



Payer and Employer Tech and Services

QUARTERLY SECTOR BRIEF | Q3 2025

What's Included:

- 01** **Insights:** The sources to follow to keep up with how the payer and employer space is changing and the underlying drivers of the sector's growth
- 02** **Sector Activity:** Breakdown of the significant drivers and trends in the space including the impact of the newly passed "One Big Beautiful Bill"
- 03** **Connect With Us:** How to get connected with our team and get the latest insights into the rapidly evolving payer and employer tech and services space

01

PAYER AND EMPLOYER
TECH AND SERVICES
Q3 2025

Insights

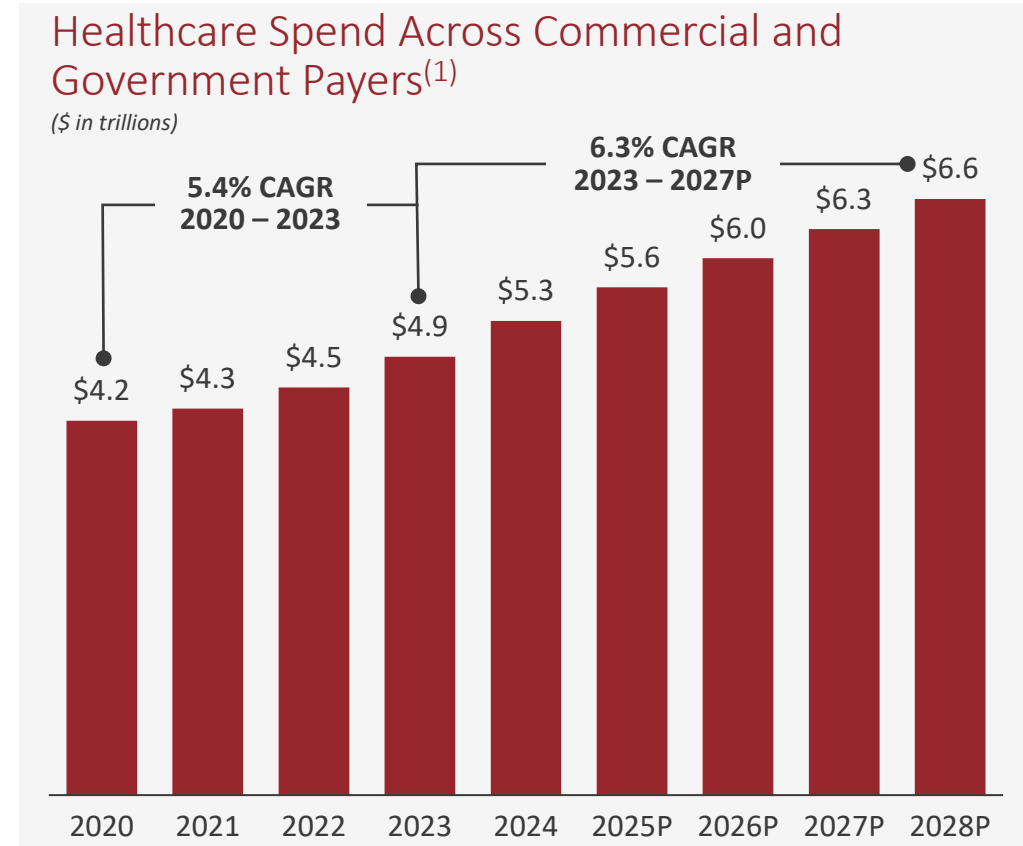
Healthcare spending continues to surge, leaving payers and employers scrambling to find ways to cut costs and maintain quality of care.



Market Overview

Healthcare spending in the U.S. increased by 8.2% in 2024 to ~\$5.3 trillion, driven by increased utilization of healthcare services and a record-high health insurance coverage rate.⁽¹⁾

› Healthcare spending is expected to continue to rise, driven by the increased prevalence of chronic disease, higher costs associated with specialty drugs, labor shortages, and the continued aging of the population



Payer and Employer Tech and Services – Representative Companies

| | |
|---|--|
| <p>Health Plans & Networks</p> | <p>Member Engagement & Care Navigation</p> |
| <p>Third-Party Administrators</p> | <p>Employer On-Site / Near-Site / Virtual Health</p> |
| <p>Captive / Self-Insurance Enablement</p> | <p>Government-Focused Provider Services</p> |
| <p>Claims Administration & Technology Tools</p> | <p>Care & Utilization Management</p> |
| <p>Pharmacy Benefit Management</p> | <p>Cost Containment</p> |
| <p>Specialty Benefit Management</p> | <p>Insurance Distribution / Brokerage</p> |

Trends in the Market

Payers and employers continue to explore solutions and care models that reduce healthcare costs while maintaining high-quality outcomes, as they navigate the challenges of rising medical expenses.

Ongoing Shifts in Payer and Employer Tech and Services

1

Outlook on Government Funded Health Plans

The newly passed “One Big Beautiful Bill” (“OB BB”) results in payment reductions for government sponsored plans, accelerating the need for cost containment

~\$1 Trillion

Reduction in Medicaid Spend Over the Next Decade

2

Acceleration of Alternative Health Plan Models

Employers are increasingly adopting level-funded, captive, direct healthcare, and other alternative plan models, to drive greater control and savings

Only 20%

of Sub-200 Employee Firms Self-Insuring Today⁽¹⁾

3

Expanding Focus on Cost Containment

Employers continue to seek solutions and models to curb overall costs across the care and claims cycle

52%

of Self-Insured Employers Plan to Implement New Cost Containment Programs⁽²⁾

4

Convergence of Point Solutions

Strategic players and investors are bringing together fragmented solutions to create new comprehensive employer health platforms

