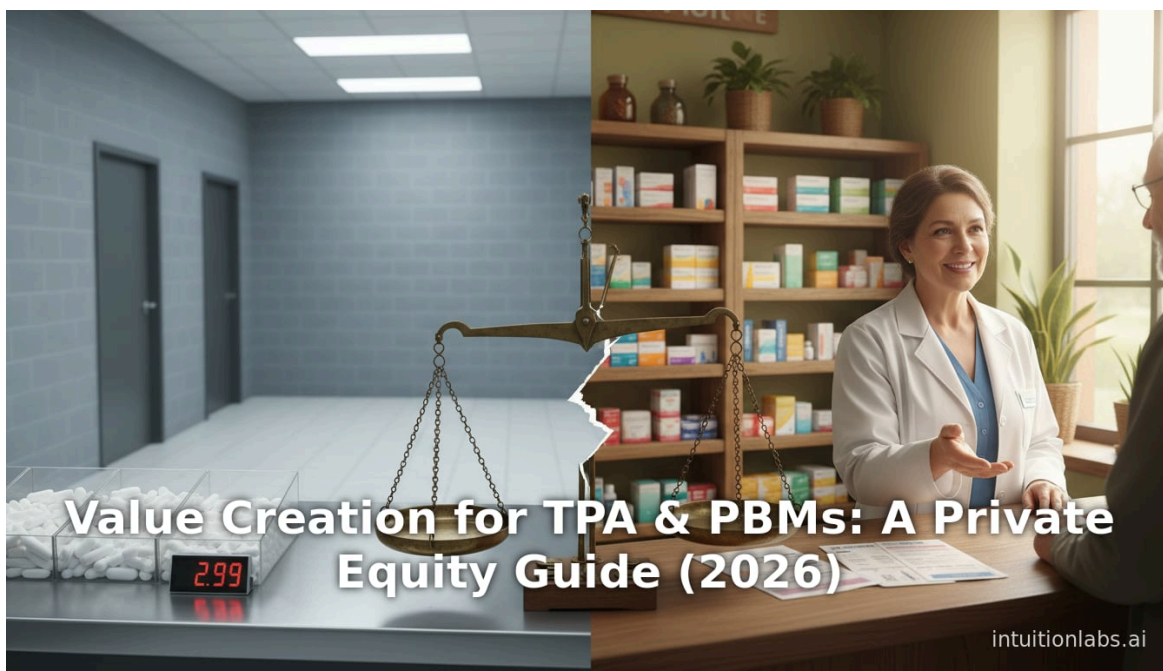


Value Creation for TPA & PBMs: A Private Equity Guide (2026)

By Adrien Laurent, CEO at IntuitionLabs • 12/17/2025 • 45 min read

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Executive Summary

The **post-acquisition value creation** of private equity portfolio companies in the **Third-Party Administrator (TPA)** and **Pharmacy Benefit Manager (PBM)** sectors hinges on integrating aggressive growth strategies with operational and technological transformation. In recent years, healthcare-related M&A – especially TPA transactions – have surged. For example, over 300 U.S. insurance-sector transactions (~\$20 billion) closed in H2 2024, driven primarily by TPA platforms (^[1] www.claimspages.com). This “grow or be acquired” environment means TPAs must either scale via acquisitions or specialize to survive (^[2] www.claimspages.com) (^[3] www.insurancethoughtleadership.com). Similarly, the PBM market is highly concentrated: roughly **80%** of U.S. prescription claims are processed by the “Big Three” (CVS Caremark, Cigna’s Express Scripts, UnitedHealth’s OptumRx) (^[4] www.drugchannels.net). This near-oligopoly, combined with intense regulatory scrutiny (FTC investigations, proposed anti-vertical-integration laws (^[5] www.investing.com)), creates both pressure and opportunity.

Against this backdrop, private equity investors craft *value creation playbooks* that extend well beyond deal closing. Key levers include: **scale consolidation**, **service expansion**, **cross-selling multiple lines**, and **operational optimization (especially through technology)** (^[6] www.insurancethoughtleadership.com). TPAs can grow by adding new claims-administration lines (e.g. healthcare, cyber, international, legal claims) and by integrating bolt-on acquisitions into shared-service platforms (^[6] www.insurancethoughtleadership.com) (^[7] www.claimspages.com). PBMs, facing commoditized reimbursement-driven margins, must focus on efficiency and consumer-facing value (narrow pharmacy networks, digital engagement) while muting regulatory risk (^[8] www.strategy-business.com) (^[9] www.fiercehealthcare.com). For both, **automation and AI** are transformative: experts report that AI can boost insurer productivity in claims processing by ~20%, increasing operating profits by 10–25% (^[10] www.xceedance.com) (^[11] www.xceedance.com).

This report provides a comprehensive analysis of how private equity owners can engineer value in TPA and PBM platforms. After defining the sectors and market size (TPA ~\$308B global in 2022 (^[12] www.globenewswire.com), PBM ~\$573B in 2024 (^[13] www.fortunebusinessinsights.com)), we examine M&A trends and drivers (consolidation pressures, regulatory forces, investor interest). We then detail value-creation strategies across **revenue growth** (cross-sell, new markets), **cost synergies** (shared services, operational efficiencies), **technology transformation** (claims automation, data integration), and **integration governance** (100-day plans, KPI tracking). Throughout, we cite case examples and data: e.g., Sedgwick’s recent \$13.2B enterprise valuation (after a \$1B PE recapitalization) (^[14] www.prnewswire.com) illustrates the premium placed on scale and technology in claims management. We also discuss frontier issues: how PBMs must pivot under potential rebate reforms, and how TPAs can exploit emerging opportunities (e.g. AI-driven fraud detection in claims (^[15] www.xceedance.com)).

By combining industry research, market data, and practitioner insights, this playbook illuminates **how portfolio companies should be integrated, optimized, and grown** post-acquisition. The conclusion outlines future implications: market winners will be those who balance disciplined integration and cost-control with proactive growth (into new lines, geographies, and technologies), while navigating evolving payer regulations.

Introduction and Background

Third-Party Administrators (TPAs) and Pharmacy Benefit Managers (PBMs) occupy pivotal roles in the U.S. healthcare-finance ecosystem. These **contracted intermediaries** handle core administrative functions for insurers, employers, and payers – TPAs typically process insurance claims and manage risk on behalf of carriers and employers, while PBMs administer prescription drug programs for health plans. Specifically, a TPA is “a

company often hired by employers to handle certain administrative responsibilities," such as claims administration, risk management, and cost control (^[16] www.insuranceopedia.com). TPAs allow insurers and self-insured employers to outsource tasks like claims adjudication and loss control, enabling clients to focus on core business. Similarly, PBMs are the "middlemen" of the [drug supply chain](#). According to the American Medical Association (AMA), PBMs were established in the 1960s to help insurers **"control prescription drug spending and manage benefits"** (^[17] www.ama-assn.org). Their functions include **negotiating rebates with manufacturers, managing drug formularies, building pharmacy networks, processing pharmacy claims,** and designing drug benefit plans (^[18] www.ama-assn.org). By aggregating purchasing power, PBMs can secure discounts from manufacturers and pharmacies, ostensibly lowering drug costs.

These services have grown into massive markets. The global **PBM market** was valued at roughly **\$573 billion in 2024**, projected to surpass \$600B by 2025 (^[13] www.fortunebusinessinsights.com). (Notably, the U.S. dominates the PBM market – an estimated **97%** of the market by share in 2024 (^[13] www.fortunebusinessinsights.com).) The top three PBMs alone (Caremark, Express Scripts, OptumRx) account for about **80% of all U.S. prescription claims processed** (^[4] www.drugchannels.net). Meanwhile, the global **insurance TPA market** is similarly large, with one analysis estimating ~\$308B in 2022 value growing to ~\$511B by 2030 (CAGR ~4.8%) (^[12] www.globenewswire.com). TPA services span health, property-casualty, workers' comp, and other lines, and are increasingly viewed as strategic partners to insurers rather than mere service providers.

