



Overview of the Indian Third-Party Administrator (TPA) Industry:

Third-Party Administrator (TPA): A TPA is an organization approved by the Insurance Regulatory and Development Authority of India (IRDAI) that acts as an intermediary between the insured individuals and insurance companies to facilitate the smooth processing of health insurance claims.

Roles of TPA in Health Insurance:

1. **Claim Processing:** TPAs manage and process health insurance claims on behalf of insurance companies, including pre-authorization of cashless treatments and settlement of claims.
2. **Intermediary Services:** TPAs serve as outsourced entities, assisting in various activities on behalf of insurance companies, such as claim assistance, policy-related queries, and documentation.
3. **Claim Settlement Assistance:** TPAs help insured individuals and insurers throughout the claim settlement process, from finding network hospitals to submitting the necessary documents.
4. **Value-Added Services:** Some TPAs offer additional services beyond claim settlement, including hospital beds, road ambulance services, overall healthcare programs, doctor consultations, 24/7 helpline services, pharmacy services, data management, and lifestyle management.

In simple terms, Third-Party Administrators (TPAs) are like helpful guides in the world of health insurance. They work with insurance companies to make sure things go smoothly when you need to use your health insurance. From helping you find the right hospital to making sure your claims are processed quickly, TPAs play a crucial role.

Growth and Dominance:

1. **Group Segment:** TPAs have emerged as significant players in the group insurance segment, with over 60% of premiums serviced by them.
2. **Rapid Growth:** The TPAs' serviced group segment has witnessed rapid growth, with a 22.19% increase in premiums processed between FY 2018 and FY 2022.

3. **Future Outlook:** Anticipated growth of around 25% in the TPA segment over the next five years, driven by increased corporate coverage, prevention, wellness, and health-tracking services.

Medi Assist Healthcare Services IPO

A key player in Third-Party Administrators (TPAs)

About the company

Established: 2012

Leadership: Dr. Vikram Jit Singh Chhatwal, Managing Director

Industry: Health-tech and insurance-tech

Core Competency: Third-party administration (TPA) services for insurance companies

Objectives of the Medi Assist Healthcare Services Limited IPO:

1. The main purpose of the IPO is to list the Equity Shares of Medi Assist Healthcare Services Limited on the stock exchanges. This listing is expected to enhance the company's visibility and brand presence in the market.
2. The IPO is designed to provide liquidity to existing shareholders of Medi Assist Healthcare Services Limited. This liquidity allows current shareholders, including promoters and early investors, to sell a portion of their shares to the public.
3. It's important to note that the company itself will not receive any proceeds from the IPO. Instead, all the funds raised through the offer will go to the selling shareholders. The Selling Shareholders will receive the proceeds in proportion to the Equity Shares offered by them in the Offer for Sale.

Open Date:	Jan 15 2024
Close Date:	Jan 17 2024
Total Shares:	28,028,168
Face Value:	₹ 5 Per Equity Share
Issue Size:	1,171.58 Cr.
Lot Size:	35 Shares

Issue Price:	₹ 397 - 418 Per Equity Share
Listing At:	NSE,BSE
Listing Date:	Jan 22 2024

Medi Assist's Business Model and Monetization Strategy:

- 1. Business Model:** Medi Assist operates as a third-party administrator (TPA) for health insurance companies in India and internationally. They function as a bridge between insurers, policyholders, and healthcare providers by:
 - **Processing and settling claims:** Their core service is efficiently processing health insurance claims submitted by hospitals and clinics on behalf of policyholders. They verify coverage, negotiate bills, and pay claims, significantly reducing administrative burden for both insurers and policyholders.
 - **Providing administrative support:** Medi Assist manages policy administration, customer service, and call center assistance for insurance companies. This includes tasks like issuing policies, responding to inquiries, and resolving disputes.
 - **Facilitating access to healthcare:** They maintain a wide network of over 18,000 hospitals across India and have a presence in 141 countries. This allows policyholders to access quality healthcare providers within their coverage.
 - **Acting as an intermediary:** Medi Assist bridges the gap between various stakeholders. They ensure smooth communication and claim settlement between insurance companies, healthcare providers, and policyholders.
 - **Offering technology solutions:** They leverage robust technology infrastructure for efficient claims processing, data management, and seamless service delivery.
- 2. Monetization Strategy:** Medi Assist generates revenue through fee-based contracts with insurance companies for the services they provide. These fees typically consist of a combination of:
 - **Per-claim processing charges:** They receive a fixed fee for each health insurance claim they process.
 - **Administrative service fees:** Insurers pay them fees based on the volume of policy administration, customer service, and call center support they provide.
 - **Network access fees:** Some healthcare providers pay fees to be part of Medi Assist's network, giving them access to a large pool of insured patients.

