Market assessment of the healthcare benefits administration software market

Case study

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BA developed a market assessment of the healthcare benefits administration software market in the US for a private equity firm
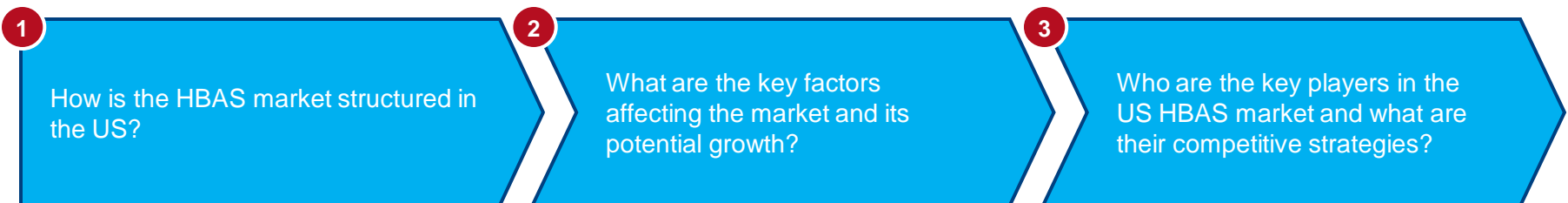
Client Background

- The client is a private equity firm with focus on investing in expansion, recapitalization of growth companies, primarily in the US, with revenues of $30–500 M
- The client had an investment worth $1.1 B in funds and in companies' operating sectors such as business services, consumer services, healthcare, media, communications and software industries
- BA's client wanted to understand the US Healthcare Benefits Administration Software (HBAS) market in terms of size and growth, key factors affecting the market growth, key competitors and their strategies to differentiate their services. The objective was to identify potential investment opportunities
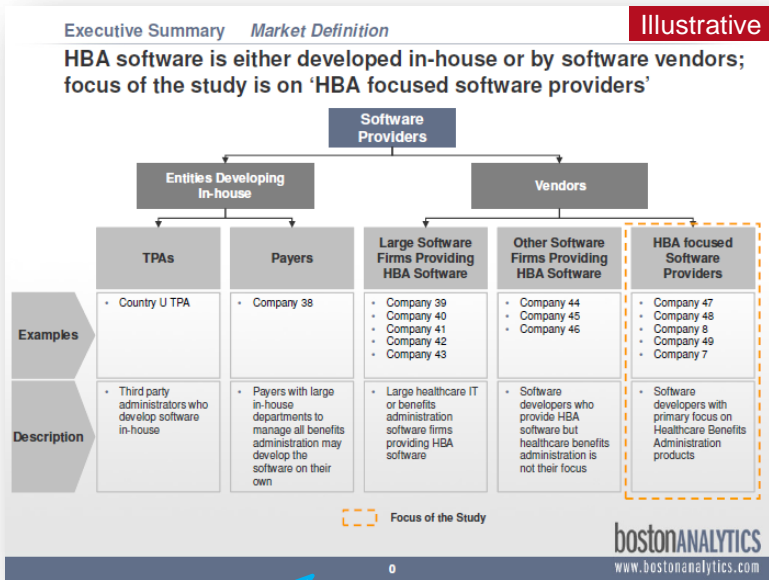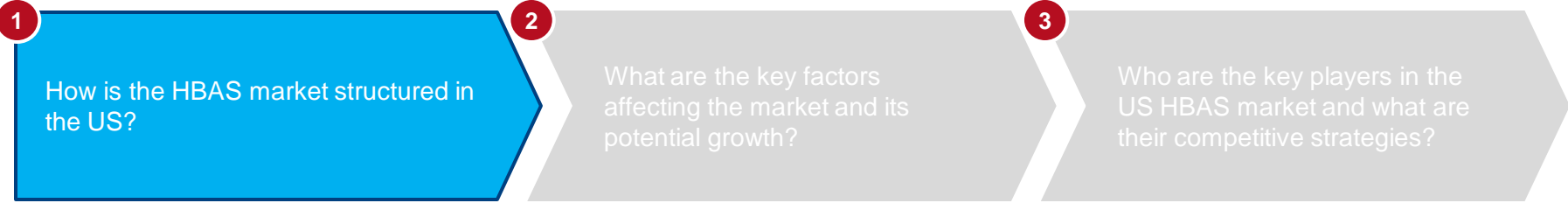
Key Highlights

- The study involved both secondary and primary research in order to help our client understand better the evolving HBAS market in the US
- Primary research was conducted with HBAS vendors, industry analysts, industry associations across the US
- Company websites, newswires, industry publications, analyst reports from Thomson Research, Hoovers, and other relevant sources were also consulted to build relevant insights
- BA's work helped the client to identify the investment opportunities in the HBAS market in the US

