

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



A Presentation to the 14th Annual Value-Based Payment and P4P Summit

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TODAY'S AGENDA

1. The competitive landscape in Medicare Advantage 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!

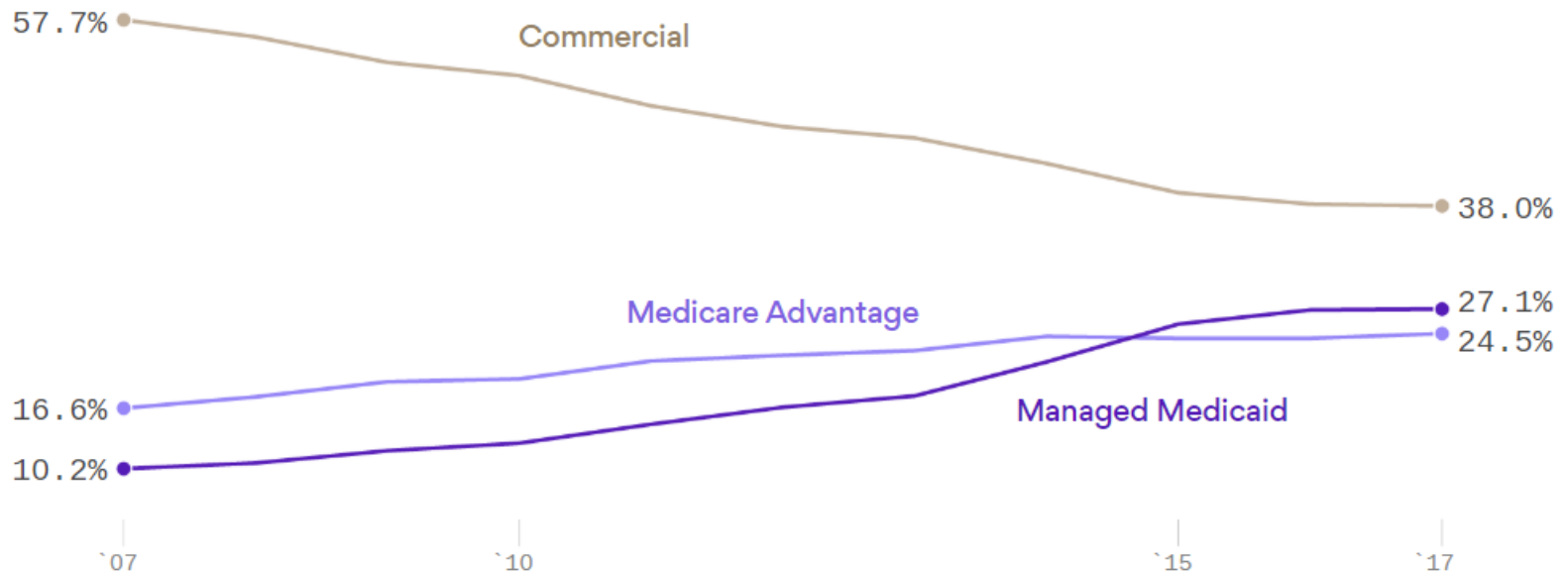


- Government programs = sole growth opportunity for payers and providers
- Trump/Verma effect = Medicare Advantage is the only safe game in health insurance now
- Growth, aggregation, new entrants
- Risk Adjustment and Star Ratings drive market, bar rises
- *“A Darwinian and Edisonian moment”*

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 MEMBERSHIP

National Snapshot – January 2019

Includes:

2,861,465 SNP
4,233,906 Series 800
5,780,242 Local PPO

CURRENT CONTRACT SUMMARY	NO. OF CONTRACTS	MA ONLY ENROLLEES	DRUG PLAN ENROLLEES	TOTAL ENROLLEES
Total “Prepaid” Contracts	697	2,663,051	19,005,726	21,668,777
Local CCPs	466	2,067,710	16,613,606	18,875,998
PFFS	6	46,528	101,163	147,026
MMP	50	0	379,620	377,391
1876 Cost	15	362,076	267,683	629,843
1833 Cost (HCPP)	9	71,500	0	71,598
PACE	124	0	42,151	43,303
MSA	3	6,508	0	6,671
Regional PPOs	24	113,058	1,249,387	1,362,445
Total PDPs	63	0	25,664,511	25,664,511
Employer/Union Only Direct Contract PDP	3	0	111,781	113,548
All Other PDP	60	0	25,246,534	25,453,289
TOTAL	761	2,624,898	44,670,237	47,333,288

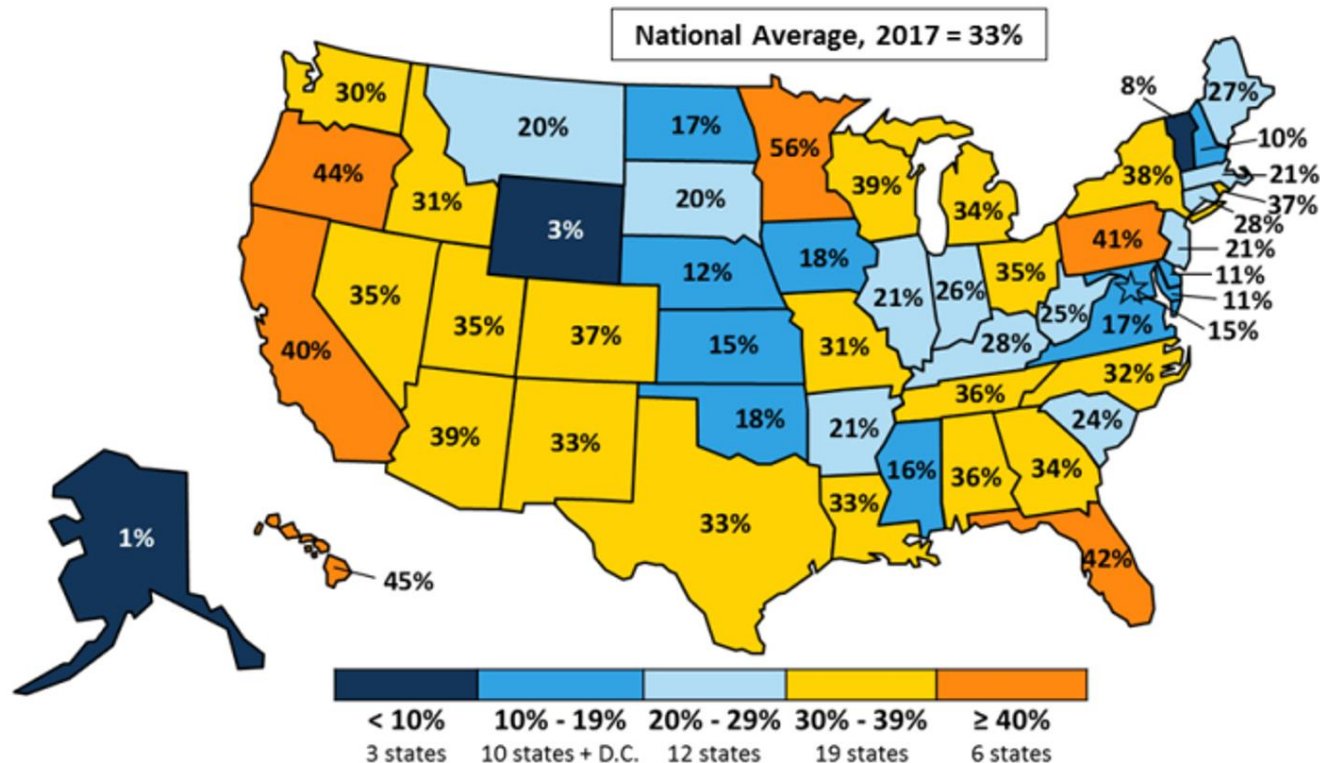
Source: Medicare Advantage, Cost, PACE, Demo, and Prescription Drug Plan Contract Report – Monthly Summary.