- **Value-added service fees:** They offer additional services like cashless hospitalization arrangements, medical cost containment programs, and fraud detection, which generate additional revenue.

Overall, Medi Assist monetizes by acting as a comprehensive solution for insurance companies, streamlining their operations, and facilitating efficient healthcare delivery. Their diversified fee structure ensures steady revenue streams and encourages insurance companies to utilize their full range of services.

In FY 2022, Medi Assist's Acquisitions Bolstered Market Dominance:

- Newly acquired Raksha TPA and Medvantage TPA significantly contributed to Medi Assist's market share. While representing 4.79% and 4.52% of the overall market serviced by TPAs, Raksha had a strong presence in the retail segment, claiming 7.62% of its market share.
- Medi Assist solidified its leading position by managing 33.67% of the total retail and group premiums serviced by TPAs in FY 2022. This is a staggering three times the market share of the next biggest competitor, showcasing Medi Assist's dominance in the industry.
- Individually, Raksha and Medvantage held market shares of 5.64% and 3.17% respectively, further strengthening Medi Assist's overall position.

Business Model Risk:

While Medi Assist boasts considerable market share and impressive recent acquisitions, a closer look reveals a vulnerability to several potential risks that investors and stakeholders should be aware of:

- **Client Concentration:** The company's top five clients contribute over 78% of its revenue, creating an unhealthy dependence on just a few players. Losing any of these could significantly impact its financial stability.
- **Industry Reliance:** Medi Assist heavily relies on group accounts from IT/ITES and BFSI sectors. Negative developments in these industries could directly translate into reduced business and profits.
- **Subsidiary Dependence:** The performance of its subsidiaries is crucial, and potential adverse outcomes due to market conditions or regulatory challenges could ripple through the entire organization.

- **Legal Proceedings:** Ongoing legal disputes against the company's promoters and certain subsidiaries under the Companies Act 2013 introduce an element of uncertainty that could affect future operations.
- **Regulatory Oversight:** Show-cause notices from IRDAI and potential non-compliance with regulations represent a significant threat to the company's business, operations, and financial status.

What are the Challenges faced by Insurance companies to manage claims and why do they outsource this work to TPAs?

Challenges Faced by Insurance Companies in Claim Management:

- Processing and managing insurance claims involve a significant administrative workload. Handling the documentation, verification, and settlement processes can be hard and tedious.
- Claim processing requires specialized knowledge in healthcare, legal aspects, and insurance regulations. Maintaining an in-house team with expertise in all these areas can be challenging for insurance companies.
- Insurance companies need to establish and manage a network of healthcare providers for cashless claims. This involves negotiations, agreements, and constant coordination, which can be complex.
- Controlling the costs associated with claim processing and ensuring timely settlements are crucial. Delays and inefficiencies can lead to increased operational costs and customer dissatisfaction.
- Detecting and preventing fraudulent claims is a constant challenge for insurance companies. The sophistication of fraudulent activities requires specialized tools and processes.

Reasons for Outsourcing to TPAs:

- TPAs are specialized entities with expertise in claim processing, healthcare management, and insurance regulations. Outsourcing to TPAs allows insurance companies to leverage their specialized skills.
- TPAs often have established processes and technologies that can streamline claim management, leading to cost efficiencies. It can be more cost-effective for insurance companies to outsource rather than maintain an extensive in-house team.

- By outsourcing claim management to TPAs, insurance companies can focus on their core competencies, such as underwriting and risk management. This allows them to allocate resources more effectively.
- TPAs typically have established networks of healthcare providers. Outsourcing to TPAs enables insurance companies to leverage these networks, providing policyholders with a wider range of options for healthcare services.
- TPAs often offer enhanced customer service by providing a dedicated point of contact for claim-related queries. This can contribute to higher customer satisfaction.
- Many TPAs employ advanced analytics and fraud detection tools to identify and prevent fraudulent claims, helping insurance companies mitigate risks.

Medi Assist Financials

Particular (In Million)	Mar-21	Mar-22	Mar-23
Sales	3,227	3,938	5,049
Employee Cost	1,433	1,557	1,977
Other Expenses	1,039	1,469	1,879
Other Income	228	182	140
Depreciation	317	284	268
EBITDA	984	1,094	1,334
EBITDA Margin	30.50%	27.79%	26.41%
Interest	57	30	30
Profit before tax	610	807	1,036
Tax	230	172	283
Net profit	380	635	753
NPM (%)	11.00%	15.40%	14.51%

Mcap = INR 2842 Cr

P/E = 37x

