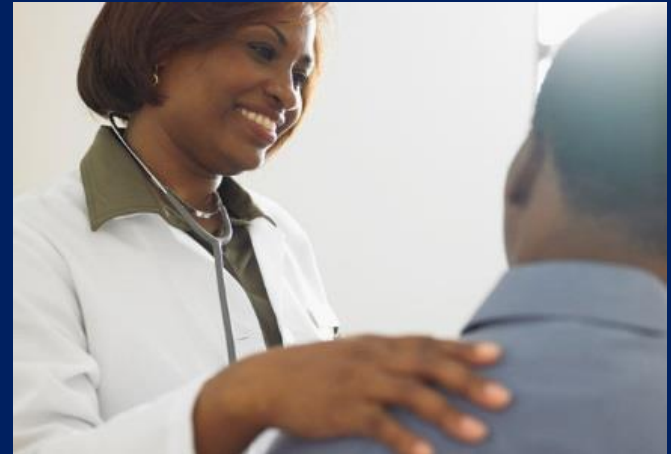


# The Outlook for Medicare Advantage and Dual Eligibles in Year 3 of Trump



*A Presentation to the Value-Based Payment Summit*

JOHN GORMAN  
JUNE 19, 2019

# John Gorman

- Founder, Gorman Health Group (22 years)
- Board of Directors, Health Alliance Plan (Henry Ford Health System, Detroit)
- Board of Directors, XL Health (Baltimore, MD) (acquired by United)
- Editorial Advisory Board, Atlantic Information Systems
- Editorial Advisory Board, Bloomberg Government
- Clinton Administration Assistant Director, Office of Managed Care, Health Care Financing Administration (now CMS)
- Chief of Staff, US Representative John Conyers, Jr. (D-MI)



# TODAY'S AGENDA

1. The competitive landscape in Medicare Advantage, Medicaid and Part D
2. The Outlook for Medicare Advantage, Medicaid, and Dual Eligibles Under Trump
3. New Trends and Opportunities
4. Conclusions and Q&A



# CUT TO THE CHASE!

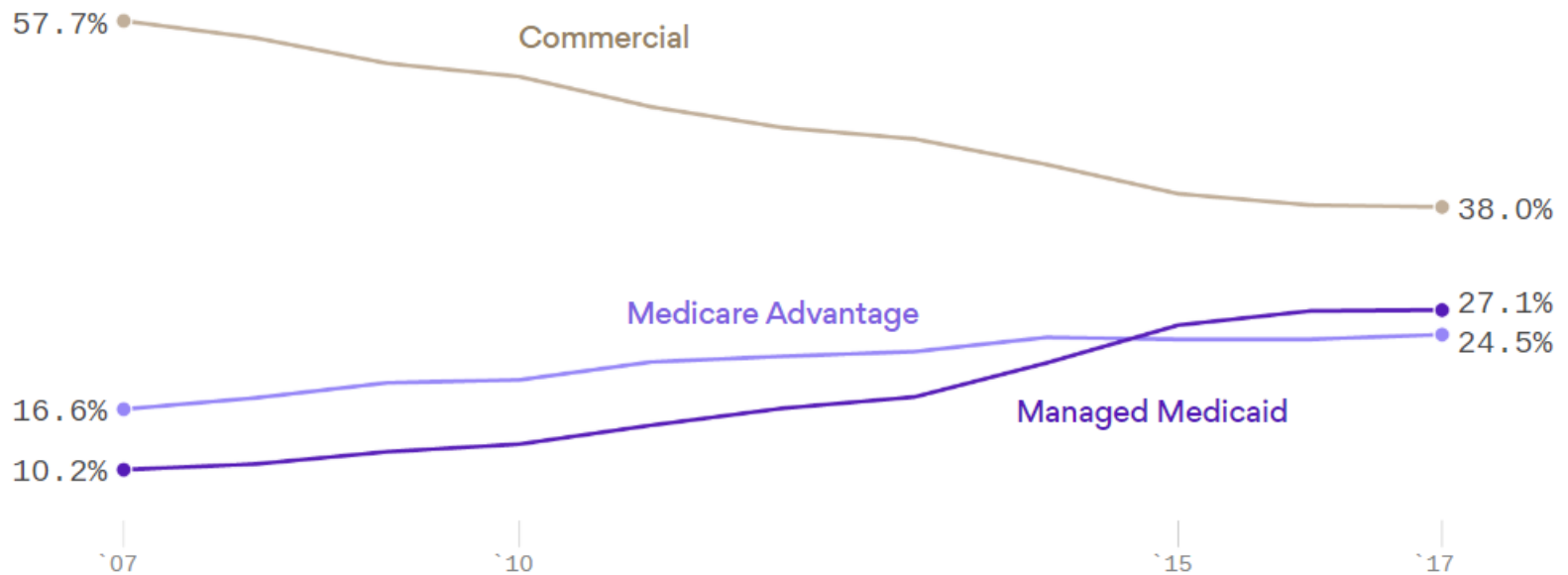


- Government programs = sole growth opportunity for payers and providers
- Trump/Verma effect = Medicare Advantage is the only safe game in health insurance now
- Growth, aggregation, new entrants
- Risk Adjustment and Star Ratings drive market, bar rises
- *“A Darwinian and Edisonian moment”*

# COMMERCIAL INSURANCE DECLINING; GOVERNMENT PROGRAMS SURGING

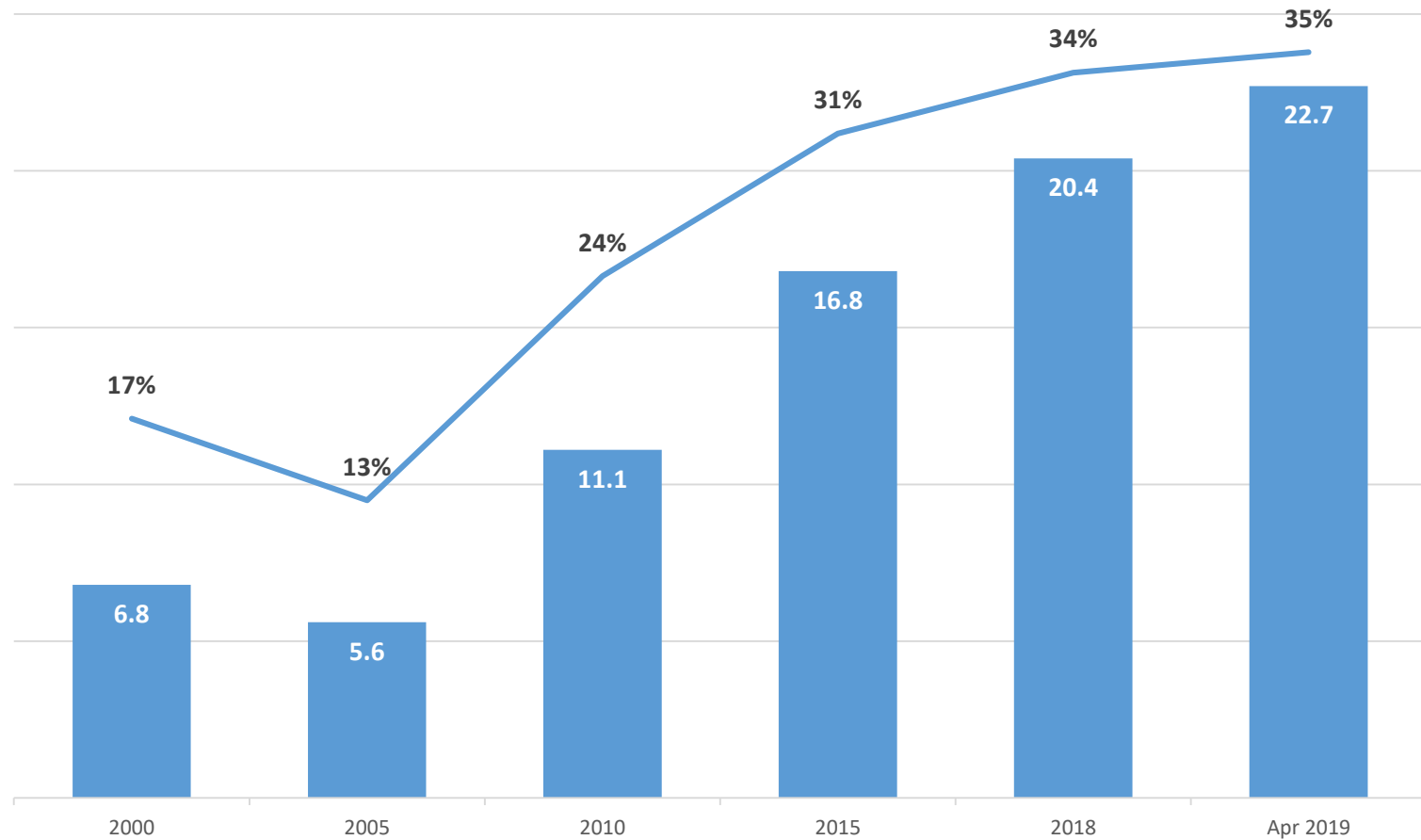
## Distribution of health insurance premiums