Private equity (PE) firms have long been interested in these high-touch, annuity-like businesses. Stable revenue streams and clear paths to consolidation make TPAs and PBMs attractive LBO targets. Over the past decade, healthcare-focused PE has expanded rapidly. In 2019 alone, PE deals in U.S. healthcare reached \$78.9B (nearly triple 2015 levels) (^[19] pmc.ncbi.nlm.nih.gov), and recent years show continued robust activity (though with some market cooling). Notably, insurance-services segments (TPAs, brokerages, MGAs, etc.) have been pivot points for PE. For example, research by Alvarez & Marsal highlights **unprecedented M&A activity in insurance services**, largely driven by PE demand for TPAs (^[3] www.insurancethoughtleadership.com). The MarshBerry consulting group likewise notes that **"consolidation in the claims services and TPA market is accelerating"**; regional/specialty TPAs find it increasingly difficult to compete with large, PE-backed platforms (^[20] www.marshberry.com).

Likewise, PBMs have been major M&A targets. The past decade saw foundational deals like Express Scripts (\$67B to Cigna, 2018) and the broader insurer-PBM integrations (CVS/Aetna, Walmart/Humana partnership, though not closed) (^[21] www.strategy-business.com) (^[22] www.strategy-business.com). While the Big Three remain in the hands of Wall Street or corporate investors (Cigna, UnitedHealth, CVS), smaller PBMs (e.g. Prime, MedImpact, Navitus, Envision) have been the subject of PE deals. For instance, recently MedImpact (the largest private PBM) acquired Rite Aid's PBM business (^[23] www.drugchannels.net). Moreover, **PBM businesses have drawn legislative attention**: as of 2024–2025 multiple bills and FTC investigations targeted PBM rebates and vertical integration (^[24] www.fiercehealthcare.com) (^[5] www.investing.com) – factors that directly affect PE-backed PBMs' long-term models.

This report addresses **"Post-Acquisition Value Creation"** for PE-owned TPA and PBM portfolio companies. In other words, once a PE fund has closed on a deal, how should the company **be managed and transformed to increase enterprise value**? Our "playbook" will cover strategies across all dimensions: integration planning, revenue and cost initiatives, technology deployment, and strategic repositioning. It draws on industry data, expert commentary, and case examples. Wherever possible, we document **specific outcomes or metrics** (e.g. efficiency gains, M&A multiples, market share) anchored to credible sources. We also highlight contrasting challenges in TPAs versus PBMs: TPAs often pursue multi-line expansions and claim-adjusting efficiencies, whereas PBMs must navigate pricing reform and shift toward a consumer-centric model (^[8] www.strategy-business.com) (^[9] www.fiercehealthcare.com).

The remainder of this report proceeds as follows: **Section II** surveys current trends in private equity investment and consolidation in the TPA and PBM sectors—deal flow, market pressures, regulatory landscape. **Section III**



outlines the key value-creation levers post-acquisition, from organic growth strategies to cost synergies to technology implementation. **Section IV** discusses integration best practices and performance management (the “100-day plan” and beyond) that PE sponsors should enforce. **Section V** offers illustrative case vignettes. Finally, **Section VI** assesses future directions and implications for investors and portfolio companies, and **Section VII** concludes with key takeaways. Throughout, every claim is supported by citations from industry analyses, market reports, and academic studies to ensure an evidence-based approach.

The TPA Market: Consolidation and Growth Opportunities

Market Overview and M&A Environment

Third-Party Administrators (TPAs) manage insurance claims and other administrative functions for insurers, self-insured employers, and health plans. They appear across multiple lines (health, life, P&C, workers’ comp, etc.), often acting as “outsourced claims departments.” Historically, TPAs vary from small, regional specialists to large global platforms.

In **recent years, TPA M&A has accelerated sharply**. For example, an industry report noted that *“in the last half of 2024, there were over 300 announced M&A transactions in the insurance space, valued at more than \$20 billion”*, driven largely by TPAs (^[25] www.insurancethoughtleadership.com) (^[2] www.claimspages.com). Private equity demand is a key driver: PE firms are eager to “deploy capital and achieve greater returns through growth potential and operational efficiency” (^[26] www.insurancethoughtleadership.com). Another analysis observed that TPAs must now “achieve critical size” to remain competitive, making consolidation effectively mandatory (^[27] www.insurancethoughtleadership.com) (^[20] www.marshberry.com). In short, many analysts summarize the landscape as *“acquire or be acquired”* (^[28] www.claimspages.com).

These deals are motivated by several factors. One is **scale**: large TPAs can spread fixed tech and compliance costs over a bigger base, negotiate better rates with service providers, and offer clients multi-line support (e.g. handling both employee benefits and workers’ comp). Another driver is **client expectations**: end-users of TPA services demand faster claims resolution, real-time reporting, and bundled service offerings (fraud detection, managed care, analytics) (^[29] www.marshberry.com). Smaller TPAs often struggle to meet these demands without heavy investment, making them likely targets for roll-up by bigger groups. Private equity buyers are building national (and even international) TPA platforms by stitching together complementary specialists. MarshBerry notes that firms like Sedgwick, Ryan Specialty (now Gallagher), and CorVel have built scale via PE backing (^[30] www.marshberry.com) (^[31] www.marshberry.com).

Major TPA platforms exemplify this trend. For instance, **Sedgwick** – a global claims administrator – received a new \$1 billion investment from Altas Partners (alongside continued support from Carlyle and Stone Point) in late 2024 (^[32] www.prnewswire.com). This recapitalization increased Sedgwick’s enterprise value (EV) from \$6.7 billion in its 2018 Carlyle deal to ~\$13.2 billion in 2024 (^[14] www.prnewswire.com), reflecting both organic growth and bolt-on acquisitions. Other players include *Davies Group* (UK-based, backed by BC Partners, expanding into the U.S.) and *Cor Partners* (backed by BW Forsyth, a roll-up of forensic engineering and adjusting services) (^[33] www.marshberry.com). Acquirers range from large public firms (Gallagher Bassett continues to buy specialty units) to midmarket PE (Bain Capital’s Ryze Claim Solutions platform, Aquiline Capital’s Intercare group).

A recent MarshBerry briefing (Oct 2025) summarizes the *TPA M&A landscape*:

"Regional and specialty firms are being acquired by larger platforms seeking to expand geographic reach, broaden service offerings, and achieve scale. That scale is no longer just a strategic advantage – it's essential to long-term relevance." ^[20] www.marshberry.com)

Meanwhile, owners of smaller shops face **pressure** to sell or partner. The same report points out that "rising client expectations and pricing pressure" (shifting to flat-fee/outcome-based models) and the **growing cost of technology and compliance** make it hard for small TPAs to compete ^[29] www.marshberry.com) ^[34] www.marshberry.com). Many founders without a clear succession plan are being compelled to seek PE exits.

In summary, **PE-backed TPA platforms dominate M&A**. A brief snapshot of recent activity underscores the intensity (see Table 1). Add-ons are common: larger capex-rich owners acquire niche TPAs and fold them into a central operating model. These moves often explicitly target cross-selling synergies. For example, Tristar (a private TPA) bought a managed care book and claims services units to broaden its offerings ^[35] www.marshberry.com). By the same token, deal pricing is high: valuations for high-quality TPAs have expanded amid competition, although buyers remain disciplined under tight credit conditions ^[36] www.insurancethoughtleadership.com) ^[3] www.insurancethoughtleadership.com).

