



Uncovering the Competitive Advantage of Provider-Sponsored Plans

Despite well-documented challenges, there is a high-value place for regional and provider-sponsored plans

CHALLENGES ARE REAL, STRUCTURAL, AND WELL DOCUMENTED.

In 2026 the healthcare market is experiencing unprecedented affordability and access challenges. Healthcare makes up a growing portion of national GDP at approximately 20% and of personal health spend per capita (approximately \$15,000 per year or roughly 8% to 22% of middle-class income).¹

Healthcare organizations also are commonly the largest employers in metropolitan areas. Roughly 31% of jobs created in 2024 and 48% of jobs created in the first half of 2025 were attributed to the healthcare sector.²

But consumer and employer costs are at a tipping point. The average employer-sponsored family coverage in 2025 was ~\$27,000, an increase of ~6% versus a 4% increase in workers' wages and inflation of 2.7%. Medicare Advantage (MA) out-of-pocket costs and Exchange plan costs were also on the rise heading

into 2026. Additionally, the impacts of the One Big Beautiful Bill Act have yet to take full effect, but most are feeling the uncomfortable grip of budget gaps that will shape 2026 and 2027 strategic plans.

Chief among those facing significant headwinds are provider-sponsored health plans (PSHPs). PSHPs play on a challenging game board, even in favorable market cycles. The most cited challenges are unsurprisingly:

- **PSHPs struggle to reach scale.** Of the sixty PSHPs, excluding Kaiser, the average fully insured membership was ~280,000 in 2024.³ Insurance is a scale business, and those without it to offset fixed costs and reach actuarial stability will always feel volatility – especially in today's turbulent markets.
- **PSHP financial performance is mixed.** Between 2020 and 2024, weighted average margins of PSHPs were roughly 0.4%, well below the industry weighted average of roughly 4%. Interestingly, PSHPs under 750,000 lives outperform all other plans in the same size cohort, but for plans greater than 750,000, PSHPs are outperformed.⁴

PSHP Margins Outperform Market in <750k Member Cohorts

5-Year Average Margin Performance, by Member Size



Note: Sample of over 60 PSHPs and estimated total health insurance market.

Sources: BRG analysis, NAIC [financials/findings].

1 Pew Research describes middle-class income levels between \$66,000 and \$200,000.

2 KFF Health.

3 BRG analysis, National Association of Insurance Commissioners (NAIC) filings, 2020-2024.

4 BRG analysis, NAIC filings, 2020-2024.

THE NATIONAL DISCOURSE MAY BE FRAMED INCORRECTLY.

The market narrative of PSHPs is directionally accurate. The challenges they face are uniquely significant, and their viability can be challenged during turbulent cycles. But the narrative focuses on scale and operating margin as the defining characteristics of PSHP value. This is strategically incomplete.

There is significant strategic value to PSHPs that goes beyond what's visible on the surface. Visualizing a mountain ridge, the ridgeline is highly visible against the sky but only represents a small portion of the mountain's magnitude. In the same way, PSHP value can and should go much deeper than the highly visible measures of underwriting margin and scale and create value within the enterprise and the market.



Above-Surface Value

PSHP-centric

So why doesn't this play out? Making good on the promise of integrated care and coverage is challenging and rare. But in an environment with affordability and outcomes at the forefront, integration of care and coverage models remains the clearest mechanism to address these challenges versus traditional models. While traditional insurer models can only simulate alignment via value-based contracts, PSHPs can architect it.

PSHP financial value

- Underwriting margin
- Administrative efficiency
- Yield
- Capital returns



Below-Surface Value

Enterprise-centric

Care delivery value

- Strategic access
- Patient lifetime value
- Utilization mix & margin contribution

Strategic market value

- Patient retention
- Referral patterns
- Diversified revenues & volatility buffer
- Innovation living lab

PSHPs WIN WHEN ALIGNED PROVIDER SYSTEMS ARE FINANCIALLY AND STRATEGICALLY COMMITTED. PARENT-SYSTEM BUY-IN IS THE FORCE MULTIPLIER, AND WITH IT PSHPs COMPETE ON A DIFFERENT PLAYING FIELD.

Leading integrated delivery systems don't simply "sponsor" their health plan but integrate it into their leadership structures, operating models, and enterprise growth systems – hardwiring PSHP contributions into the enterprise goal architecture.