Share insurers collect, 2007-17



Adapted from Lane et al., 2018, "[Best's Market Segment Report: U.S. Government-Related Health Insurance Business Continues to Grow Despite Risks](#)"; Chart: Axios Visuals

# MEDICARE ADVANTAGE'S STUNNING GROWTH



NOTES:

1. Includes All MA Plan Types
2. Source: CMS MA State/County Penetration
3. Total Medicare Beneficiaries as of April 2019 = 65 million

# MEDICARE ADVANTAGE MEMBERSHIP

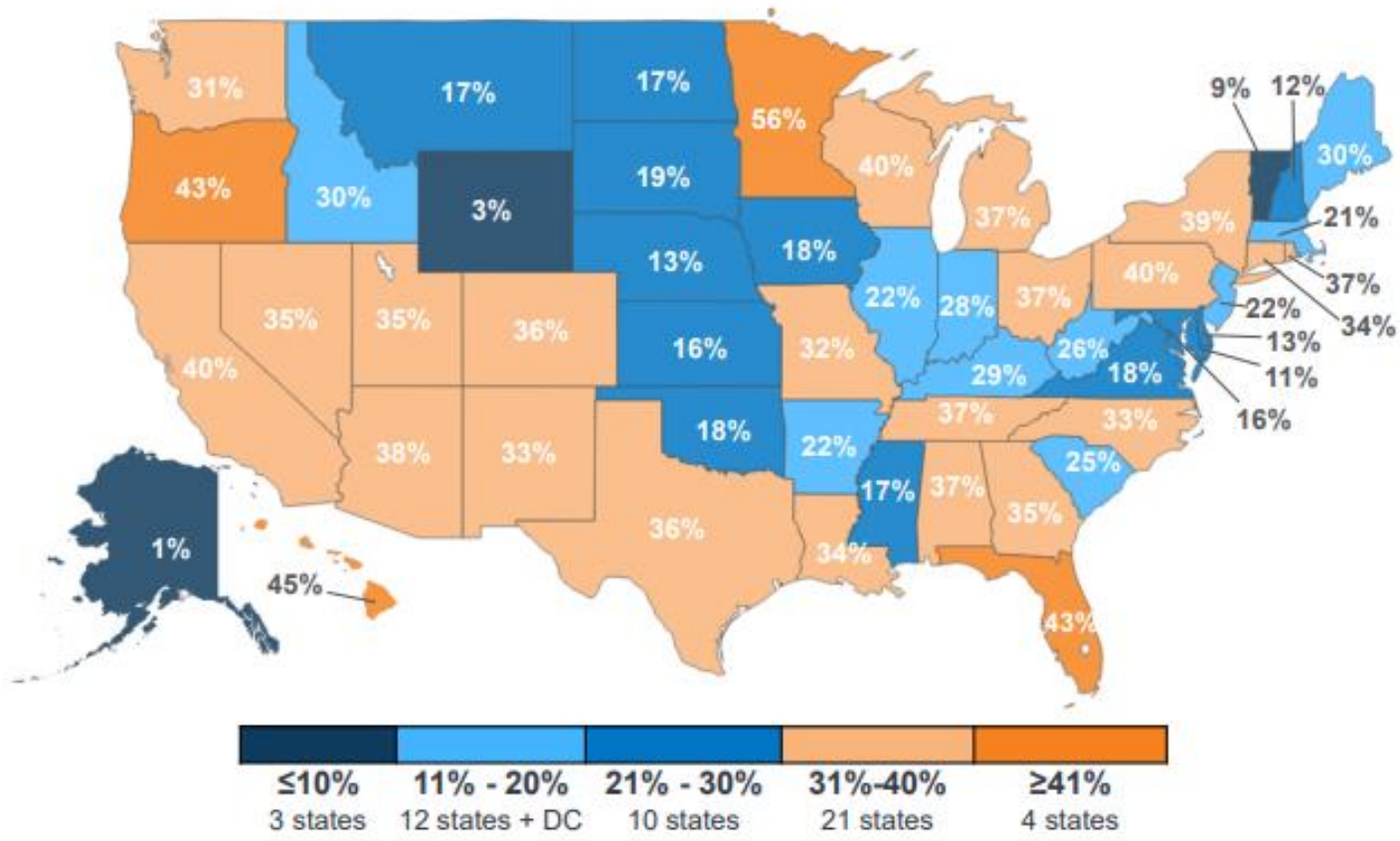
National Snapshot – April 2019

<b>Contract Type</b>	<b>Enrollment</b>
<b>Total Medicare Advantage</b>	<b>22,771,864</b>
Special Needs Plan	2,968,129
MA Series 800 (Large Group Retiree)	4,383,908
MA Local PPO	5,862,269
MA Regional PPO	1,239,730
<b>Total Prescription Drug-Only Plan (PDP)</b>	<b>25,525,081</b>

Source: Medicare Advantage, Cost, PACE, Demo, and Prescription Drug Plan Contract Report – Monthly Summary April 2019