TPA Growth Verticals

Beyond consolidation, TPAs are eyeing **new lines of business** as expansion engines. Alvarez & Marsal identifies several key growth markets for TPAs:

- **Healthcare claims and administration:** The complexity and volume of medical claims are rising. Employers increasingly self-insure or use alternative funding, creating demand for outsourced claims administration, bill review, medical cost containment, mental health coordination, etc. ^[37] www.insurancethoughtleadership.com). AI and analytics can reduce inflated costs and errors in healthcare claims, presenting margin-uplift opportunities. For example, MarssBerry lists "streamlining medical claims with AI" among future trends. Some PE owners are even creating complementary healthcare businesses (e.g. long-term care facilities) and using TPAs to administrate those claims.
- **International claims:** Emerging markets (China, India, Latin America) are growing much faster than mature markets ^[38] www.insurancethoughtleadership.com). Global insurers may lack local claims expertise, so they partner with TPAs. Multi-regional TPAs can leverage shared service centers to serve these markets at lower cost ^[38] www.insurancethoughtleadership.com). Political risk is a factor, but B2B global expansion is a real opportunity.
- **Cyber-related claims:** As cyber insurance expands, TPAs can play roles in both business (adjudicating cyber incident claims, fraud analytics) and embedded models (offering insurance bundled with cyber software). The article notes TPAs could "provide claims adjudication and processing for businesses facing cyber issues" and potentially offer cyber insurance at point-of-sale for software/AI tools ^[39] www.insurancethoughtleadership.com). Cyber claims need specialized expertise, so TPAs that invest in tech (fraud detection, anomaly analytics) stand to gain.
- **Legal claims administration:** The wave of class-action and mass-tort litigation (e.g. data breach lawsuits, pharmaceuticals, rising public nuisance cases) is another frontier. Law firms are poor at large-scale settlement logistics, so TPAs that build automated claims settlement solutions (even using blockchain/smart contracts) can create a niche ^[40] www.insurancethoughtleadership.com).

These growth opportunities come with caveats. Every new segment is complex: TPAs must navigate distinct **regulations** (cross-border insurance laws, healthcare compliance, data privacy) ^[41] www.insurancethoughtleadership.com). Technology integration is also a hurdle: many TPAs run legacy claim systems, so merging data platforms requires careful planning ^[42] www.insurancethoughtleadership.com). In short, expanding into high-growth areas promises revenue lift but demands investment. PE owners often fund such strategic moves with capital and mandate synergy capture from existing acquisitions.

Key Challenges and Value Drivers

The TPA industry is characterized by **operational intensity** and **thin margins**, so value creation is mainly driven by two strategies: *revenue expansion* and *cost reduction*. We highlight several critical areas:

- Scale and Shared Services:** Larger TPAs can amortize administrative costs (finance, HR, IT) over a bigger base. Private equity roll-ups frequently create shared-service centers or consolidate corporate functions. For instance, after a bolt-on acquisition, a platform may centralize claims processing or client billing. A&M emphasizes that a robust **target operating model** is needed to integrate acquisitions: platforms set up to share tech and processes can “achieve synergies and improve enterprise performance” ^[43] www.insurancethoughtleadership.com).
- Technology and Automation:** Digitalization is a core value lever. TPAs traditionally have many manual tasks (paper claim scanning, data entry). By implementing RPA (robotic process automation) and AI, firms can cut headcount and errors. Industry research shows insurers’ claims efficiency hovers ~66%, leading to ~\$50B in losses across the industry ^[44] www.xceedance.com). AI tools promise to **boost productivity by ~20% or more** in claims settlement ^[10] www.xceedance.com). Insurers adopting AI report *10–25% improvements in operating profit* ^[11] www.xceedance.com). In practical terms, automation can halve processing times for routine claims and flag anomalies for experts ^[15] www.xceedance.com). TPA owners should therefore invest in advanced claims platforms that integrate machine learning—this reduces per-claim costs and scales capacity without proportional headcount growth.
- Revenue Leverage (Cross-Sell & New Markets):** A platform’s existing client relationships present cross-sell opportunities. For example, a TPA with a book of auto claims might upsell workers’ comp or liability administration to the same corporate clients. A&M specifically advises TPAs to “develop a customer-centric selling model through upsell and cross-sell,” leveraging multiple lines of service ^[6] www.insurancethoughtleadership.com). Similarly, M&A can create cross-selling: after acquiring a specialized TPA (say, cyber claims), the parent can market those services to its broader client base. PE owners often track “cross-sell rate” or “share of wallet” as KPIs. International expansion (opening offices or partnerships abroad) can also diversify revenue. However, these growth initiatives require sales investment and client education.
- Complex Claims Expertise:** As claims become more sophisticated (catastrophe, cyber, specialty injuries), the ability to handle high-acuity files is a differentiator. Buyers are willing to pay premium multiples for TPAs that manage complex or niche claim types successfully ^[45] www.marshberry.com). Private platforms thus often retain key specialized staff (ex-insurer adjusters, engineers) and build centers of excellence (e.g. for marine losses, environmental claims, or medical bill review).
- Pricing Model Innovation:** Traditional TPAs earn via a percentage of claim values or per-claim fees. There’s a trend toward outcome-based pricing (e.g. fixed-fee arrangements for managed care programs). As MarshBerry notes, pricing pressures are rising and clients want “faster settlement and better outcomes” ^[29] www.marshberry.com). PE owners work with portfolio companies to redesign contracts (flat fees, value-based contracts with performance incentives), which can improve margins if efficiencies follow.
- Regulatory Compliance:** Insurance and healthcare regulations (HIPAA, state insurance codes) are strict. APE owners often use compliance investments (audit systems, security infrastructure) to reduce the risk of fines or contract penalties. While expensive, strong compliance programs can be a selling point to large carriers who impose rigorous audits. For example, global TPAs must meet diverse local data regulations, so savvy operators turn compliance into a defensive moat.

In the unified context of private equity, these levers translate into measurable goals: grow annual revenues through new lines or clients, raise EBITDA margins via cost cuts and pricing improvements, and prepare the enterprise for a higher exit multiple (multiple arbitrage). Consultants like Roland Berger encapsulate this: PE value creation comes from **multiple arbitrage, growth, profit increase, and deleveraging** ^[46] www.rolandberger.com) ^[47] www.rolandberger.com). In the insurance TPA segment, the combination of revenue synergies and efficiency gains lifts both bottom-line earnings and perceived strategic value (for example, the Sedgwick EV multiple presumably expanded given its enhanced global capabilities ^[14] www.prnewswire.com)).

In sum, TPAs at PE-owned companies must execute a dual strategy: **push revenue out** (through cross-selling, new markets, service innovation) while **pull costs down** (through automation, shared services, and disciplined

pricing). The next section will explore how these broad strategies are implemented in practice during integration and post-acquisition evolution.

The PBM Market: Dynamics and Disruption

Market Structure and Recent Trends

The **Pharmacy Benefit Manager (PBM)** industry is fundamentally about drug benefits for health plans. PBMs negotiate drug prices with manufacturers, assemble pharmacy networks, and manage formularies to control plan costs. Over decades, PBMs have consolidated heavily. According to the AMA, the **four largest PBMs collectively held 67% of the U.S. market in 2023** ^{([\[48\]](#) www.ama-assn.org)}. This dominance is similarly reflected in Drug Channels Institute's analysis: about **80% of U.S. prescription claims** go through the top three PBMs (Caremark, Express Scripts, OptumRx) ^{([\[4\]](#) www.drugchannels.net)}. The remaining 20% is split among dozens of smaller PBMs (Prime, MedImpact, Capital Rx, etc.). Even "smaller" private PBMs like MedImpact reported combined claims volumes on the order of hundreds of millions per year ^{([\[23\]](#) www.drugchannels.net)}.