Totals reflect enrollment as of the January 1, 2019 payment. The payment reflects enrollments accepted through December 11, 2018.

MEDICARE ADVANTAGE PENETRATION, 2017

Enrollment in Medicare Advantage plans varies across states

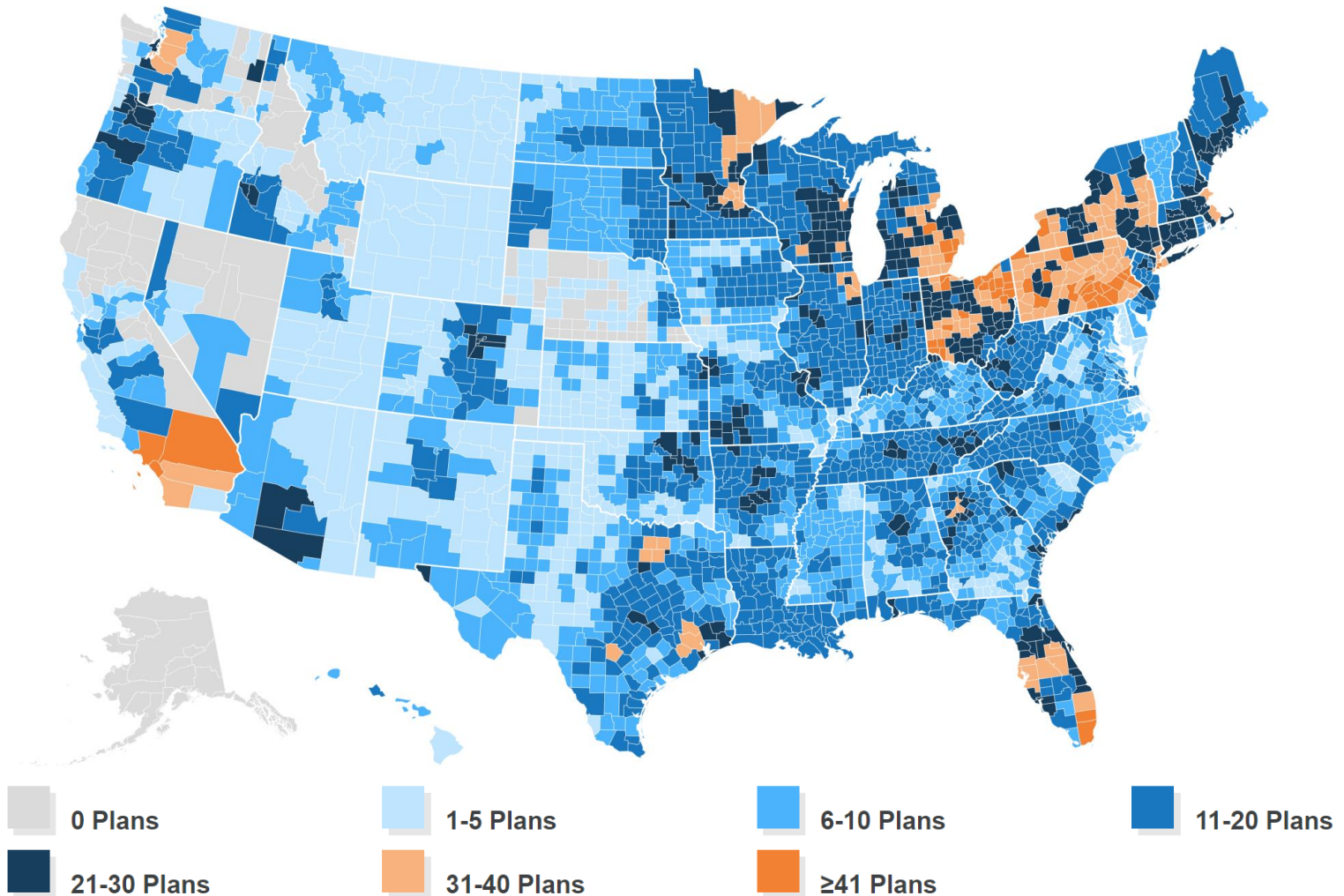
Share of Medicare Beneficiaries enrolled in Medicare Private Health Plans, by state, 2017



Note: Includes MSAs, cost plans and demonstrations. Includes Special Needs Plans as well as other Medicare Advantage plans. Excludes beneficiaries with unknown county addresses and beneficiaries in territories other than Puerto Rico.

