



HealthScape

Advisors

Market Trends Become Mainstream

Health Plan Outlook for 2023

SKYGEN Summit TRANSFORM 2023

October 17, 2023



A CONVEY COMPANY

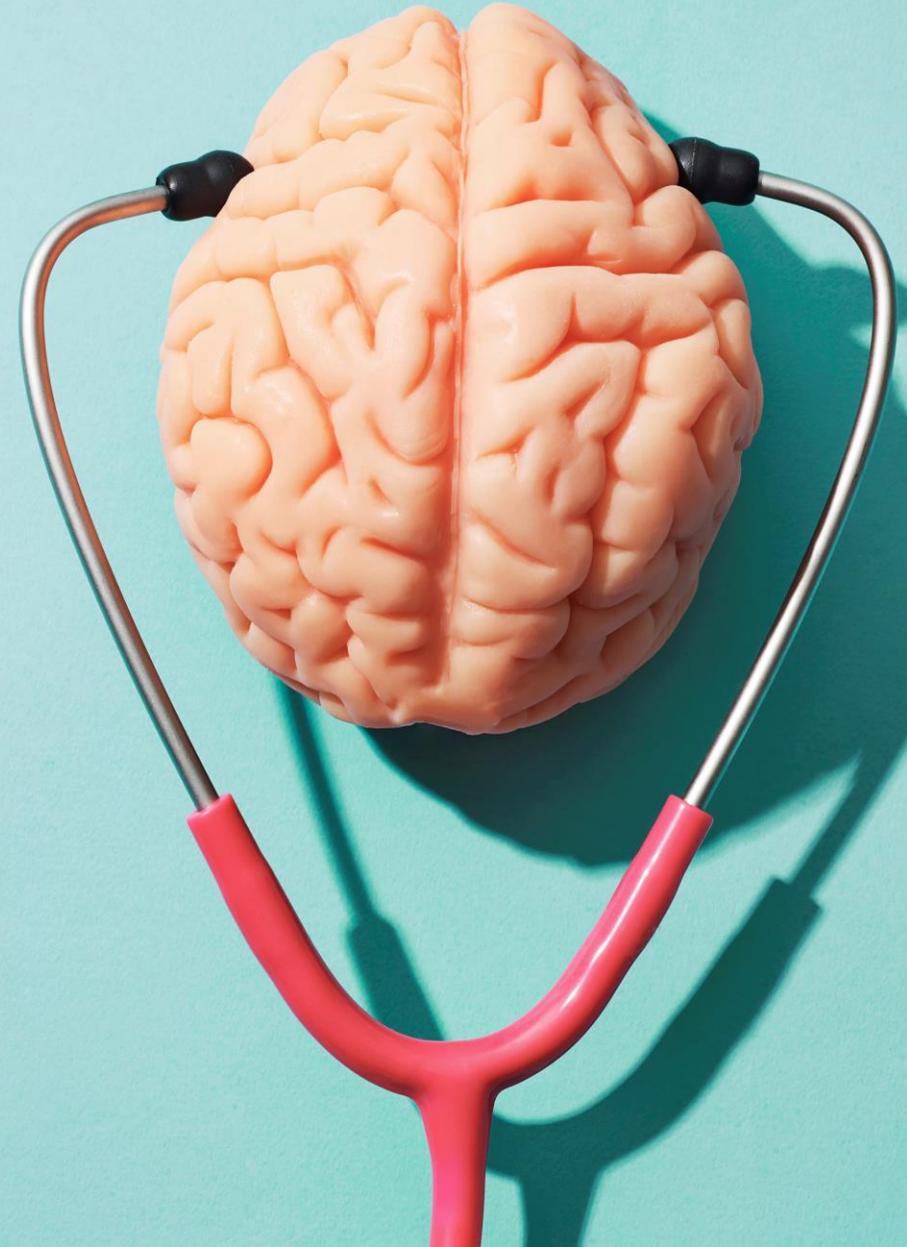
Today's Agenda

What we'll discuss:

- Setting the Stage
- The Current State of Affairs in Healthcare
- What's Next for Specialty Insurance?