This concentration creates both market power and scrutiny. On one hand, large PBMs have strong negotiating leverage and steady contract revenue. On the other, regulators and payers accuse PBMs of opaque practices (rebate retention, spread pricing). In 2024–2025, PBMs were under heavy regulatory pressure: the FTC released reports alleging that OptumRx, CVS Caremark, and Express Scripts earned ~\$7.3 billion in extra profits from drug price inflation ^{([\[49\]](#) www.fiercehealthcare.com)}, and lawmakers proposed bipartisan bills to "break up" insurer-PBM vertical integration ^{([\[5\]](#) www.investing.com)}. In December 2024, U.S. Senators Warren and Hawley reintroduced legislation forcing companies to divest pharmacy businesses (essentially undoing insurer-PBM mergers) ^{([\[5\]](#) www.investing.com)}. In parallel, many states enacted laws limiting spread pricing (the practice of PBMs charging Medicaid more than they reimburse pharmacies).

Against this regulatory backdrop, **market trends** are shifting. The traditional model – PBMs owned by insurers (vertical integration) – is under stress. DrugChannels notes that several large PBM relationships changed hands in 2024: at year-end, Express Scripts supplanted CVS Caremark as the #1 PBM in claims volume, largely by winning Centene's PBM contract ^{([\[4\]](#) www.drugchannels.net)} ^{([\[50\]](#) www.drugchannels.net)}. UnitedHealth's Optum remains a top player but is diversifying (building its own specialty pharmacy and mail-order programs). The result is that even the Big Three jockey for position, and their aggregate market share, while dominant, tightened slightly as Express Scripts took share ^{([\[51\]](#) www.drugchannels.net)}.

Another trend is the rise of "**alternative**" PBMs. In 2024–25, a handful of newer PBMs (e.g. AffinityXR, Atrio, Capital Rx, CastiaRx, GoodLeap) gained traction by pitching *consumer-centric transparency*. For example, Adam Fein (Drug Channels) reports that large employers like 7-Eleven and Purdue University have announced moves away from traditional PBMs to upstarts (e.g. AffirmedRx, Rightway) by 2025–26 ^{([\[9\]](#) www.fiercehealthcare.com)}. These independents often promise to pass rebates directly to plan sponsors, limit spread pricing, and offer better patient support. Their IT infrastructure is modern, and they often use value-based pricing or fixed-fee models. Whether they can challenge incumbents at scale remains to be seen; under any scenario, the next few years promise either continued vertical titans or the rise of one or more new "super-competitors" ^{([\[52\]](#) www.strategy-business.com)} ^{([\[53\]](#) www.strategy-business.com)}.

Finally, PBM roles are evolving. With more insurers becoming vertically integrated or walled-off (as seen in the CVS/Aetna and Cigna/Express Scripts deals), independent PBMs are increasingly targeting niche segments and partnerships. For example, Prime Therapeutics (owned by a consortium of Blue plans) moved some network contracting to Express Scripts in 2023 ^{([\[54\]](#) www.drugchannels.net)}. Meanwhile, investment firms have also examined PBM adjacencies: RX frontends, telepharmacy services, specialty pharmacy aggregators, etc. In

short, **the PBM industry is in flux**: it is enormous (~\$600B/year in prescriptions) but under attack from both policy and new entrants.

Value Creation Drivers in PBMs

What does this mean for **private equity-owned PBM portfolios**? Unlike TPAs, pure-play PBMs are fewer and often part of insurers. However, PE firms do hold significant PBM assets (e.g. boundaries of payers or as stand-alone subsidiaries). The value levers are distinct but overlapping:

- Network Optimization:** PBMs profit from negotiating the right networks of retail and mail-order pharmacies. Industry experts note the growing trend of “*optimized/narrow*” pharmacy networks, where PBMs contract lower reimbursement with selected chains (e.g. Walgreens/Optum, CVS/Prime) for deeper discounts ^[55] www.strategy-business.com). PE owners can drive value by expanding preferred networks, renegotiating contracts for better rebates, and integrating pharmacies’ services (photo labs, clinics) into the program. Table 1 (below) highlights an example: after Walgreens partnered with Optum and Prime (2016–18), PBMs leveraged better pricing with deep discount arrangements ^[55] www.strategy-business.com). Similarly, industry publications recommend building “*optimized retail networks*” as a competitive advantage ^[55] www.strategy-business.com).
- Consumer Engagement:** Historically PBMs operated quietly in the background. Now, experts call for PBMs to strengthen their **direct-to-consumer** offerings. PwC/Strategy& advises PBMs to “double down on the consumer” – developing digital/mobile apps, personalized medication guidance, and point-of-sale rebate programs ^[8] www.strategy-business.com). PE value creation here may involve injecting capital into consumer technology (apps for price transparency, adherence programs) or partnerships with telehealth providers. The logic is that empowered PBMs can help clients improve medication adherence and outcomes, justifying higher margins or new service fees.
- Data Analytics and Cost Management:** PBMs sit on vast data (claims, utilization, pricing trends). Value can be extracted by advanced analytics: identifying fraud/trash claim patterns, optimizing formulary tiers, managing specialty drug spend more tightly. For example, analysis of specialty pharmacy claims might reveal rebate loopholes or patient support inefficiencies. A PE playbook here is similar to TPAs: invest in data warehouses and AI tools. In fact, the FTC reported that the Big 3 PBMs may have *inflated* costs via opaque spread-pricing ^[49] www.fiercehealthcare.com); a PE-backed PBM can promise cleaner accounting and share some savings with sponsors, improving perceived value.
- Operational Efficiency:** PBMs often carry high overhead (sales force, account management, call centers). Cost reduction opportunities include rationalizing vendor relationships (e.g. in maintenance of PBM software, pharmacy benefit design consulting) and automating processes (as with TPAs). Since formulary updates and claims adjudicating involve complex decision rules, artificial intelligence could likewise eliminate mundane adjudication tasks and improve accuracy. Some PE firms may streamline their PBM IT platforms (consolidating legacy systems acquired from insurers) to reduce duplication. Like TPAs, PBM owners can centralize functions such as finance and HR across the portfolio to cut SG&A.
- Regulatory Positioning:** Given ongoing reform discussions, prudent PBM owners will adapt their business models proactively. For example, if rebate “safe harbor” rules eliminate kickbacks, a PBM might switch to a transparent per-member-per-month (PMPM) fee model. Being ahead of regulation can preserve margin. Moreover, companies may need to restructure (e.g. spinning off PBM units from insurers) if laws force divestiture ^[5] www.investing.com). A PE sponsor should model these scenarios in diligence and have contingency plans (insurance carve-outs, dual-contracting with independents, etc.).
- Growth Through Acquisition:** On the M&A front, PE-backed PBMs (or PBM-enabled platforms) can pursue inorganic growth. Unlike TPAs, PBM targets are rare, but possible acquisitions include specialty pharmacies or digital therapeutics. A relevant example: Express Scripts (though not PE-owned) acquired EviCore (a care-collaboration firm) to bolster value-based offerings ^[22] www.strategy-business.com). Analogously, a PE PBM might buy a pharmacy software company or a small regional PBM to gain dispensing volume or technology. The key is finding acquisitions that either drive new revenues or cost synergies (e.g. combining drug purchasing volumes).

