

AMAZON, OSCAR, OPTUM, AND MORE

The Role of the Employer and the New Competitors Vying for Their Healthcare Dollars

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DESPITE THE PANDEMIC, THE LAST YEAR SAW ACCELERATION OF ATTEMPTS AT DISINTERMEDIATION, NEW CONSUMER-ORIENTED SERVICES, AND MORE M&A

MDLive to be acquired by Cigna's
Evernorth



One Medical to acquire
Iora Health in \$2.1B deal



CVS Health launches \$100 million venture fund



Centene signs
agreement to acquire
Magellan Health



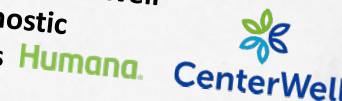
Cigna launches
Evernorth, in a
rebrand of its health
services portfolio



VC-backed Babylon Health
in talks to go public via SPAC
deal; invests in Meritage
Medical Network &
FirstChoice Medical Group



Humana introduces CenterWell
brand for payer-agnostic
healthcare offerings



UnitedHealth's Optum reportedly strikes deal
for Landmark Health



UnitedHealth to buy Change Healthcare for
nearly \$8 billion to boost tech services



Humana to acquire all of Kindred at
Home



Online therapy app Talkspace to go public in
\$1.4B deal with blank check firm



Amazon is expanding Amazon Care telehealth service
nationally for its employees and other companies

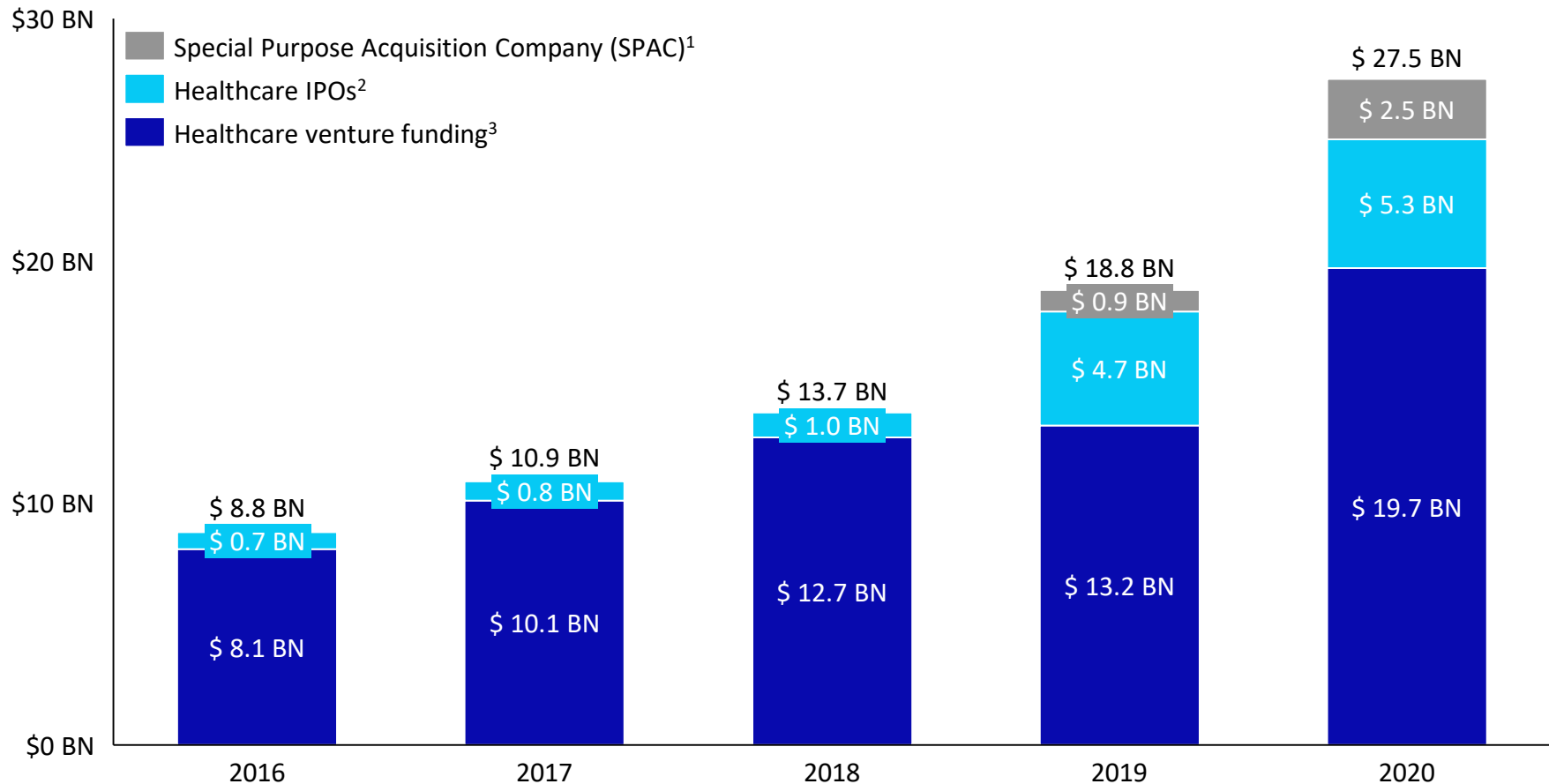
Walmart Health to acquire
telehealth provider MeMD



