BCG BOSTON CONSULTING GROUP

Building new Health Insurance Models in a VUCA Environment

IFHP Webinar Series on The Future of Health Insurance

INTERNATIONAL FEDERATION OF HEALTH PLANS

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Your BCG Team today

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BCG has leading global expertise in Health Insurance

Health

- > 80 Partners worldwide
- International Scientist Network
- > 600 experienced Consultants
- > 60 dedicated Analysts

400+ client projects in the past 5 years

Reduction of claims cost

Data-driven care management

Digital marketing, lead generation & sales

Product landscape innovation

Sustainability and Total Societal Impact (TSI)

Development of a "Purpose Statement"

Creation of digital ecosystems

Personalized customer experience

IT strategy and transformation

AI-supported process improvement

Agile ways of work & future org model

...

Insurance

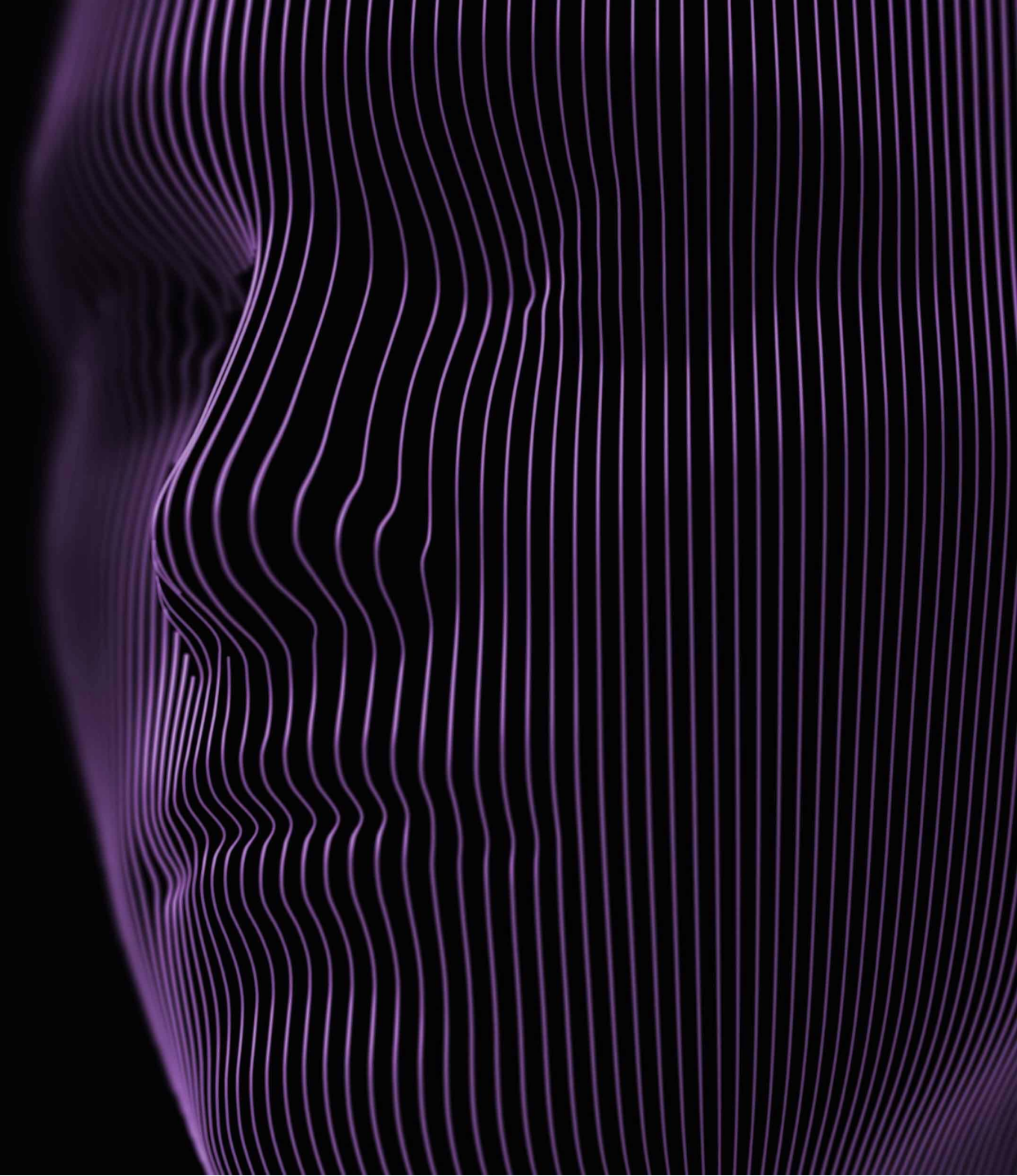
- > 60 Partners worldwide
- > 150 Project Leaders
- > 400 experienced Consultants
- > 20 dedicated Analysts