# MEDICARE ADVANTAGE ENROLLMENT PENETRATION RATES, 2018

National Average, 2018 = 34%

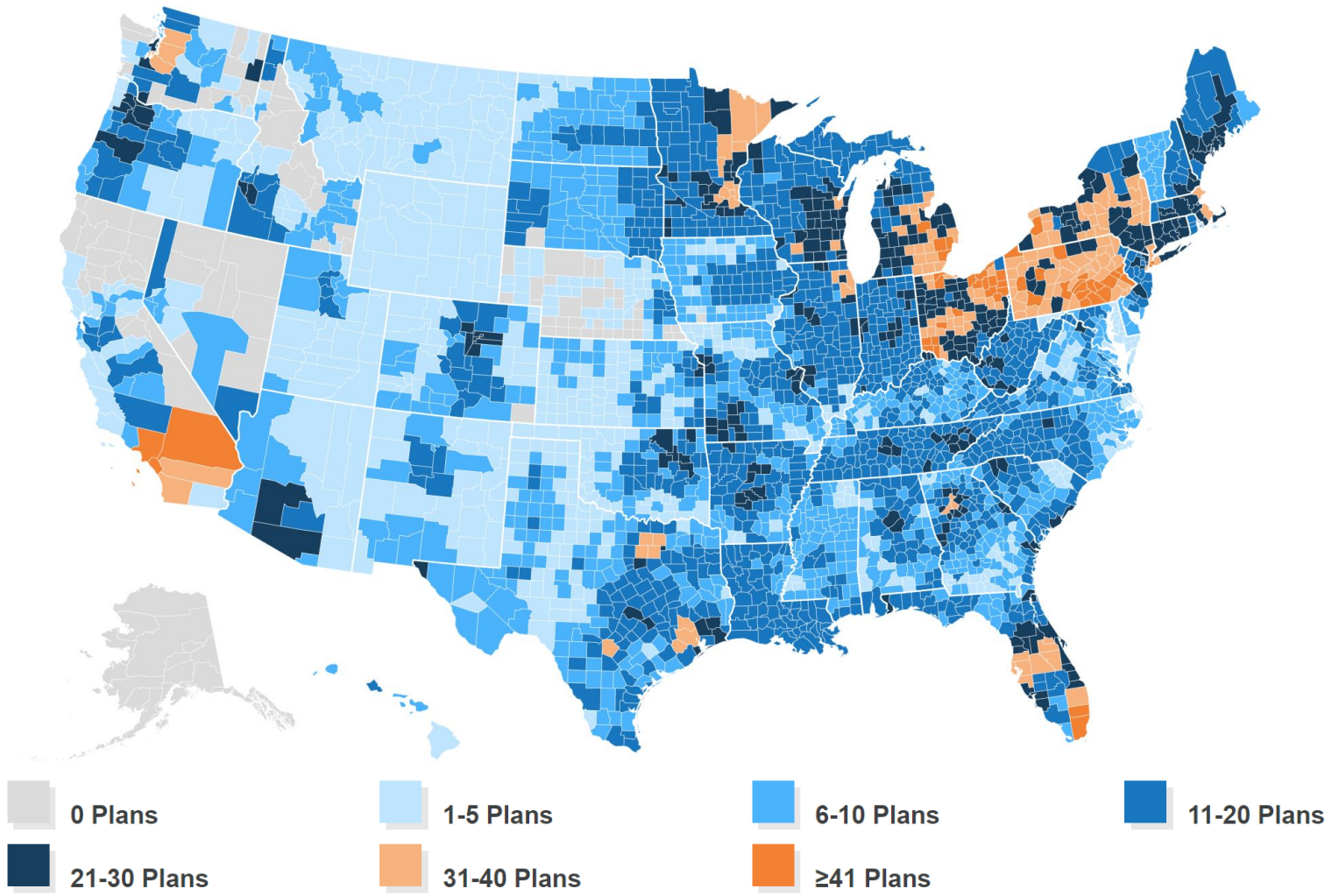


NOTE: Includes cost plans, which comprise the majority of enrollment in MN, ND, and SD, as well as other Medicare Advantage plans. Excludes beneficiaries with unknown county addresses.

SOURCE: Kaiser Family Foundation analysis of CMS State/County Market Penetration Files, 2018.

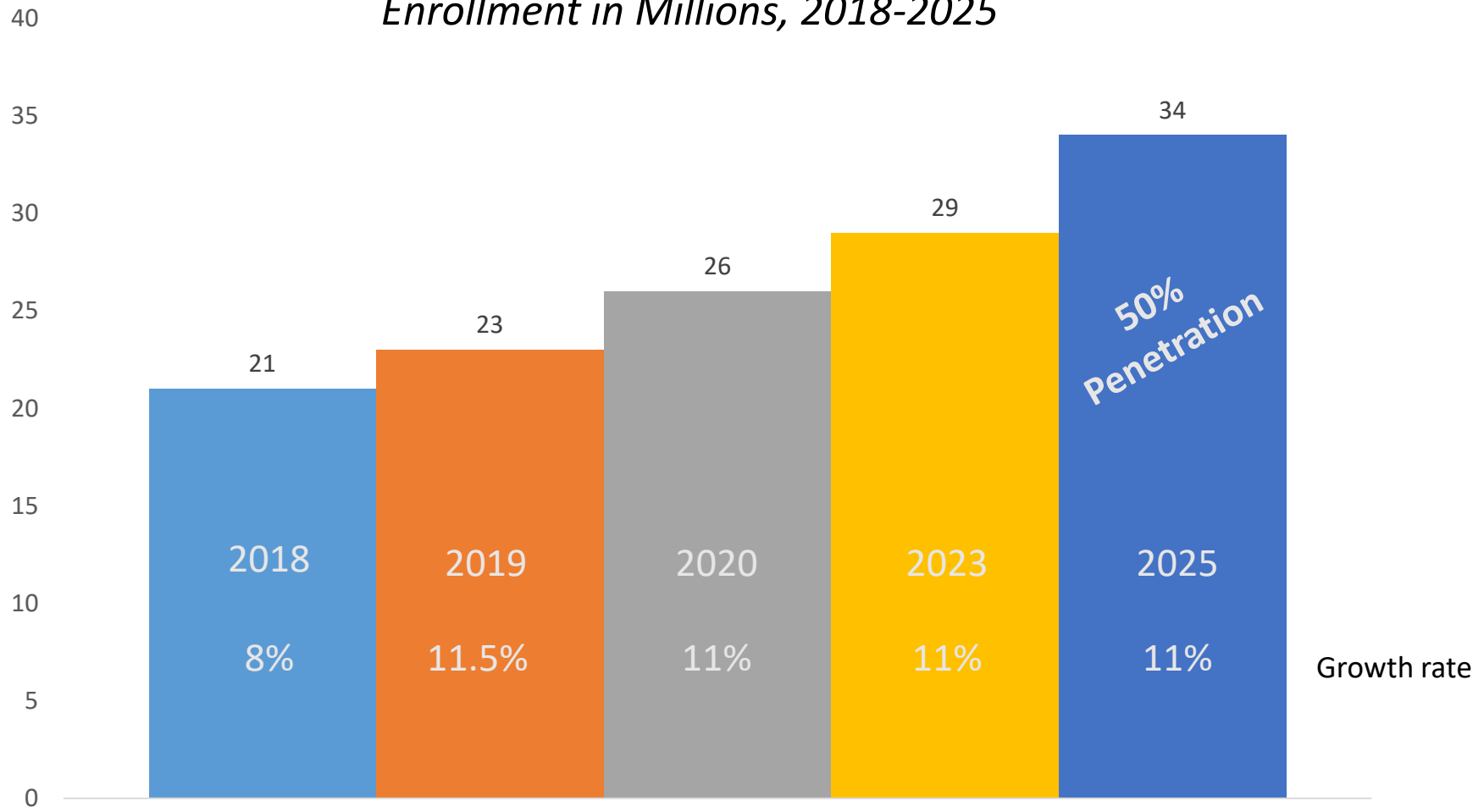


# MA PLANS AVAILABLE BY COUNTY, 2019



# EXPLOSIVE GROWTH IN MEDICARE ADVANTAGE CONTINUES “4-EVA”

*Enrollment in Millions, 2018-2025*



# MEDICARE ADVANTAGE PAYMENTS TO PRIVATE INSURERS, 2010-2028



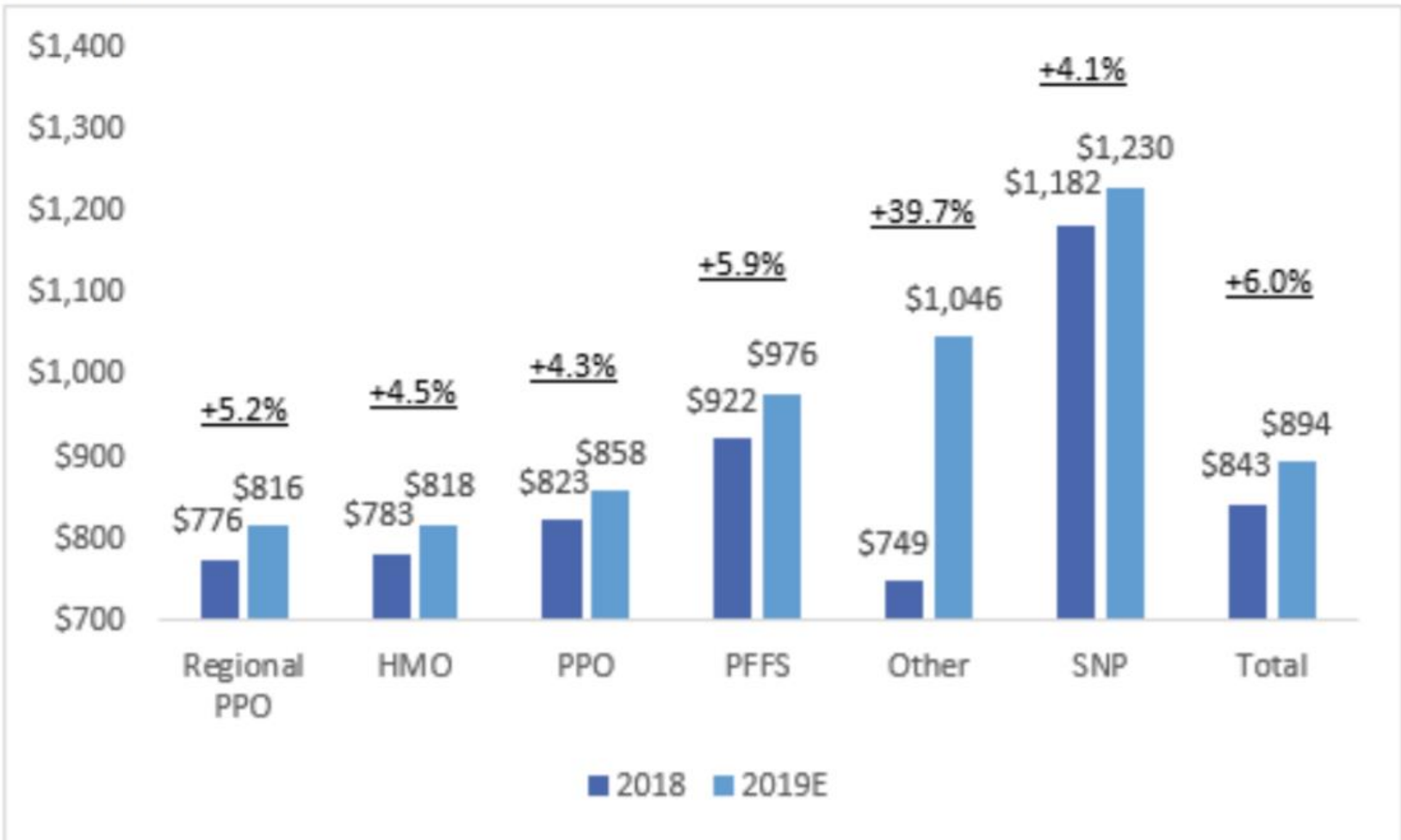
# FAVORABLE MA RATE ENVIRONMENT = TAILWIND