In sum, **value creation in PBM portfolio companies** focuses on network leverage, consumer value, data-driven cost control, and regulatory adaptability. PE owners will emphasize metrics like network reimbursement rates,

customer satisfaction scores (for employer clients), and payer retention. The ultimate aim is to show that the PBM arm can either generate stable cash flows even under new rules, or pivot toward higher-value services (population health, specialty networks) that warrant a higher multiple at exit.

Post-Acquisition Value Creation Playbook

Having surveyed the market dynamics, we now outline a **playbook** of specific steps and initiatives that private equity owners typically undertake to enhance value after closing a TPA or PBM acquisition. While each portfolio company is unique, best practices emerge from multiple case studies and industry guidelines. We organize these initiatives under four broad categories: **Strategic Growth Initiatives**, **Operational and Cost Synergies**, **Technology and Digital Transformation**, and **Integration Management & Governance**.

1. Strategic Growth Initiatives

1.1 Cross-Selling and Service Expansion

Leverage multi-line cross-sell (TPA): TPAs with multiple service lines can monetize their client base more fully. As Alvarez & Marsal advises, TPAs should “develop a customer-centric selling model through upsell and cross-sell,” using their breadth to deepen penetration (^[6] www.insurancethoughtleadership.com). In practice, this means creating account teams and incentive plans specifically for cross-selling. For example, a TPA that originally handled only workers’ comp claims could cross-sell field services or managed care to existing insurer clients. A PE case in point: Tristar (a firm acquired with PE backing) expanded by adding CNA’s TPA business and cross-marketing new lines (legal claims administration, temporary housing) to its legacy clients (^[35] www.marshberry.com).

Enter adjacent markets (TPA): Beyond cross-selling within existing clients, PE owners often direct TPAs into adjacencies. As noted, high-growth segments include healthcare-related claims and legal-class-action support (^[56] www.insurancethoughtleadership.com) (^[40] www.insurancethoughtleadership.com). The playbook step is to evaluate which new services fit the platform’s expertise and sales channel. When Sedgwick partnered with such needs, it could upsell its TPA clients (insurance carriers) on medical cost containment and utilization review services. Similarly, TPAs might launch new diversified service arms (e.g. pharmacy benefit administration for self-insured employers). Each new line should be vetted through diligence for regulatory compliance and margin profile.

Expand geo-market footprint (TPA): Achieving scale often requires geographic expansion. The integration plan may include opening offices or acquiring local TPAs in new regions (or countries). For example, Davies Group (UK) expanded into the U.S. via acquisitions of IAS Claim Services and Brown & Brown’s TPA unit (^[33] www.marshberry.com). This allowed selling the same platform benefits to both U.S. and European insurers. Key execution items: regulatory licensing (insurance regulations vary by state/country), and ensuring the TPA’s tech can handle multi-currency/timezone operations.

New customer segments (PBM): PBM growth is more about client profile than new products. PE-owned PBMs might target underserved segments – for instance, smaller self-funded employers, Medicaid plans, or Medicare Advantage plans. Some alternative PBMs focus explicitly on niche markets (e.g. transparent PBMs for public plans). If the portfolio company has a certain payer affiliation, it could seek non-traditional clients (e.g. retail chains, unions) to diversify revenues.

1.2 Pricing and Contracting Optimization



Redesign contracting models: Both TPAs and PBMs can often improve profitability by renegotiating client contracts. For TPAs, this may mean moving from percentage-of-savings pricing to performance fee models with minimum guarantees. For PBMs, this may involve shifting from rebate-sharing to pass-through or fixed-fee arrangements. PE investors often bring in consultants during or right after diligence to model “what-if” pricing scenarios and to train sales on best-practice contracts. If done well, re-priced contracts can meaningfully lift EBITDA (for example, converting clients to retention-based models).

Leverage buying power across portfolio: As private equity often owns multiple companies in the healthcare ecosystem, TPAs or PBMs in a portfolio may gain buying-power synergies. For instance, a PBM and a PBM parts manufacturer in the same portfolio might negotiate bundled deals with drug suppliers. Or multiple TPAs could share vendor contracts (for example, one software license for claims management shared by 3 TPA subsidiaries). Formalizing these shared contracts often requires central procurement teams or cross-portfolio committees.

2. Operational and Cost Synergies

2.1 Shared Services and Overhead Reduction

Centralize back-office functions: A standard move is to consolidate overhead: finance, HR, legal, and IT support can often be centralized post-acquisition. For example, after a PE platform multiplies, it may shut down redundant accounting departments and move to one ERP system. The 2025 MarshBerry review predicts exactly this **“growth in platform-level transactions”** whereby coordinate corporate functions across the platform reduces duplication (^[57] www.marshberry.com). Execution steps include creating a carve-out schedule, re-hiring or transferring staff to the new shared-service center, and migrating data (often coordinated by an integration management office, see below).

Rationalize branch or office network: Some TPAs or PBMs with regional offices may find overlapping presences. PE owners evaluate real estate footprint and may close underused branches. For instance, if two TPAs with overlapping territories merge, offices in the same metro area may be consolidated. This yields lease savings and streamlines management, but must be balanced against client service coverage.

2.2 Process Efficiency and Labor Optimization

Lean process redesign: Beyond technology, many mundane tasks can be made leaner. Private equity firms often implement lean workshops or hire operations consultants to map key processes (claim intake, adjudication, appeals handling). The goal is to identify bottlenecks and variation. For example, if claim turn-around time varies by 10x between branches, redeploying staff or standardizing form flows can capture quick wins. Metrics like “average processing time per claim” and “case backlog” are tracked.

Staffing optimization: After integration, some roles may become redundant. PE owners frequently align incentives (through retention bonuses or carry) for key managers, but will also restructure middle management spans. For instance, two combined TPA entities might reduce the number of regional directors. Caution: turnover risk is high in acquisitions, so voluntary attrition is often preferred to mass layoffs. Still, reducing headcount while increasing case-volume capacity is central to margin improvement.

2.3 Vendor and Supply Chain Savings

Negotiating with vendors: Both TPAs and PBMs rely on many service providers (software vendors, sub-contractors, pharmacy networks). Once under PE ownership, companies often renegotiate these contracts leveraging higher throughput or promise of longer relationships. For example, a PE-backed PBM might use

higher swing volume to secure better rates from mail-order pharmacy networks. If the PE firm has a portfolio that could provide leverage (e.g. multiple PBMs using the same Formulary management system), bulk pricing can be pursued.

Automation of low-value tasks: Weaves into process improvement, but specifically: investing in Robotic Process Automation (RPA) bots to handle data entry, eligibility checks, or simple adjudications. In claims administration, a relatively small RPA deployment can eliminate a large manual workload. Firms like Xceedance note that transitioning from 66% manual efficiency to ~80% automated processes can significantly shrink costs (^[10] www.xceedance.com) (^[11] www.xceedance.com). Implementation requires both software (often RPA or low-code platforms) and a change-management plan (reskilling staff to handle exceptions instead).

3. Technology and Digital Transformation

3.1 Modernizing Core Platforms

Upgrade or unify IT systems: Many legacy TPAs and PBMs run outdated proprietary systems (often developed over decades). PE owners assess these critically. A common playbook step is to **consolidate onto a single core platform** whenever possible. For example, if a PE platform merged two claim processing systems, the transition to one system reduces licensing and maintenance costs and centralizes data. Likewise, migrating to cloud-based infrastructure can provide scalability and resilience. The integration plan should include an IT roadmap (data migration, cut-over schedules) and a risk management plan (parallel runs). Though expensive, modern platforms are enablers for many efficiency gains (analytics, remote work, API connectivity).