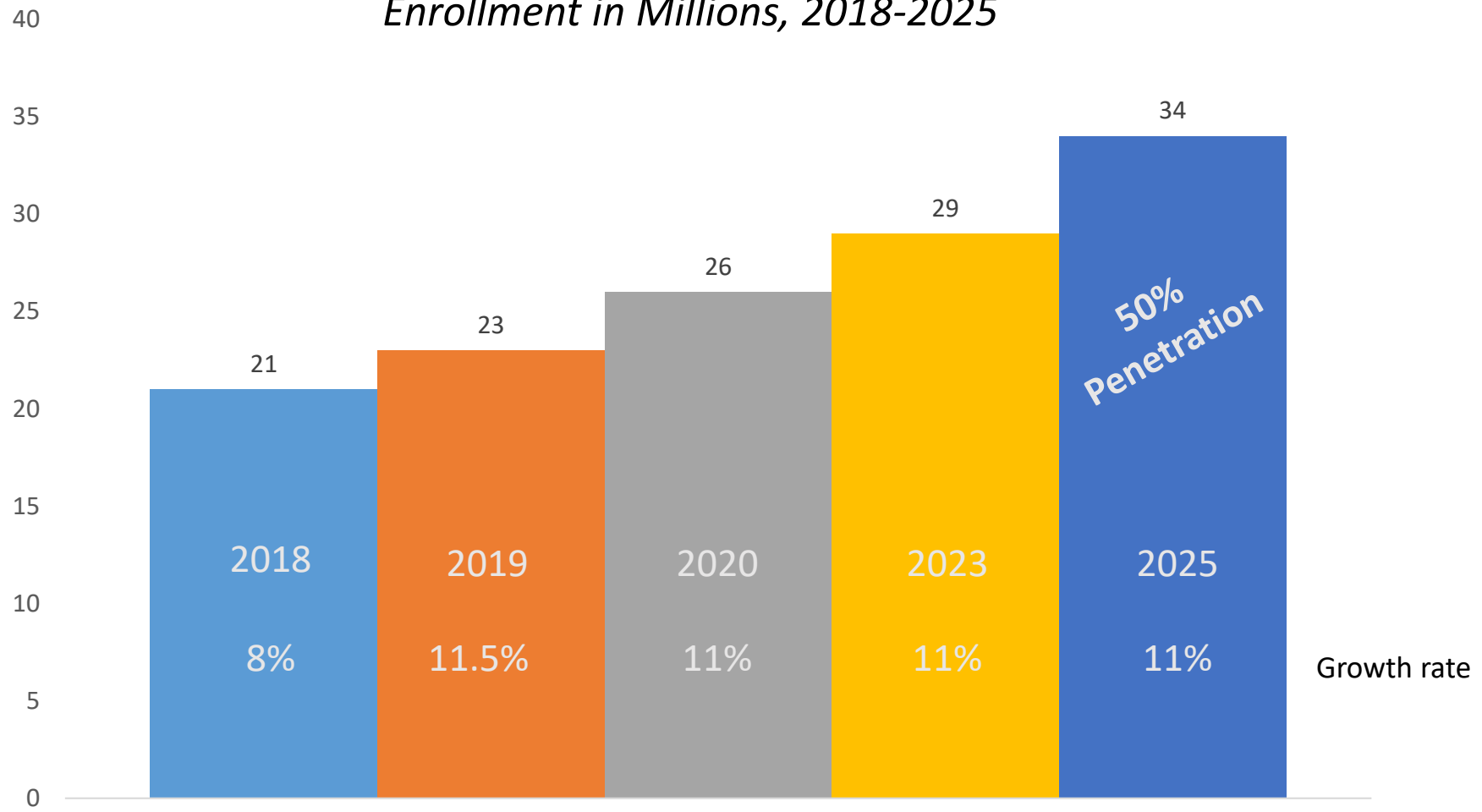
Source: Authors' analysis of CMS State/County Market Penetration Files, 2017.

MA PLANS AVAILABLE BY COUNTY, 2019



EXPLOSIVE GROWTH IN MEDICARE ADVANTAGE CONTINUES “4-EVA”

Enrollment in Millions, 2018-2025



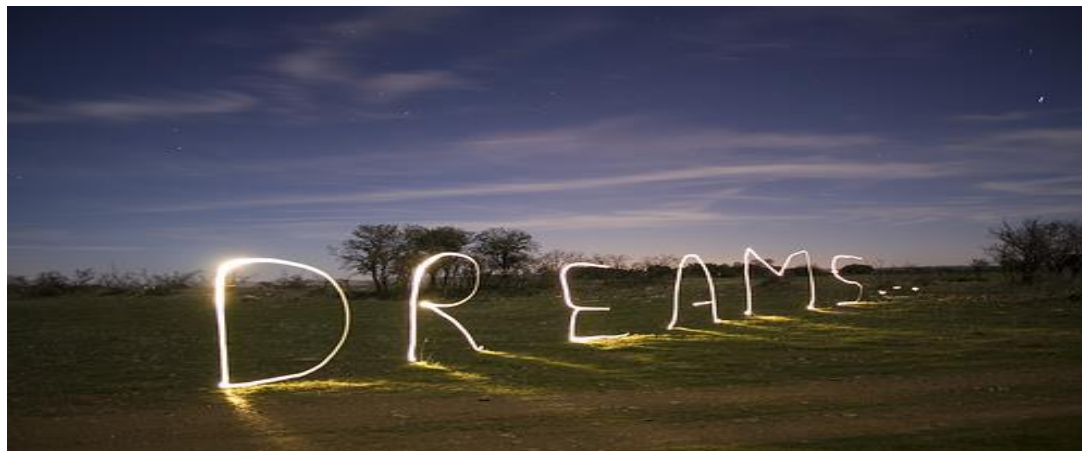
FINAL CMS CALL LETTER FOR 2019 IS BEST EVER, 2020 LOOKING GOOD

- 3.5-6.4% average gross revenue increase in 2019
 - 160 bps increase from draft
 - Biggest pay raise since MMA of 2003
- 1.59% proposed increase for 2020, likely ends up ~3%
- 270 MA plans providing 1.5 million enrollees new types of supplemental benefits in 2019



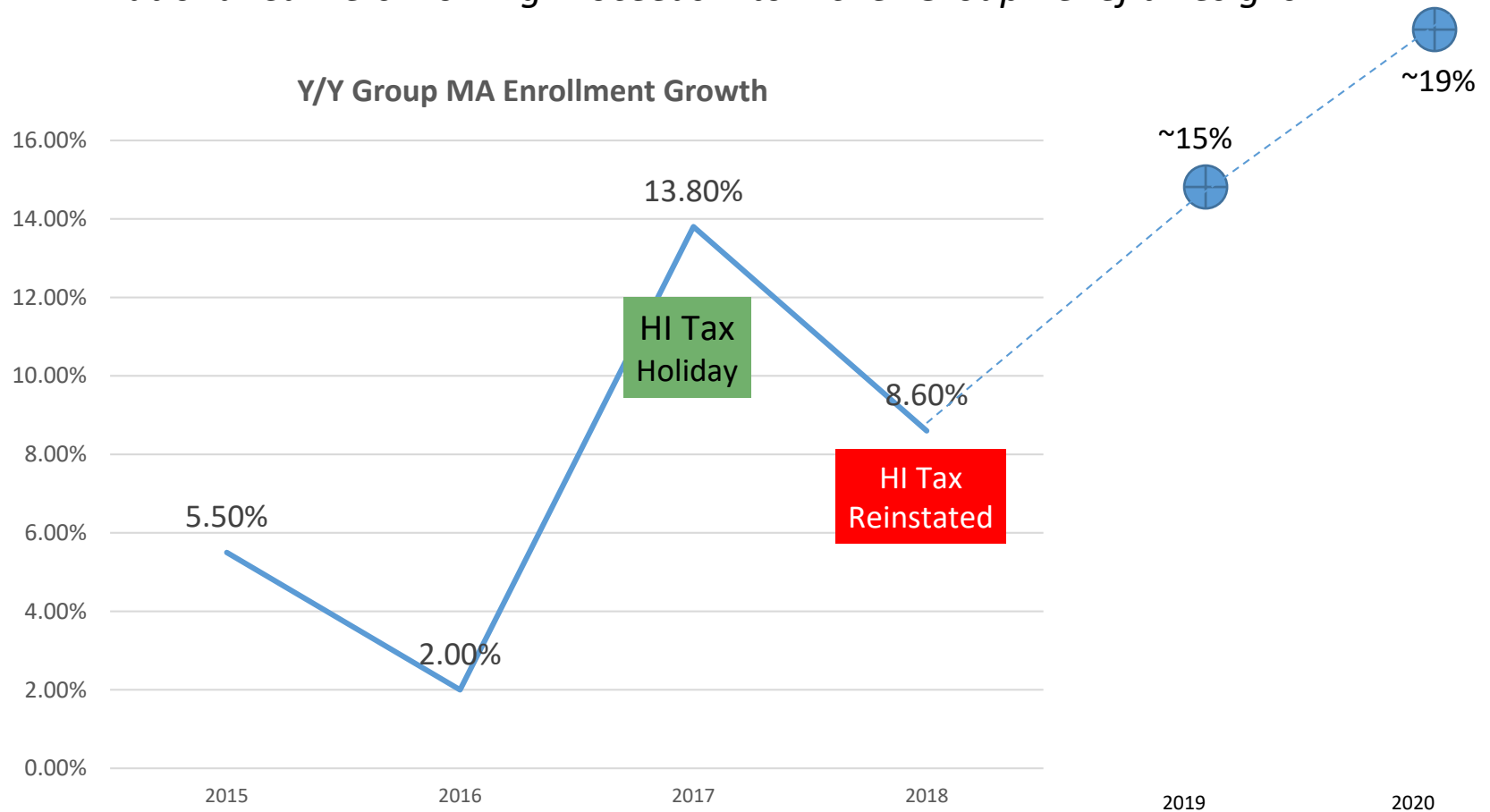
HEALTH SYSTEMS FLOCKING TO MEDICARE ADVANTAGE