- 3.5-6.4% average gross revenue increase in 2019, best in 15 years
- 2.53% increase for 2020, 2<sup>nd</sup> best
- ACA mandates gross MA benchmarks grow at health care inflation rate
- 270 MA plans providing 1.5 million enrollees new types of supplemental benefits in 2019



# PMPPM EXPENDITURES IN MA, BY PLAN TYPE

(\$ actual)

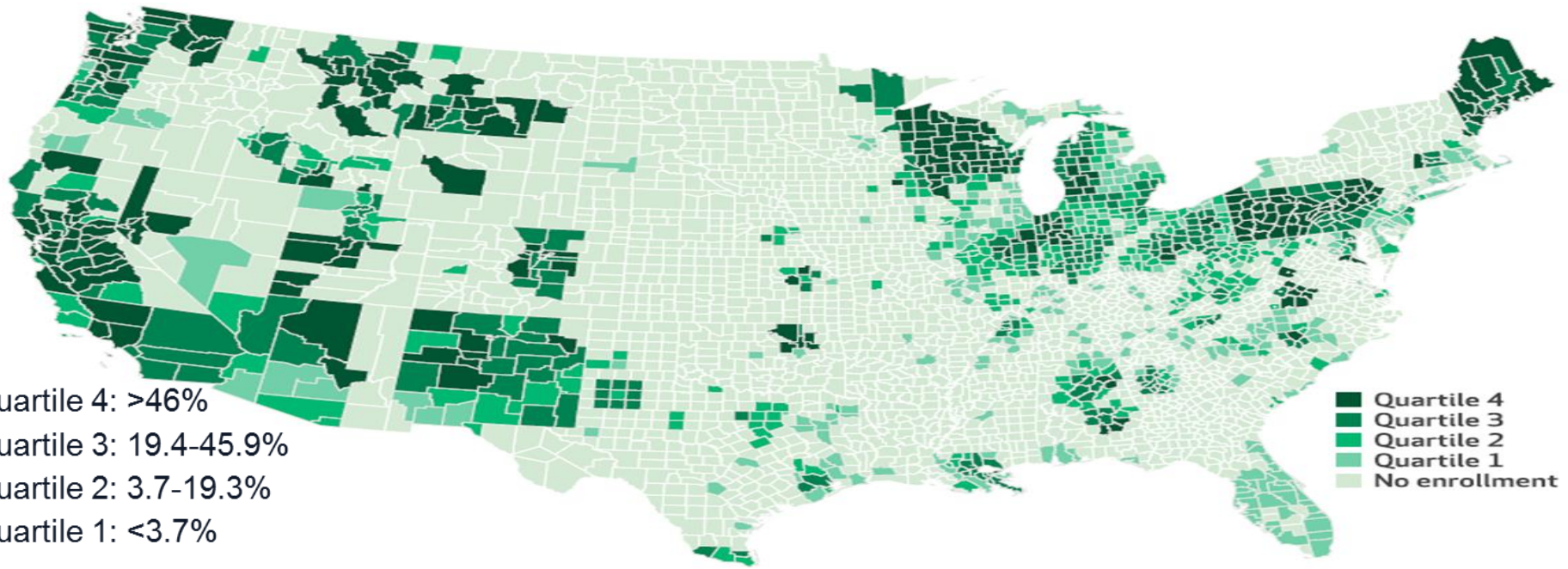


# PAYERS AND PROVIDERS ARE DEPENDENT ON MEDICARE ADVANTAGE (MA)

- Strong bipartisan support: MA the only safe game in health insurance
- Large national payers, local health systems alike dependent on MA
- MA is nation's largest experiment in value-based payment
- 27% of major U.S. health systems intend to launch a Medicare Advantage plan in the next four years. Only 29% felt confident in their organization's ability to do so.<sup>1</sup>
- Drivers:
  - controlling more of the premium dollar vs FFS Medicare
  - senior population continues to grow and becomes a larger proportion of providers' patient panels
  - market and regulatory trends supporting Medicare Advantage

# GROWTH OF PROVIDER-SPONSORED MA PLANS

- Provider sponsored Medicare Advantage plans
  - In 2016, 58% of new MA organizations entering the market were provider owned
  - Nearly 6% of all Medicare beneficiaries are enrolled in a provider sponsored MA plan
  - Market penetration for provider sponsored MA plans range from 15%-55%
  - As providers grow more comfortable with managing risk, they will be more aggressive with their MA offering
  - Provider sponsored MA plans tend to provide higher quality care

