HOW MIDSIZE HEALTH PLANS CAN FORTIFY B2B MARKET SHARE
Multiple market pressures are forcing midsize and regional payers to re-examine and emphasize local advantages. Accenture’s recent experience with these health plans signals eroding traditional advantages in pricing and local network, and those who fail to respond are at risk of steady or even steep decline in market share of group business. New entrants are hitting the scene with competitive wellness, analytics and virtual health offerings that satisfy employer demands. To come out ahead, midsize and regional plans need to capitalize on their local advantages and make targeted investments in value-based partnerships, community-focused branding and regional health trends.

**Midsize and regional payers can no longer cash in on pricing advantages**

Accenture’s recent work with midsize and regional plans has revealed that a perception of stability in group business pricing advantages may be shrouding big changes within the market that call those advantages into question.

Midsize and regional plans saw flat or declining commercial group market share from 2015-2019 when compared to the five largest national health plans. Accenture analysis shows a drop from 58% to 50% for administrative services only, and 75% to 74% for fully insured.¹

Meanwhile, providers are consolidating. Between July 2012 and July 2016, the number of hospital-employed physician practices grew by 36,000 practices; a 100% increase over four years.² This level of provider consolidation increases negotiating power in a climate where the rate of employer coverage in US has gone nearly unchanged (+0.4%) from 2013 to 2017.³ As such, the continued viability of local network discount advantages is in question. Since the size of the pie hasn’t changed, midsize and regional health plans will have to compete more aggressively to grow and maintain profitability. Competing head-to-head on traditional pricing strategy with nationals is quickly becoming a losing proposition in the medium and long-term.

Midsize and regional health plans must react to the signals of change to stem the tide of further market erosion. Creating new pathways to cost relief for employer groups via value-based arrangements and a clear value story are essential to maintaining market share and winning new business across self-funded and fully insured segments.

**Value-based models are picking up momentum in the market.**

Alternative payment models, long championed in government-backed healthcare, are increasingly impacting commercial space. In 2017, 44% of commercial payments were tied to a model that included at least pay-for-performance and 28% included more advanced pay-for-value models, up from 22% in 2016.⁴

**New entrants are coming for your margin**

Consumers and employers today want more—and new entrants in B2B solutions are delivering it via inventive offerings and services. These new entrants and competitive extensions from benefit consultancies, startups and select brokers chip away at the potential for packaged offerings from midsize and regional health plans that deliver additional margin.

Working-age consumers want innovation—79% of Americans under 65 consider technology important to managing their health. These consumers (85%) are willing to wear a device that tracks vital signs and their fitness/lifestyle (or both) and 74% are open to sharing their data from wearables with their health insurer. More than half (53%) would prefer to see a doctor virtually if it meant seeing him/her quicker.⁵

Employers are interested in offering innovative services to employees. Among large firms (200+ employees), 62% offer health reimbursement accounts, 50% offer biometric screenings and 82% offer employees wellness programs that include smoking cessation, weight loss, lifestyle and behavioral coaching.⁶ Among employers offering screenings, 48% of larger firms use at least one third-party vendor that isn’t a carrier or third-party administrator to administer the screenings.⁷ Among larger firms, 74% offer coverage for telemedicine, up from 27% in 2015.⁸
While new entrants often cannot offer a foundational health benefits package, they can offer the add-on services that appeal to employers today. In fact, 75% of surveyed health brokers offer engagement, advocacy and transparency services directly to their employer clients. New entrants also have the funding to pursue innovation. Accenture and CB Insights track 175+ startups with solutions for population health, price transparency, remote monitoring, virtual care/coordination and remote monitoring and found that since 2016, these startups have received $3.6B in funding.

**Tap into local data to satisfy employer needs**

Midsize and regional plans can tap into their local advantages—network advantage and value-based partnerships, community-focused brands and regional health trends—to stand out from national competitors and new entrants.

Value-based partnerships and network advantage have the potential to offer a leg up on the competition. For instance, Blue Cross and Blue Shield of North Carolina now offers Blue Premier, a new value-based model of care in which Blue Cross NC and five major health systems will be jointly responsible for better health outcomes, exceptional patient experience and lower costs. Blue Cross NC says that by early 2020, 50% or more of its members will have a provider that is jointly responsible for the quality and total cost of their care.

Midsize and regional plans also have an opportunity to closely collaborate with employers in their communities. The Independence Blue Cross Foundation is a good example. The foundation invested $4.8 million in local initiatives in 2017. These initiatives include addressing cardiovascular disparities in underserved populations in Southeastern Pennsylvania and increasing awareness and access to effective community-based opioid treatment and prevention through the Supporting Treatment and Overdose Prevention (STOP) Initiative. Such investments help midsize and regional payers to build a community-focused brand that attracts the attention of local employers.

Midsize and regional players can act on a wealth of regional health data to develop targeted programs that impact lives in that state or region, and they can do so more effectively than nationals that may have wider analytical focuses and less targeted data. For instance, Health Care Service Corporation (HCSC) uses its medical claims data to identify neighborhoods with the highest rates of asthma-related hospitalization and emergency care. Working with the American Lung Association to provide training and mentoring to clinics in these hotspots, HCSC has had a direct impact on communities. In Illinois, hospitalizations for asthma patients fell 60% and emergency visits dropped by more than half.

**Capturing the B2B market**

It is time for midsize and regional plans to act on their home turf advantage. Here’s how:

- **Act on data.** Engage clients directly and use existing internal data to gain market insights that shape community-backed solutions that drive local engagement.

- **Build the right capabilities.** What set of capabilities will protect existing advantages and build targeted points of differentiation? Plans should consider moving toward value-based care. First, they must decide if they have the right value platform, analytics infrastructure, reporting and attribution in place.

- **Pick your partners.** Choosing the right companies to collaborate with will help to build agility and accelerate speed to market with differentiated offerings and a consumer-savvy model of operation.

The path to growth in downward trending markets for employer services requires that midsize and regional plans contend with multiple types of competitors. However, these plans can turn the trend around and use their local presence, data and relationships as an edge on the competition.
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RESOURCES

1 Accenture analysis of AIS data from 2015-2019
5 Accenture 2018 Consumer Survey on Digital Health
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