- 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.
- 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



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

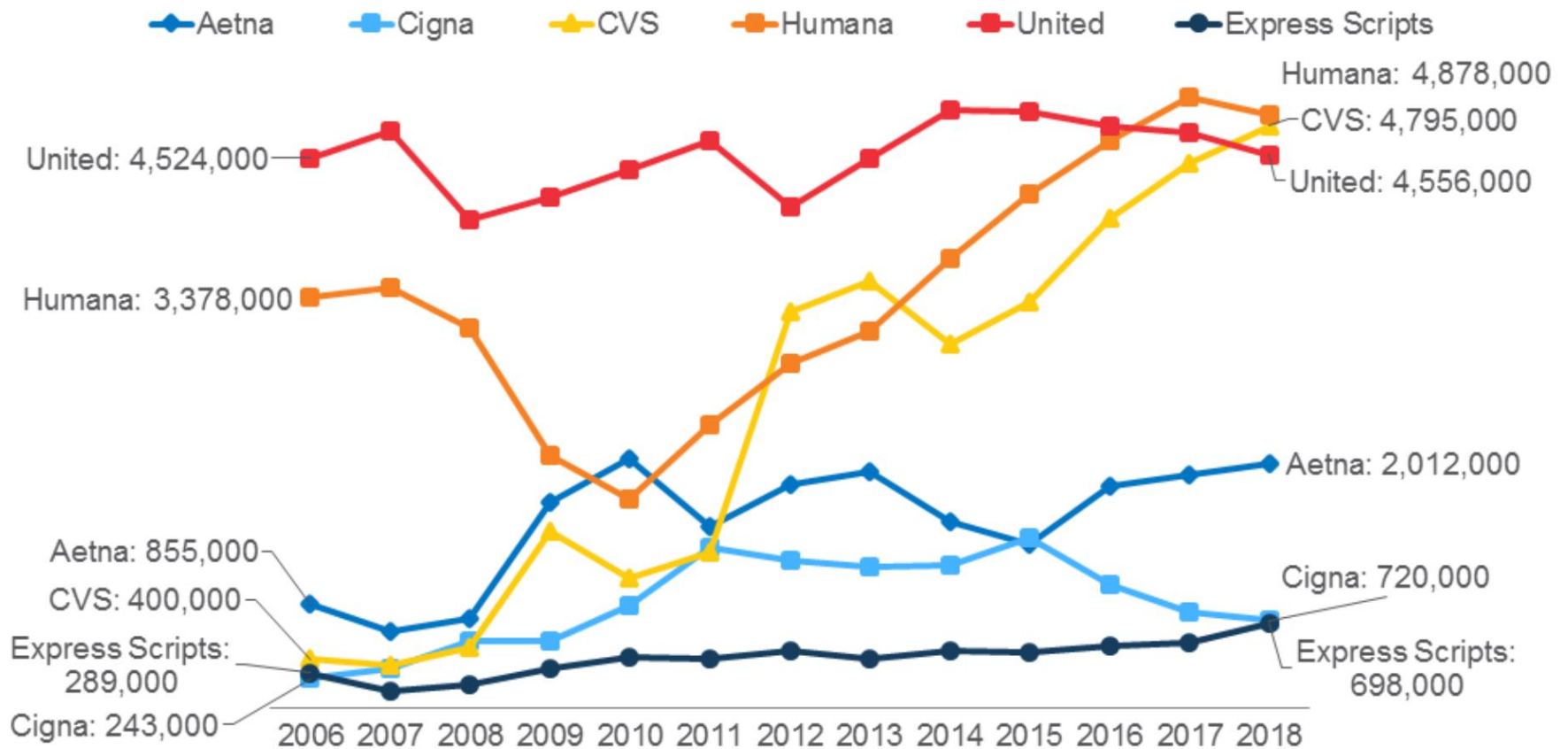
Go-To Product for Affluent Boomers and Retiree Groups;