20+

Point Solutions Utilized by Many Employers⁽³⁾

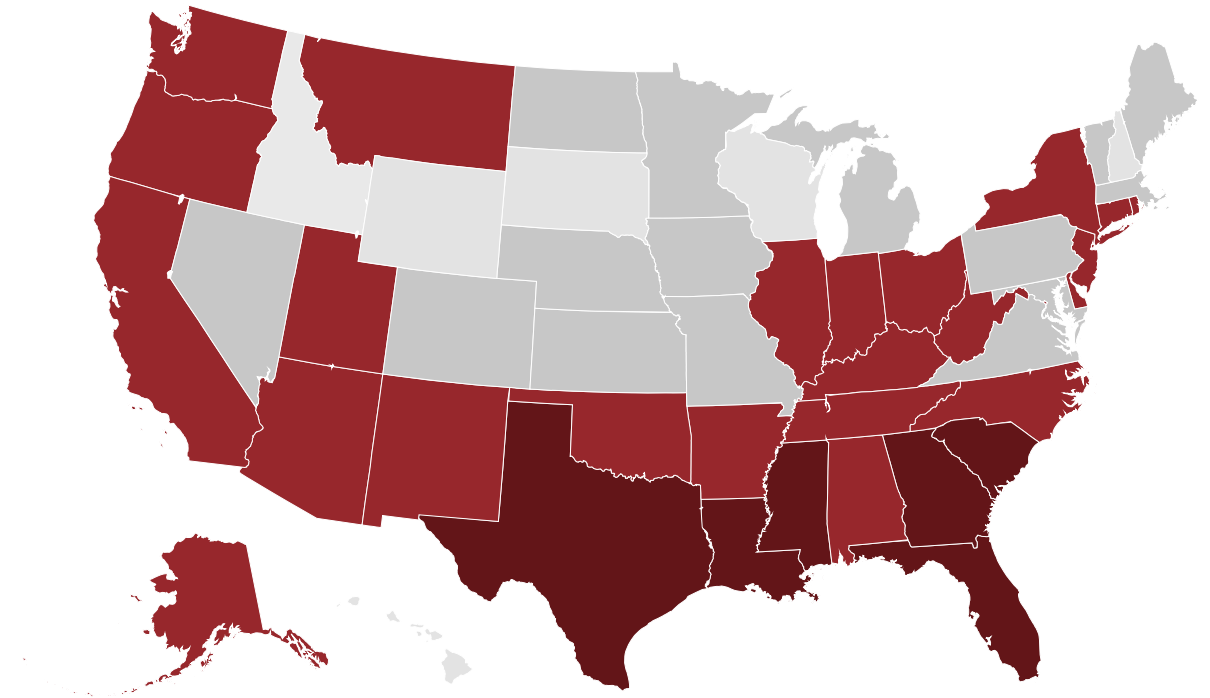
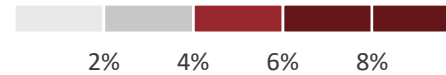
1 Outlook on Government Funded Health Plans

The Trump Administration’s “One Big Beautiful Bill” will cut federal healthcare spend by ~\$1 trillion over the next decade with widespread implications for health care access, coverage mix shifts, and health plan profitability.⁽¹⁾

- › An estimated 11.8 million individuals are at risk of losing health insurance over the next ten years due to changes in Medicaid and Marketplace policies⁽²⁾
 - Medicaid coverage losses are driven by new community engagement requirements, more frequent eligibility reviews, and stricter eligibility rules for immigrants
 - Marketplace losses are attributed to changes in pre-verification requirements for coverage, expiration of ACA enhanced subsidies, and a shorter open enrollment period
- › Roughly 2/3 of Medicaid enrollees are employed, with some losing coverage seeking out opportunities to access employer-sponsored coverage⁽³⁾
- › HW expects health plans to increase their focus on cost containment initiatives in response to payment cuts
- › Providers facing losses from Medicaid cuts may attempt to recoup costs through negotiating higher rates from other payers
- › Changes to HSAs include an increase in annual contribution limits, expansion of what plans in the market are HSA-compatible, and broader use of HSA funds, making them more accessible and appealing

Expected Decrease in Government Sponsored Membership⁽³⁾

Expected Percentage Increase in the Uninsured Population after Medicaid and ACA Marketplace Changes

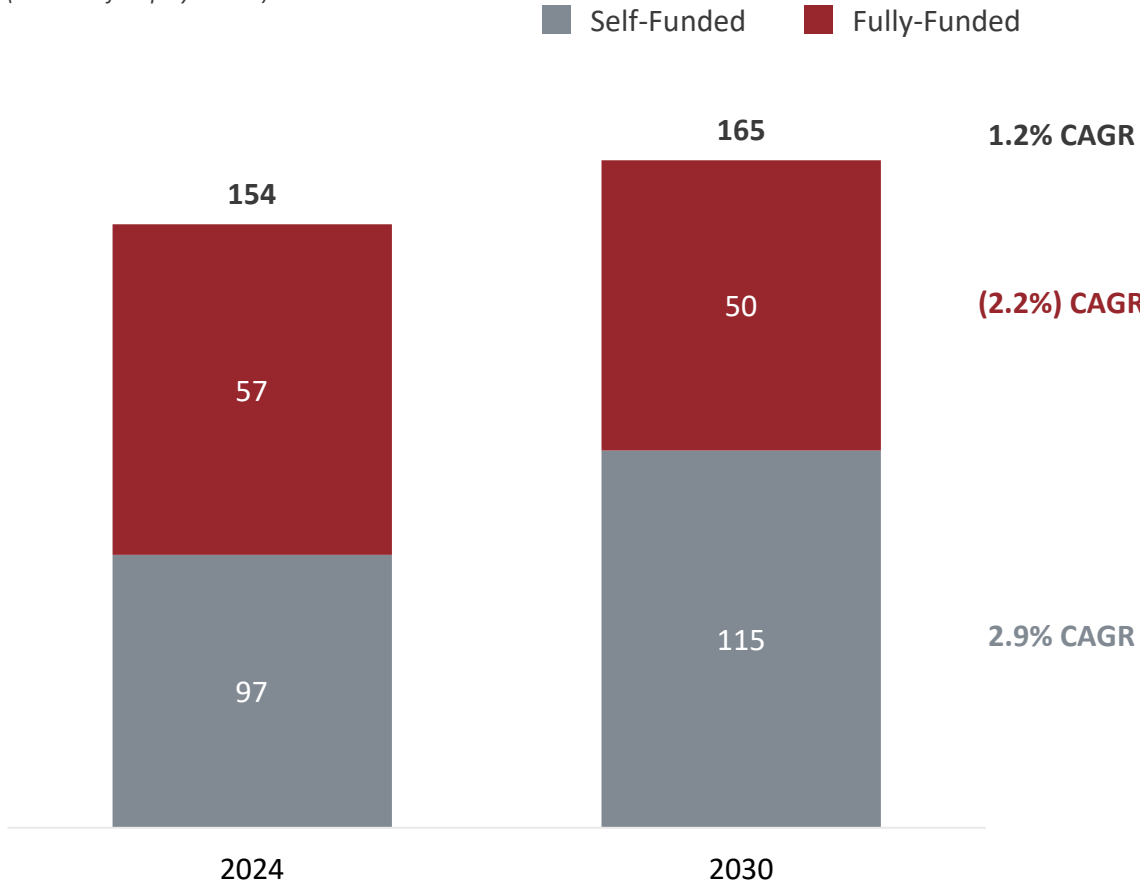


2 Acceleration of Alternative Health Plan Models

The payer and employer health market is at a tipping point today, with a massive opportunity to disrupt the ~140 million lives in fully-insured and insurance company ASO offerings today.