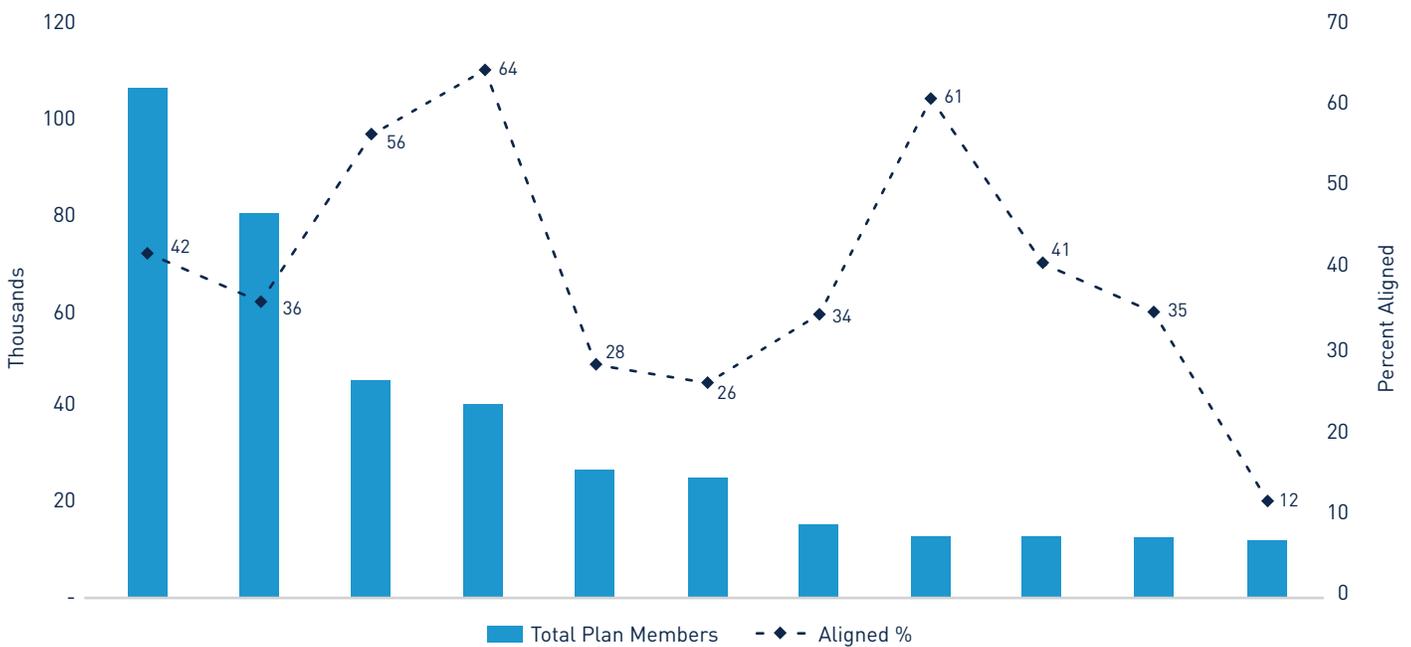
Take aligned lives, for example. Aligned lives are PSHP members attributed to the parent network of physicians. Leading integrated delivery systems and their PSHPs design insurance products, networks, and clinical programs that attract the aligned patient member. Under the right conditions, aligned lives provide stronger clinical, quality, and financial outcomes than non-aligned lives.

The prevalence of aligned lives is mixed, however. Of a sampling of eleven leading PSHPs and their MA populations, the percentage of aligned MA lives ranges widely, from roughly 10% to 65%.⁵ This and other insights show there is a clear opportunity to better integrate PSHPs into the enterprise goal-setting process and select metrics that drive integrated growth and performance across both care and coverage models.

There is a place for provider-sponsored plans to outperform traditional insurance models — just not everywhere.

The Share of Total MA Lives That Are Aligned Is Mixed Across PSHPs

Total Regional MA Lives and Aligned Percentage, 2023



Note: Sample of 11 leading Medicare Advantage PSHPs. Total plan members are those members located within parent system care delivery service counties only. Excludes non-service area members.