FUNDING FOR NEW HEALTHCARE COMPANIES IS REACHING RECORD HIGHS

Investment in the healthcare industry

2018-2020, excluding biopharma



1. Company formed strictly to raise capital through an IPO for the purpose of acquiring an existing company, recently gaining popularity in healthcare; SPAC track, SPAC Insider 2. S&P Global Market Intelligence

3. PitchBook, US NVCA Venture Monitor Summary, 2021; Note: all numbers exclude biopharma.

HEALTH PLANS ARE INVESTING IN VIRTUAL CARE, DIGITAL NAVIGATION, AND REFERRAL MANAGEMENT...

Virtual-first products

8 virtual-first products
launched in the last year

Humana
on Hand

Virtual-first small group product built around Doctor on Demand, with free virtual visits and “care kit” shipped to members

Digital navigation



Leveraging Cigna’s network and Oscar’s virtual capabilities to drive members to highest value providers in the network



Alignment Black / ACCESS On-Demand Concierge and virtual care w/ rewards for eligible health activities (*e.g.*, vaccinations, mammograms)

Provider ownership / vertical integration

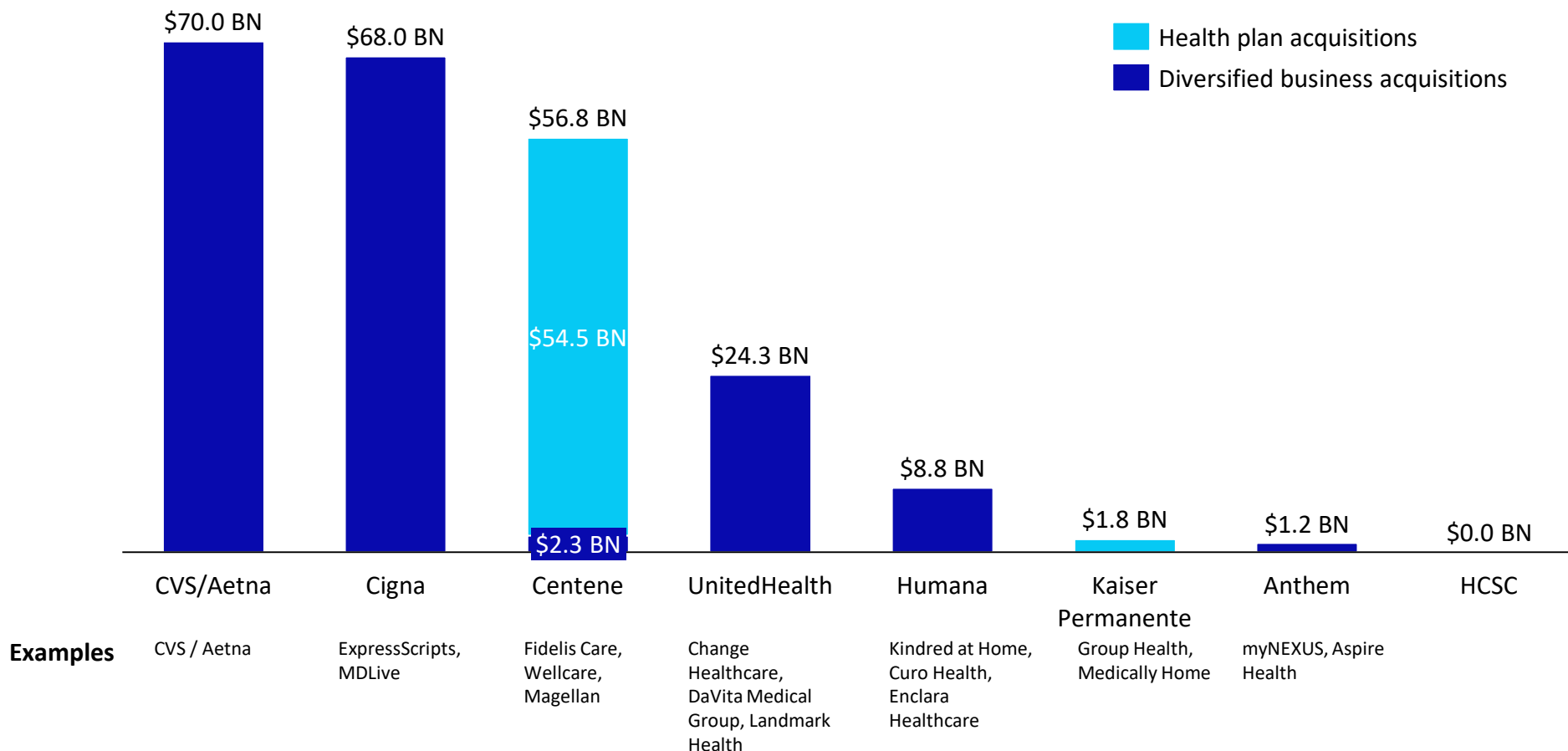
22+ vertical integration
investments in 2020