Quelle: BCG

Result: Wordcloud

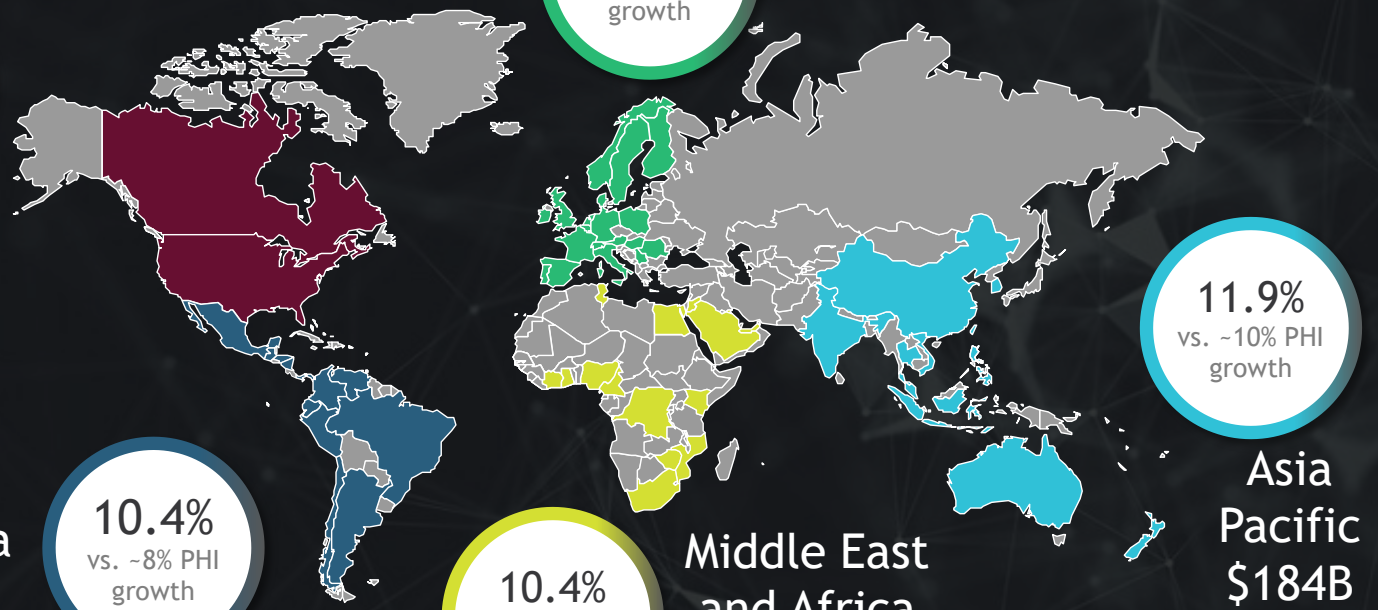
Before we get started

“What one word or phrase best describes the biggest challenge facing health insurers today?”



We see a surge in medical spendings across regions in 2024, far exceeding historical rates

Growth of medical cost in 2024 (gross) per region



North America
$1,288B
(PHI market)
8.1%
vs. ~5% PHI growth

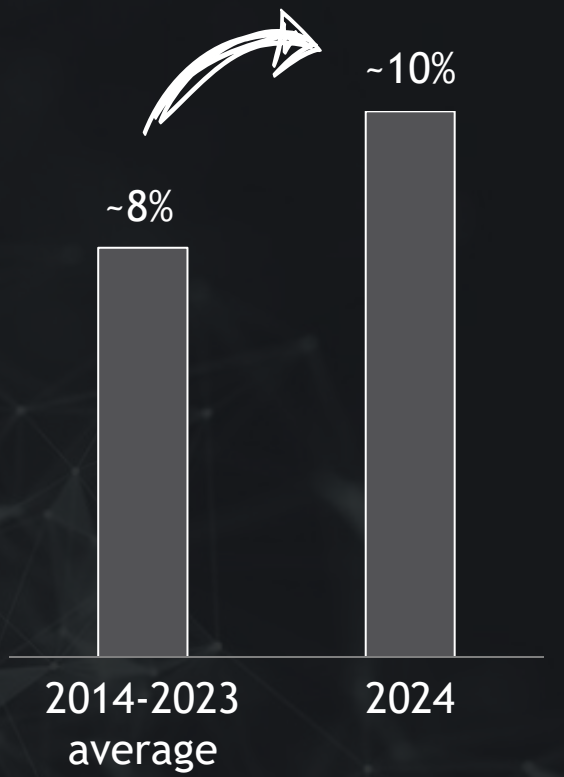
Europe
$228B
(PHI market)
10.1%
vs. ~3% PHI growth

Asia Pacific
$184B
(PHI market)
11.9%
vs. ~10% PHI growth

Middle East and Africa
$30B
(PHI market)
10.4%
vs. ~6% PHI growth

Latin America
$60B
(PHI market)
10.4%
vs. ~8% PHI growth

Historical rates (global)



Note: Global, Latin America and Europe numbers for 2024 exclude Argentina, Venezuela and Turkey; Color coding indicative based on countries of Willis Tower Watsons 2024 Global Medical Trends Survey report
Source: Willis Tower Watsons Global Medical Trends Survey reports 2016, 2019, 2021, 2024 and 2025

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Drivers are delayed medical inflation combined with continuously high demand

Medical prices outpace inflation for general consumer prices — global medical inflation for 2024 at 7%-points above general inflation[1]

Morbidity is worsening — Excess deaths in 23 EU-countries currently (as of August 2024) on average 6% above pre-Covid levels (2016-2019 average)[2]