Continued Shift Toward Self-Funding...⁽¹⁾⁽²⁾

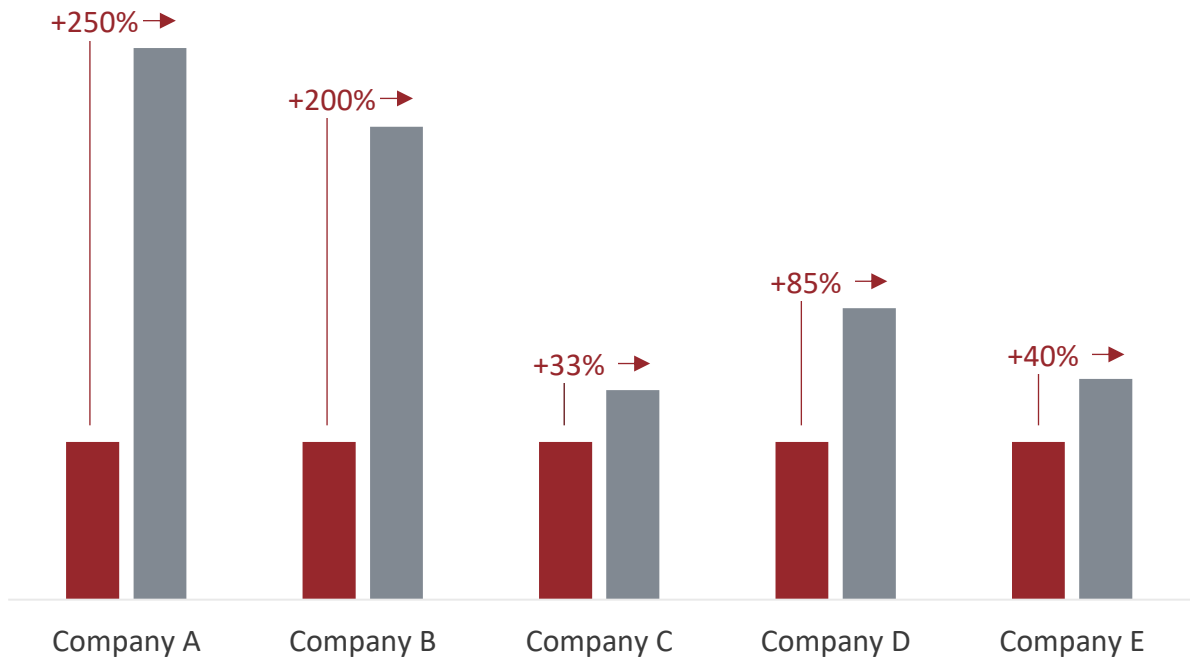
Number of Employee Lives Enrolled in Employer Plans (millions of employee lives)



...with HW Seeing a Recent Acceleration in Independent TPA and Alternative Health Plans⁽³⁾

YoY Sales Growth, in year 2025 (excluding Jan. 1)

HW's proprietary insights across the employer health industry suggest that the market is growing even more rapidly – employers are waking up to the challenges associated with the status quo model and are craving independent solutions



1. McKinsey
2. KFF

3. HW proprietary data

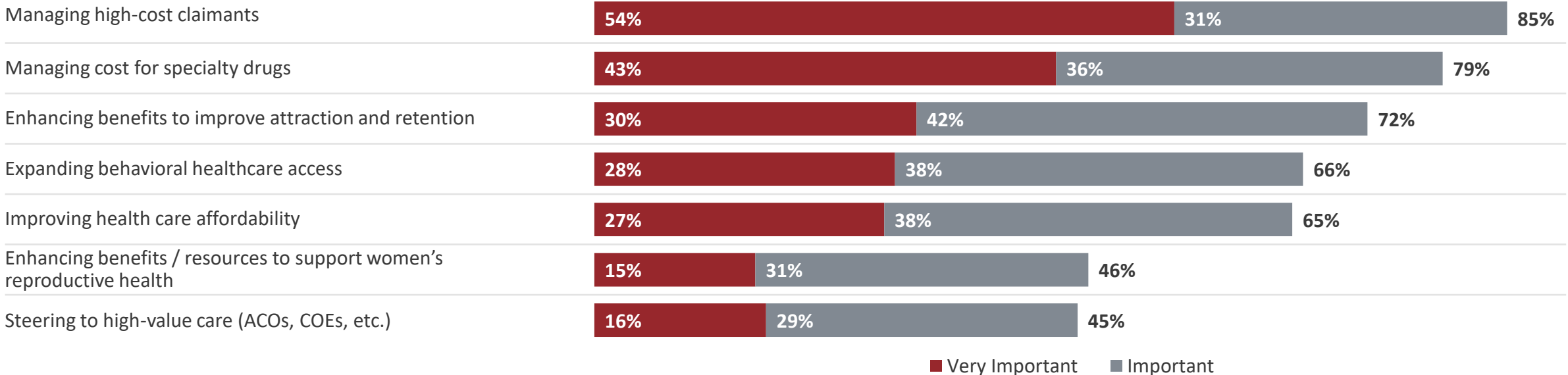
3 Expanding Focus on Cost Containment

Cost containment platforms are gaining momentum as employers and health plans look to bend the cost curve and offset top-line pressures.

- › Cost containment platforms serve health plans and self-insured employers with solutions like payment integrity, care management and navigation, reference-based pricing, claims repricing, specialty networks, and subrogation
- › Major health plan stocks are down 49% since July 2024 and payers are expanding outsourcing / offshore initiatives, utilization management, and payment integrity in response to increasing utilization post-COVID and challenging Medicare Advantage and Managed Medicaid reimbursement⁽¹⁾
- › Demand for cost containment services continues to rise as more employers adopt self-insurance and partner with independent TPAs, particularly small to mid-sized employers who are particularly incentivized to avoid being on the hook for outsized costs
- › 65% of employers indicate that they would switch health plans for cost savings with ~75% of those employers seeking >10% in cost savings to switch⁽²⁾

Strategic Priorities for Employers Over the Next 3-5 Years⁽²⁾

Responses from a poll of employers with 500+ employees



4 Convergence of Point Solutions

While the universe of point solutions for employer-sponsored health plans continues to expand, clients are continuing to cut down the number of vendors they use, driving consolidation among employer health platforms.

- Over the past two decades we have seen the large health plans consolidate point solutions under their multi-payer solution umbrellas, such as Optum and Evernorth
- The independent self-insured employer market remains highly fragmented, with large employers navigating several dozen point solution vendors
- HW sees significant opportunity for point solutions to consolidate, with natural consolidation points being TPAs, direct-to-employer primary care organizations, and diversified cost containment vendors

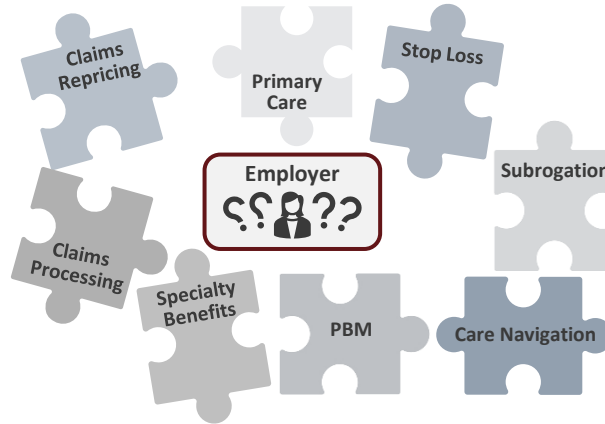
Employers Supportive of Consolidation

“In an effort to help reduce the number of individual solutions employers and employees need to navigate, I expect large employers to continue to focus on medical network optimization, multi-point cost containment partners, and direct or advanced primary care platforms. In addition, I believe further industry consolidation could help improve the employee experience while maximizing employers’ investments.”