Largest physician organization in the country continues to pursue significant acquisitions of risk-based providers (*e.g.*, Atrius)

...WHILE DEPLOYING THEIR BALANCE SHEETS TO BUILD SIGNIFICANT DIVERSIFIED BUSINESSES

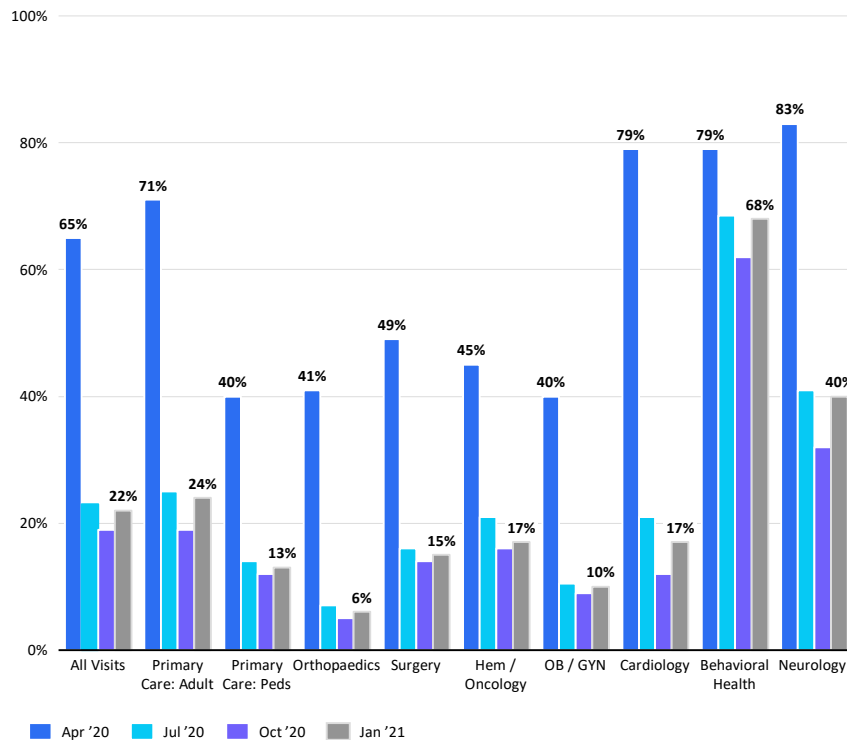
Total deal volume of acquisitions from top eight payers was more than \$230 BN in past five years
Announced and completed deals with disclosed deal amounts



Sources: Capital IQ, SEC filings, Oliver Wyman analysis

ON THE HEELS OF TREMENDOUS GROWTH IN VIRTUAL CARE, NEW ENTRANTS ARE GOING DIRECTLY TO EMPLOYERS

Percentage of ambulatory visits delivered virtually Top ten specialties by volume¹