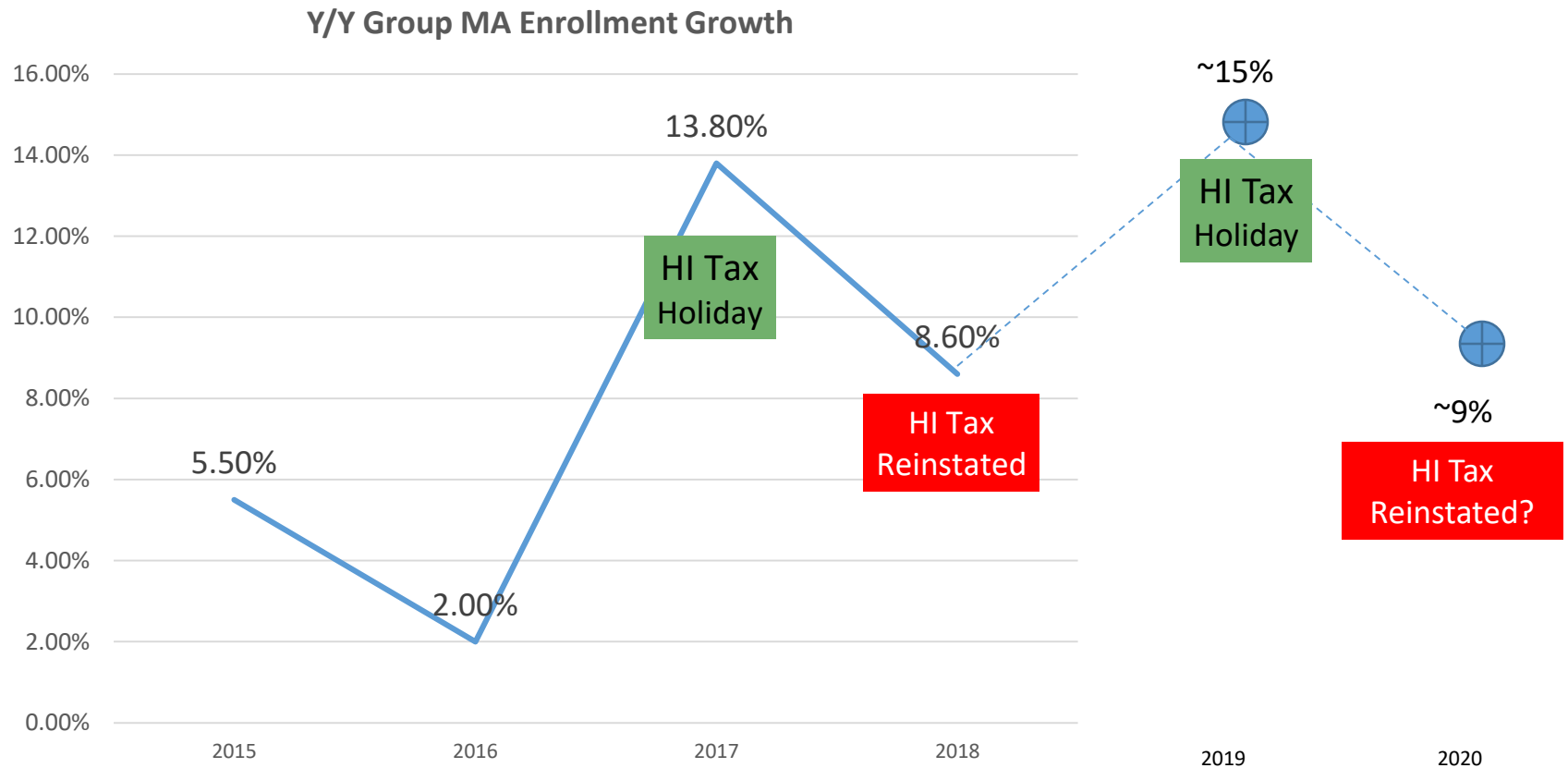


Source: Authors' analysis of Medicare Advantage data from the Centers for Medicare and Medicaid Services

Notes: "Vertical integration" refers to health insurance offered by a hospital or health system. The exhibit includes all Medicare Advantage coordinated care plans in the forty-eight contiguous states and the District of Columbia, except for special needs plans. Alaska is not shown because no county had a vertically integrated contract. Hawaii is not shown because although Hawaii and Honolulu fell into quartile 3 and Maui into quartile 4, Kauai and Kalawao had no enrollment in a vertically integrated contract. Quartile 4 is 46.0-100.0 percent; quartile 3 is 19.4-45.9 percent; quartile 2 is 3.7-19.3 percent; and quartile 1 is 0.1-3.6 percent.

# ANOTHER HEALTH INSURER TAX HOLIDAY IN 2020 WILL DRIVE GROUP MA ENROLLMENT

*National Carriers Plowing Proceeds Into Richer Group Benefit Designs*





# PPOS ARE EXPLODING IN MEDICARE ADVANTAGE

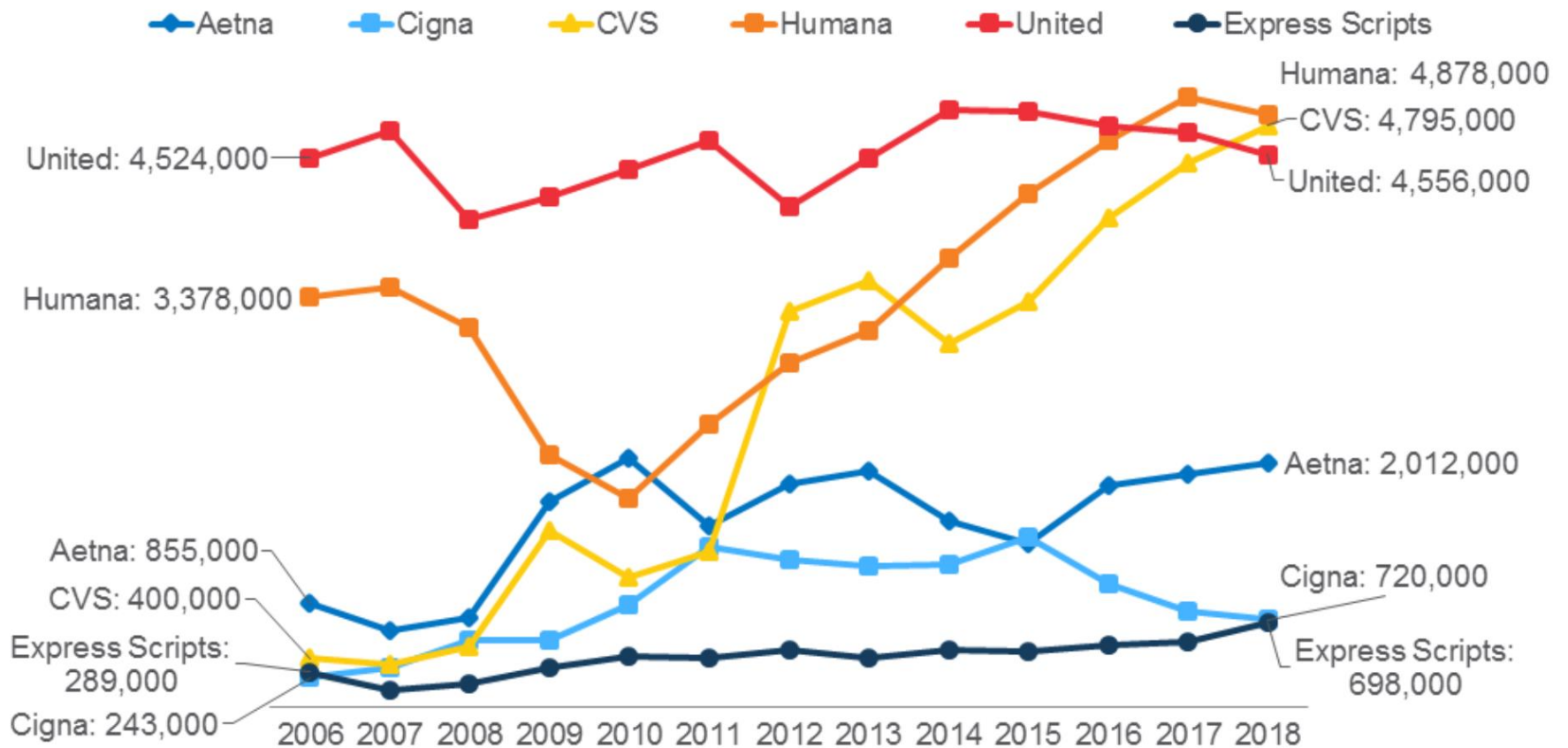
*Go-To Product for Affluent Boomers and Retiree Groups;*

*When Done Right, a MediGap Killer*

Covered Total PPO Lives	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18
<b>UnitedHealth Group, Inc.</b>	<b>1,178,107</b>	<b>1,460,888</b>	<b>1,665,330</b>	<b>2,162,665</b>	<b>2,427,932</b>
<i>% of MA Membership</i>	37%	42%	42%	45%	44%
<i>Total Number of PPOs</i>	106	128	127	190	227
<b>Aetna Inc.</b>	<b>698,302</b>	<b>810,975</b>	<b>927,027</b>	<b>1,043,595</b>	<b>1,315,006</b>
<i>% of MA Membership</i>	61%	63%	67%	69%	74%
<i>Total Number of PPOs</i>	98	103	103	139	159
<b>Humana Inc.</b>	<b>1,409,110</b>	<b>1,490,690</b>	<b>1,396,009</b>	<b>1,521,009</b>	<b>1,647,152</b>
<i>% of MA Membership</i>	48%	46%	43%	46%	46%
<i>Total Number of PPOs</i>	237	224	210	208	246
<b>Anthem Inc.</b>	<b>339,538</b>	<b>202,433</b>	<b>152,012</b>	<b>152,081</b>	<b>182,603</b>
<i>% of MA Membership</i>	49%	34%	24%	20%	18%
<i>Total Number of PPOs</i>	69	60	55	56	54
<b>Centene Corporation</b>	<b>0</b>	<b>0</b>	<b>38,794</b>	<b>36,496</b>	<b>36,367</b>
<i>% of MA Membership</i>	0%	0%	13%	13%	10%
<i>Total Number of PPOs</i>	0	0	17	15	13
<b>WellCare Health Plans, Inc</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23,259</b>	<b>38,392</b>
<i>% of MA Membership</i>	0%	0%	0%	5%	7%
<i>Total Number of PPOs</i>	0	0	0	10	19
<b>Cigna</b>	<b>5,927</b>	<b>5,678</b>	<b>6,305</b>	<b>2,684</b>	<b>2,066</b>
<i>% of MA Membership</i>	1%	1%	1%	1%	0%
<i>Total Number of PPOs</i>	4	3	3	2	2