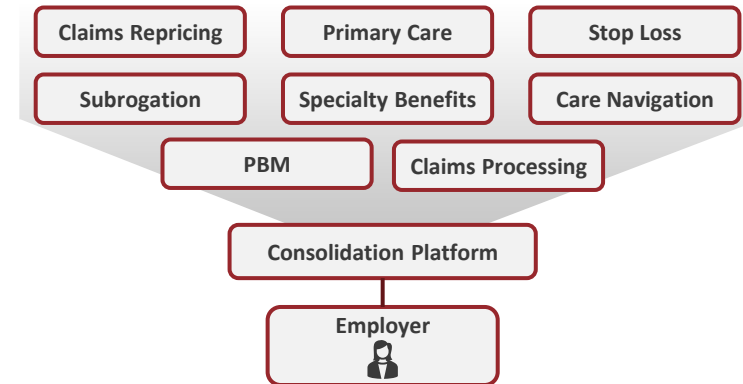
- Fortune 100 Employee Senior Benefits Director

Health Benefit Administration With Multiple Vendors

Multiple point solutions are difficult to integrate with each other and creates unnecessary complexity



Under a single platform, an employer can enjoy the same services without the complexity



Representative Point Solution Consolidators



Representative Acquisitions / Partnerships



What We're Reading

Relevant payer and employer tech and services sector news.

The One Big Beautiful Bill Act ("OBBBA"): A trillion-dollar turn in US Health Policy – PwC

[READ HERE](#)

"The legislation is projected to reduce federal healthcare spending by approximately \$1T through FY2034 by implementing additional eligibility rules on government health plans, expanding administrative procedures around enrollment, modifying how states can obtain federal funding for Medicaid, and not extending ACA premium subsidies."

Key takeaway: The OBBBA is going to impact healthcare across the nation and cause more financial pressure on hospitals

Transforming Employer Health Benefits: Large Employers' Activist Role – McKinsey & Company

[READ HERE](#)

"Every year, large employers submit about 300 requests for proposal (RFPs) to health insurance carriers, according to our research. They also account for \$16 billion to \$24 billion in potential revenue for healthcare partners, including health insurance plans, healthcare professionals, and other healthcare companies."

Key takeaway: Employers are rethinking healthcare benefits costs for employees due to the rise in price

Employers Plan to Shift More Healthcare Costs to Employees 2026: 10 Things to Know – Becker's Payer News

[READ HERE](#)

"(1) Healthcare costs rose by 4.5% in 2024, and employers expect their costs to rise by 5.8% on average in 2025. (2) Prescription drug costs rose by 8% in 2024, down slightly from 8.6% in 2023."

Key takeaway: Employers are planning to shift healthcare costs to employees due to rising costs

02

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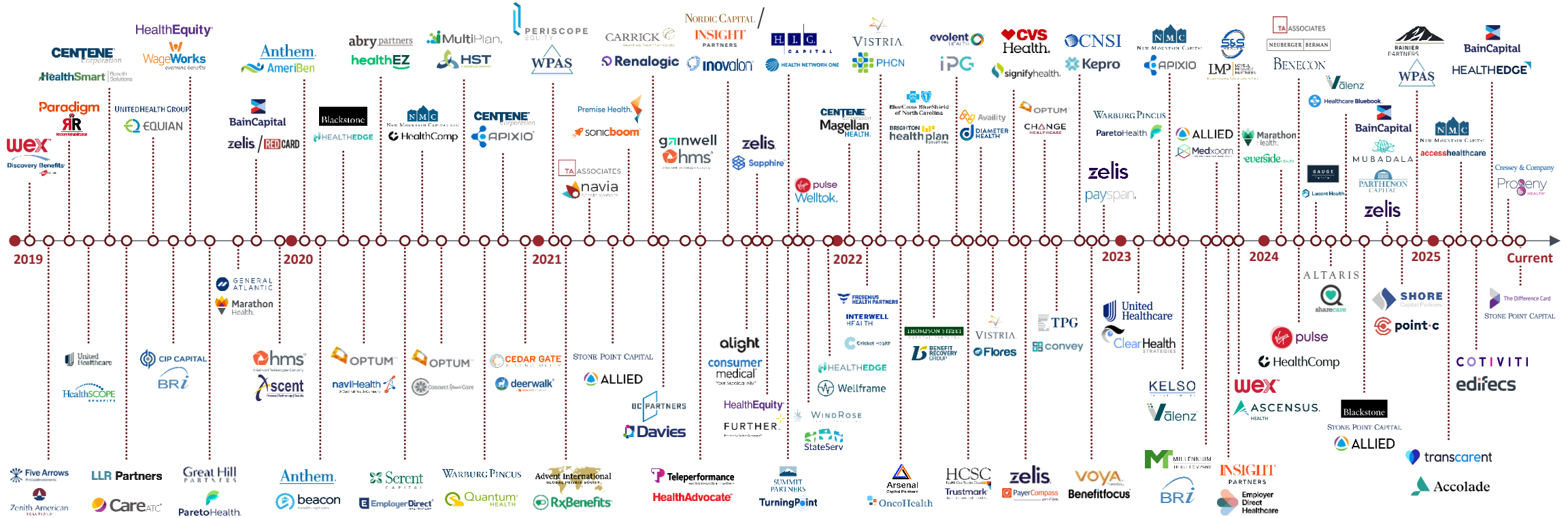
Sector Activity

The payer and employer health market is shifting toward alternative models and solutions, with new multi-solution platforms emerging as traditional point solution providers consolidate.



Payer and Employer Solutions Remain Highly Attractive to Investors

Growing investor interest in the payer and employer sector has resulted in a high level of transaction activity and scarcity value for remaining quality platforms.



Key Trends Driving Future M&A



Growing Strategic Importance of TPAs

Growing rates of self-insurance drives underlying growth in TPAs, who are also increasingly viewed as strategic partners who can help implement cost containment and care management solutions



Enablers of Cost Containment

Innovative plan design, network management, payment integrity, care delivery, offshoring models, and care management / navigation solutions demonstrating a high ROI for plan sponsors








Demand for Specialty Benefit Managers

Strategic and financial investors have expressed significant interest in specialty benefit managers, given unique capabilities to better manage complex disease states for payers and self-insured employers

Recent Sector Transaction Highlights

There is more interest now than ever in the payer and employer sector as cost containment and point solution consolidation remain key focus areas.