Part I

Setting the Stage

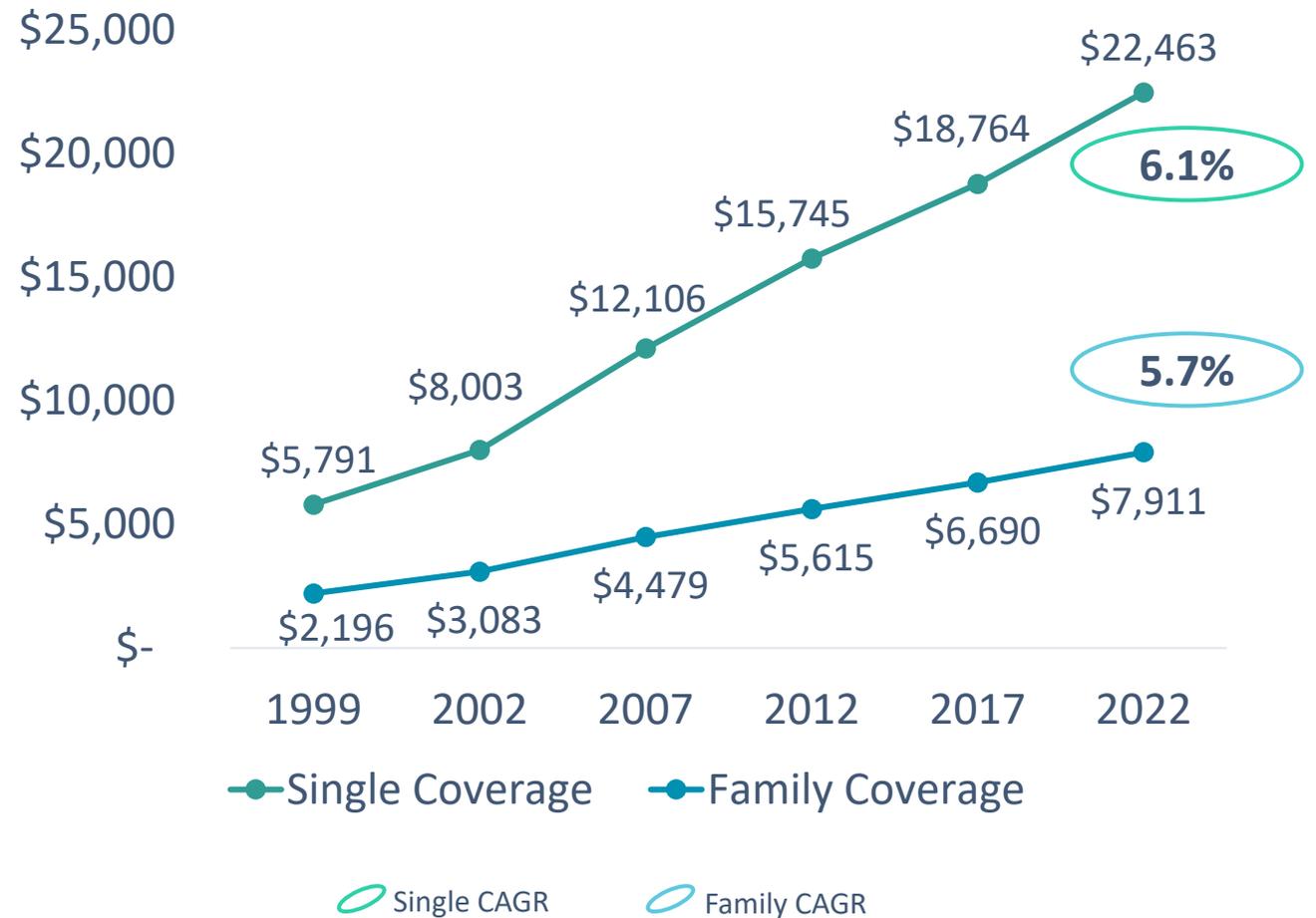


America's Ongoing Challenge with Rising Healthcare Costs

Healthcare costs continue to rise due to an increasing share of the population aged 65 or older, as well as the rising cost of healthcare services which typically grow faster than other goods and services.²

Nearly 30 million Americans do not have health insurance. For many, the cost of care is too significant a barrier to overcome.