Examples of new entrants



Payer-agnostic alternative through direct contracts with employers

- Integrated virtual care, home care, and pharmacy
- Agnostic to health plan
- Cash pay or directly subsidized by employer (per-use, not PMPM)
- Medical group in 18 states



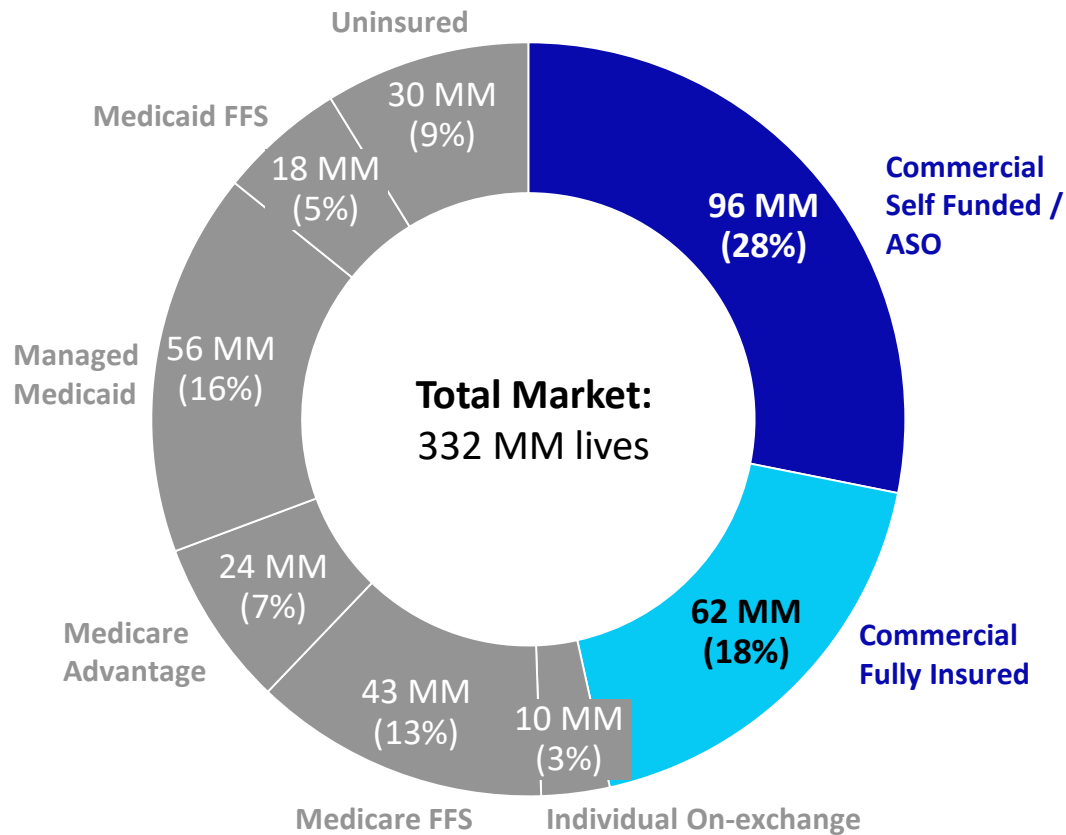
Model effectively free for employers; charges only for shared savings on the back end

- Latest company from the founders of Livongo
- Navigation support, virtual care, and centers of excellence in one offering
- Savings through episode-based payments, utilization reduction, and referral management

1. Vizion analysis of 26.8 million visits, 96,500 providers, and 18,000 locations; Includes all visits with CMS Site of Service: Telehealth, Office, On Campus Outpatient Hospital and Off Campus Outpatient Hospital.
2. Amazon care website, Amazon press release; 3. Glen Tullman interview with WTF Health; Transcarent website

WHY TARGET EMPLOYERS?

Total US market by health insurance segment
Total lives, 2020



\$1.4T

Employer spend on healthcare in 2020

+4.8%

Projected CAGR in employer health expenditures, 2018-2028

Note: Dual Eligible population of 8M lives included within both Medicare and Medicaid populations, resulting in a discrepancy between total market size and sum of segment sizes. Off exchange individual enrollment is included in the Commercial Fully-Insured segment

Sources: Decision Resources Group, January 2020; Kaiser Family Foundation, August 2020; Oliver Wyman analysis