# MEDICARE PRESCRIPTION DRUG-ONLY PLAN (PDP) OUTLOOK

*United, Humana and CVS Lead the Part D Market; CVS Mostly by Acquisition*



# MACRA'S SEISMIC CHANGE TO MEDIGAP IMPACTS MA AND PDPS TODAY

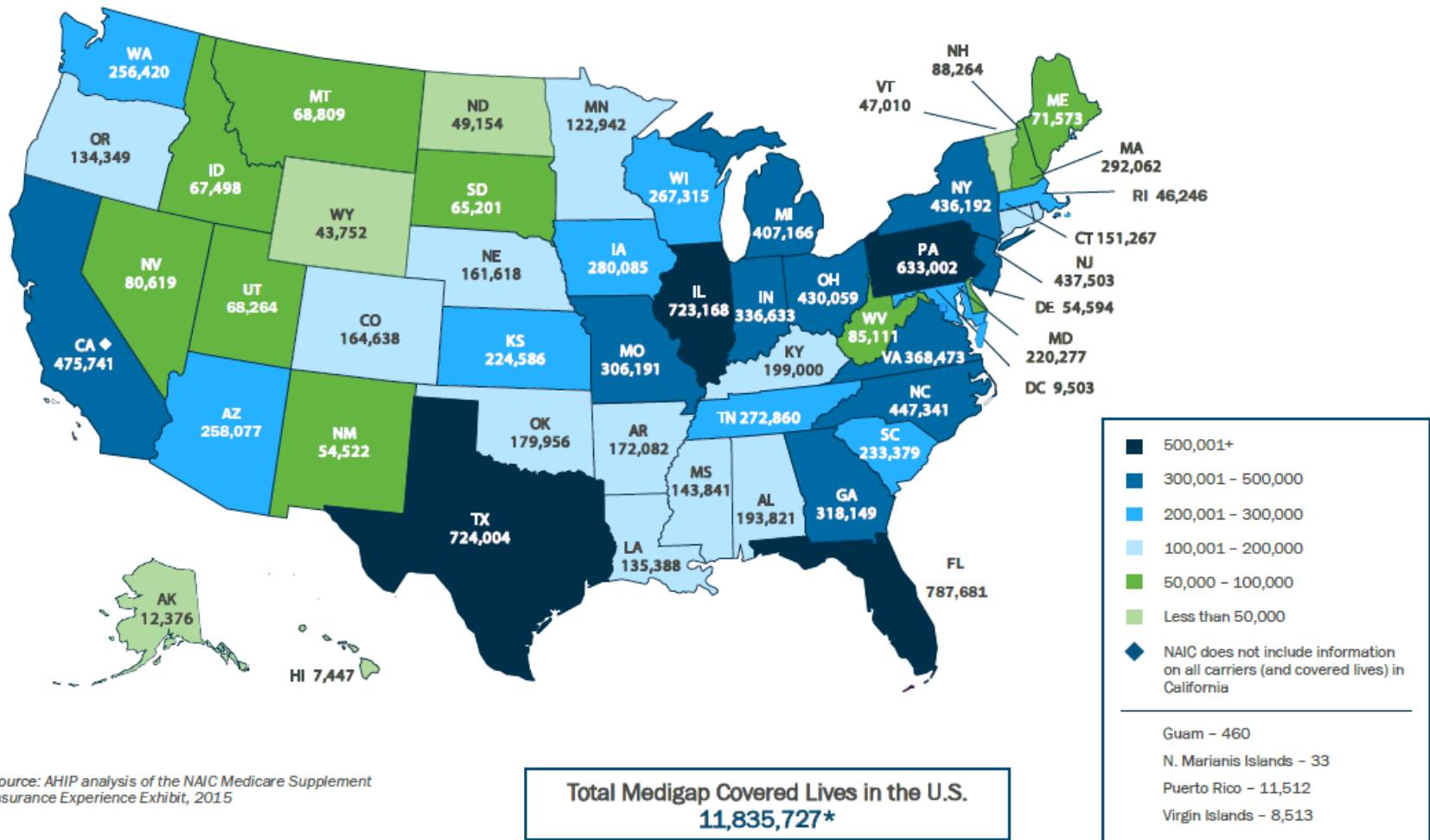
*MACRA Bans Sale of First-Dollar Coverage Supplements in 2020*

Enrollment						
Plan Type	2012	2013	2014	2015	Change in Enrollment 2014-2015	Percent Change 2014-2015
A	165,796	159,352	165,483	143,373	-22,110	-13%
B	394,166	374,294	346,086	294,935	-51,151	-15%
C	1,211,857	1,133,744	1,064,386	971,602	-92,784	-9%
D	259,792	232,275	213,572	192,640	-20,932	-10%
E	117,022	103,021	91,531	81,632	-9,899	-11%
F	5,057,890	5,510,183	6,008,216	6,496,615	488,399	8%
G	452,782	556,241	697,682	895,637	197,955	28%
H	53,090	46,362	40,492	34,654	-5,838	-14%
I	127,469	127,076	114,738	96,337	-18,401	-16%
J	680,916	627,813	575,042	521,422	-53,620	-9%
K	43,012	49,674	58,166	74,565	16,399	28%
L	103,029	42,916	45,571	48,535	2,964	7%
M	5,413	4,080	995	1,604	609	61%
N	358,165	573,243	761,495	966,887	205,392	27%
Waivered State Plans	548,658	562,928	590,864	641,157	50,293	9%
Pre- Standardized Plans	572,884	501,527	422,961	374,132	-48,829	-12%
<b>Total</b>	<b>10,151,940</b>	<b>10,604,729</b>	<b>11,197,280</b>	<b>11,835,727</b>	<b>638,447</b>	<b>6%</b>

Sources: AHIP Center for Policy and Research analysis of the NAIC Medicare Supplement Insurance Experience Exhibit, for the Years Ended December 31, 2012, 2013, 2014, 2015.

