



MEDICARE ADVANTAGE UPDATE

*A Presentation to the Thirteenth National
Value-Based Payment and Pay for Performance
Summit*

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EXECUTIVE CHAIRMAN

MARCH 2, 2018

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HEALTH GROUP

TODAY'S AGENDA

1. The Outlook for Medicare Advantage Under Trump
2. Evolving Star Ratings and Risk Adjustment Imperatives
3. Medicare Advantage/ Part D Draft Regulation
4. Compliance Vulnerabilities for 2018
5. Conclusions and Q&A



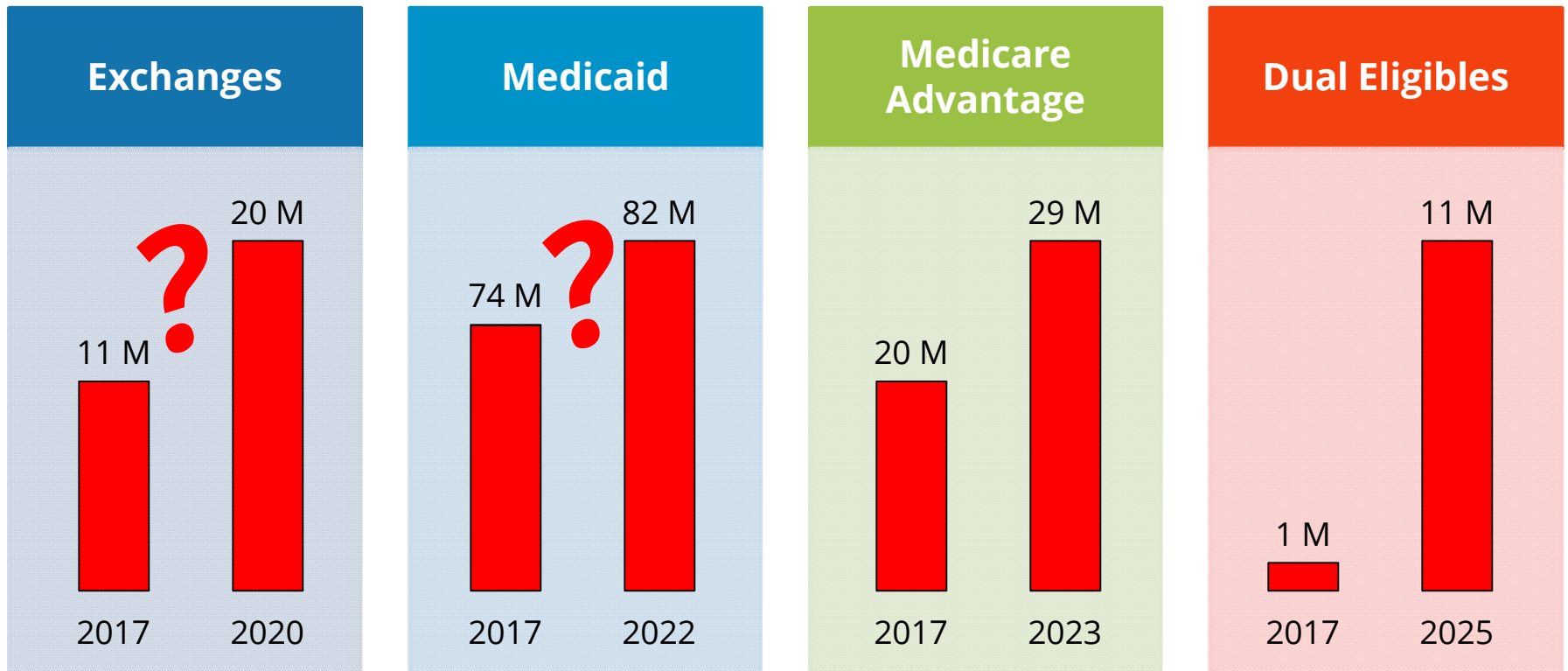
CUT TO THE CHASE!