More people are absent from work — e.g., sickness absence rates have increased by over 50% in the UK since 2019 and by over 30% in Germany since 2021[3]

Waitlists are longer than ever before[4] — e.g., >7.5 million cases on a waitlist for consultant-led care in the UK in July 2024, compared to ~4 million in July 2020

1. Willis Tower Watsons Global Medical Trends Survey reports 2024 and 2025 2. Eurostat mortality statistics (baseline: the average number of deaths that occurred in each month during the period 2016-2019) 3. UK: Increase in sickness absence rates 2019-2023 according to the accessPeopleHR Sick Leave Report 2024. Germany: ~5.8% sickness absence for H1 2024 vs. ~4.3% in 2021 according to the Statista Research Department 4. NHS backlog data analysis

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As a result, health insurance premiums increasing globally

Note: German press websites translated into English by Google

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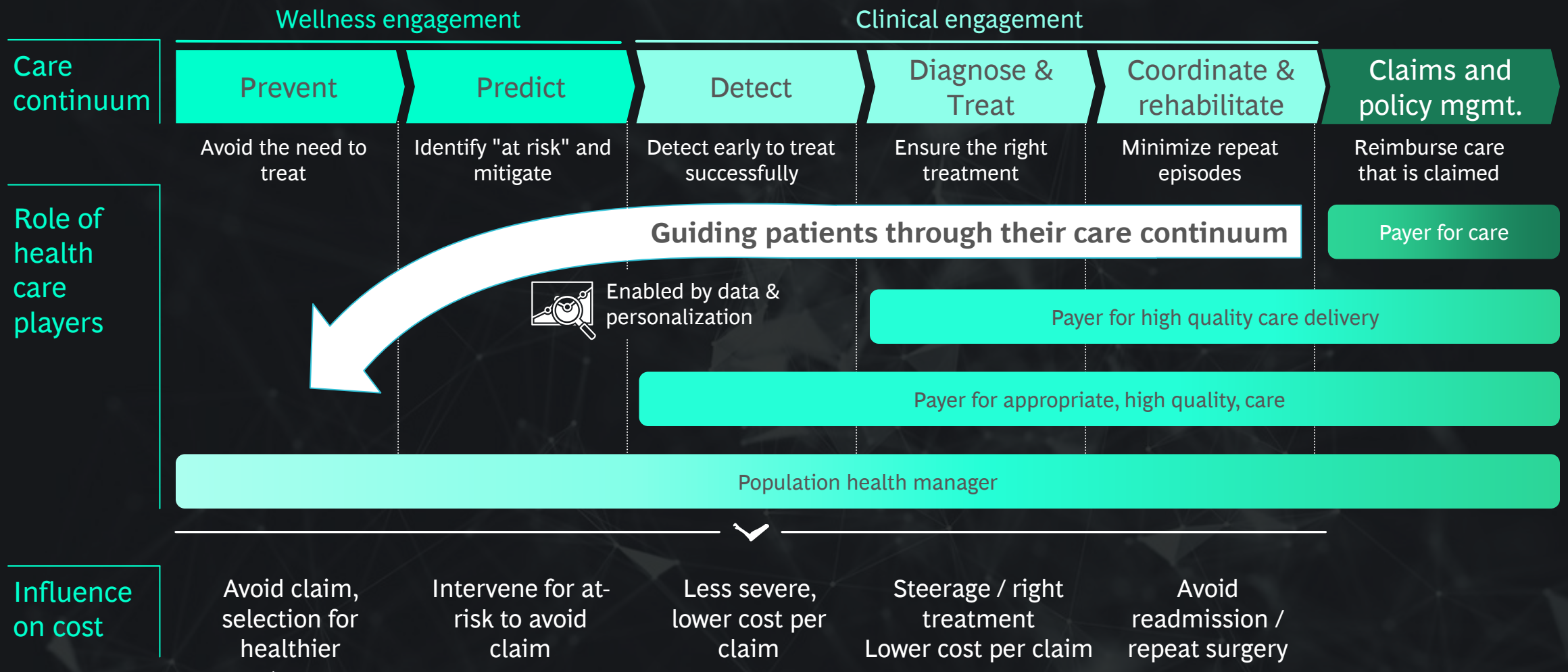
"Payer to Partner" gains renewed traction with an emphasis on cost containment



Source: BCG

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Another question

“How prepared is your organization to shift toward a preventive, digitally-enabled, customer-centric health model?”

Question to audience with Menti

Answer Scale (Likert-style):

- Not at all prepared
- Slightly prepared
- Moderately prepared
- Well prepared
- Fully prepared and already transforming

Purpose:

Gauge organizational maturity in adapting to new health insurance models. You can contrast responses to drive a conversation on capability gaps and transformation priorities.

We asked leading Health Insurers how they assess their own readiness for the Future

Facilitate market positioning

- Propositioning
  - Products
  - Segment. & Portfolio Mgmt.

Enhance customer engagement

- Distribution & Customer Interaction
  - Marketing & Sales
  - Customer Service

Ensure healthy customers

- Beneficiary Engagement & Health Excellence
  - Prevention & Lifestyle
  - Diagnostic
  - Care Support

Maximize bottom-line

- Technical Capabilities
  - UW & Pricing
  - Claims Mgmt.
  - Provider Mgmt.