When Done Right, a MediGap Killer

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

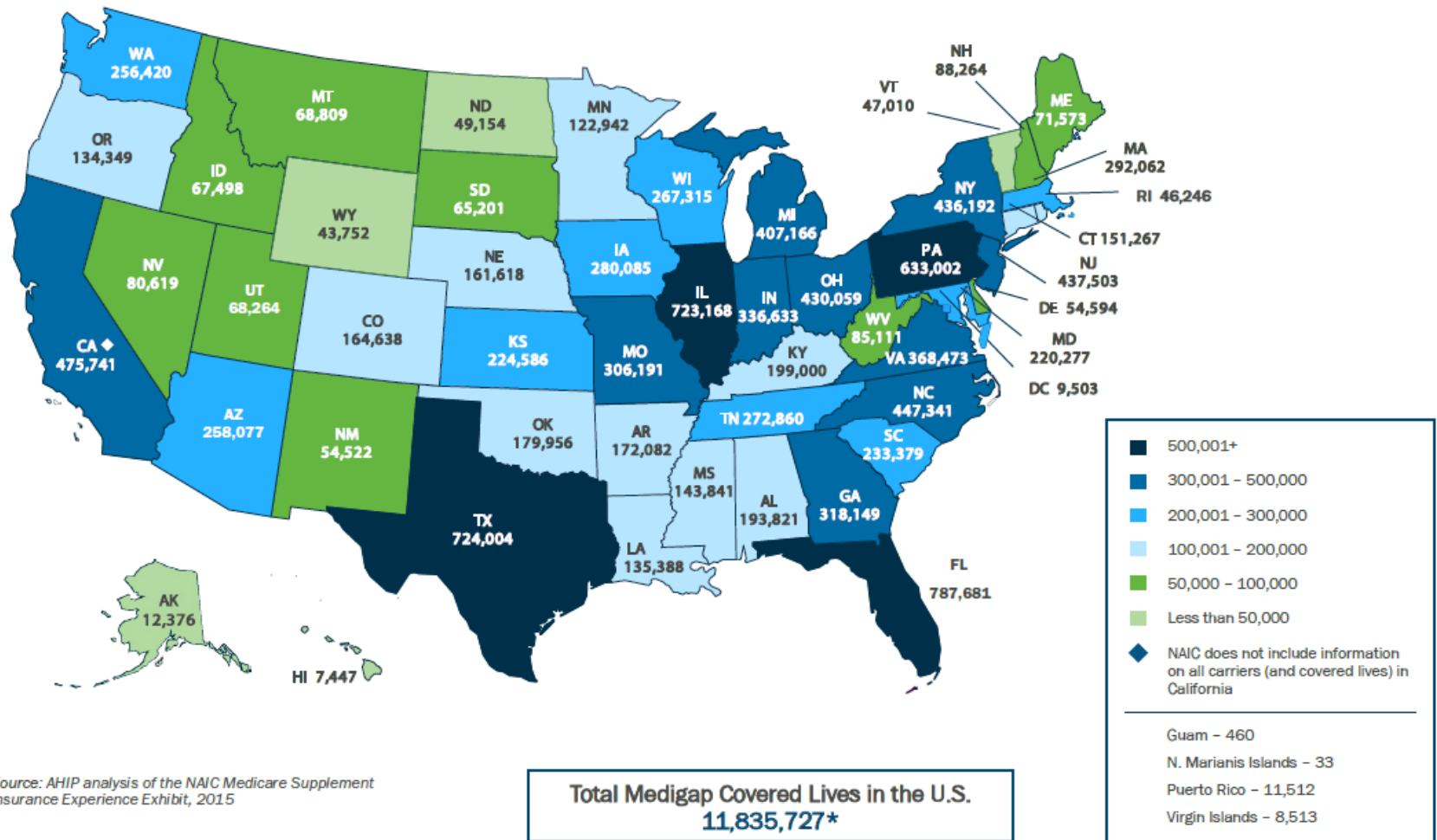
MACRA Bans Sale of First-Dollar Coverage Supplements in 2020

Plan Type	Enrollment				Change in Enrollment 2014-2015	Percent Change 2014-2015
	2012	2013	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%
Total	10,151,940	10,604,729	11,197,280	11,835,727	638,447	6%

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



Source: AHIP analysis of the NAIC Medicare Supplement Insurance Experience Exhibit, 2015

* Includes U.S. Territories

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
 - Food security
 - Transportation to doctor’s appointments or to urgent care
 - Telehealth

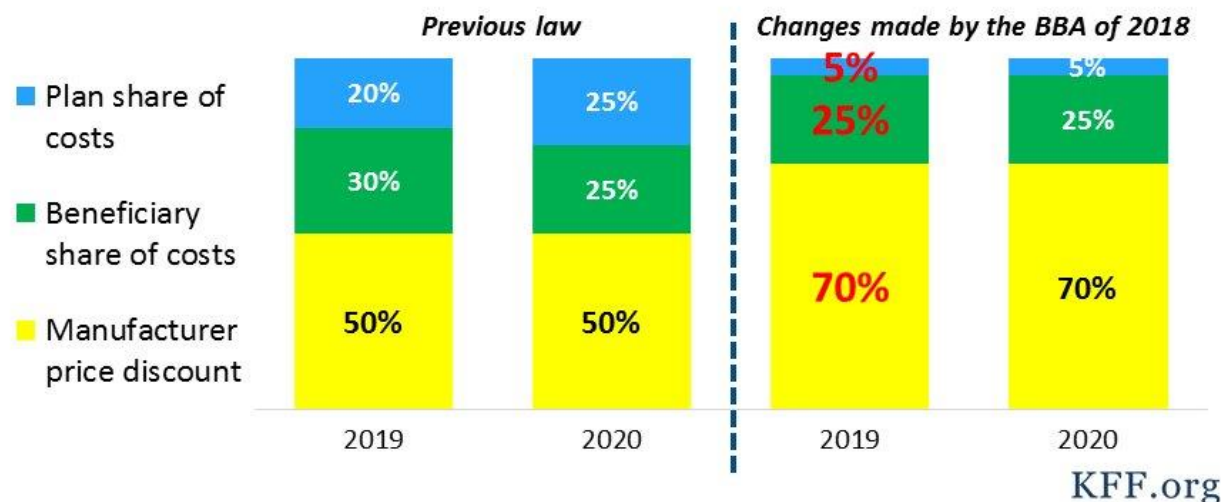


2019 BUDGET RESOLUTION = GOODIE BAG FOR MA

- Permanent Special Needs Plan (SNP) reauthorization
- CHRONIC Care Act (expand MA-VBID to all 50 states by 2020)
- Codifies expansion of supplemental benefits
- Allows plans to build telehealth into MA bid
- Jelly in the Donut Hole:

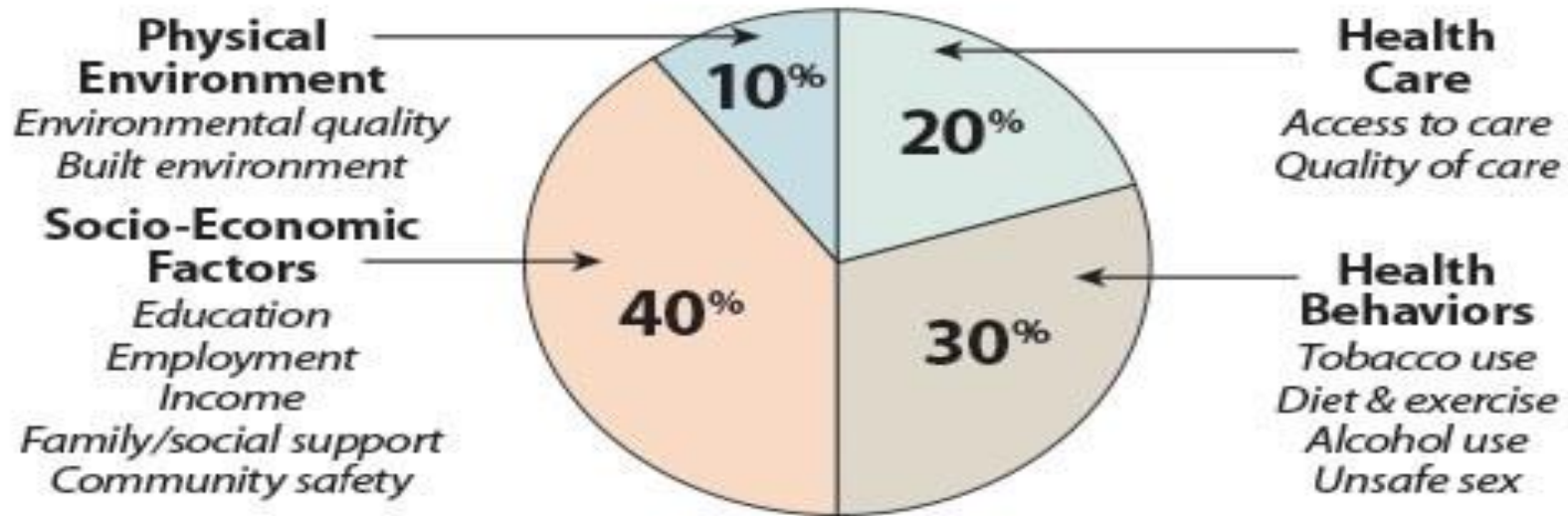
How the 2018 Bipartisan Budget Act Changes the Part D Coverage Gap

