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Erum Ahmed

Health insurtechs posted more than $500M in losses last year—we detail their strategies to prevent the same in 2022

Article

The news: Insurtech **Bright Health** will be exiting six markets after losses in 2021, per Fierce Healthcare.

- The insurtech will withdraw its health plans in Illinois, New Mexico, South Carolina, Utah, and Virginia after 2022.
- **These markets comprised less than 5% of its annual revenue**, according to Bright Health.

How we got here: Bright Health and its competitors lost millions last year due to operating expenses—despite boosts in membership.

In 2021, Bright Health revealed a **net loss of $1.2 billion** on its $4 billion revenues.

- The insurtech also revealed **membership swelled to 611,078** members in 2021. That's **up significantly from 145,459** in 2020.

Last year, **Clover Health** also revealed a **net loss of $587.8 million** on $1.5 billion in annual revenues.

- Despite a heavy loss, Clover Health said its **membership grew to 129,996** members in 2021. This was **double its 2020 membership**.

Insurtechs are focusing on Medicare Advantage (MA) plans. This could contribute to high medical expenses.

- During Q2'21, MA-focused insurtech **Devoted Health spent 101% of its health plan premiums it earned.**
- That's far higher than the 85% insurers typically spend on premiums to keep some profit, per Insider.

What's next? We could see insurtechs scale back their market presence like Bright Health. Or, they may seek shelter under the wings of massive traditional insurers like **Cigna**.

Insurtechs are seeking cash infusions from legacy insurers to help cover operating costs.

- For example, last December, Cigna's venture arm poured **$550 million** into Bright Health (shortly after its public debut).
- By investing in an insurtech, traditional insurers like Cigna can give members access to amenities they may not provide in-house.

- For example, Bright Health opens up Cigna members to accessible in-person clinics. That helps the legacy payer compete with the likes of **CVS' Aetna**, which already offers members access to CVS Health's rapidly expanding clinics.

Factors that Are Driving US Adults* to Change Their Health Insurance, by Age, Oct 2021

% of respondents in each group

	Gen Z (18-24)	Millennials (25-40)	Gen X (41-55)	Baby boomers (56-75)	Total
Coronavirus pandemic	38%	44%	25%	5%	35%
Health needs have changed	37%	31%	33%	34%	33%
Not satisfied with current plan or provider	24%	24%	29%	25%	25%
Out-of-pocket costs too much last year	20%	19%	13%	21%	18%
Overinsured and paying for unused coverage	19%	5%	13%	5%	9%
Life event (marriage, baby, etc.)	4%	11%	10%	7%	9%
Other	1%	3%	11%	16%	6%

*Note: *among those who are considering making a change to their health insurance this year*
Source: ValuePenguin survey conducted by Qualtrics as cited in company blog, Nov 2021

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