Improve operational efficiency

- Governance & Enablers
  - Operating Model
  - Data & Tech

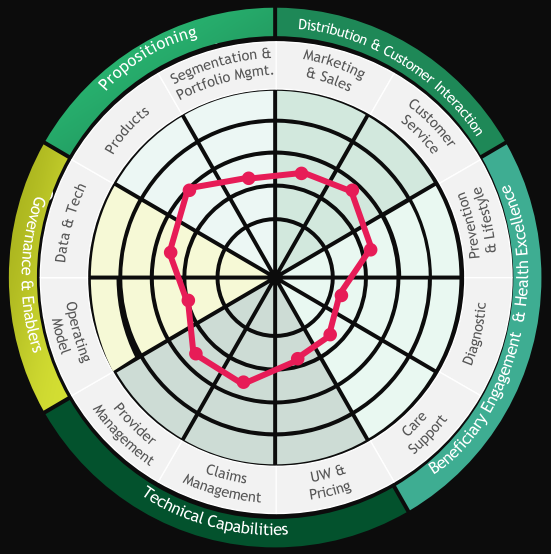
All dependent on…

- Market Situation & Competitor Landscape
- Standalone vs. Supplementary
- Individual vs. Group Business
- Provider Landscape
- …

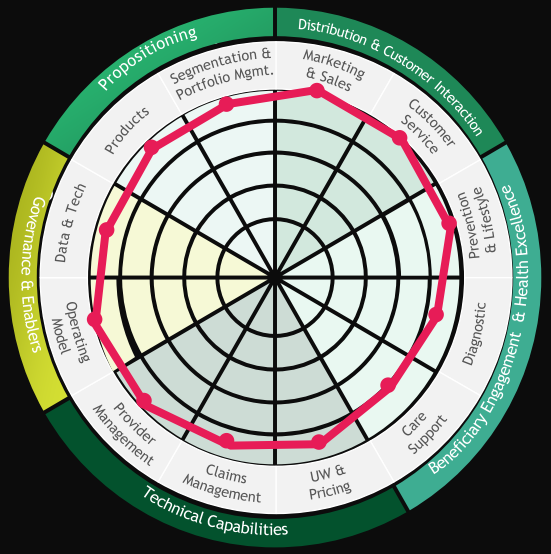
Source: BCG Health Insurance Capability Maturity Assessment (HICMA)

The result | Significant gap between average and "Best-in-class"

What global average looks like: 2.3[1]



What best-in-class looks like: 4.7[2]



Propositioning	Progressed maturity, emerging strengths in Costumer Segmentation and Portfolio Management
Distribution & Customer Interaction	Progressed maturity, potential growth in Marketing Management and Omnichannel Service
Beneficiary Engagement & Health Excellence	Lowest maturity, lack clear processes for sub-dimensions except Digital Diagnostic Support
Technical Capabilities	Emerging maturity in Claims Management, room to harness analytics in Underwriting & Pricing
Governance & Enablers	Emerging maturity, strong growth opportunity to leverage use of AI

1. Represents global average of all recorded scores in the benchmark (including best-in-class) 2. Respective player with highest score in each sub-dimensions
Source: BCG Health Insurance Capability Maturity Assessment (HICMA)