Share of costs in the coverage gap paid by manufacturers, beneficiaries, and plans:



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>

WHAT MARKET LEADERS ARE DOING ON SUPPLEMENTALS AND SDOH



- 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

- Movement to reduce/eliminate copays and deductibles
- Menu of tiered supplemental benefits becomes the norm
- Vision, dental and OTC benefits become new table stakes

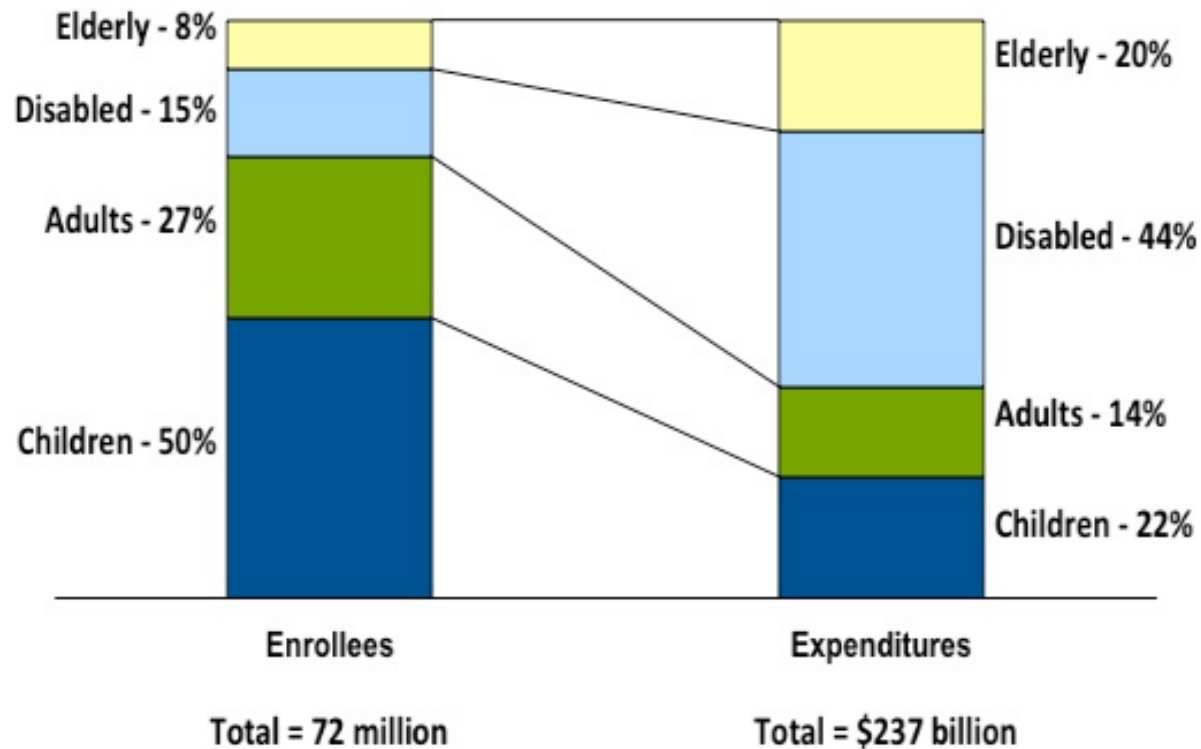


THE NEXT GENERATION OF MA BENEFIT DESIGN

- 2020: widespread offering of new evidence-based benefits, especially home modifications, home and palliative care, transportation, food security, housing, loneliness
- 2021:
 - Successful 2020 benefits go mainstream in large urban markets
 - Serious offerings on opioid treatment, polypharmacy
 - emergence of mental/behavioral/dementia benefits
 - more experimental options in telehealth, caregivers