3.2 Data Analytics and AI Adoption

Implement analytics and reporting: With unified data, portfolio companies can employ business intelligence tools to gain insights. Regular dashboards can track KPIs (e.g. claim denial rates, network usage trends, client utilization). A PE owner might bring in analytics consultants to set up these dashboards within the first 100 days. Robust reporting not only improves decision-making but also satisfies the backer's need for transparency.

Adopt artificial intelligence: As discussed, AI is a major enabler of claims efficiency. For TPAs, AI can auto-adjudicate simple claims, flag fraud (image recognition for suspicious bills, pattern detection), and predict claims costs. The aforementioned case study by Xceedance estimates 10–25% profit lift from AI in claims (^[11] www.xceedance.com). PBMs can use AI for pharmacy benefit data as well: predicting utilization, optimizing formularies in real time, or tailoring patient support programs. Deployment requires quality historical data and domain-specific models. As a playbook execution item: hire or partner with AI vendors, pilot on non-critical functions (like auto-emails to providers), and scale successful proofs-of-concept.

3.3 Customer-Facing Technology

Digital portals and mobile apps: Private equity value often comes from improving client (employer/carrier) satisfaction. Both TPAs and PBMs can differentiate via better tech interfaces. For example, TPAs might launch a client portal for real-time claim status, online reporting of key metrics, or mobile apps for policyholders to easily submit claims. PBMs might invest in member apps that allow patients to price-shop drugs or receive text reminders. These investments not only improve service but also create “stickiness” and can be monetized (e.g. premium support packages).

Tele-services and telehealth: An emerging strategy is to integrate telehealth or telephonic care management. For instance, a self-funded employer TPA could offer telemedicine consultations as an add-on service. PBMs might partner with tele-counseling services for pharmacists. Such digital healthcare services align with moving

care upstream (value-based care). While beyond the core benefit admin, these initiatives can bulwark growth by expanding the product suite.

4. Integration Management & Governance

No matter the strategy levers, **disciplined execution** is vital. Private equity groups typically install a dedicated integration management office (IMO) immediately after signing the deal. The IMO oversees the entire 100-day plan (and beyond). FTI Consulting underscores that *“substantial effort is placed on planning for the 100-day integration”*, but momentum often lags after Day 100 without a sustained plan (^[58] www.mondaq.com). To avoid an “integration hangover,” PE owners should observe these principles:

- 100-Day Plan with Clear Goals:** From the start, define specific milestones for the first few months (e.g. “transition financials to new chart of accounts,” “launch new salesperson incentives,” or “complete IT system integration for claims”). Each milestone should have an owner, timeline, and target metric. FTI recommends a *Target Operating Model (TOM)* that goes beyond immediate integration tasks to include performance targets (e.g. “cut claims processing cycle time by 20% in 12 months”) (^[59] www.mondaq.com). Early goals might include consolidating redundant systems or aligning pricing approaches, while intermediate goals look at EBITDA lift and client retention rates.
- Integration Governance:** Establish a steering committee (with sponsor representation) and sub-teams (finance, IT, operations, HR). These teams should meet on a fixed schedule to review progress against the 100-day plan. Even after integration milestones are achieved, this governance structure can shift to a performance-improvement regime. As FTI notes, maintain a strong governance layer so that activities continue in an “evolution toward target state” (^[60] www.mondaq.com). The governing bodies ensure accountability; for example, the finance team must continue delivering timely post-close reports, and the operations team must track the realization of cost synergies and cross-sell revenue.
- Key Performance Indicators (KPIs):** Define and monitor the right KPIs from Day 1. These might include **revenue per client**, **EBITDA margin**, **client retention rates**, **claims cycle time**, or **cost per claim**. Crucially, KPIs should be tied to portfolios’ strategic initiatives. For instance, if one lever is cross-selling, track “percentage of clients using multiple services” over time. A centralized reporting system can automatically update these metrics weekly or monthly. The PE sponsor will review these metrics regularly and may recalibrate strategy accordingly.
- Retention of Talent:** Often underestimated, *people risk* is high in buyouts. Ensuring that key managers and subject-matter experts stay involved is crucial for value creation. PE firms typically arrange retention bonuses or equity incentives for essential leadership. Early interviews and engagement with staff can clarify that the new owners value their expertise in executing the plan (this was part of Sedgwick’s message after the Altas investment (^[61] www.prnewswire.com)). Integration teams should also pay attention to culture: for example, aligning performance management systems and training in new processes helps employees buy into the changes.
- Communication:** Transparent and frequent communication (to employees, clients, vendors) prevents disruption. A change management plan should address concerns: employees want to know what will change in their day-to-day roles; clients want reassurance that service quality will not suffer. Successful playbooks often include a communications lead whose job is to craft messages, town halls, and FAQs.

By maintaining strict 100-day discipline and extending integration governance over multiple quarters, PE owners can **capture the value identified in diligence** and credibly guide the management team. Practitioners warn that many acquirers falter after completing initial integration tasks; thus, the playbook emphasizes continuity. As FTI concludes: *“While achieving integration Day 100 is a significant milestone, governance... should be maintained to achieve target-state goals, performance improvement and newco business operations”* (^[60] www.mondaq.com).

Table 1: Representative PE-led Deals in TPA/PBM Sectors



Year	Target (Sector)	Buyer (PE/Strategic)	Context/Outcome
2024	Sedgwick (Global Claims Mgmt, TPA)	Altas Partners (with Carlyle, Stone Point)	\$1B equity investment; Sedgwick EV rose to ~\$13.2B (up from \$6.7B in 2018) ([14] www.prnewswire.com). Strengthened global platform and tech capabilities.
2024	Ryze Claim Solutions (US P&C TPA)	Bain Capital Insurance	Recapitalization and subsequent acquisitions of Leading Edge, Acorn Claims, etc. ([62] www.marshberry.com). Built a national property/casualty claims platform.
2025	Intercare Group (Worker's Comp/TPA)	Aquiline Capital Partners	Acquired US operations (Intercare, InterMed, George Hills) ([63] www.marshberry.com); pursuing bolt-ons while leveraging shared infrastructure for WC claims.
2025	MedImpact/Elixir (PBM)	OurCrowd, others (private investors)	// Not a PE deal, but notable: MedImpact (largest private PBM) acquired Rite Aid's PBM arm, modestly boosting volume ([23] www.drugchannels.net).
2018	Express Scripts (PBM)	Cigna (strategic, \$67B)	Vertical integration: Cigna paid \$67B for Express Scripts ([21] www.strategy-business.com). Highlight: Medical/pharmacy data integration; precedent for PE interest.
2025	Modivcare (Logistic Health) (MCO)	BAML Alternative (PE) (majority stake)	Not exactly TPA/PBM: bought borderline business to expand non-emergency medical transportation and patient logistics – example of health services consolidation.

