SIIA NATIONAL CONFERENCE –
FEATURE SESSION PREVIEW

Whether you are contemplating a financial transaction now or in the future and will be attending SIIA's upcoming National Conference, please consider attending the "Financial Transaction Landscape for the Self-Insurance Marketplace" session, which features a panel discussion with some of the leading investors in this space.

Chairing this session, Spike Dietrich, Ansley Capital Group, shares, "Investor interest in the self-funded marketplace has increased significantly over recent years and shows no signs of slowing down. The size of the market has put a bullseye on our SIIA companies: 63% of all employer-provided healthcare is self-funded. This growth has fueled investor recognition that the rapidly rising healthcare costs for employers have focused even more market attention on companies whose mission is to contain these accelerating costs. A combination of these factors is clearly evidenced by the fact that many of these companies receive investor outreach calls several times a week."

He says that for many SIIA companies this level of interest, while positive, also raises questions and often creates confusion as leaders express these concerns:

"I understand healthcare, I have a vision for a company that will help control costs, and my team and I know how to build this company. What I don't understand is the investor angle: who to believe, who to talk with, and what type of deal will be right for us. I hear about good outcomes with some deals and horror stories with others."

Dietrich continues, "The upcoming session in Phoenix, Financial Transaction Landscape for the Self-Insured Marketplace, has been designed to address many of these concerns and realities. We have four of the nation's leading healthcare-focused investment banks and have structured this session to address these concerns while also providing an updated look at how investors are currently viewing this market."

Panelists preview discussion highlights as follows:

- Jeff Swearingen, Managing Director, Edgemont Partners, observes, "Every self-funded employer is facing the same challenge: cost trends projected at 6.5 to 9 percent annually with no end in sight, alongside heightened fiduciary obligations. These pressures require companies to prove their plans are well managed and, ultimately, are driving the demand side of deal flow."

Across Edgemont's Payor Services and Technology practice, Swearingen and colleagues see sustained strong private equity demand for TPAs, payment integrity, cost containment, and pass-through PBM models -- the vendors employers rely on to control spend they can no longer absorb.

"Additionally, we believe vendors that increase data access and offer services in a price-transparent model will continue to capture market share," he adds.

During this panel, Swearingen hopes to show attendees how investors evaluate the companies serving self-insured employers, what investors value and will pay for, and where Edgemont Partners sees the most compelling opportunities for investment and consolidation.

For the session, Brian Thomas, Managing Director, TripleTree, articulates a few goals:

- Provide more color regarding the themes driving investment activity
- Outline the considerations sponsors evaluate when pursuing investments
- Highlight items business owners should prepare for when pursuing private equity investment
- Discuss key factors to consider when evaluating a private equity partner

"The private equity investment environment within the employer benefits sector is robust, as financial sponsors are attracted to the sector's durable market tailwinds," says Thomas. "Firms are investing behind several themes, fundamentally focusing on solutions that produce an objective ROI, reduce administrative burden, or create a better employee experience. We expect to continue to see enthusiasm towards investing behind uniquely positioned point solutions as well as vendors pursuing a broader platform strategy that encompasses administrative, underwriting network and care activities."

- Echoing the frustration that employers have experienced for decades with rising healthcare costs, Nick Owens, managing director, Harris Williams, asserts, "What has changed in the market over the past 18 months is growing awareness of the structural challenges with the traditional health insurance model and a willingness to adopt new alternative health plan solutions that are member- and employer-centric vs. the traditional network-centric model. This creates a massive opportunity for SIIA companies that enable the transition to self-funding and support the ability to drive cost savings, which correspondingly have driven unprecedented investor interest in the space."

- There are several reasons why interest in this self-insured market is accelerating so rapidly, as Trey Marinello, Managing Director, Houlihan Lokey, explains, “The confirmed shift toward risk taking is neither novel nor new, but it is innovative as this trend moves down market. The most attractive assets in this category are companies that are serving smaller employers, less than 50 lives.”

Marinello also points to the surge in artificial intelligence (AI) and its impact on deal-making. “Everyone in every industry is talking about AI and its role in more than half the private equity deals, including those in the self-funded space,” he continues. “The first question that private equity committees pose is how AI is impacting a particular business model. While we can’t predict what AI can actually do in any market, we do know it plays an important part in employer-sponsored plans.”

As employers face a 15% or more increase in healthcare costs, Marinello notes, “AI can support decision-making regarding the choice of alternative models to manage costs – self-insurance, level-funding, ICHRA, Medical Expense Reimbursement Plan (MERP) or other. As PE cools off on providers, post-acute care, distributors or other opportunities, they are driving forward in the employer-sponsored healthcare space. Tools to mitigate costs are generating the highest level of attention.”

MARK YOUR CALENDAR

The session is scheduled for Tuesday, October 13 from 10:15 a.m. to 11:30 a.m. Detailed event information can be accessed at www.siia.org ■