Case Study Interview

HeyatSigorta (the “Insurance”) has grown rapidly in the past five years. In the recent regulatory environment, HeyatSigorta has been subsidized to expand into new markets, and has done so quite successfully. However, in the last three years, its profitability has dropped sharply. HeyatSigorta’s CEO has brought you on to determine the root cause of declining profitability and suggest strategies for restoring profits to prior levels.

Questions:

1. *What are the factors you would investigate to determine why profits have declined?*
2. *Revenues have held constant, and rapid market fluctuations have become the new normal for the healthcare industry. HeyatSigorta measures its success using two data points: (1) average revenue per person insured, and (2) average healthcare costs per person insured. Five years ago, average revenue per person insured was 5,000 AZN, and this number has held constant. However, average healthcare costs per person insured have risen from 3,500 AZN five years ago to 4,500 AZN now*
    a. *Assuming HeyatSigorta insures 300.000 people now, and this number has doubled from five years ago, what is the difference in profitability? B. Holding revenue fixed, by how much do we have to lower average cost per person to achieve the same absolute profits as before?*
    b. *Holding revenue fixed, by how much do we have to lower average cost per person to achieve the same absolute profits as before?*