Average Annual Premiums for Single and Family Coverage¹



(1) Kaiser Family Foundation, 2022 Employer Health Benefits Survey, 2022 (2) Peter G. Peterson Foundation, Why Are Americans Paying More for Healthcare?, 2023
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If Cost Isn't a Barrier, Access Might Be...

Multiple compounding factors hinder ongoing efforts to improve access to healthcare, such as ongoing and worsening **provider and healthcare worker staffing shortages**, **supply chain disruption**, as well as social determinant of health factors like **transportation issues or stigma in rural communities**.



Projected shortage of up to **124,000 providers by 2034**



Projected shortage of up to **48,000 primary care physicians**



Projected shortage of up to **77,000 specialty physicians**

(1) American Medical Association, *Doctor Shortages are here—and They'll get Worse if we Don't Act Fast*, 2022

Part II

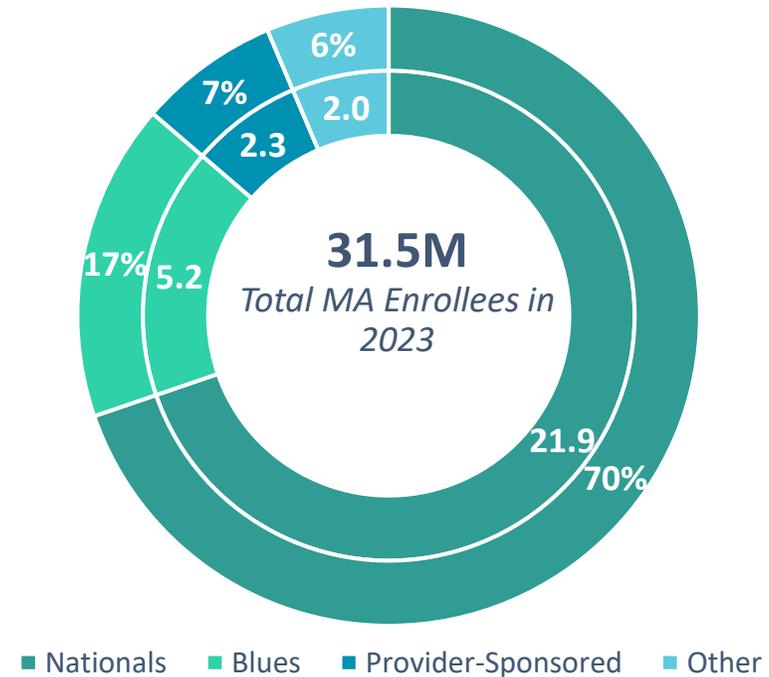
The Current State of Affairs in Healthcare



Industry Powerhouses Continue to Maintain Dominance in the Market

Large, national health plans and health systems are increasingly dominating the market with their economies of scale and ability to invest large amounts of capital, especially in quickly growing market segments such as Medicare Advantage and Commercial.