Source: BRG analysis

5 Centers for Medicare & Medicaid Services, Medicare Advantage Universal Claims Dataset, 2023.

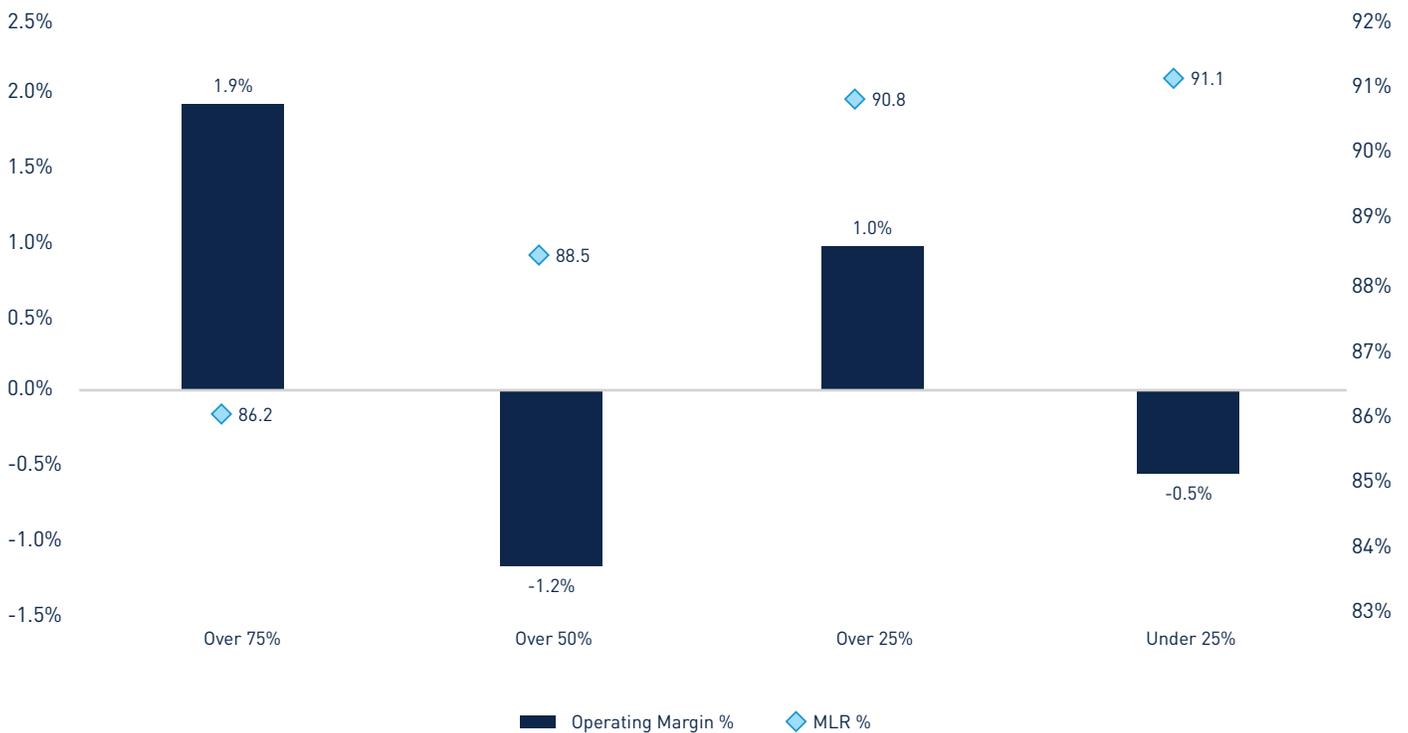
PSHPs WIN WHEN THEY FOCUS. GEOGRAPHIC AND POPULATION FOCUS ARE AN OPERATING ADVANTAGE. NATIONAL CARRIERS ARE BREADTH ORGANIZATIONS; REGIONAL PLANS CAN BE DEPTH ORGANIZATIONS.

PSHPs are often geographically bound to the parent care delivery service area, or the home market, where the PSHP enjoys the strongest direct access to the consumer and where brand and engagement are often strongest - the PSHP's built-in competitive advantage. In away markets, however, PSHPs compete against nationals on national terms.