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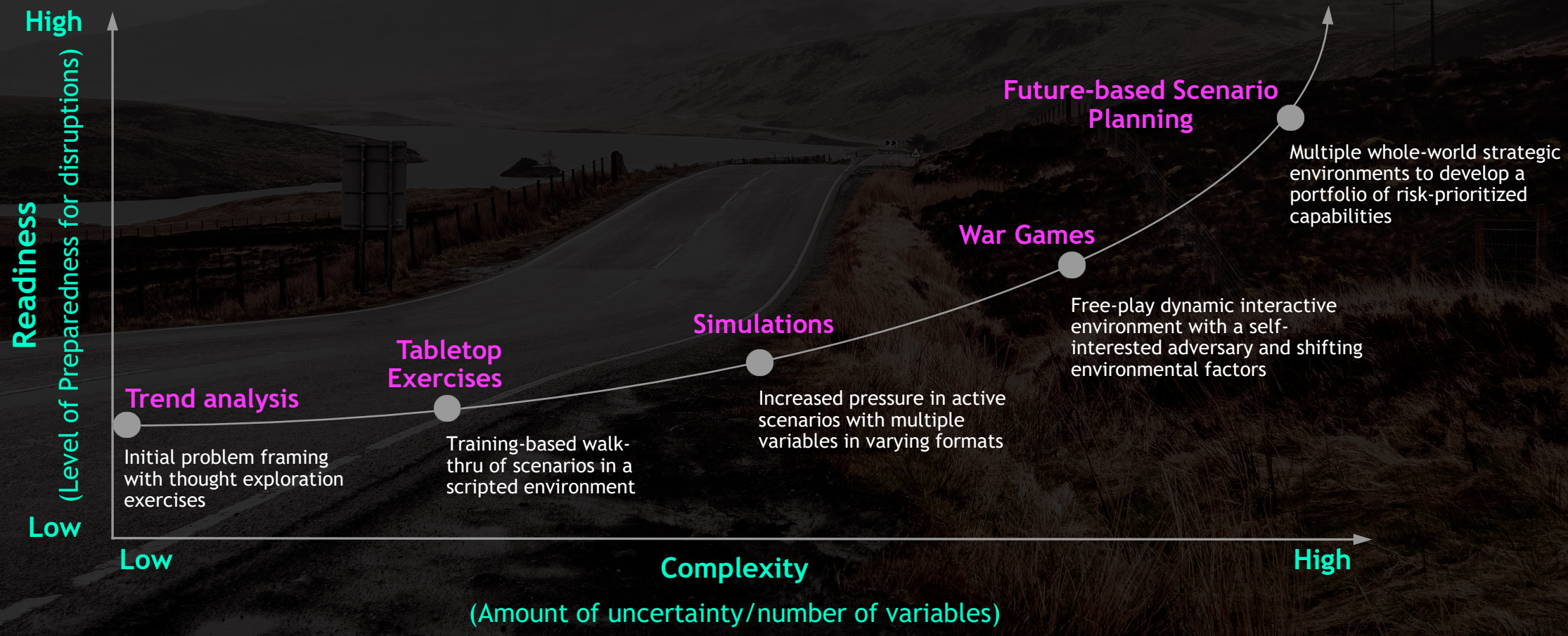
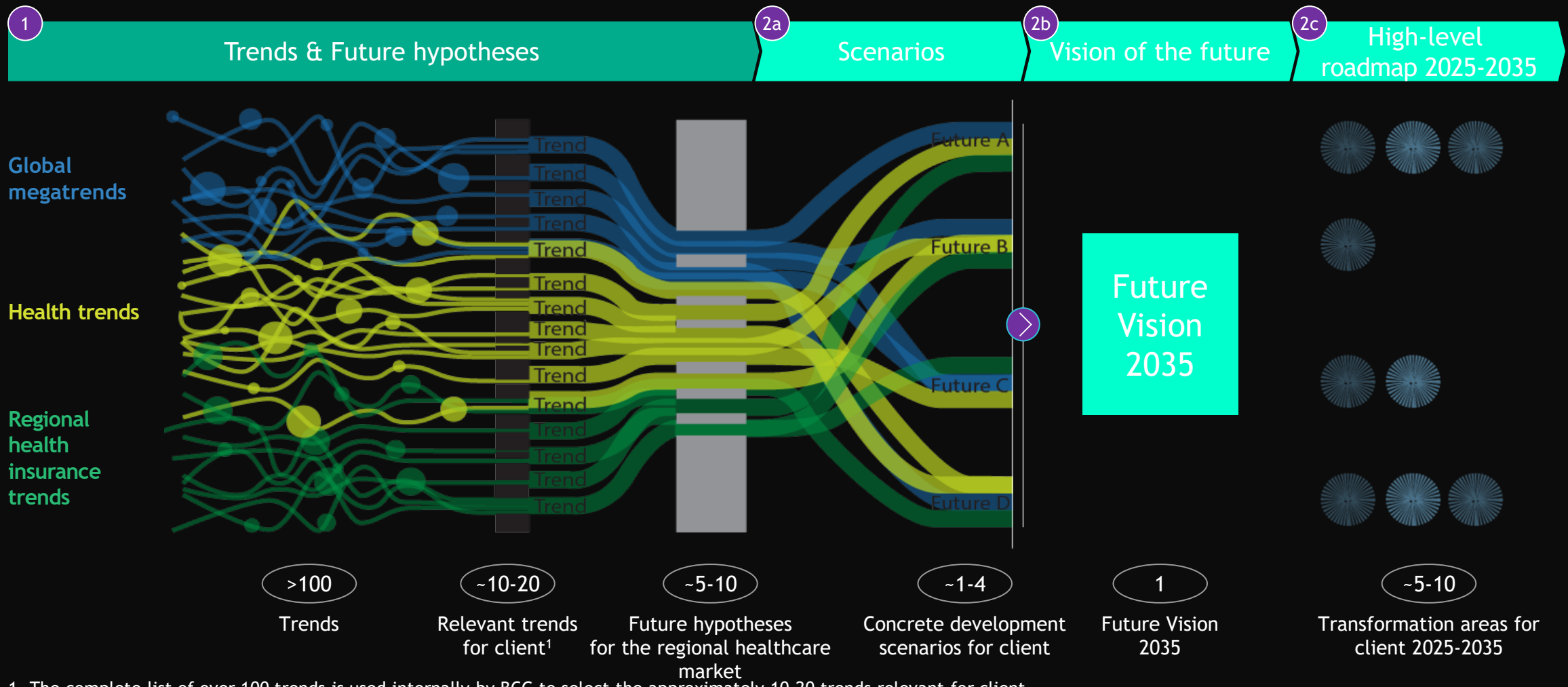
How to prepare for the Future? |
A range of tools can help build an uncertainty advantage



Future-based Scenario Planning | From Trends and future hypothesis through a systematic approach to a vision and roadmap



1. The complete list of over 100 trends is used internally by BCG to select the approximately 10-20 trends relevant for client
Source: BCG

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Scenarios | A means to build an Uncertainty Advantage

Facing uncertainties means...