Medicare Advantage Enrollment¹ (Total – 2023)



National Medicare Advantage Plans

Footnotes: (1) CMS Enrollment Data 2023
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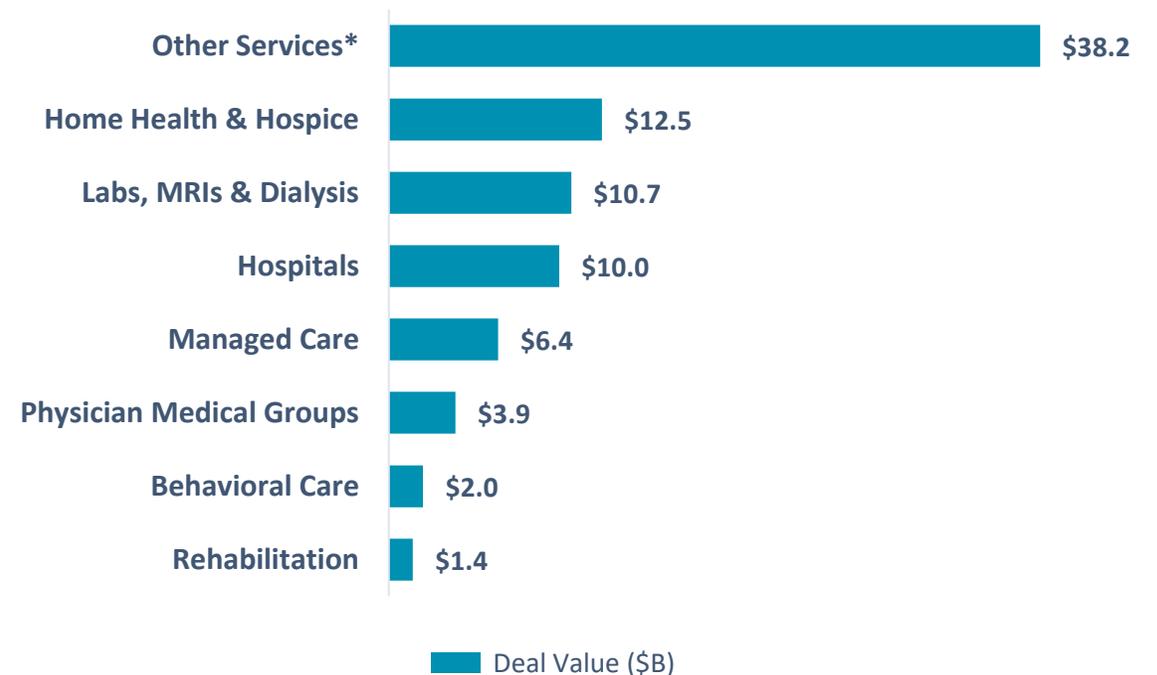
Private Equity Interest Waxes and Wanes

The last decade has seen a rapid rise in, and focus on, **private equity investment in the healthcare space and the types of investments these firms make**. However, recent market forces have dampened overall deal volume, and will potentially affect the types of innovation and add-on elements moving forward.