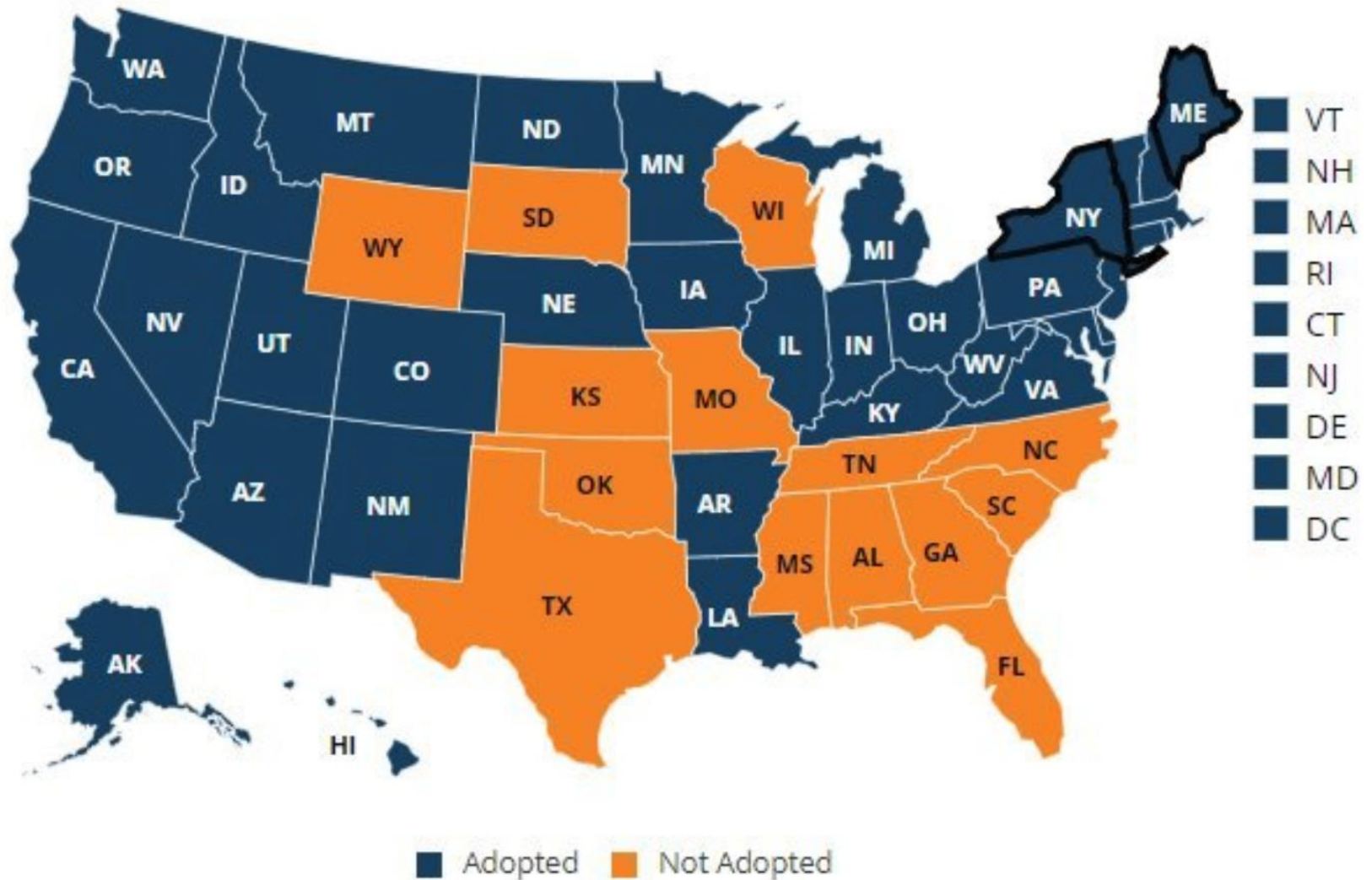


MEDICAID ENROLLEES AND EXPENDITURES



Source: Georgetown Center for Children and Families analysis of May 2013 CBO Medicaid Baseline.
Numbers may not add to 100% due to rounding.

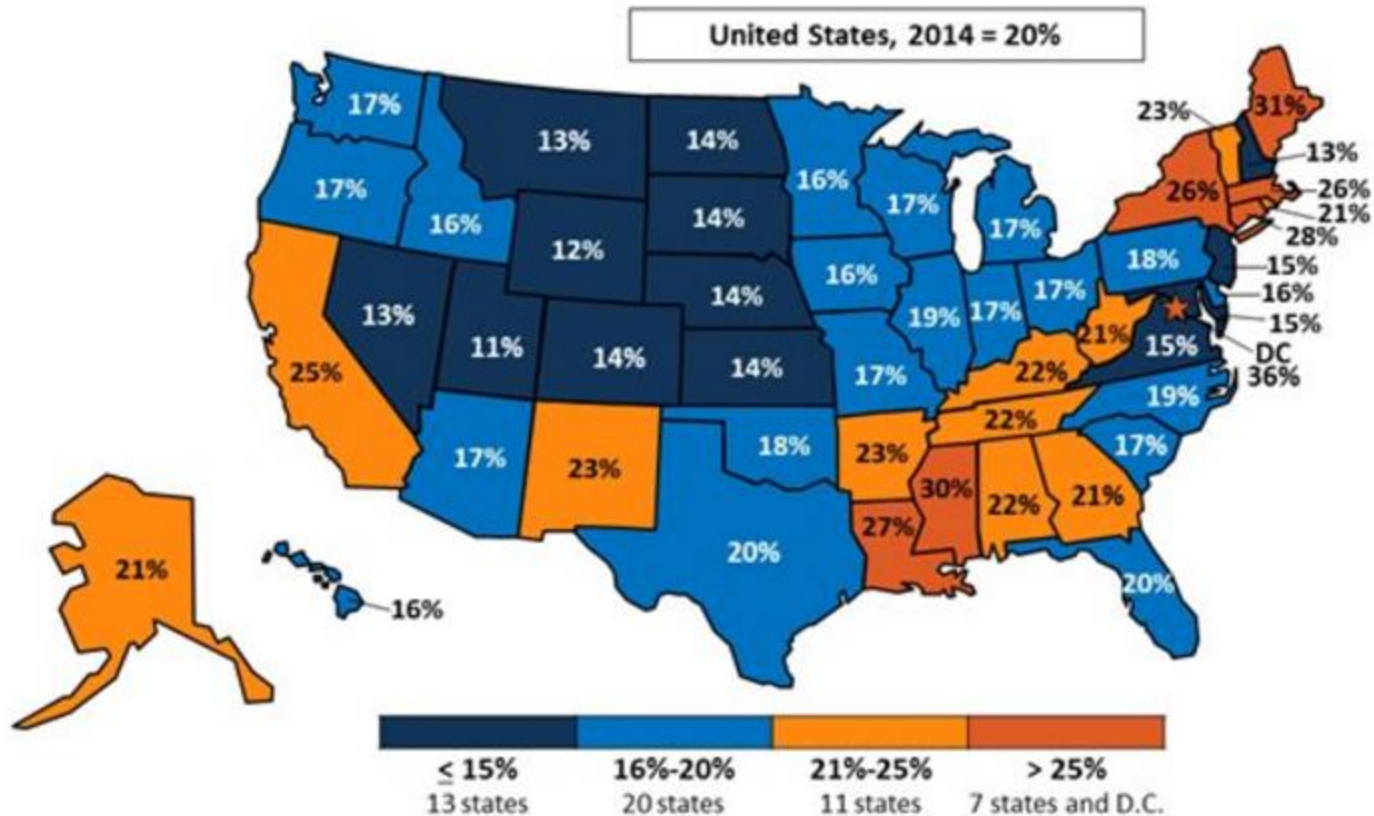
STATUS OF STATE MEDICAID EXPANSIONS, 2019