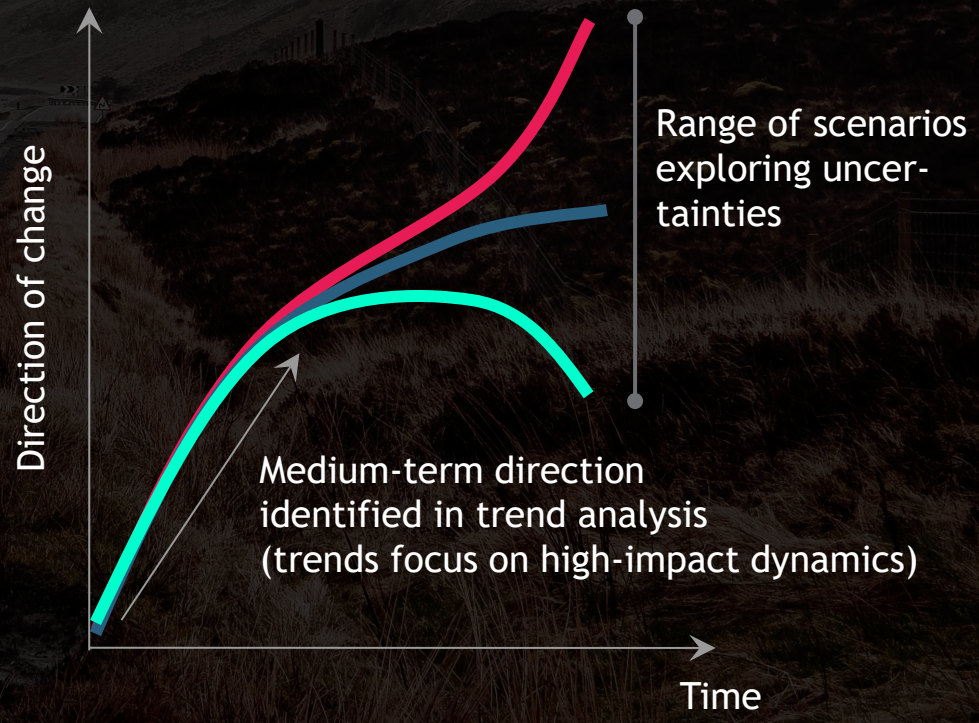
Trend data alone is not enough to build a scenario, as some aspects of the future will not fit

- Known unknowns, e.g., how climate change will be addressed
- Unknown unknowns we cannot even imagine, e.g., a specific epidemic or terrorist incident, a breakdown in norms

Even if our predictions could cover every eventuality, they would still be subject to our perception

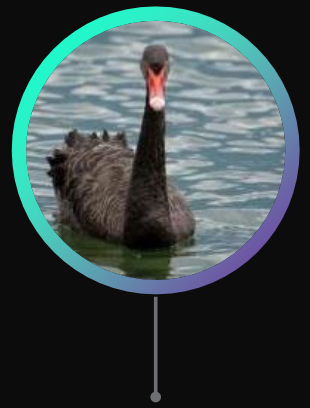
- There is no perfectly objective look
- We always have to interpret

... going from forecasts to scenarios



Source: BCG

Scenarios | Three distinct approaches to scenario development



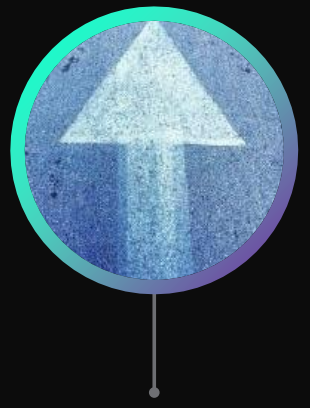
Black swan

Description

Use creative techniques and inductive thinking to identify visual variables covering relevant inputs, and brainstorm on potential outcomes

When to use

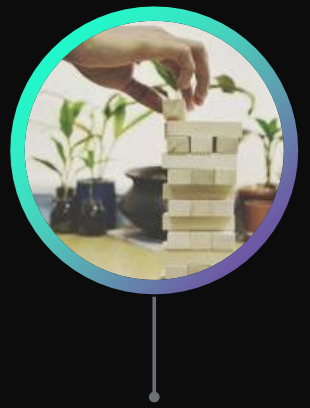
Scenarios that vary across multiple dimensions, easiest opportunity for creative brainstorms



Axes of uncertainty

Focus on drivers of change and laying 2-3 key axes which are then used to flesh out divergent scenarios

Key uncertainties can be synthesized into axes clearly and have relative scales



Morphological

Create representative options for major known dimensions of uncertainty, and develop scenarios by combining them