Healthcare PE Deal Activity¹



Healthcare PE Deal Value by Subsector²



Footnote: (1) Pitchbook, US PE Breakdown, 2023. 2) Levin Associates, LevinPro HC, May 2023; (3) *Other services includes companies such as contract research organizations, ambulatory surgery centers, home infusion services companies, and medical office buildings
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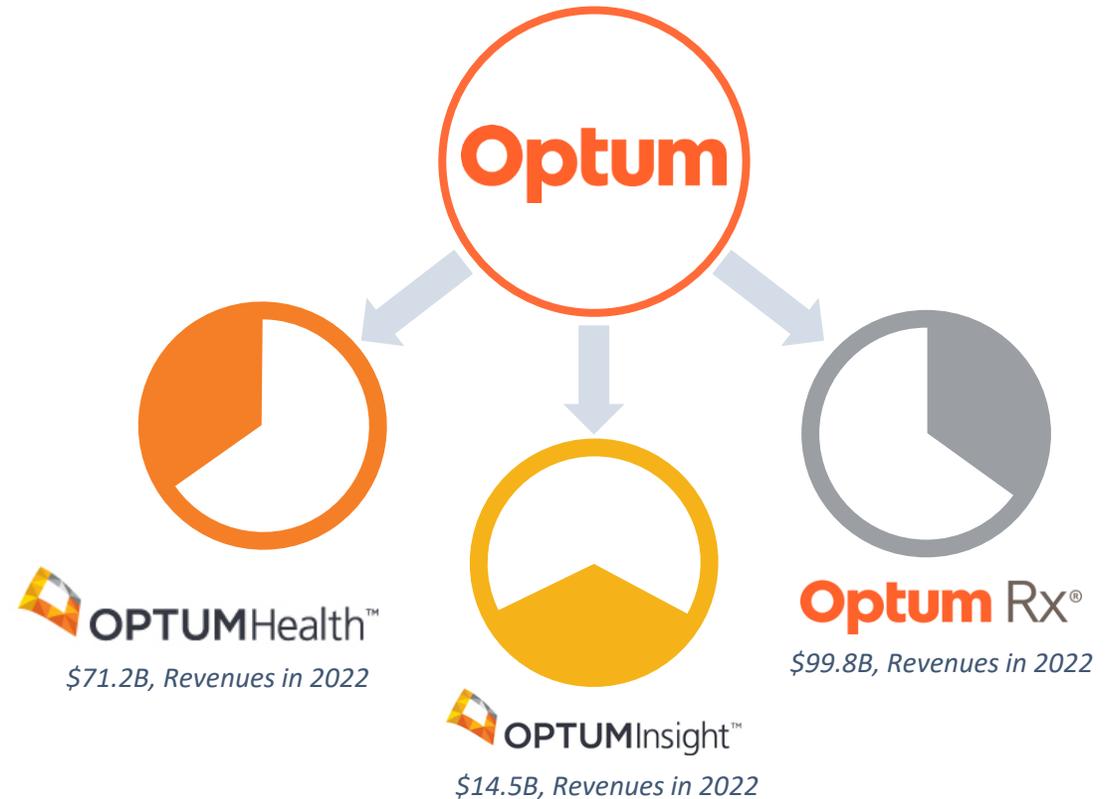
Incumbents are Diversifying and Expanding Portfolios to Keep Pace with an Everchanging Market

Vertical integration and service diversification have aggravated competitors' attempts to break into the traditional insurance industry. It is becoming increasingly **difficult for competitors to match the level of available investment capital and integrated strategies** of these incumbents moving forward.



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Non-Traditional Players Are Disrupting the Market

Retailers and technology-focused organizations are finding success in models that threaten disintermediation of existing models, forcing partnerships with new entrants.



CMS's Advancing All-Payer Health Equity Approaches and Development (AHEAD) Model

The AHEAD model offers financial incentives for hospitals and primary care practices to control healthcare costs and improve population health outcomes through the following activities:



Focus resources and investments on **primary care practices** to improve care management



Provide **hospitals with a prospective payment stream** and include **incentives for improved outcomes**



Address healthcare disparities through **stronger coordination across providers, payers and the community**



Address the needs of individuals by **increased screening and referrals to community resources**

Health Equity Takes Center Stage

The COVID-19 pandemic catapulted this oft heard “buzzword” in healthcare into a true push the development of **dedicated strategies and frameworks to address social determinants of health** and their impact on access to quality healthcare.

(1) CMS, States Advancing All-Payer Health Equity Approaches and Development (AHEAD) Model, 2023; (2) Healthcare Finance, CMS Announces All-Payer Model for States, 2023

In-Market Impacts of AI in Healthcare

AI Diabetes Care Management

2:1

Return on Investment (ROI)