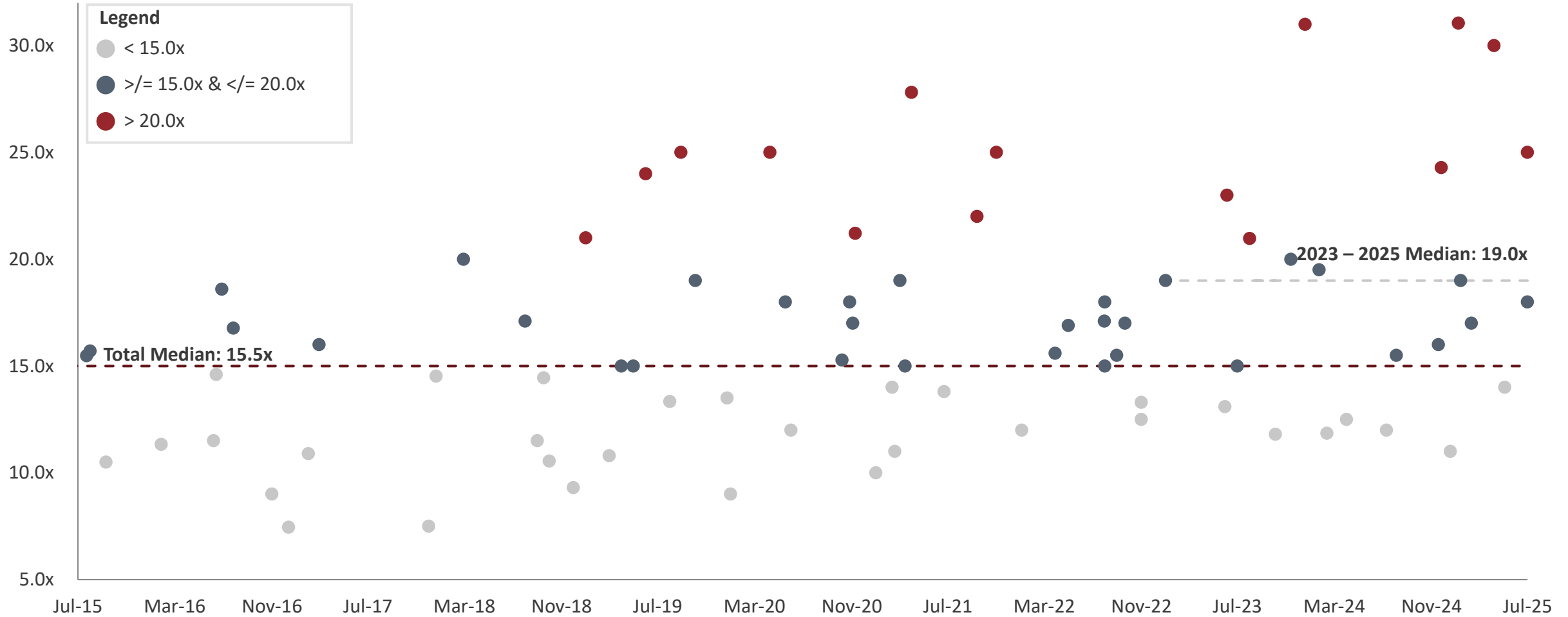
- › Many recent transactions have traded at sector all-time high EV / EBITDA multiples, reflecting robust investor interest

| Transaction | Date | Market Segment | Commentary |
|--|--------|------------------------------|---|
| Medical Benefits TPA | Jul-25 | Third-Party Administrator | › Confidential HW transaction to an undisclosed buyer |
|  STONE POINT CAPITAL | Jul-25 | Cost Containment | › The Difference Card is a technology-enabled provider of alternatives to traditional healthcare insurance, delivering health insurance savings for 1,300+ employers across its 20+ year history › Stone Point’s investment will allow the Difference Card to accelerate growth and broaden its product offerings |
|  Cressey & Company | May-25 | Specialty Benefit Management | › Progeny Health provides end-to-end maternal and infant care management solutions from prenatal health throughout one full year of life › Cressey’s investment will provide the capital for the next phase of Progeny’s expansion |
|  BainCapital | Apr-25 | Cost Containment | › HealthEdge provides an integrated platform of solutions that connects to hundreds of third-party systems, improving data availability and transparency for 115 health plans and 110 million covered member lives across the country › Bain’s investment will help the Company continue to innovate new solutions and expand the platform |
|  COTIVITI | Feb-25 | Cost Containment | › Edifecs provides a data management platform that allows health plans, providers, and government agencies to exchange and normalize health data › The acquisition by Cotiviti will bring together Edifec’s platform with Cotivi’s advanced technology and data analytics to deliver greater value to healthcare organizations looking to reduce costs |
|  transcarent | Jan-25 | Cost Containment | › Accolade is a leading provider of care navigation and clinical guidance solutions leveraging a proprietary intelligence engine to deliver personalized healthcare recommendations alongside a team of experts › The combination of Accolade and Transacrent will serve 20 million members and 1,700 employer and health plan clients |

Transactions Trading at Consistently High Multiples

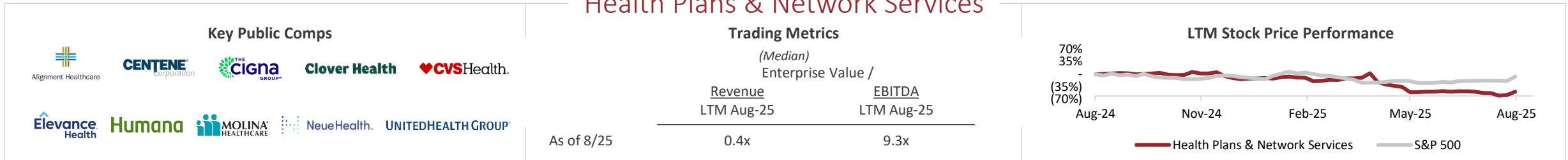
Recent Payer and Employer Tech and Services Transactions