# MACRA'S SEISMIC CHANGE TO MEDIGAP IMPACTS MA AND PDPS TODAY

*MACRA Bans Sale of First-Dollar Coverage Supplements in 2020*



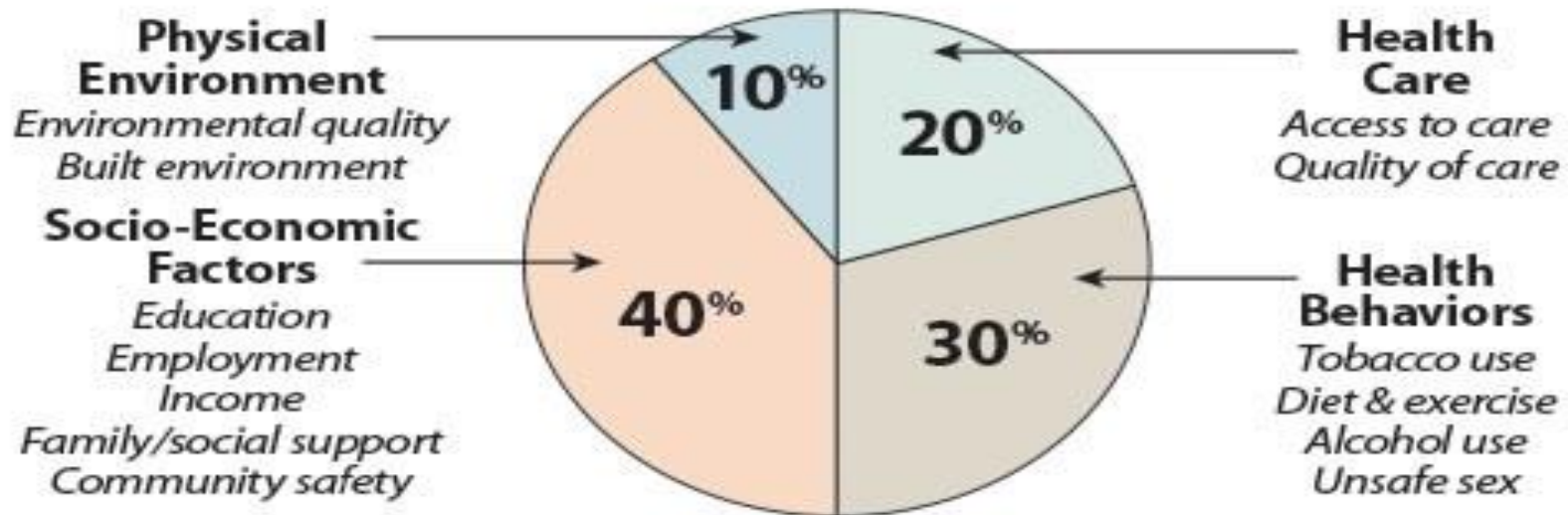
# SUPPLEMENTAL BENEFITS POLICY CHANGE IS A GAME CHANGER

- CMS seeks to allow for benefits which “diagnose, prevent, or treat an illness or injury, compensate for physical impairments, act to ameliorate the functional/psychological impact of injuries or health conditions, or reduce avoidable emergency and healthcare utilization.”
- Opportunity for plans to offer more meaningful benefits that address social determinants of health, and include in the bid:
  - Assistive devices in the home, pest control
  - Food security
  - Transportation to doctor’s appointments or to urgent care
  - Telehealth



# Social Determinants of Health

## Population Health



Source: Authors' analysis and adaption from the University of Wisconsin Population Health Institute's *County Health Rankings* model ©2010, <http://www.countyhealthrankings.org/about-project/background>

# SDOH SAVINGS WILL “BEND THE CURVE”

- \$190 BILLION in preventable SDOH-related medical expense among seniors
- Heavy transaction activity in the space already in 2019:
  - Kaiser invests \$400M in social services platform
  - Centene \$100M investment and WellCare acquisition
  - CVS \$100M investment
  - Signify acquires TAV Health
  - Unite Us secures \$35M in Series A financing
  - Solera secures \$42M in Series C financing

**After Buying Aetna, CVS Health  
Commits \$100M to Address  
SDOHs**

Centene Corporation Announces  
Formation Of Social Health Bridge To  
Address Social Determinants Of Health

HEALTH TECH MATTERS  
Signify Health acquires start-up  
TAV Health in multimillion-dollar  
deal

# WHAT MARKET LEADERS ARE DOING ON SUPPLEMENTALS AND SDOH IN 2019



- Blues workgroup on supplementals, focus on palliative and home care
- Anthem “Essential/Everyday Extras” (GA, IN, KY, MO, OH, VA, WI, TN, TX, NJ, CA, AZ):
  - Up to 16 home delivered “healthy” meals per health event, up to 64 per year.
  - Up to 60 one-way trips per year to health-related appointments.
  - Up to 124 hours of support from a home health aide or similar assistance.
  - A \$500 allowance for home safety modifications.
  - Up to 1 visit per week for adult day services.
  - Up to 24 acupuncture and/or therapeutic massage visits.
  - In CA and AZ add a fitness program, acupuncture and/or therapeutic massage for pain management, and an outreach program aimed at addressing loneliness.





# THE NEXT GENERATION OF MA BENEFIT DESIGN

- Reduce/eliminate copays and deductibles
- Tiered supplemental benefits
- Vision, dental and OTC = new table stakes



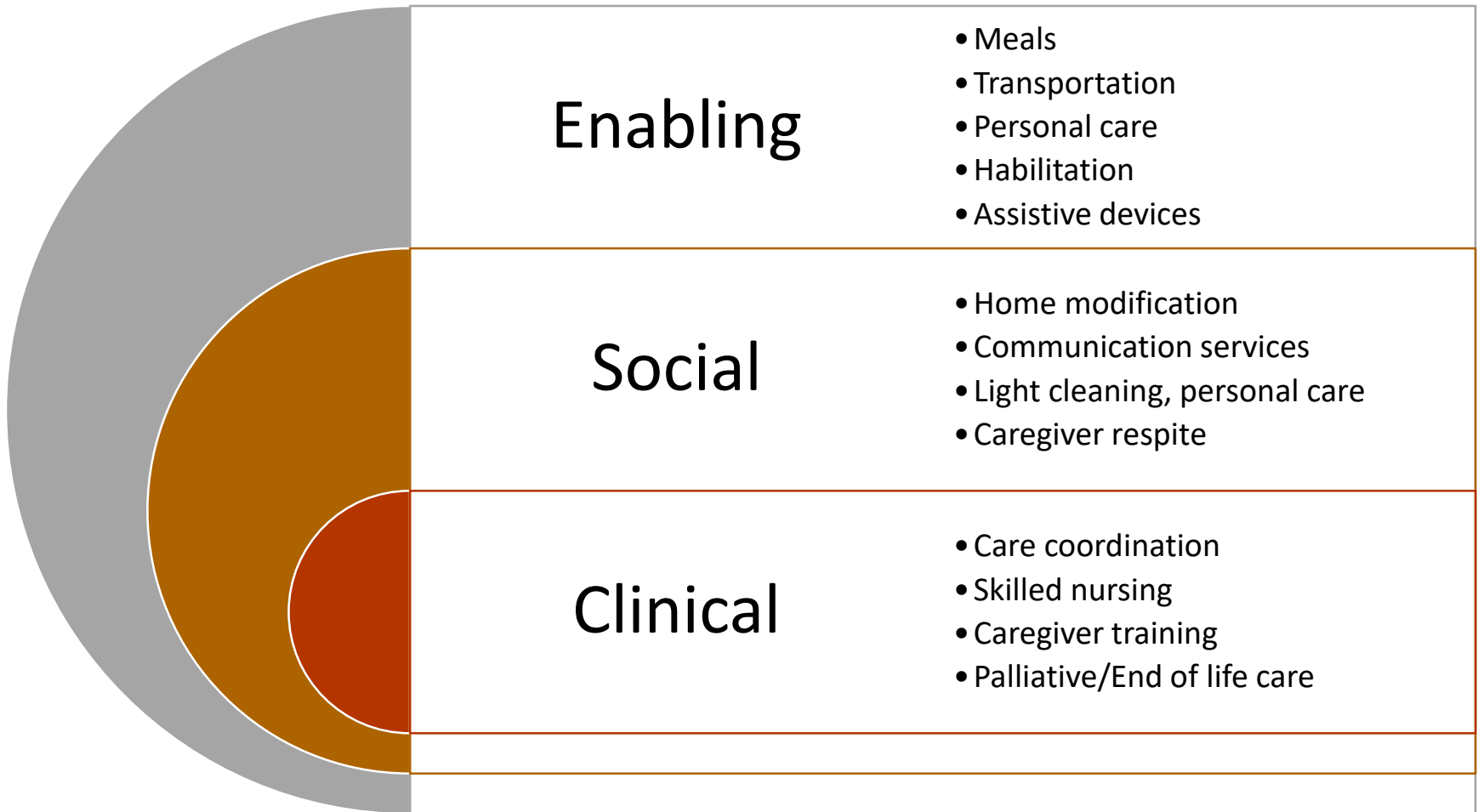
## 2020:

- Home modifications
- Pest control
- Home/palliative care
- Transportation
- Food security
- Housing
- Loneliness

## 2021:

- Opioid treatment
- Polypharmacy
- Mental/behavioral
- Dementia care
- Adult day care
- Telehealth
- Caregivers