COMMERCIAL MARKET SHARE HAS REMAINED RELATIVELY STABLE

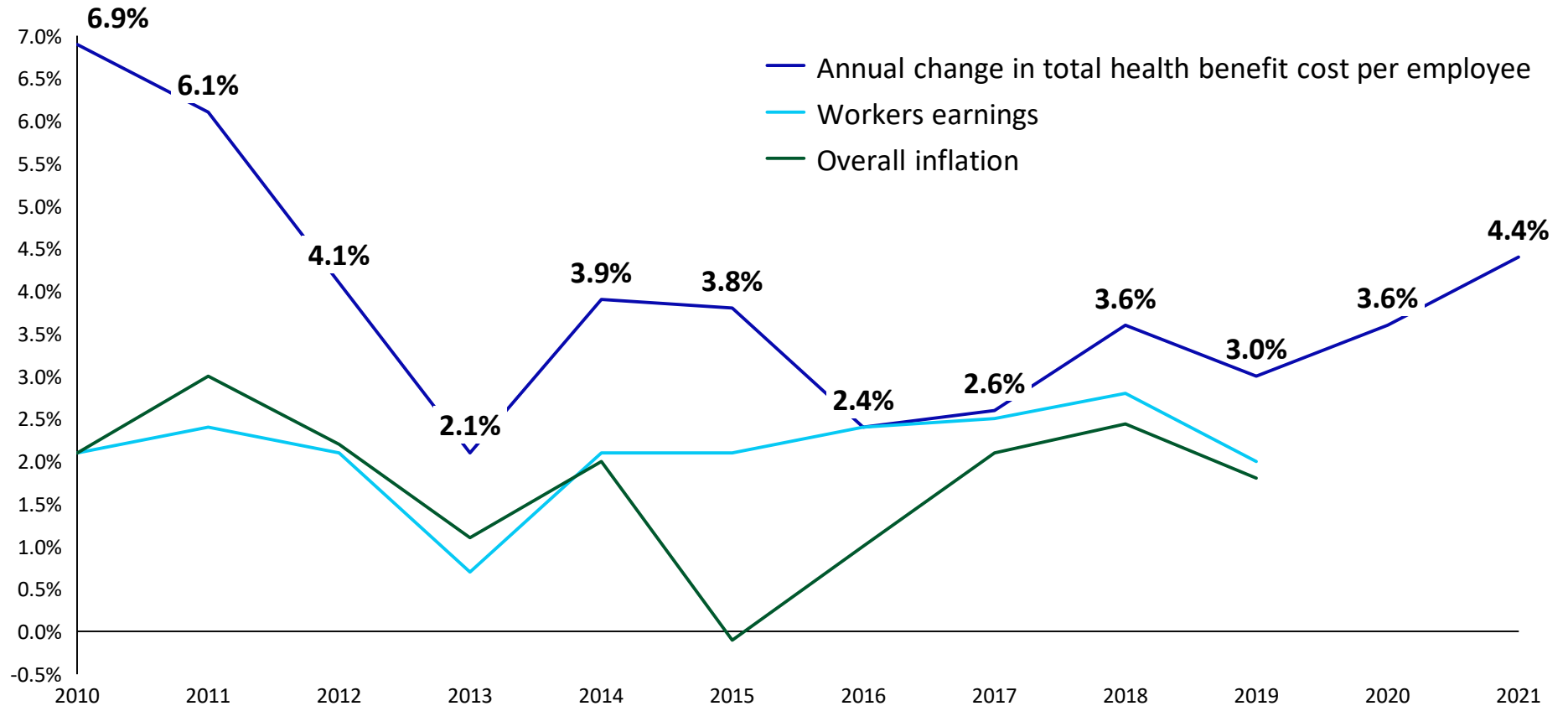
Five-year commercial market share changes of top eight commercial payers
2015-2020

	2020 total commercial enrollment	Five-year market share change
 Anthem	23 MN	0.3%
 UnitedHealthcare	21 MN	-0.3%
 CVS Health	17 MN	-0.5%
 Cigna	14 MN	0.3%
 HCSC Health Care Service Corporation	13 MN	0.0%
 KAISER PERMANENTE	10 MN	0.7%
 Florida Blue	4 MN	0.4%
 HIGHMARK	3.5 MN	0.2%

Sources: DRG, US National Medical Enrollment, July 2015 and July 2020; Rounded to nearest 500K; Commercial enrollment numbers are estimates based on DRG covered lives methodology

EMPLOYERS WANT COST CONTROL...