EV/LTM EBITDA

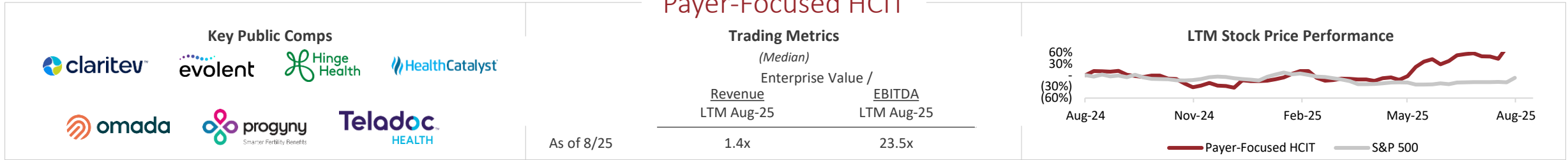


Payer and Employer Public Market Observations

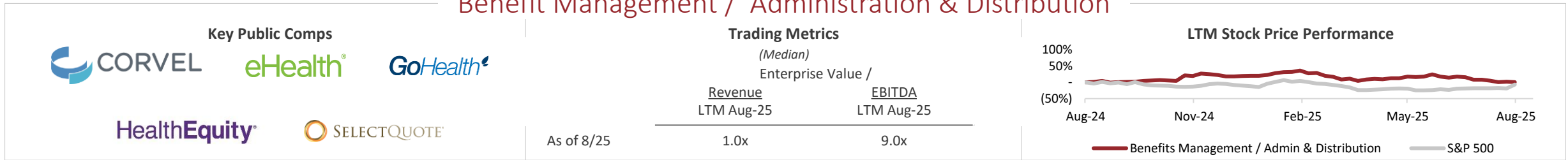
Health Plans & Network Services



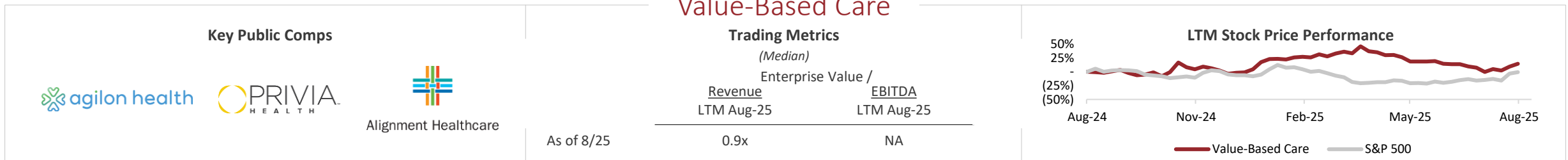
Payer-Focused HCIT































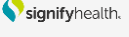












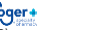



















































Benefit Management / Administration & Distribution



Value-Based Care

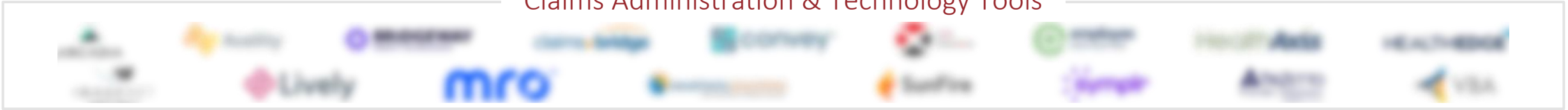


Update on Key Strategic Payers

| Company | Financial Profile ⁽¹⁾ | Recent Transactions | | Representative Offerings / M&A Interests | | | |
|--|----------------------------------|--|--------------------------------------|---|---|--|--|
| | | | | TPA / ASO | Pharmacy / PBM | Value-Based Care and Providers | Other Multi-Payer Solutions |
|  | Mkt Cap: \$79B Cash: \$5.0B |     | Current Offering M&A Interest |  |      |     |     |
|  | Mkt Cap: \$87B Cash: \$14.2B |  | Current Offering M&A Interest |  |       |   |    |
|  | Mkt Cap: \$86B Cash: \$7.5B |     | Current Offering M&A Interest |  |      |      |     |
|  | Mkt Cap: \$34B Cash: \$4.0B |   | Current Offering M&A Interest | N/A |     |          |    |
|  | Mkt Cap: \$275B Cash: \$32.0B |   | Current Offering M&A Interest |   |       |        |     |

Payer and Employer – Landscape

Claims Administration & Technology Tools

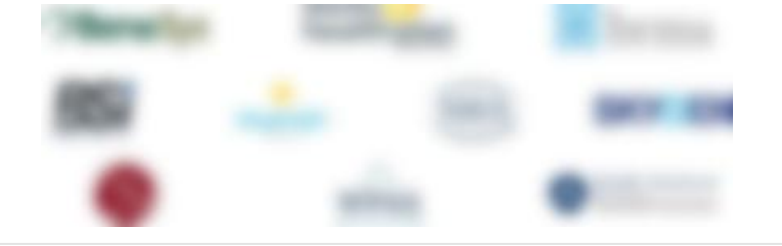


Third-Party Administrators

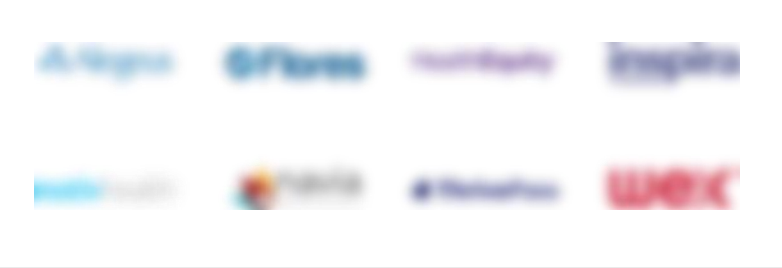
Commercial Healthcare TPAs



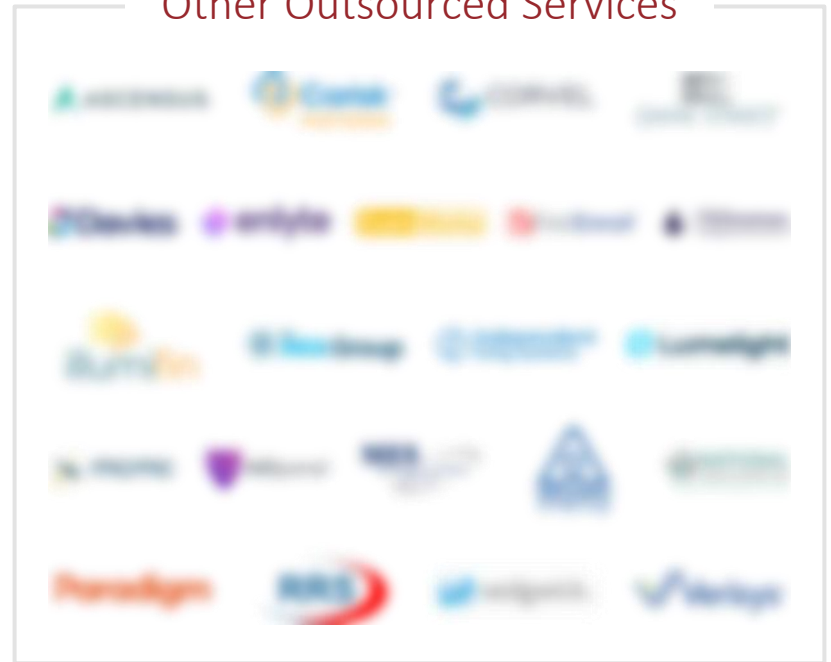
Specialty Healthcare TPAs



HSA / FSA



Other Outsourced Services



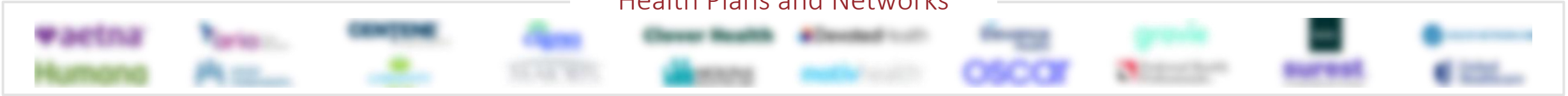
Captive / Self-Insurance Enablement



To view the full market map, please contact hwPayerTech&Services@harriswilliams.com

Payer and Employer – Landscape (Cont.)