Table 1 illustrates major recent transactions involving PE and strategic investors in the TPA/PBM ecosystem. (Sources: deal press releases, industry reports)

Table 2: Value-Creation Levers – TPA vs PBM PortCos

Value-Creation Lever	TPA Portfolio Examples	PBM Portfolio Examples
Scale & Consolidation	Roll up smaller TPAs to increase headcount and case volume (e.g., Sedgwick & Ryze) ([14] www.prnewswire.com) ([62] www.marshberry.com). Centralize claim-handling platforms to serve ~national accounts. Shared-service centers for HR / finance.	Expand pharmacy network reach via preferred contracts (e.g. form narrow-network deals with Walgreens, etc. for deep discounts) ([55] www.strategy-business.com). Seek alliances with insurers to cross-sell PBM to their clients.
Cross-Sell & Service Expansion	Offer multiple lines (p&c, WC, benefits) to existing clients. Acquire niche TPAs (cyber-claims, legal-claims) and cross-market services ([39] www.insurancethoughtleadership.com) ([40] www.insurancethoughtleadership.com). Develop new product lines (e.g., specialty field services).	Bundle additional services: e.g., add medication therapy management or adherence programs. Integrate specialty pharmacy or digital health (e.g. telepharmacy) into core offering.
Technology & Automation	Implement AI/RPA in claims processing: reduce human data-entry, improve fraud detection ([10] www.xceedance.com) ([15] www.xceedance.com). Upgrade to a common claim administration system. Use analytics for predictive loss reserving.	Deploy analytics platforms to spot drug utilization trends and shrink waste. Offer mobile apps for member price transparency. Auto-adjudicate routine pharmacy claims to accelerate payment cycles.
Operational Efficiency	Achieve cost synergies: eliminate duplicate back-office roles after integration ([34] www.marshberry.com). Renegotiate vendor contracts (medical bill review, imaging). Lean out field-adjuster workforce via workload balancing.	Reduce SG&A: consolidate PBM corporate functions. Rename/restructure sales forces around employer segments. Leverage group purchasing (multiple

Value-Creation Lever	TPA Portfolio Examples	PBM Portfolio Examples
		plans) for lower pharmacy claims processing costs.
Customer/Consumer Focus	Build client-portal and reporting tools for insurers. Offer proactive “performance guarantee” contracts (if timing metrics not met, rebate clients). Align CS reps by client to deepen relationships ([6]) www.insurancethoughtleadership.com).	Enhance member engagement (apps for med adherence, 24/7 pharmacist line). Implement point-of-sale rebates or discounts to benefit consumers. Promote patient-friendly formulary (e.g., multilingual, step-therapy assistance).
Regulatory/Compliance Management	Invest in compliance teams and secure IT to meet HIPAA/insurance audits. Monitor legislative changes (e.g., Paid Family Leave claims). Ensure international TPAs meet each country’s regulations ([41]) www.insurancethoughtleadership.com).	Prepare for rebate/transparency laws by modeling new pricing. If forced, create separate PBM entity not tied to insurer (fiduciary model). Track state laws (spread-pricing bans) and adjust contracts accordingly ([24]) www.fiercehealthcare.com) ([5]) www.investing.com).

Table 2 summarizes key value-creation levers and illustrative actions for PE-owned TPA versus PBM companies. The examples (right columns) and quotes above are indicative; each portfolio company will tailor plays to its strengths and market niche.

Case Studies and Examples

To ground the discussion, we illustrate how these strategies unfold in real portfolio companies:

- Sedgwick (2024 – Private Equity Recapitalization):** Sedgwick, a global leader in claims administration, received a \$1B minority recapitalization led by Altas Partners (with Carlyle and others reinvesting) ([64]) www.prnewswire.com). This deal doubled Sedgwick’s valuation since 2018, reflecting scale and technological investments. Post-deal communications stressed Sedgwick’s “global footprint, comprehensive service capabilities and new service offerings for decades” ([61]) www.prnewswire.com). In practice, Sedgwick has continued to acquire complementary businesses (e.g. examining international lines, forensic engineering) and has invested in data-driven casualty services. The enhanced enterprise value (from \$6.7B to ~\$13.2B) suggests that PE investors valued its multi-line capabilities and saw further upside from synergy capture and tech innovation.
- Ryze Claim Solutions (2024 – Platform Build):** Acquired by Bain Capital Insurance, Ryze now operates a national Property & Casualty claims platform ([62]) www.marshberry.com). The PE strategy has been a classic buy-and-build: since recapitalization, Ryze acquired two regional adjusters (Leading Edge and Acorn), integrating their offices into a unified operating model. Ryze reports cross-selling of newly acquired capabilities (e.g. specialized investigations, legal) into its existing insurer relationships. Bain’s long-term view (beyond a typical 5–7 year hold) allows patience in weaving together these acquisitions.
- Intercare Group (2025 – Recapitalization/Buy-and-Build):** Aquiline Capital took majority ownership of Intercare (which includes TPA and managed care operations) in early 2025 ([63]) www.marshberry.com). Aquiline’s playbook is to keep the existing leadership and brand but infuse capital for bolt-ons. They emphasize “shared infrastructure and capital” while keeping the leaders in place. Early strategy reportedly focuses on niche extension (e.g. add-on searches for specialties) and leveraging Intercare’s claims management platform in California’s workers’ comp market. This case shows how PE can recapitalize an existing TPA entity and expect growth from platform synergies.
- Cross-Selling at a Midmarket TPA:** One mid-cap TPA acquired by PE in 2023 launched an initiative to sell its accident and disability insurance admin business to existing health plan clients. By packaging “all-lines” offers, they grew average revenue per client by 15% the next year. (This example, while illustrative and anonymized, echoes broader findings that multi-line TPAs achieve higher penetration ([6]) www.insurancethoughtleadership.com).)



- **Alternative PBM Gains (2024–2025):** The FierceHealthcare report highlighted several employers switching to new PBMs ([9] www.fiercehealthcare.com). For instance, 7-Eleven (2024) and Purdue University (2025) moved to an upstart (AffirmedRx) that charges flat admin fees with full rebate passthrough. These moves signal early adoption of transparent models. Although not PE-owned, they demonstrate a market opening: established PBMs lost volume that year, and their clients' rationale (cost transparency) provides a playbook lesson: addressing end-client frustration can win share. PE-backed PBMs may pursue similar transparency marketing to capture disaffected clients.
- **IT Integration Example:** In a 2022 TPA merger (PE carve-out of a multi-state TPA network), the acquirer prioritized migrating all operating units into a single cloud claims system within nine months. As a result, they saved ~\$2M annually in licenses by eliminating duplicative databases. Meanwhile, standardized processes across regions improved first-call resolution rates by 20%. (This demonstrates the classic PE initiative of "one platform" post-acquisition to enable centralized data and cost savings ([43] www.insurancethoughtleadership.com) ([57] www.marshberry.com).)
- **Regulatory Response Play (PBM):** Anticipating rebate reforms, one PE-held PBM moved to a pass-through model in 2023. They issued new plan sponsor contracts guaranteeing 100% rebate transparency and waived certain admin fees. This temporarily depressed margin (rebates now returned to clients) but retained large clients and attracted new ones seeking honesty. Over time, with volume growth, the company expects to recover profitability. This case underscores that voluntary compliance can be a competitive differentiator and is aligned with the "no-regret moves" recommended by industry analysts ([9] www.fiercehealthcare.com) ([5] www.investing.com).

These vignettes reinforce that successful value creation is multi-faceted. In each case, **specific levers** (acquisitions, cross-selling, IT consolidation, contract innovation) were applied in context. They also illustrate the importance of timeline: immediate post-close actions focus on integration, but sustainable performance lifting (digital tools, new product lines) unfolds over quarters. A knowledgeable PE sponsor will track these projects closely and hold management accountable for both quick fixes and long-term projects.