Already fixed and predetermined set of uncertainties to explore

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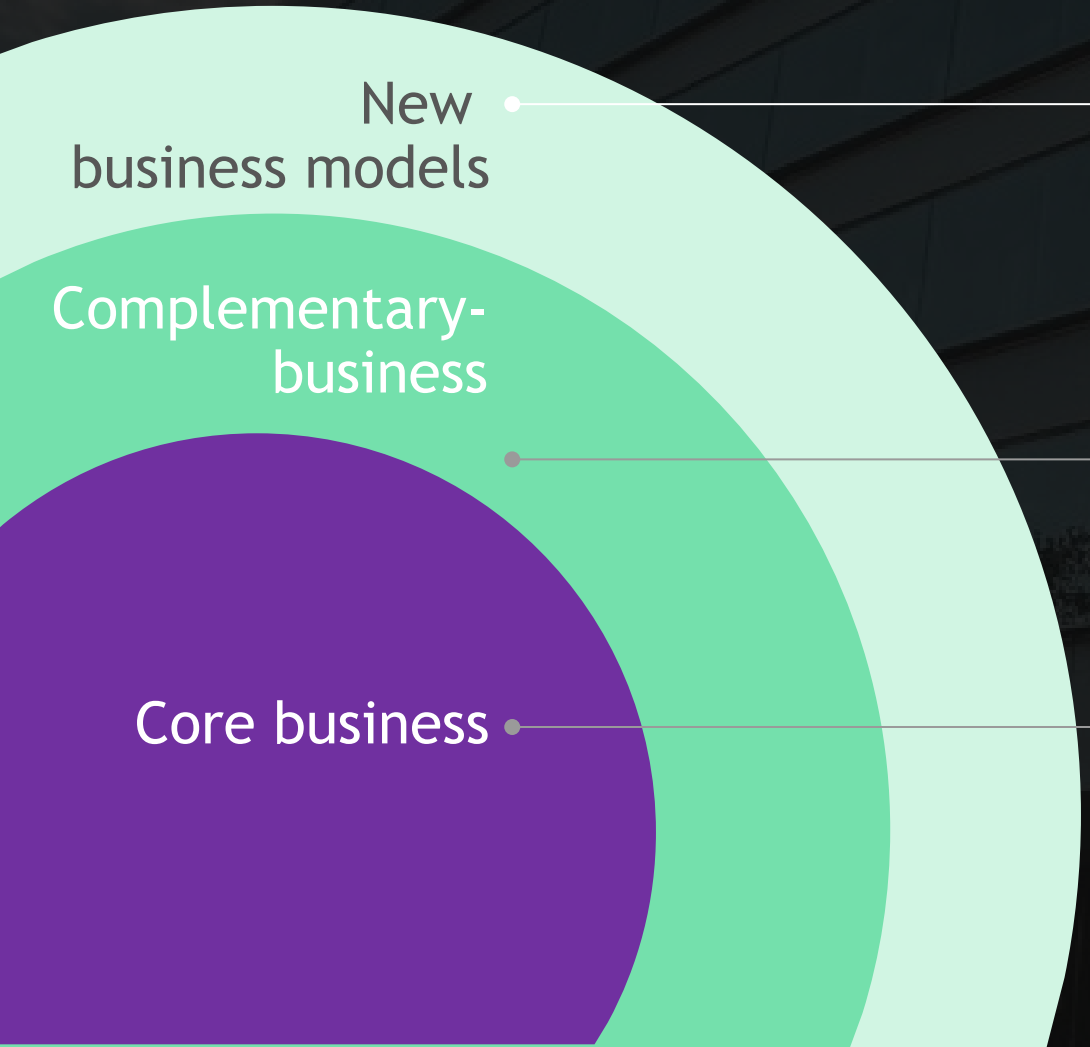
Role (Positioning) | A wide range of possible roles likely for Health Insurers in the market 2035



New business models

Will health insurers pursue other business models in 2035?

- Navigator in the health system / health organization
- Healthcare provider (e.g., digital therapies)
- Claims review for third parties
- Provider of claims review software
- Data provider
- Etc.

Complementary business

Will all health insurers offer other insurance and services in 2035 (beyond the core)?

- Life: Life insurance for financial security or savings
- Assets: Personal liability and homeowners insurance, etc.
- Other insurance: Cyber risk, etc.
- Services: Health coaching, long-term care, health apps, etc.

Core business

How can health insurers generate the necessary resources in 2035?

- Basic insurance: Focus on innovative managed care insurance models, etc.
- Supplementary insurance: alternative, outpatient, and inpatient, etc.

How can they leverage AI to gain efficiency in core processes?

Target Business Model | Adjustment of the Target Business Model necessary to assume a new role (positioning) in 2035

Value creation

How can health insurers in 2035 generate the necessary resources?

Successful value creation through an improved customer journey (e.g., through personalized interaction and automation)

Capabilities

What capabilities must they possess in 2035 to fulfill its future role?

Development of capabilities, e.g., in data science and medicine to ensure optimal customer experience and positioning

Infrastructure

What infrastructure requirements does the targeted role place on health insurances?

For example, development or expansion of data infrastructure or data lakes; introduction of GenAI capabilities

Strategic partnerships

Which strategic partnerships can support health insurances in 2035?

For example, partnerships with digital healthcare solutions/apps, as well as tech companies to extend reach, capabilities, and infrastructure

Source: BCG

Prioritization of transformation areas for mapping on the roadmap

"No regrets"

Identified measures that are advantageous in all scenarios

Intended for prompt initiation of measures by client org.

