product and Pricing Approaches for BCBS Plans

White Paper

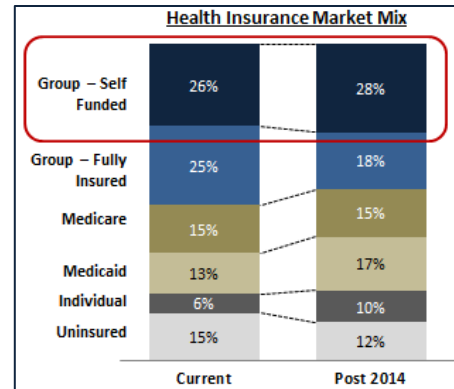
# Capturing the Self Funded Opportunity

## Product and Pricing Approaches for BCBS Plans

Self funded group health insurance has grown steadily over the past decade and now makes up the majority of commercial group membership. We expect the segment to become more important over the next several years, due to:

- Smaller and mid-sized groups shifting from fully insured to self funded arrangements
- Low wage groups dropping group coverage in favor of employees purchasing health coverage on state-run exchanges
- Fully insured profits being squeezed by Medical Loss Ratio (MLR) requirements, tighter rate reviews, and price-focused competition on exchanges

These changes are particularly consequential to Blue Plans, many who have historically focused on the fully insured group market and face strong competition from national commercial payers in the self funded segment.



### Recent Work & Research in the Field

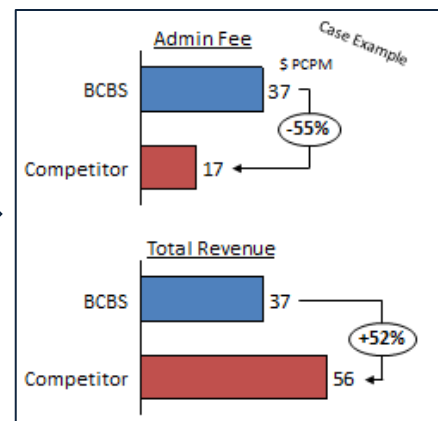
Houlihan Lokey recently worked with a single-state BCBS plan to help them improve their performance in the self funded market. This effort included:

- A survey of peer approaches, including 8 BCBS plans from across the country
- Detailed break-down and analysis of competitive quotes from national commercial carriers, regional, and local TPAs
- Interviews with client and peer management & staff, brokers & consultants, and relevant vendors (e.g., PBMs, subrogation service vendors)

### Key Takeaways

The effort highlighted opportunities for Blue Plans to improve their product positioning and pricing, and ultimately increase revenue and profitability in their self funded business.

- Disaggregated pricing can improve competitive positioning and increase revenue
  - Price framing is an important part of the quoting approach
  - Competitors are adept at creating the illusion of lower cost offerings while actually capturing more revenue per case than the typical Blue
- Self funded groups have distinct needs that require a choice of services and solutions
- There are untapped revenues available – primarily in PBM, claims cost containment, and care management
- There is a near-term need for an offering that specifically targets groups migrating from fully insured to self funded arrangements



Note: a more detailed presentation of these findings is available upon request



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