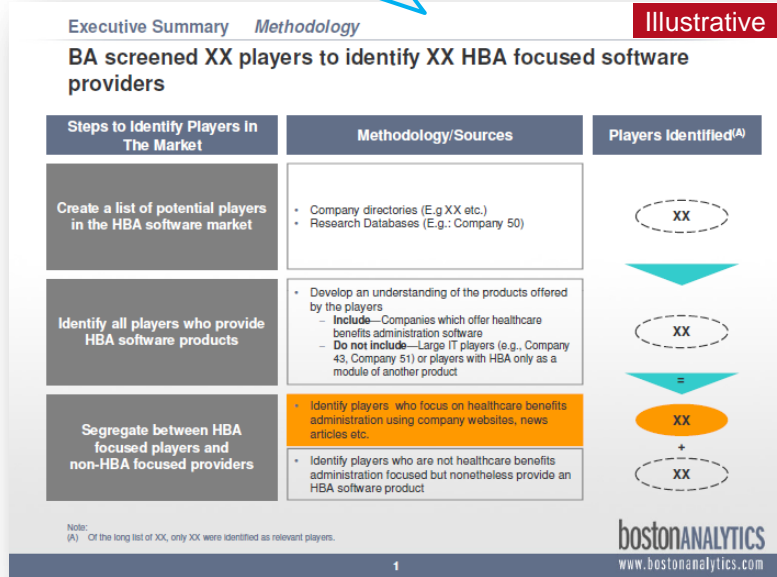## Key Business Questions

1 How is the HBAS market structured in the US?

2 What are the key factors affecting the market and its potential growth?

3 Who are the key players in the US HBAS market and what are their competitive strategies?

A detailed analysis of the market value chain, key market segments, and products and services offerings was developed

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BA identified HBAS providers in the US market and analyzed the concentration in the market.

Executive Summary — Market Definition — **Illustrative**

HBA software is either developed in-house or by software vendors; focus of the study is on 'HBA focused software providers'

Executive Summary — Methodology — **Illustrative**

BA screened XX players to identify XX HBA focused software providers

BA segmented the HBAS providers market based on whether they were developed in-house or by vendors.

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We estimated the market opportunity, identified key drivers and inhibitors of the market and projected future growth rates

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BA indentified major trends witnessed in the HBAS market.

Illustrative

Market Landscape — *Drivers and Inhibitors*

Emergence of SaaS is a major growth driver of the HBAS market while less number of firms offering benefits is an inhibitor

		Description	Implication
Market Drivers	Cost Effective Models like Company 52	"Software as a Service (Company 52) deployments are XX% to XX% faster with a total cost of ownership XX to ten times lesser than installed software"	There will be higher demand for Company 52 based software to reduce costs of maintaining existing systems and software infrastructure (maintenance costs can be as high as XX% of IT budget as per Company 53)
	Country U Spending on Administration	Centers of Medicare and Medicaid expects that "Administration and Net Cost of Private Health Insurance" in the Country U is expected to increase from $ XX B in 2006 to $ XX B by 2015 at a CAGR of XX%	With more money being put into administration, the benefits administration software market is expected to increase
	Insurers Providing Administrative Services Only	Insurers are increasingly offering administration services to self-insured groups also referred to as Administrative Services Only (ASO)—traditionally these have been provided by TPAs.	With insurers targeting a potential new revenue source by offering administration services, the demand for administration software is likely to rise
Market Inhibitors	Less Firms Offering Benefits	The percentage of firms offering health benefits to their employees has decreased from XX% in 2000 to about XX% in 2007	The trend of decline in the number of firms offering benefit plans points to a decline in their market size in their near future
	Retiree Benefit Plans	Percentage of firms offering retiree benefit plans has come down from XX% in 2003 to XX% in 2007	With a decline in the percentage of firms offering retiree benefit plans, few firms will offer them in near future
	Software Up-gradation	"Most insurers have already upgraded the HBA software and will not require additional upgrades for the next 15 years" – HBA Sales Manager	Reduced scope for HBA software vendors to replace old technology

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Illustrative

Market Landscape — *Market Trends*

Consumer driven healthcare is a major trend witnessed in the HBAS market

		Description	Implication
Market Trends	CDHP	More employers these days are offering Consumer Directed Health Plans (CDHP)	HBAS companies and other Healthcare IT companies are beginning to offer consumer-driven healthcare solutions. The buyers of the HBA software would require sub-systems/add-ons to the original software as well as consumer-centric portals
	Emergence of Cost Effective Models	With the emergence of cost effective model—Software as a Service (Company 52), increasing number of employers are now looking to deal with the benefits administration part directly rather than outsourcing the same to TPAs	More and more employers these days are dealing directly with the software vendors and buying subscription of Company 52-based software
	From Packaged Software to Company 52	Packaged software has moved from XX% to XX% at present, while that of Company 52 has increased to nearly XX%	Increasing trend to offer Company 52 based software

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In order to understand potential growth in the market, BA considered key drivers and inhibitors affecting the market opportunities.

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The analysis provided a detailed assessment of key players in the market and product functionalities / services offered by them

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BA profiled key players with products and services offered by them.

Illustrative

BA screened 103 players to identify 36 HBAS providers.

Illustrative

Profiles of Key Players *xx*

XX offers various products and services in the categories of enrollment, billing, reporting, and data exchange

Product Category	Product Functionalities/Services	Clients Served
Electronic Enrollment (eENROLLMENT)	• Customized enrollment engines • Request of insurance cards, Company 54 enrollment, etc. for the employers • It has features to enforce business rules including: benefit packaging and eligibility, coverage levels, new hires, rehires, life events, carrier approval • Enrollment reporting	Payers, TPAs and employers
Electronic Billing (eBILLING)	• Bill presentment • Bill payment • Bill reconciliation • Distribution of invoices via the Internet while offering straightforward analysis and reporting tools	Payers, TPAs and employers
Reporting and Data Exchange (eEXCHANGE)	• Group health statements • Report on premium invoices • Tracking the status of applications • Benefit and eligibility data transfer from employer to insurance carrier • Data exchange with HIPAA for compliance • Customized solutions for employers	Payers, TPAs and employers
Services	• Training • Technical support	Payers, TPAs and employers

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