Aetna¹

AI Driven Care Management

62%

Increase in care plan adherence

Memora Health⁵

Automated Call Centers

35%

Reduction in average handle time

Birch AI²

AI Medical Scribe

78%

Reduction in documentation time

Ambience⁴

AI Medical Scribe

7-17x

ROI across all customers

Ambience Healthcare⁴

AI Member Concierge

35%

Reduction in ER utilization

Elevance Health³

AI Clinical Documentation

3 hours

Saved per clinician per day

Augmedix⁶

AI Clinical Documentation

35%

Increase in patient satisfaction

Augmedix⁶

AI Clinical Note Scribe

90%

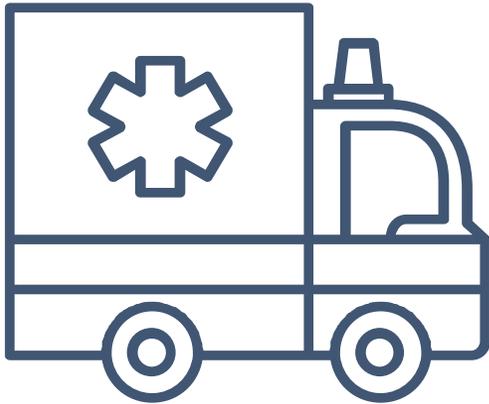
Reduced clinician fatigue

Nabla⁷

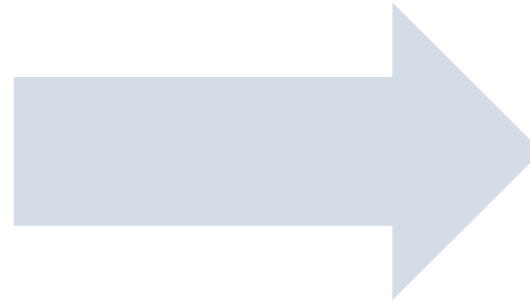
(1) Aetna, "Closing care gaps: How AI [...]", 2021 (2) Birch AI Website, 2023 (3) Becker's Healthcare, "At Elevance Health, [...]", 2023 (4) Ambience Healthcare Website, 2023 (5) Memora Health Website, 2023 (6) Augmedix Website, 2023 (7) Nabla Website, 2023

Care Delivery Moves Closer to the Home

Care delivery in a **home-based setting** and **care delivery via virtual/tele-health options** represent a **significant shift** in the healthcare industry. COVID-19 set in motion a broad push to **integrate at home and virtual options into existing member benefits**.



In response to COVID-19, **CMS launched the Acute Care at Home Program** in 2020, which was **extended by Congress until December 2024** to collect data on hospital at home programs