Annual growth in costs 2010-2021

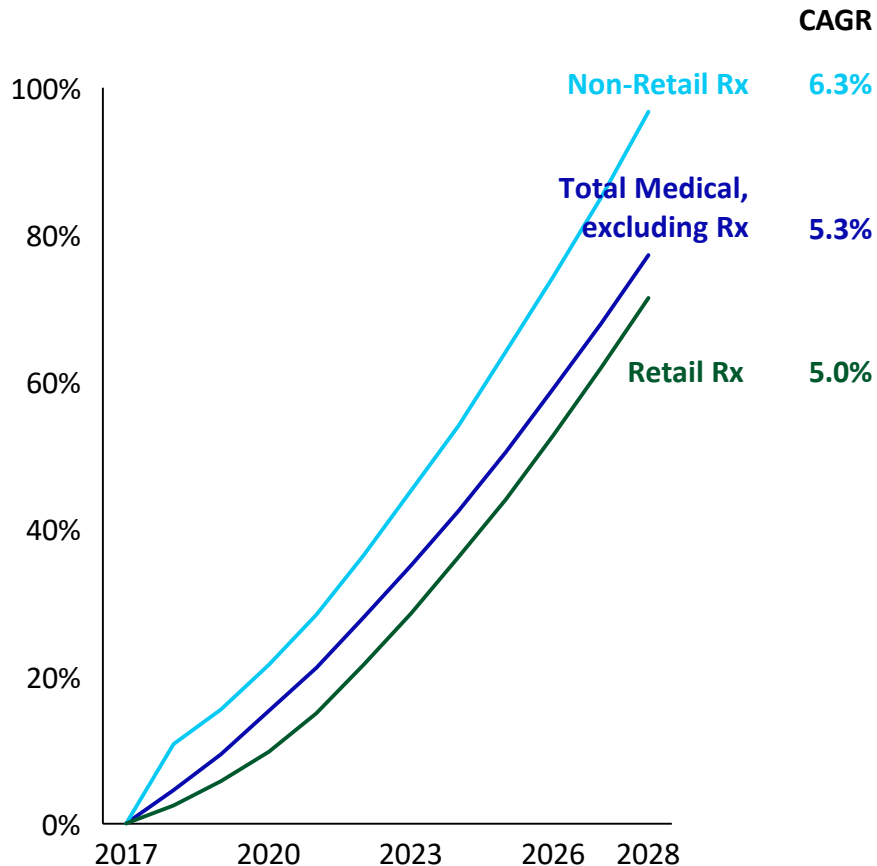


Source: Mercer National Survey of Employer-Sponsored Health Plans (Nov 2020)

...AND NOT JUST FOR MEDICAL COSTS

Specialty pharmacy costs are growing faster than healthcare costs overall

US medical & Rx spending growth as % of 2017 spending
2017-2028E

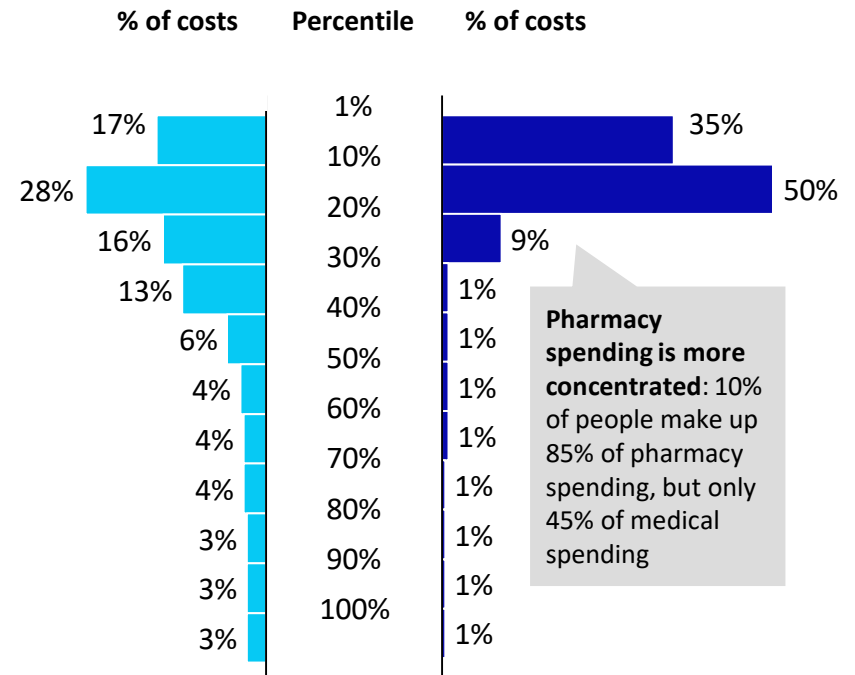


The dramatically higher concentration of spending in pharmacy requires purpose-built models to address