DUAL ELIGIBLES ARE THE INSURANCE INDUSTRY'S BIGGEST OPPORTUNITY

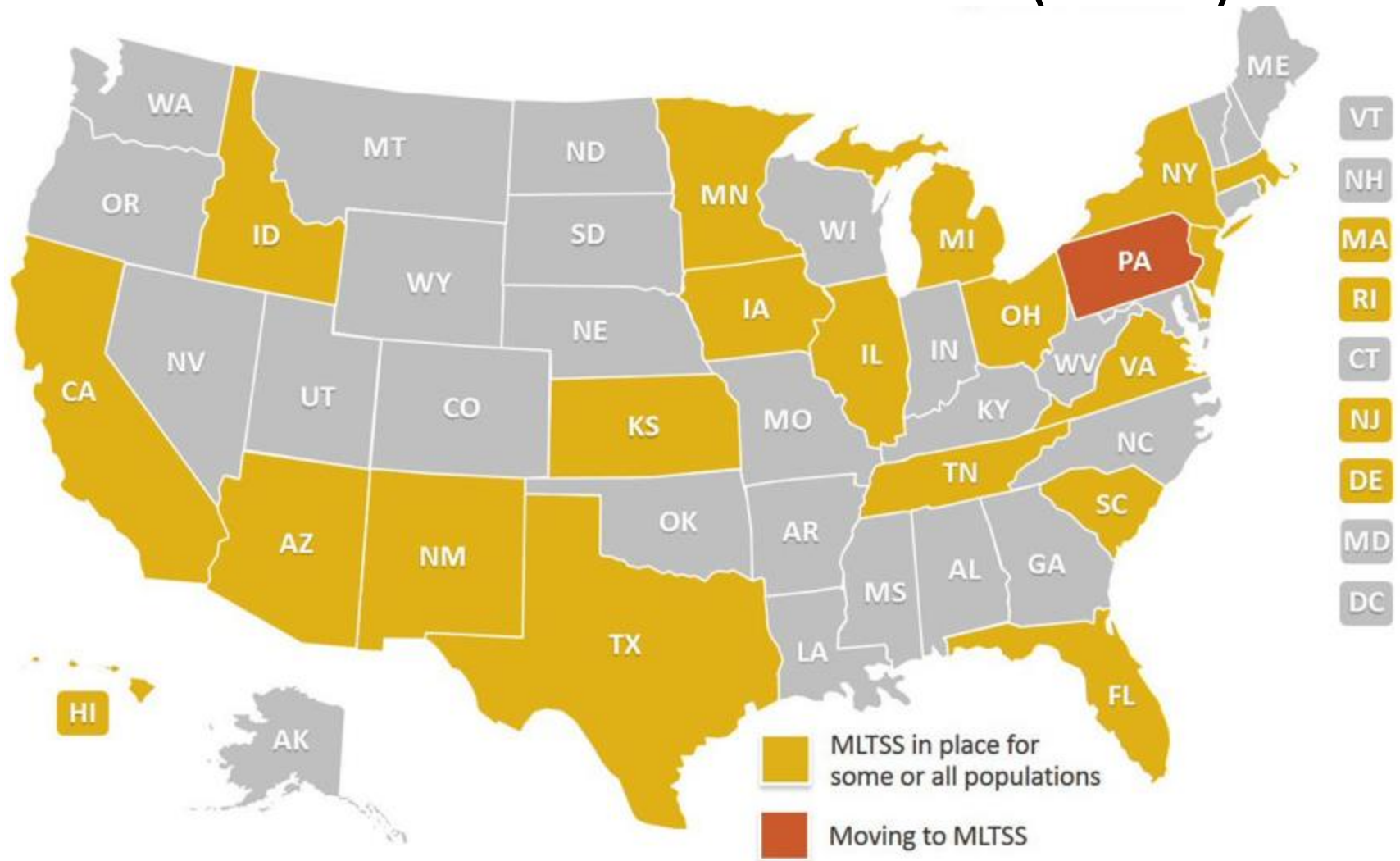
One in five people on Medicare receive assistance from Medicaid

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)



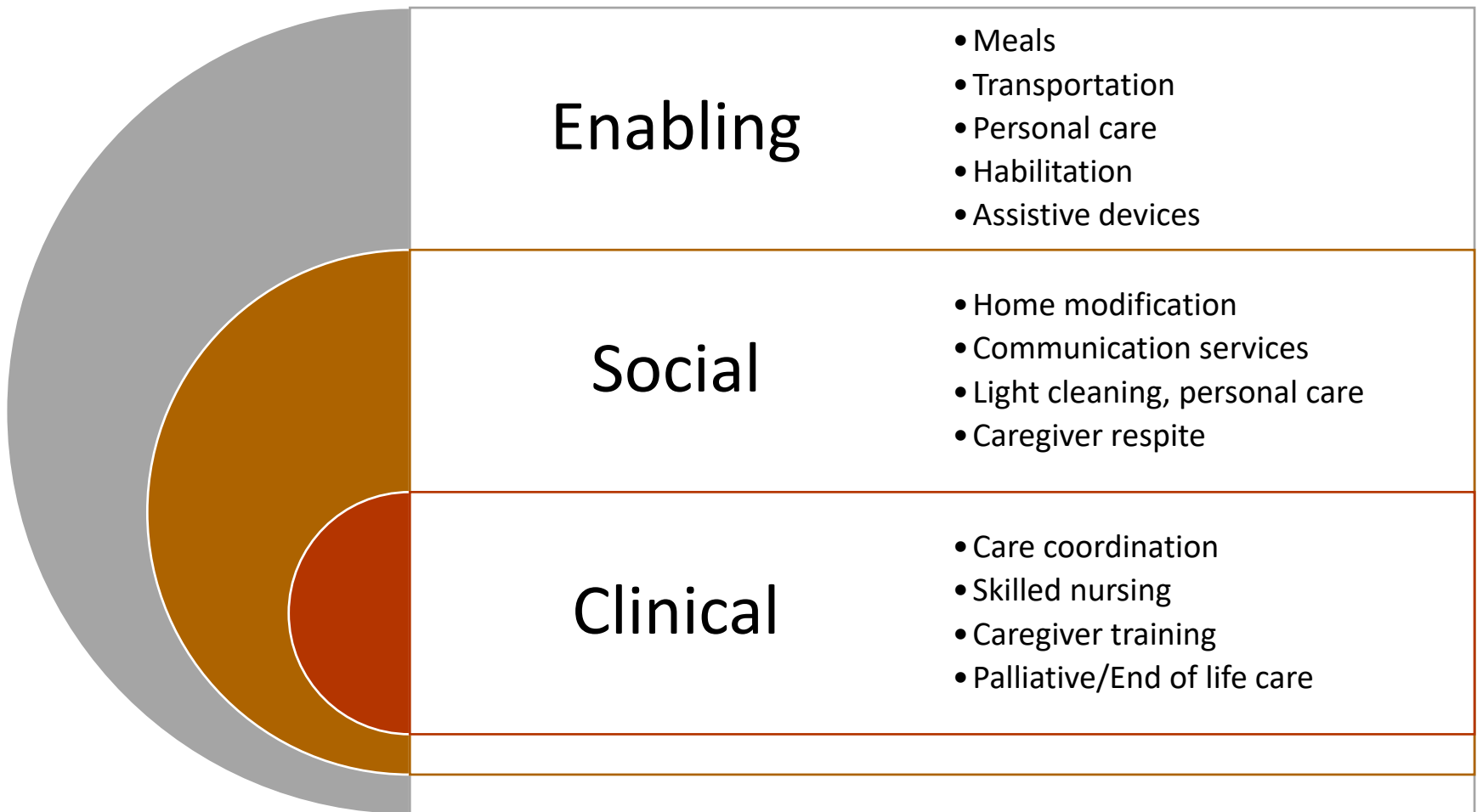
CAN SPECIAL NEEDS PLANS (SNPs) MAKE MONEY?

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.

CHALLENGES FACING PLANS: CHILDLESS ADULTS, DUALS, AND LTC



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



CONCLUSIONS

- Medicare Advantage remains safe and stable in Year 3 of Trump
- New tools to address social determinants will be a major draw
- Expansions in PPOs and SNPs, huge changes to Medigap
- Risk adjustment and Star Ratings remain focal points of competition
- Improving the member experience and managing medically complex patients are keys to long-term survival





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