



# Unlocking Value: How PE Firms Can Take Charge of Healthcare Costs

By Bill Frack, Co-founder & Chief Product Officer

Imagine boosting your portfolio's value by 10% simply by rethinking your approach to health plans. For private equity (PE) firms, the towering and often neglected challenge of unmanaged healthcare expenses is eroding profit and creating headwinds for value creation.

Relegating health plans to an afterthought is not an option. By strategically managing these costs, PE firms can transform what has traditionally been a drain on resources into significant EBIT gains.

## Benefits of Prioritizing Healthcare in Private Equity Portfolios

### Break the Costly Health Benefit Annual Trend Cycle

Employee healthcare is typically the second largest fixed expense, trailing only labor costs. Health benefits cost most businesses roughly \$13,000 per employee (or \$13M per 1,000 employees) – up 55% over the past 10 years for family coverage. The average 6-10% annual trend increase for a mid-sized employer represents a \$1.5M to \$2.5M annual EBIT hit for every 1,000 employees. That translates into the lion's share of a company's sales growth being absorbed just to pay for increased healthcare expenses.


**Make Decisions Based on Data:** By integrating and continuously analyzing health plan data in one central hub, you can measure all aspects of a company's health plan performance and identify the opportunities and issues that otherwise go unnoticed. This ROI-focused approach can reveal cost-saving opportunities and help you prioritize the improvements that will have the greatest impact for each company, and on overall investment return.












**Hold Vendors Accountable:** The role of vendor accountability cannot be understated. Demand transparency and tangible value from health plan vendors to ensure their performance aligns with expectations and positively impacts the bottom lines of your portfolio companies.

**Address Health Plan Members Most in Need:** A small percentage of plan members account for up to 80% of spend. By leveraging predictive analytics to pinpoint these individuals, you can significantly reduce healthcare costs and improve health outcomes.

**PE firms can create significant value for their portfolio companies by proactively managing health plans.** In this example, one company reduced cost by 25% and provided better benefits and health outcomes doing just that – without cost-shifting to members. The value impact to the PE firm from the company's sale was over \$100M.

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ACTIONS		IMPACT
 Vendor monitoring	 Care navigation	 <b>25%</b> cost reduction
 Centers of excellence	 Data Hub	 Improved benefit affordability
 Hospital safety awareness	 Contract optimization	 Increased quality of care
 Bundled rate pricing	 Claims accuracy	

Have comments? I look forward to hearing from you at [b.frack@wellnecity.com](mailto:b.frack@wellnecity.com).

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