Health Plans and Networks



Specialty Benefit Management

| | | |
|---|--|---|
| <p>Behavioral / Weight Loss / Sleep Benefit Management</p> | <p>Cardiology Benefit Management</p> | <p>Home Health, DME Benefit Management, and Lab Benefit Management</p> |
| <p>Fertility / Maternity Benefit Management</p> | <p>Kidney Care Benefit Management</p> | <p>Surgery and Oncology Benefit Management</p> |

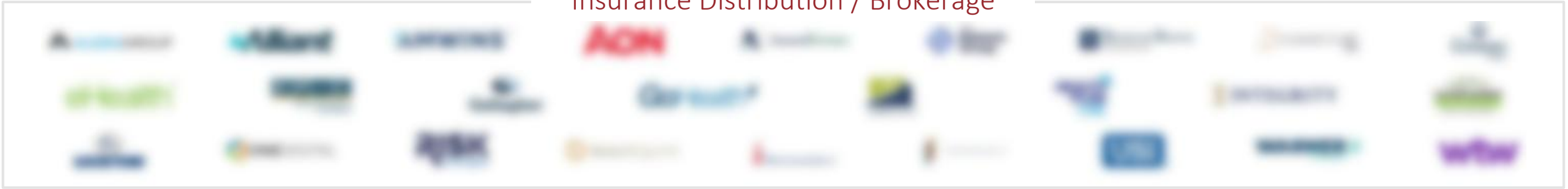
Pharmacy Benefit Management



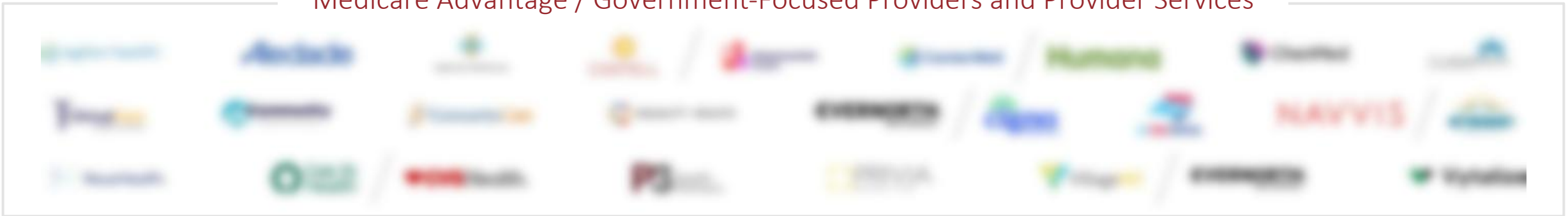
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Payer and Employer – Landscape (Cont.)

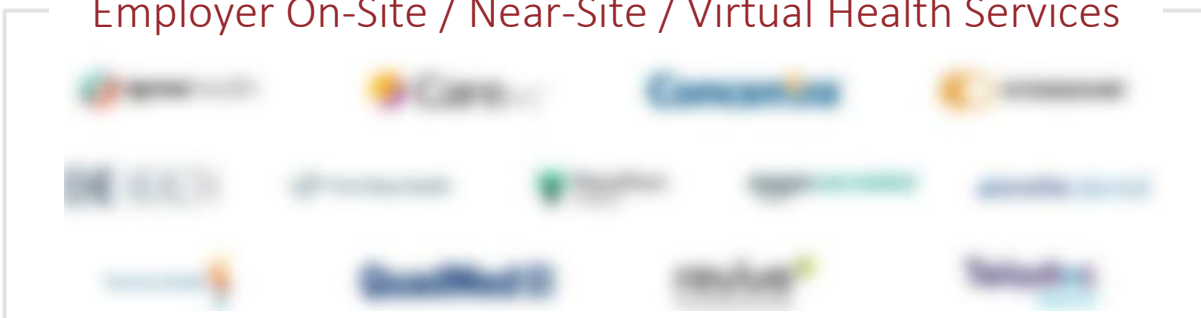
Insurance Distribution / Brokerage



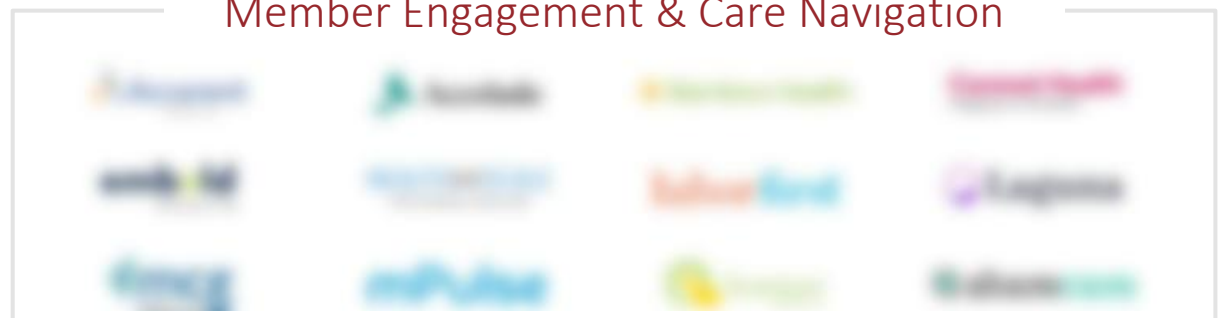
Medicare Advantage / Government-Focused Providers and Provider Services