Spending concentration among commercial population for medical and pharmacy spending

Medical spending
Today's population management models are developed around this

Pharmacy spending
Few models to manage this cost

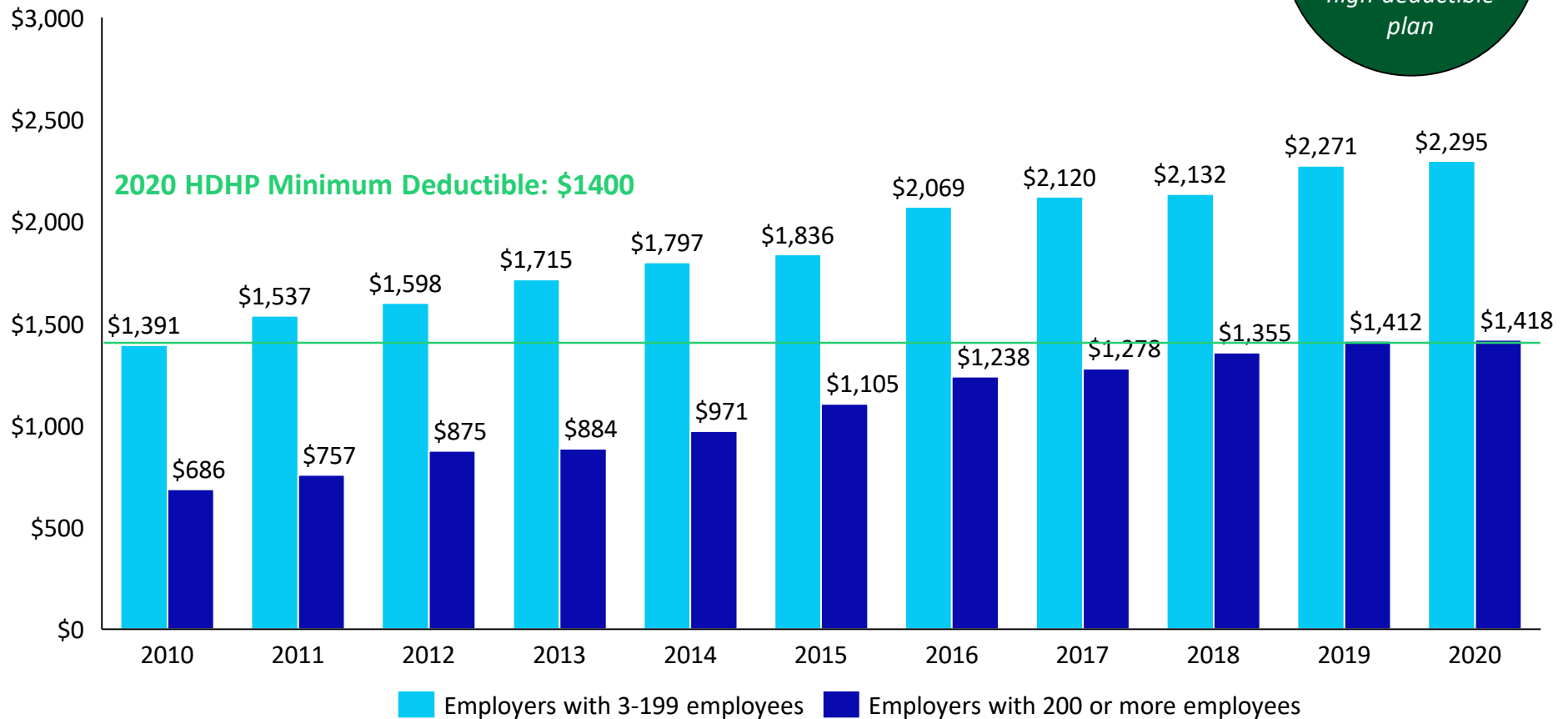


Sources: CMS.gov; NHE Projections 2019-2029; Oliver Wyman analysis of MarketScan claims data

THEY CAN'T KEEP SHIFTING COSTS (WE HOPE!)