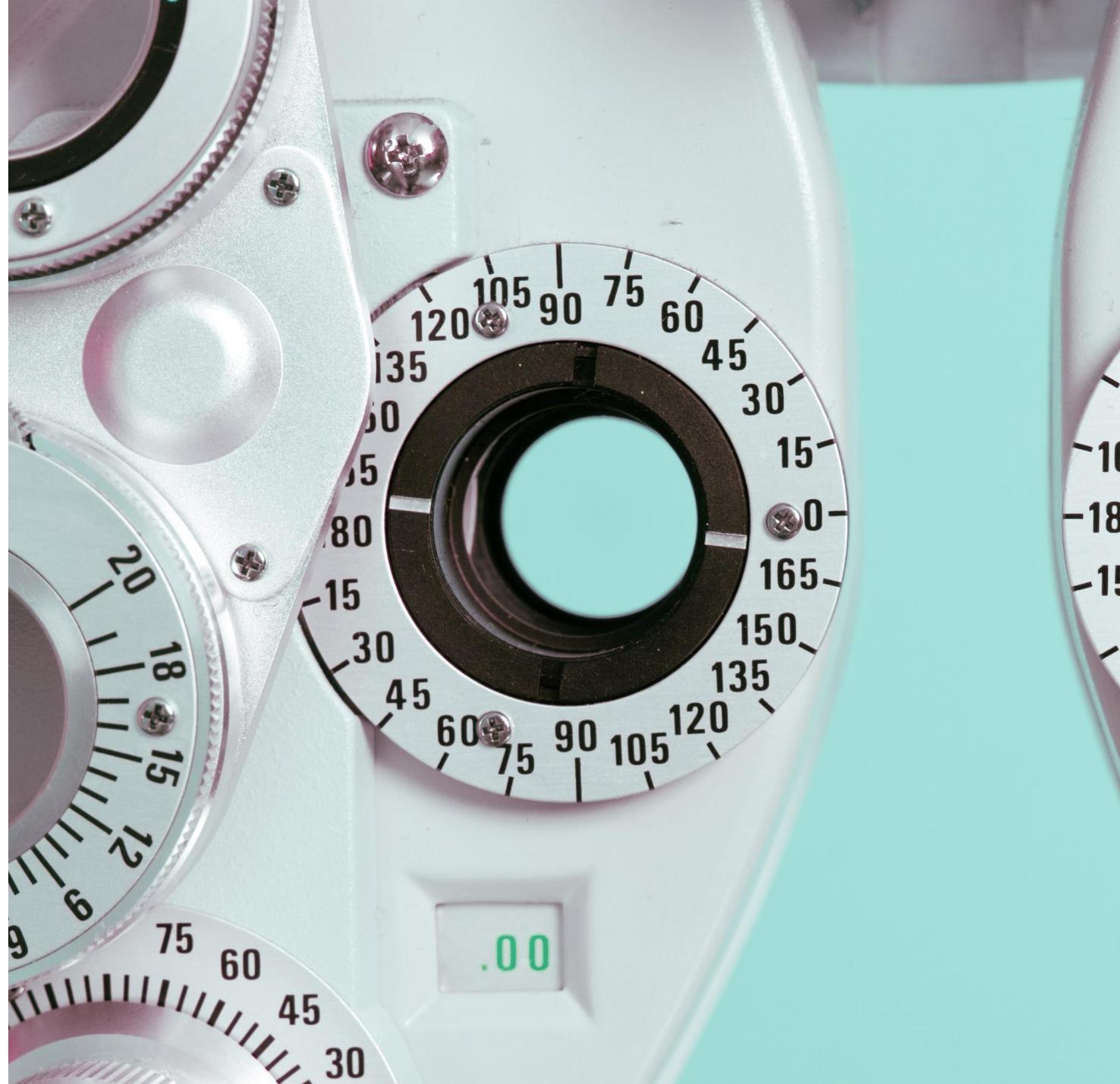
Currently, hospital at home programs are **offered in 281 hospitals across 37 states**, and **companies are looking for ways to streamline and expand these programs**



The Hospital-at-Home market is **projected to grow 50%** (from \$200 billion) to **nearly \$300 billion by 2028**, **increasing hospital capacity and improving care access for consumers**

Part III

What's Next for Specialty Insurance?



Dental Service Organization (DSO) Market Activity



Significant Growth of Specialty DSOs Since 2020

- 7+ Orthodontics (Ortho)
- 7+ Oral Surgery (OMS)
- 5+ Endodontics (Endo)
- 5+ Pediatrics
- 5+ Ortho / OMS / Pedodontics
- 5+ OMS / Endo / Periodontics