Employer On-Site / Near-Site / Virtual Health Services



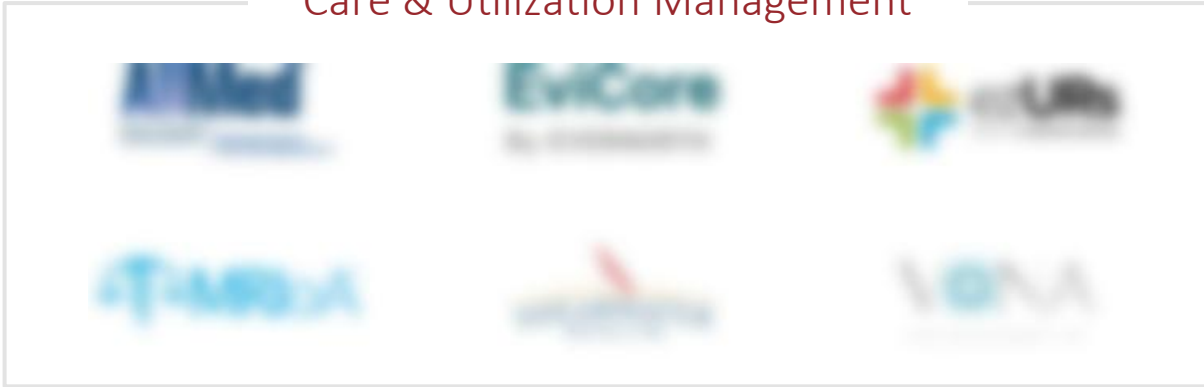
Member Engagement & Care Navigation



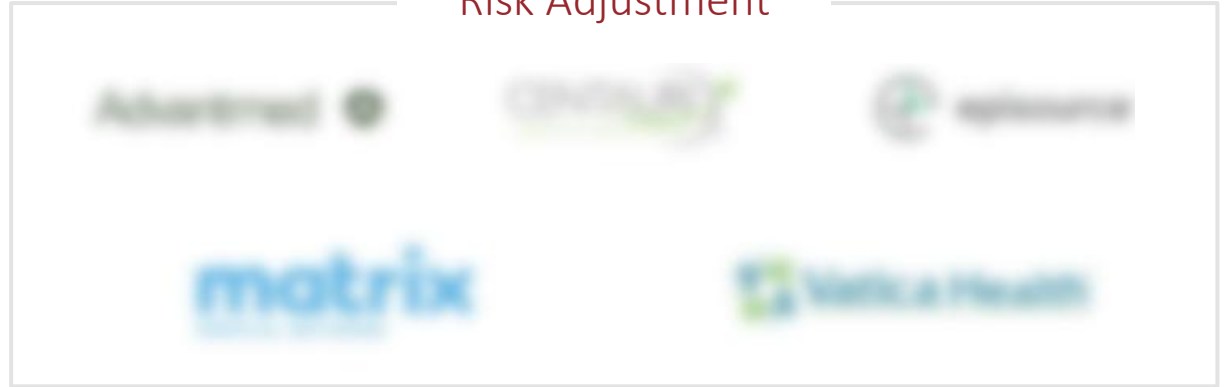
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Payer and Employer – Landscape (Cont.)

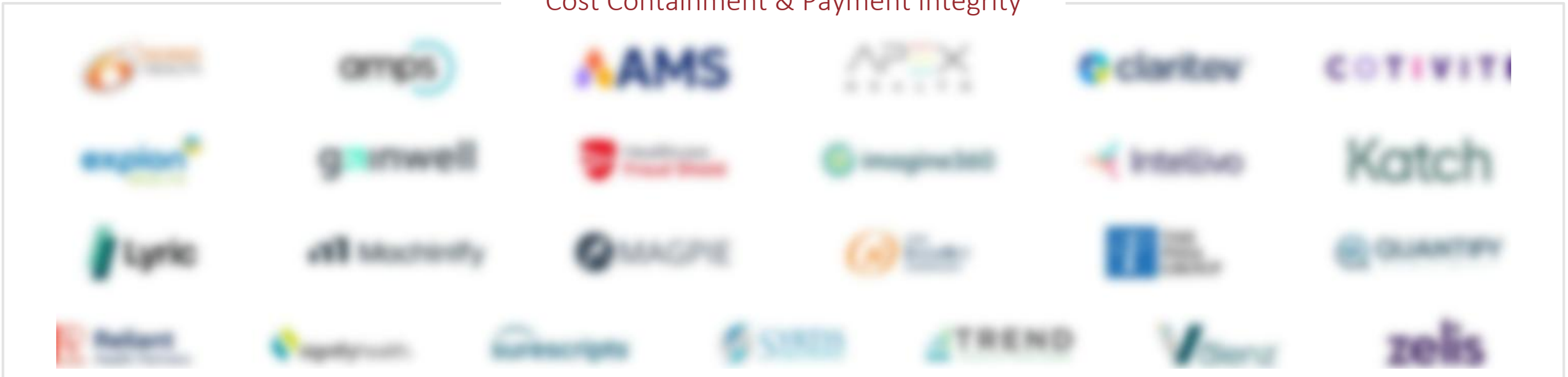
Care & Utilization Management



Risk Adjustment








Cost Containment & Payment Integrity



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Harris Williams Payer and Employer Tech and Services Experience

Harris Williams has a leading payer and employer solutions franchise and maintains active dialogue with the most relevant strategic and financial investors.

| | | | | | | |
|---|--|---|---|---|---|---|
|  <p>a portfolio company of</p>   <p>has been acquired by</p>  <p>a portfolio company of</p>  | <p>Leading Medical Benefit TPA</p> <p>has been acquired by</p> <p>Undisclosed Buyer</p> |  <p>has recapitalized</p>  |  <p>has made a majority investment in</p>  |  <p>has acquired</p>  <p>a portfolio company of</p>  |  <p>a portfolio company of</p>  <p>has been acquired by</p>  |  <p>a portfolio company of</p>  <p>has been acquired by</p>   |
|  <p>a portfolio company of</p>  <p>has been acquired by</p>  |  <p>a portfolio company of</p>  <p>has received an investment from</p>  |  <p>a portfolio company of</p>  <p>has received an investment from</p> <p>FIVE ARROWS</p> |  <p>a portfolio company of</p>  <p>has been acquired by</p>  |  <p>has been acquired by</p>  <p>a portfolio company of</p>  |  <p>a portfolio company of</p>    <p>has been acquired by</p>   |  <p>a portfolio company of</p>  <p>has been acquired by</p>  |

Consistent Dialogue with Strategic Investors

| | | | | | | | |
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03

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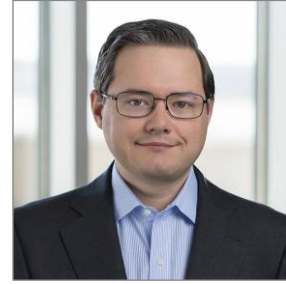
Connect With Us



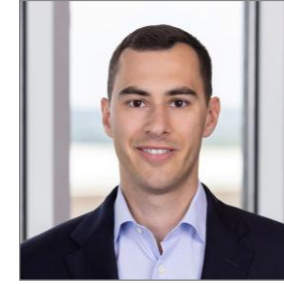
Our Team

Learn more about our experience advising premier payer and employer tech and service companies.

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