Average general in-network annual deductible for single coverage
By company size

31%
of employees
covered by a
high-deductible
plan



Source: KFF 2020 Employer Health Benefits Survey (Oct 2020)

EMPLOYERS HAVE PRIORITIES BEYOND COST CONTROL

Employers' top-five wellbeing priorities for 2021

2020 Mercer National Survey of Employer -Sponsored Health Plans



75%

**Behavioral
health**



49%

Diabetes



48%

**Financial
well-being**



40%

**Nutrition /
weight
management**



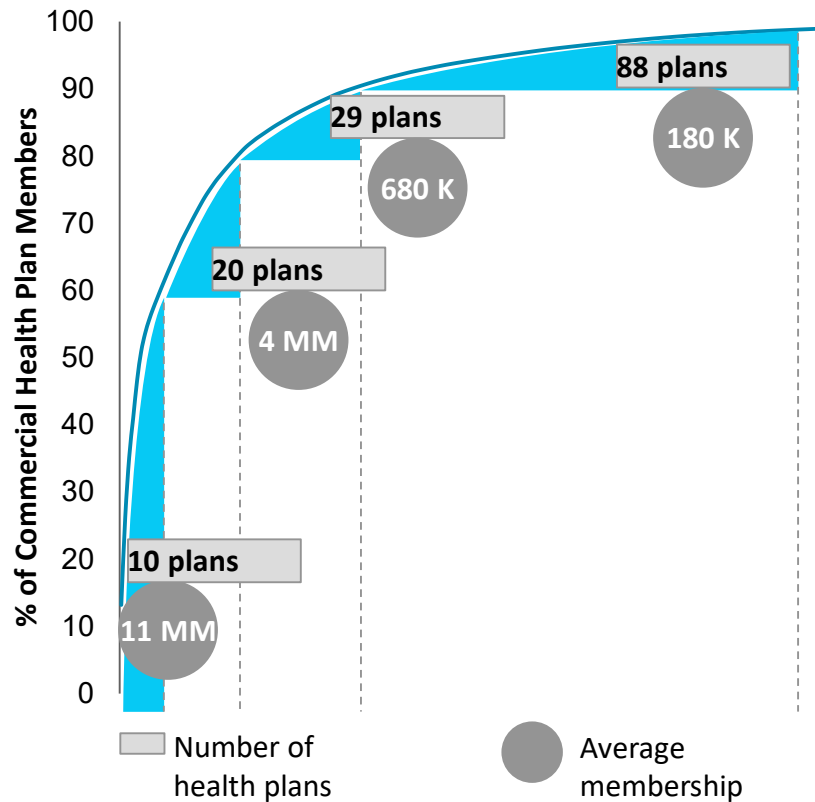
39%

**Physical
activity**

THEY DON'T HAVE A LOT OF CHOICE

US health plan concentration

By % of commercial health plan members



**<30 health plans
cover 90% of
commercially-
insured
Americans**

Sources: InterStudy Data of Commercial Health Plans; Excludes Medicare and Medicaid Enrollment, Reuters, Health Leaders-Interstudy, WSJ, Oliver Wyman analysis

NOT ALL EMPLOYERS ARE CREATED EQUAL

		Core Health & Wellness Philosophy				
		Cost containment	Basic health / wellness / consumer tools	Next-generation transparency & shopping tools	Aggressive population health management	Enhanced employee experience
Core Benefits Philosophy	Lowest possible in-year costs	"Price is king"				
	Cost control through employee cost shifting		"I'll have what she's having"	"Teach a man to fish"		
	Traditional benefit structure		"Change if we have to"		"We'll take care of you"	"Everything and the kitchen sink"
	Total cost trend reduction				"Make the system work for us"	

SO HOW DO WE SERVE EACH EMPLOYER SEGMENT?



“Price is king”



“I’ll have what she’s having”



“Teach a man to fish”



“We’ll take care of you”



“Make the system work for us”

What’s important?

Lower costs by any means necessary

Minimize disruption and employee impact

Empower employees to manage their healthcare costs

Find the right balance of cost and value for employees

Develop and deploy the best ideas in healthcare

Representative benefits approach

- Barebones benefits with narrow networks; limited interest in additional features

- Benefits just above benchmark, broad network
- Willing to adopt new strategies... if everyone else does

- Consumer-directed health plans; thin benefits structures with high employee cost-sharing

- Rich benefits, with cost-sharing to drive preferred behavior
- Some investment in core wellness strategies

- Custom networks or third-party carve-out programs
- Willing to experiment and try new approaches

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