PSHPs participate in all business lines, but in aggregate have a greater portion of members in Medicaid and Commercial Group (50% and 23%, respectively⁶). But business-line focus can be an operating advantage, resulting in specialized strengths that align with the care delivery strategy. PSHPs with relatively narrow business-line portfolios have stronger operating margins compared to those that have wider portfolios, at roughly 2.0% versus -0.5%, respectively, driven primarily by medical loss ratio (MLR) performance (86% versus 91%, respectively).⁷

PSHPs with a Higher Member Concentration in Fewer Business Lines Exhibit Stronger Margin and MLR Performance

PSHP Business Line Concentration, Margin, and MLR



Note: Sample of over 60 PSHPs and estimated total health insurance market.

Source: NAIC Financials. BRG analysis

⁶ BRG analysis, NAIC filings, 2020-2024.

⁷ 75th percentile of business-line concentration, NAIC & BRG analysis.

PSHPs WIN IN MARKETS WHERE THE INTEGRATED CARE AND COVERAGE MODEL BECOMES A COMPETITIVE DIFFERENTIATOR FOR COST, QUALITY, AND OUTCOMES.

Enter stage left, the quintessential “pricing flywheel.” If a PSHP and its parent manage medical costs, those savings are reinvested to lower consumer pricing, which spurs increased consumer purchasing. More growth, more managed costs, continued pricing competition, and the flywheel continues.

But the innovators go beyond the pricing flywheel and toward an outcome ecosystem flywheel.

They design insurance products on top of the parent care ecosystem that take advantage of specialty centers of excellence, chronic condition programs, navigation, and site of service strategies. This shifts the flywheel from utilization management and pricing to outcomes-based economics and care reinvestment.

They also break down administrative functions to first principles and reimagine the workflow. A combination of eligibility verification, prior authorizations, and claims status inquiries makes up over 60% of time opportunity to automate or redesign for providers alone.⁸ The proximity and access to the workflow for PSHPs and their parent systems are totally unavailable to traditional models and a differentiator.

Conclusion

The future state will likely include fewer, but stronger, provider-sponsored plans that will occupy strategic positions the national insurers cannot replicate. The national narrative is right about the complexity and risks PSHPs face, but perhaps wrong about the conclusion. The question is not “Can PSHPs survive?” but rather, “In which markets, business lines, and integrated models do PSHPs thrive?”

The authors would like to thank Alex Bohl, Rachel Taylor, Abby Grant, and Tyler Boucher for their contributions to this publication.

FOR A DEEPER DISCUSSION AND TO LEARN MORE ABOUT HOW BRG CAN HELP YOU, CALL OR EMAIL TO ARRANGE A PRIVATE CLIENT BRIEFING.



Kurt Eicher
Director
keicher@thinkbrg.com
330.607.8076



Brian Fisher
Managing Director
bfisher@thinkbrg.com
812.236.4808

⁸ CAQH 2024 Index

BRG combines world-leading academic credentials with world-tested business expertise, purpose-built for agility and connectivity.

Our top-tier professionals include specialist consultants, industry experts, renowned academics, and leading-edge data scientists that bring real-world experience to economics, disputes, and investigations; corporate finance; and performance improvement services that address complex challenges for organizations across the globe.

Our unique structure nurtures the interdisciplinary relationships that give us the edge, laying the groundwork for more informed insights and more original, incisive thinking from diverse perspectives that, when paired with our global reach and resources, make us uniquely capable to address our clients' challenges.

VISIT [THINKBRG.COM](https://www.thinkbrg.com) TO LEARN MORE.

Copyright ©2026 by Berkeley Research Group, LLC. Except as may be expressly provided elsewhere in this [[publication]], permission is hereby granted to produce and distribute copies of individual works from this publication for non-profit educational purposes, provided that the author, source, and copyright notice are included on each copy. This permission is in addition to rights of reproduction granted under Sections 107, 108, and other provisions of the US Copyright Act and its amendments.

Disclaimer: The opinions expressed in this publication are those of the individual author(s) and do not represent the opinions of BRG or its other employees and affiliates. The information provided in the publication is not intended to and does not render legal, accounting, tax, or other professional advice or services, and no client relationship is established with BRG by making any information available in this publication, or from you transmitting an email or other message to us. None of the information contained herein should be used as a substitute for consultation with competent advisors.