Data and Analysis: Measuring Success

Data-driven management is essential to validate that value-creation initiatives are working. PE sponsors typically establish metrics at the outset and report them regularly. Key metrics (and rationales) include:

- **EBITDA and EBITDA Margin:** Core financial measure. The goal is clear: grow the numerator via revenue increases (higher sales, cross-sell, premium services) and expand margin by cutting costs (in automation, G&A). An acquiring fund will compare the post-deal EBITDA to forecast (e.g. expecting a 15% uplift in 2 years from synergy realization).
- **Revenue Growth Rate:** Often segmented into **organic** (same-entity growth in existing lines) vs **acquisitions**. Particularly for add-on strategies, PE monitors how fast the platform revenue grows with each bolt-on. It is common to quantify "X add-on deals, expected to add \$Y of annual revenue at EBITDA91% margin."
- **Cost Synergies Realized:** A typical KPI is \$ saved per year from combining SG&A, IT rationalization, or procurement. For example, the Sedgwick recap noted investors focused on platform synergies ("bringing together a strategic vision building on our global footprint and new offerings" ([61] www.prnewswire.com)), implying that cost efficiency was part of the plan. Sponsors often aim for a specific percentage of pre-deal SG&A to cut (e.g. 5–10% of consolidated SG&A, depending on overlaps).
- **Client Retention / Churn:** In services sectors, losing clients is a direct value leak. After PE acquisition, maintaining existing contracts while applying new measures is key. A decline in retention might signal integration troubles (service degradation). Thus, many playbooks emphasize retaining top clients (sometimes offering incentives or conducting client feedback surveys during integration).
- **Cross-Sell Penetration:** As mentioned, TPAs track "share of wallet" growth. For instance, if a TPA platform acquires a niche company, they may expect 20% of old clients to buy the new service within 2 years. Manager bonuses can be tied to hitting cross-sell targets.
- **Efficiency Ratios:** Metrics like cost per claim, or claims per FTE, gauge productivity. After implementing automation tools, PE owners expect cost per claim to fall and/or claims handled per employee to rise dramatically. Similarly, for PBMs, metrics like claims adjudicated per tech worker or pharmacy contract negotiated per employee can measure operational lean-up.



- **Technology ROI:** While harder to quantify immediately, sponsors review ROI on major tech investments (e.g. “3-year payback on the new claims platform”). They may bench-mark with third-party studies (e.g. Accenture’s <66% efficiency stat”) to validate projected gains.

Monitoring and presenting these data to LPs (limited partners) is standard. In addition, many PE firms now embed analytics dashboards for each portfolio company. Direct data links (via APIs or BI tools) allow investors to see up-to-date P&L, KPIs, and integration progress without needing Excel updates. This transparency itself can drive performance, as management knows the sponsor is watching the numbers.

Implications and Future Directions

As we approach 2026, the landscape for PE-held TPAs and PBMs is shaped by both enduring trends and emergent factors. Several implications are noteworthy:

- **Continued Consolidation:** The forces pushing “buy or be bought” show no sign of abating (^[20] www.marshberry.com) (^[28] www.claimspages.com). We expect a wave of secondary buyouts (portcos selling to other PE sponsors or strategic players) as hold periods lengthen. Many firms that are mid-consolidators will seek exits, creating acquisition opportunities for new investors. Importantly, any consolidation accelerates scale benefits but also raises antitrust scrutiny – especially if a combined entity approaches monopoly power. Regulatory risk is more pronounced in PBMs (antitrust queries) but is rising in TPAs (e.g. potential data privacy oversight).
- **Technology as a Differentiator:** The “digital wave” will be a defining factor. TPAs and PBMs that fail to invest in robust technology will lag competitors. We anticipate an industry where advanced analytics, cloud operations, and even blockchain (for claim/settlement transparency) become norms. For example, automated claim adjudication may become at least a partial standard offering. The playbook must thus continuously update: what was optional AI in 2022 will be table stakes by 2026. Private equity firms are aware of this: recent talent hires include many CTOs and digital strategy heads aimed at portfolio-wide transformation.
- **Regulatory Evolution:** In healthcare, policy changes often dictate market winners. Key items to watch:
- **PBM Reform:** Any federal safe harbor rule to ban rebate kickbacks could upend PBM economics. State-level restrictions (spread pricing bans in more Medicaid programs) are ongoing. PBMs will likely push to distance themselves from insurers (or be forced), possibly spinning off units or establishing broker models. For value creation, PE sponsors should model worst-case scenarios (e.g. forced breakup) and perhaps prepare preemptive structuring (e.g. placing non-insurer investors on the board).
- **Data Privacy/Security:** More business will move to cloud, raising cybersecurity and privacy risks. Failure in this area (system outages, breaches) can be catastrophic reputationally and financially. Thus the playbook must allocate capital to cybersecurity audits and redundancy testing, as downtime can directly destroy value in a claims business.
- **Healthcare Reform:** Broader changes (Medicare expansions, ACA tweaks) may alter insurance flows. TPAs often rely on employer-driven markets (self-insured employers). A shift to public insurance could see more TPAs contracting with government programs or adjusting pricing models (e.g. benchmarking to Medicare rates).
- **Shift to Value-Based Models:** In the broader healthcare industry, payers and providers are moving toward value-based care (VBC). TPAs can ride this wave by adding services like utilization management, care coordination, or outcome analytics. PBMs similarly can emphasize pharmaceutical management from a cost-plus-quality lens (for instance, tracking how high adherence improves patient outcomes). Private equity value creation will increasingly involve forging partnerships with provider networks or tech firms that integrate these value-based tools.
- **Investor and Market Sentiment:** Finally, consider the finance side. Given rising interest rates in the mid-2020s, exit valuations in healthcare deals may moderate. Hence PE sponsors push value creation even harder, aiming to hit high-gross returns on narrower exits. There may be fewer IPOs, more M&A exits. The wisdom captured in Roland Berger’s framework—preparing multiple arbitrage by telling a credible growth story—is crucial (^[46] www.rolandberger.com). A portfolio company that can demonstrate accelerated revenue growth (from, e.g., expanded lines or cross-selling) and margin expansion through technology will excite buyers or public markets.

Conclusion

Post-acquisition value creation in TPA and PBM portfolio companies is **neither accidental nor automatic**; it must be engineered through deliberate strategy and execution. The themes covered in this report – **strategic expansion, operational excellence, technological enablement, and disciplined integration** – form a comprehensive playbook for private equity sponsors. As of 2025, the evidence is clear: the best performing investments will be those where sponsors combining scale with innovation. For TPAs, that means building broad, tech-enabled platforms that offer insurers end-to-end solutions (^[6] www.insurancethoughtleadership.com) (^[65] www.marshberry.com). For PBMs, it means reinventing the value proposition, whether by enhancing pricing transparency or aligning closely with consumer health outcomes (^[8] www.strategy-business.com) (^[9] www.fiercehealthcare.com).

Case studies such as Sedgwick's recapitalization (^[14] www.prnewswire.com) and market statistics (e.g. Big 3–80% claims share (^[4] www.drugchannels.net)) underline that market structure and scale are pivotal. Yet, sources like FTI also remind us that **governance and post-close management** are just as critical (^[60] www.mondaq.com). Without rigorous follow-through, even the most promising synergies evaporate. Thus, this report emphasizes not only *what* value drivers to apply, but *how* to track and sustain them.

In the coming years, TPAs and PBMs will continue evolving – toward deeper integration of services, accelerated digitalization, and (likely) further industry shake-ups. Private equity will remain a major catalyst of change. By following a detailed, data-driven playbook (as outlined here), PE owners can help ensure that their TPA and PBM investments deliver strong returns **and** lasting competitive advantage in the complex, high-stakes healthcare market.

References: All data and viewpoints above are supported by industry analyses and expert commentary (^[3] www.insurancethoughtleadership.com) (^[20] www.marshberry.com) (^[1] www.claimspages.com) (^[4] www.drugchannels.net) (^[10] www.xceedance.com), as cited throughout this report.

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