DENTAL COLLECTIVE



DSO Market Trends Attractive for PE

100+ PE-Backed Platforms Today



Fast-Growing, Fragmented, Recession Resilient



DSO Model Highly Effective for Challenging Dental Operating Environment



KPIs Include Dentist Retention, Specialization, Consumerization, Efficiency

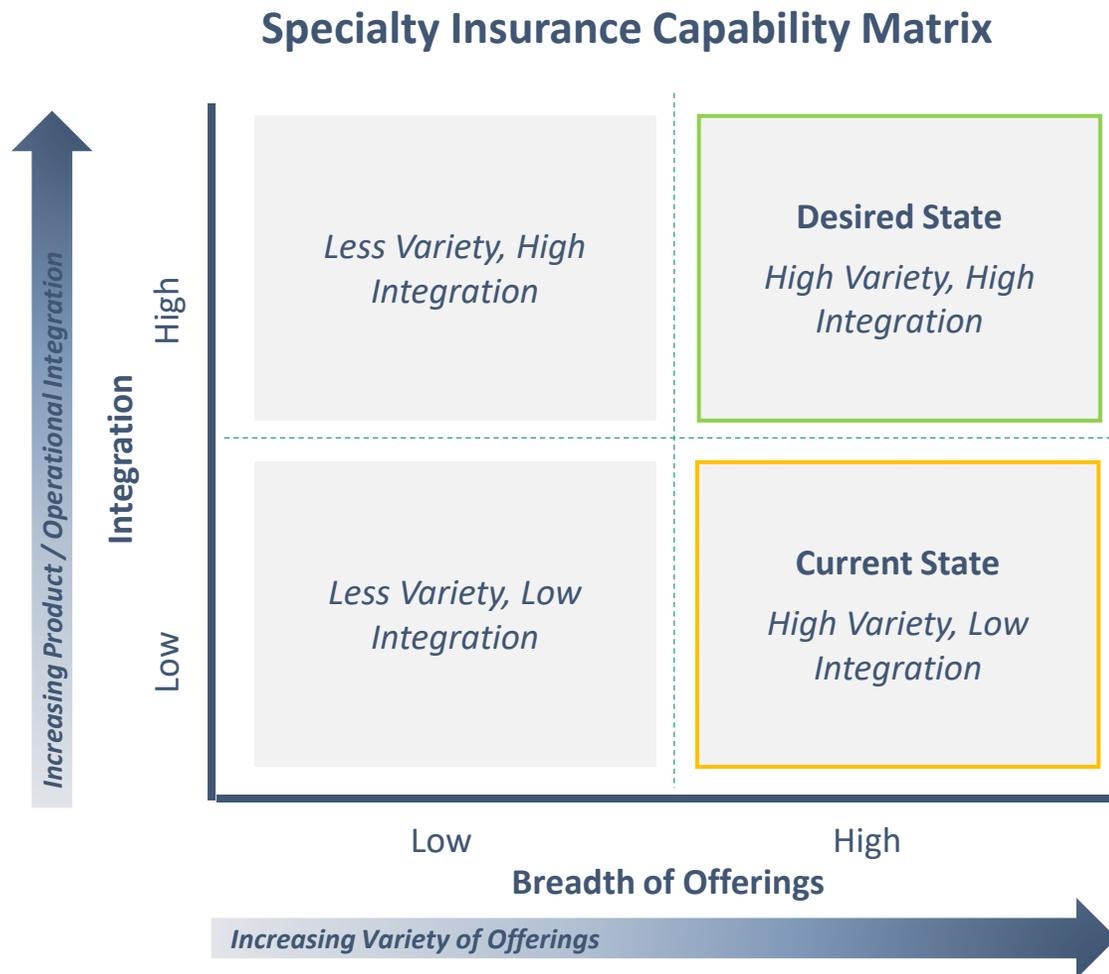


Dental M&A Activity Remains High

30+ Transactions 2022 – YTD Aug 2023



Medical-Specialty Integration



Clinical Targets

Current Medical-Dental Integration programs target enrollees with the following conditions, for they have been linked to oral issues:

Cerebrovascular Disease	Pregnancy
End-Stage Renal Disease	Organ Transplants
Rheumatoid Arthritis	Huntington's Disease
ALS	Chronic Kidney Disease
Opioid Misuse	Periodontal Disease
Diabetes	Heart Disease
Cancer with Chemotherapy	Head/Neck Radiation
Cardiac-Valve Disease	Stroke
Parkinson's Disease	Lupus
HIV	Sjogren's Syndrome

Specialty Insurance Innovation and Creativity: The Key Differentiators



Large variety of ancillary offerings currently available, **the next steppingstone for specialty insurers is to increasing and enhancing product integration efforts**



AI can be **leveraged to improve many processes and services**, such as utilization management, imaging, and diagnosis **which can reduce administrative tasks and improve the member experience**



Specialty plans and providers are **developing innovative methods, such as mobile dentistry, to increase access to care** in historically underserved communities

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**Thank
You!**