"Option plays"

Potential measures that should be considered depending on which scenarios occur

Accordingly, ongoing monitoring of relevant scenarios

"Big bets/moonshots"

Acting based on convictions about the most likely scenarios

Potential to also influence the emergence of scenarios

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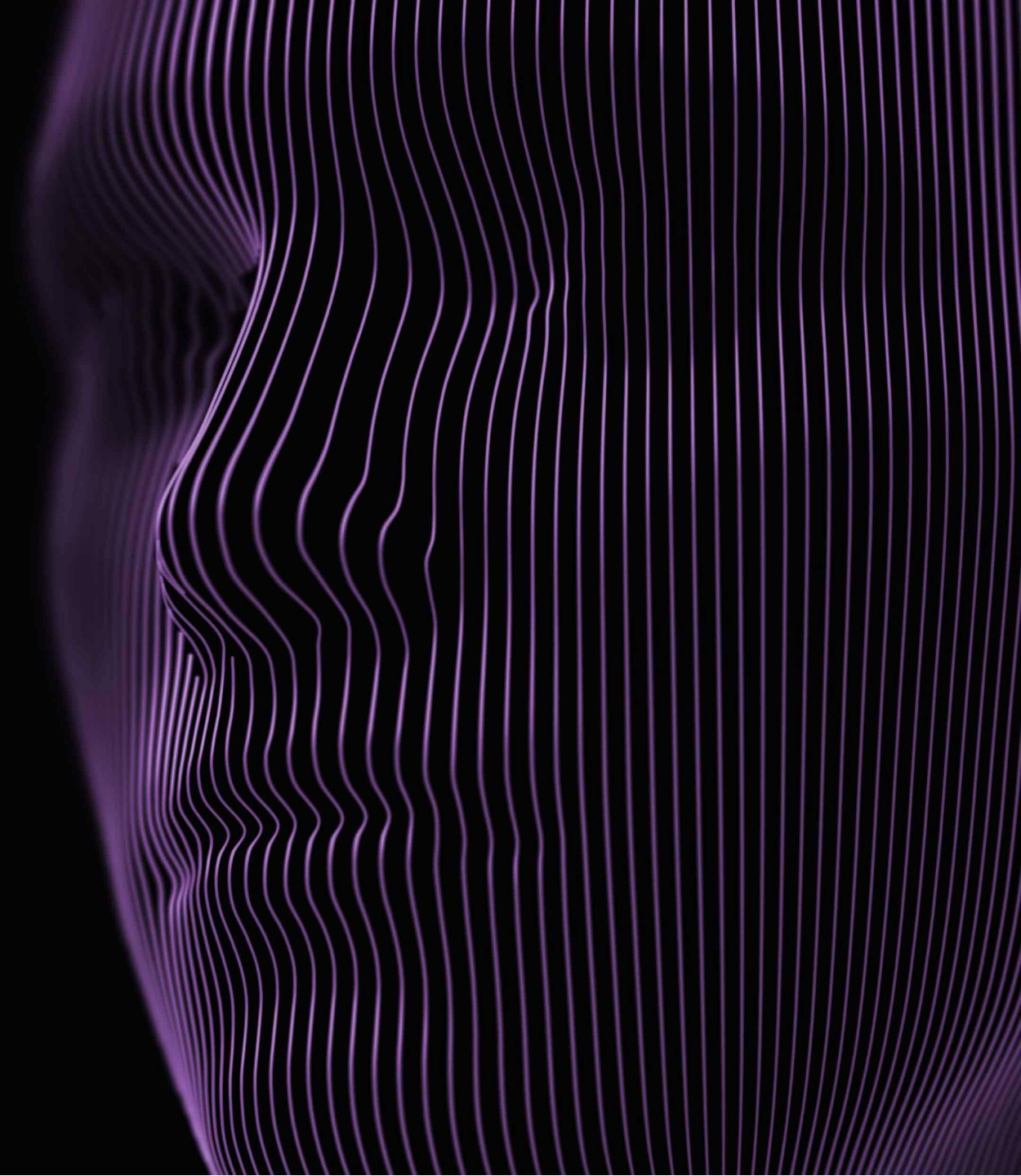
Open discussion

“If you need to decide for one no-regret move to make your business model future-proof, what would it be—and why?”



BCG Universal Offer Map

Build for the future

Transformation

Digital & AI | Climate & Sustainability | Accelerated Cost Advantage | PMI and Carve-out | BCG Transform

Outcomes

Go-to-Market & Growth

- Customer Demand & Innovation
- Customer Experience
- Sales
- Marketing
- New Business Build & Ventures
- Pricing
- Growth
- Innovation
- JVs, Alliances & Digital Ecosystems

Operations & Functions

- End to End Ops
- Design, Engineer, Build
- Supply Chain
- Manufacturing
- Compliance & Crisis management
- Risk Management
- Cyber and Digital Risk
- Procurement
- Service & Support Functions

Purpose, Strategy & Portfolio

- Purpose
- Strategy
- AI & Digital Strategy
- Corporate Finance
- Transaction
- Social Impact
- Trade & Investments

Technology

- Data and Digital Platforms
- Tech Function and Cloud
- Tech Innovation incl. IoT, Web 3, Deep Tech
- Tech Platform incl. ERP & Salesforce

People & Organization

- Organization Design & Operating Model
- Talent and Skills
- Change & Culture
- Future of Work

Enablers

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