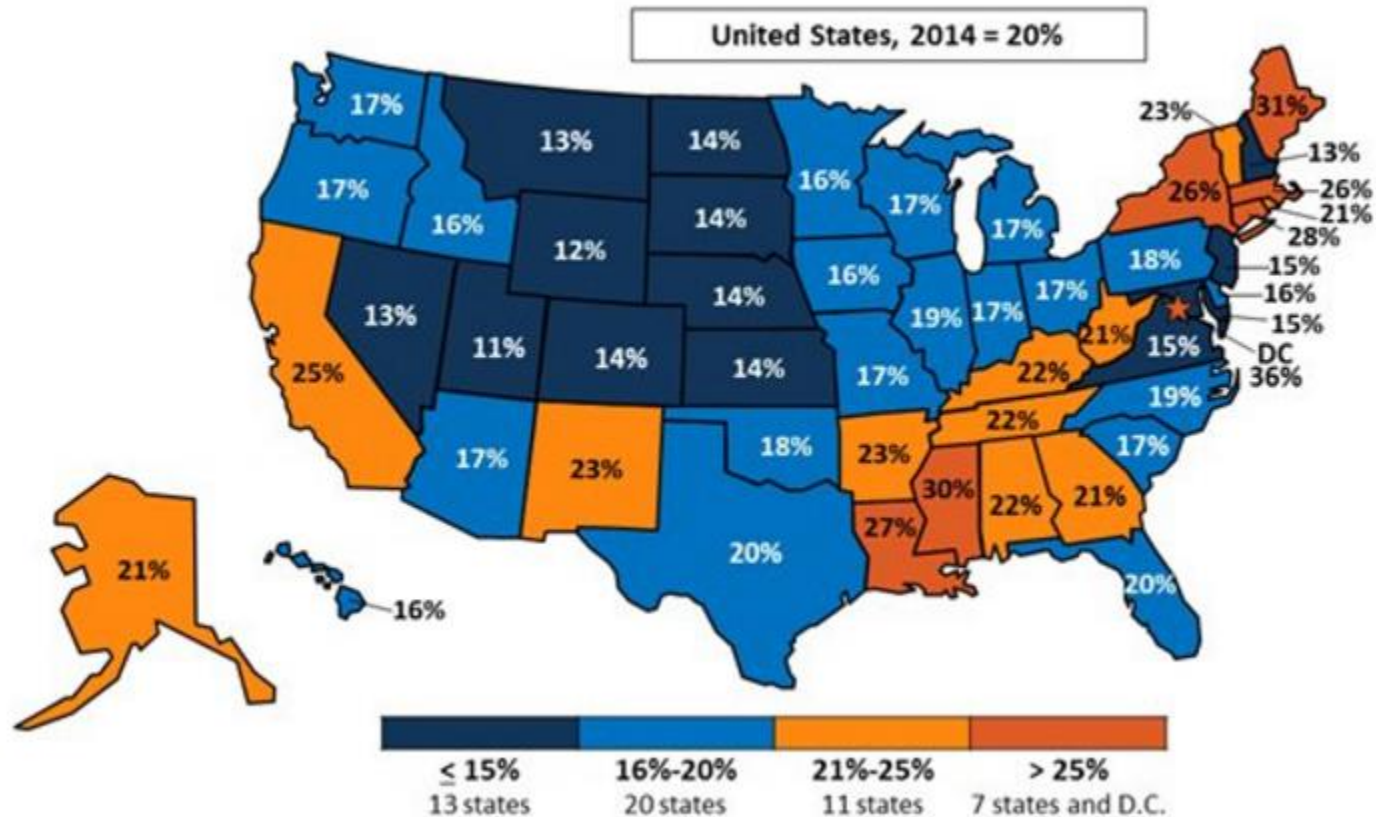
# CHALLENGES FACING PLANS: CHILDLESS ADULTS, DUALS, AND LTC



# DUAL ELIGIBLES ARE THE INSURANCE INDUSTRY'S BIGGEST OPPORTUNITY

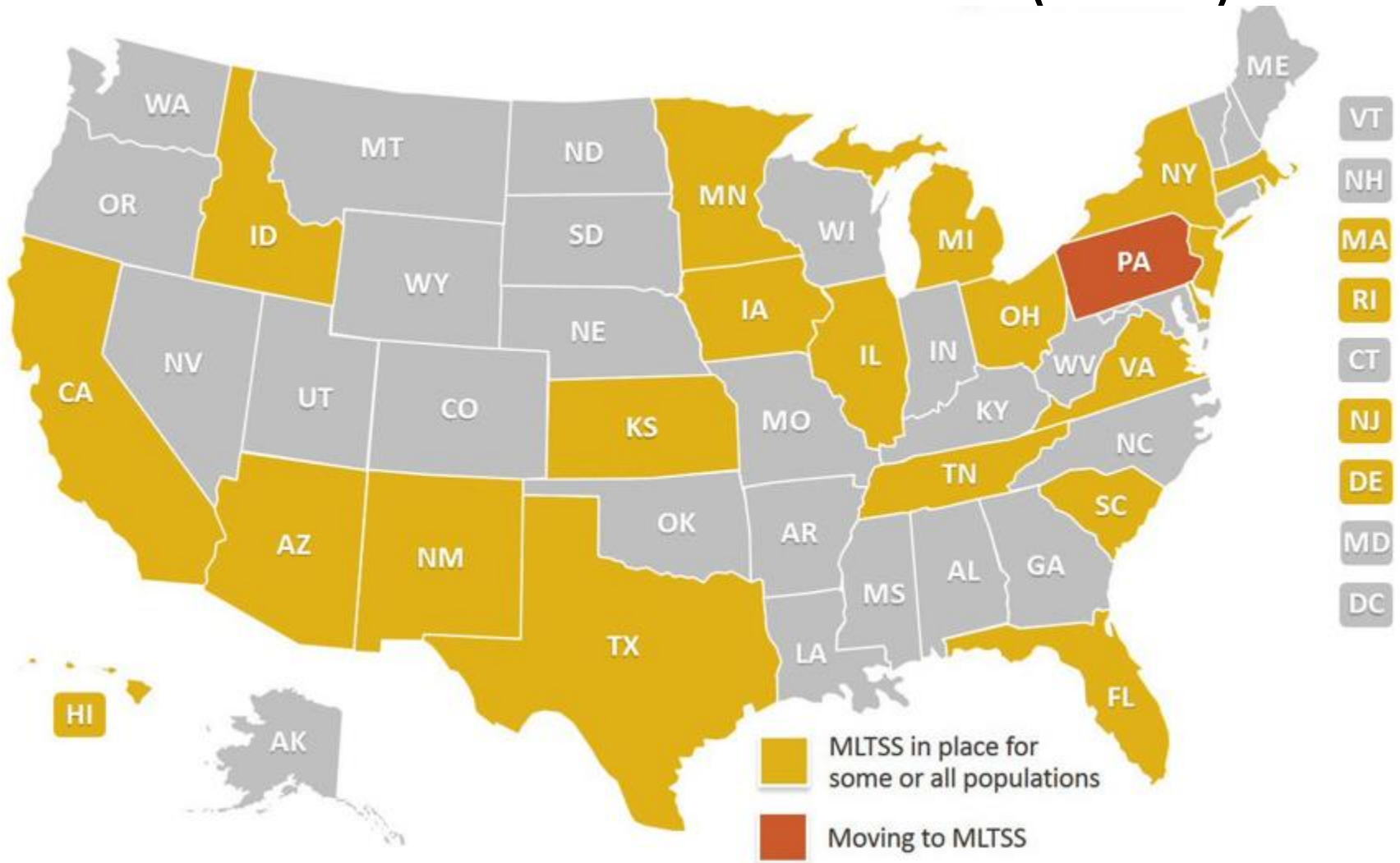
**One in five people on Medicare receive assistance from Medicaid**

*Dual Eligible Beneficiaries as a Share of Medicare Enrollees, by State*



SOURCE: Kaiser Family Foundation analysis of Chronic Conditions Warehouse 2014 data.

# STATES WITH PROGRAMS FOR MANAGED LONG-TERM SERVICES AND SUPPORTS (MLTSS)



# CAN SPECIAL NEEDS PLANS (SNPs) MAKE MONEY?

*SNPs are generally more profitable than ALL other types of MA plans*

Category	2012 Margin
SNPs (total)	8.6%
Non-SNPs (total)	4.3%
SNPs, non-profit	-0.6%
SNPs, for-profit	11.5%
50%+ partial dual eligible	12.9%
50%+ full dual eligible	5.7%

Source: MedPAC 2015 Report to Congress, Table 13-6, p.332, March 2015.

# GROWTH OPPORTUNITIES FOR MEDICARE ADVANTAGE

- Baby Boomers
  - 50% enrolling in MA in first two years of eligibility
  - More affluent skew toward PPOs
- Medigap conversions
  - First-dollar coverage plans (e.g., Type C and F) banned in 2020
- Prescription Drug-only plan conversions
- Retiree group/EGWP/Series 800
- Dual Eligibles/MLTSS populations





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