- Government programs = sole growth opportunity for payers and providers
- Trump/Verma effect =
 - Medicare Advantage and Part D: only safe games in health insurance now
 - Medicaid: major changes certain
- Growth, aggregation, new entrants
- Star Ratings drive market, bar rises
- *"A Darwinian and Edisonian moment"*

"TIPPING POINT" IN GOVERNMENT-SPONSORED PROGRAMS

*Commercial Group: Declining, Shifting
Government: Sole Source of Organic Growth*



2019 MA CALL LETTER TAKEAWAYS

- ③ The 2019 Call Letter confirms once again that MA is the most stable of all insurance product lines.
- ③ This is the biggest Call Letter in years:
 - Flexibility is the rule – without endangering beneficiaries
 - Rates are up
 - Risk adjustment changes as expected
 - New tools for addressing opioid abuse
 - Implementation of Obama-era EGWP policy
 - Star Ratings changes modest, but competition never greater
 - “Scarlet Letter” for poor performers
 - New compliance challenges, especially provider directory accuracy
 - Supplemental benefit flexibility is a game changer



SUPPLEMENTAL BENEFITS

- ② CMS seeks to allow for benefits which “compensate for physical impairments, diminish the impact of injuries or health conditions, and/or reduce avoidable emergency room utilization.”
- ② Opportunity for plans to offer more meaningful benefits that address social determinants of health:
 - CMS is broadening its definition and will permit MA plans to offer additional benefits as “healthcare benefits” – that is, to include it in the bid.
 - For a service or item to be “primarily health related,” it must “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.”

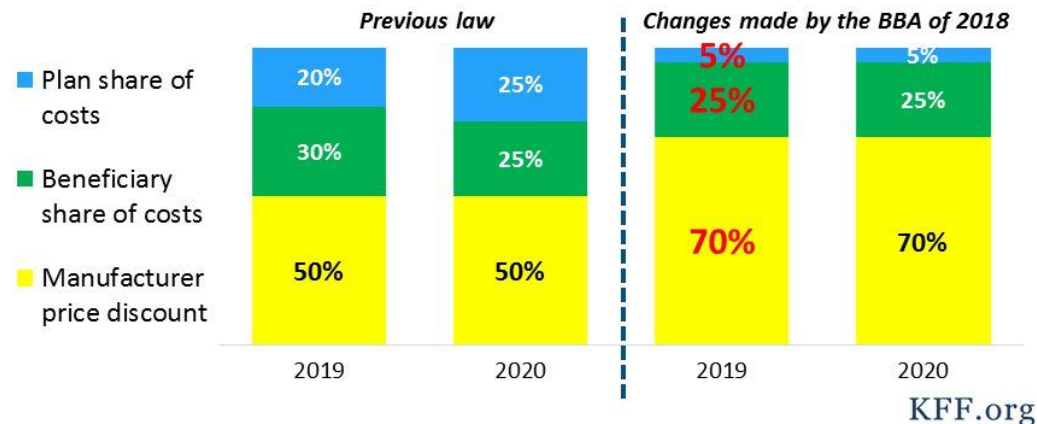


2019 BUDGET RESOLUTION = GOODIE BAG FOR MA

- Permanent Special Needs Plan (SNP) reauthorization
- Lots of Medicare extenders
- 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:



MEDICARE ADVANTAGE MEMBERSHIP

National Snapshot – January 2018

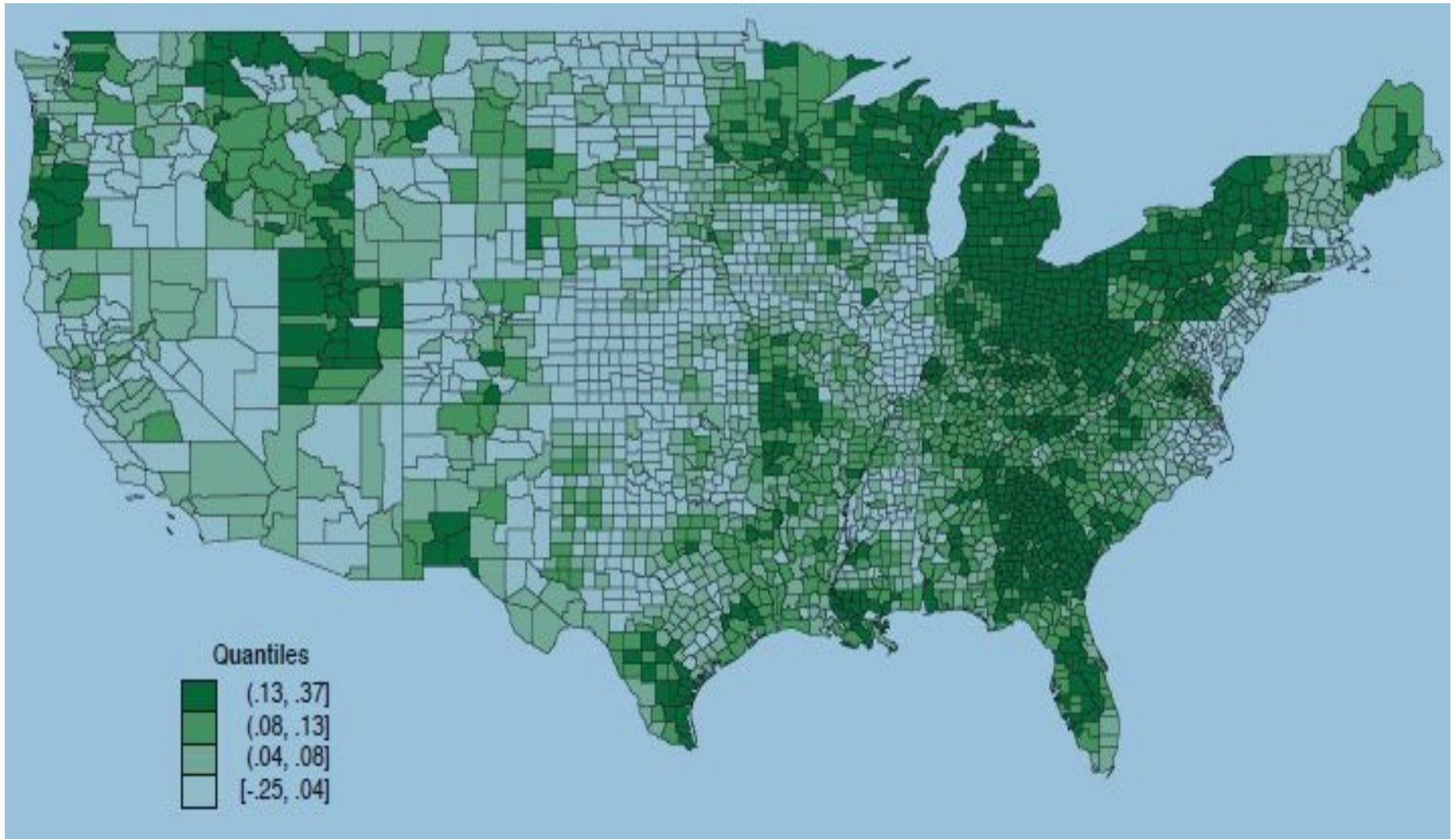
Includes:

2,490,792 SNP
3,875,370 Series 800
5,038,911 Local PPO

CURRENT CONTRACT SUMMARY	NO. OF CONTRACTS	MA ONLY ENROLLEES	DRUG PLAN ENROLLEES	TOTAL ENROLLEES
Total “Prepaid” Contracts	701	2,664,400	18,281,478	20,945,878
Local CCPs	470	2,051,982	16,274,745	18,326,727
PFFS	6	50,890	105,071	155,961
MMP	50	0	383,047	383,047
1876 Cost	15	365,143	267,932	633,075
1833 Cost (HCPP)	9	71,915	0	71,915
PACE	124	0	41,079	41,079
MSA	3	6,138	0	6,138
Regional PPOs	24	118,332	1,209,604	1,327,936
Total PDPs	63	0	25,445,723	25,445,723
Employer/Union Only Direct Contract PDP	3	0	110,672	110,672
All Other PDP	60	0	25,335,051	25,335,051
TOTAL	764	2,664,400	43,727,201	46,391,601

Source: Medicare Advantage, Cost, PACE, Demo, and Prescription Drug Plan Contract Report – Monthly Summary.
Totals reflect enrollment as of the January 1, 2018 payment. The January payment reflects enrollments accepted through December 8, 2017.

GEOGRAPHY OF MA GROWTH, 2006-2015



PPOS ARE EXPLODING IN MEDICARE ADVANTAGE

*Go-To Product for Affluent Boomers and Retiree Groups;
When Done Right, a MediGap Killer*

Covered MA Local PPO Lives	Dec-14	Dec-15	Dec-16	Dec-17	Jan-18
UnitedHealth Group, Inc.	628,668	868,181	993,257	1,366,631	1,668,494
% of MA Membership	19%	24%	25%	28%	30%
Total Number of PPOs	82	104	101	162	198
Aetna Inc.	698,302	810,975	924,736	1,039,245	1,243,035
% of MA Membership	61%	63%	66%	69%	73%
Total Number of PPOs	98	103	101	136	156
Humana Inc.	880,213	986,012	867,286	1,082,117	1,224,378
% of MA Membership	30%	12%	-12%	25%	13%
Total Number of PPOs	162	151	137	135	173
Anthem Inc.	238,711	99,573	53,532	58,222	64,469
% of MA Membership	34%	17%	9%	8%	8%
Total Number of PPOs	66	57	52	53	51
Centene Corporation	0	0	38,794	36,496	36,704
% of MA Membership	0%	0%	13%	13%	12%
Total Number of PPOs	0	0	17	15	13
WellCare Health Plans, Inc	0	0	0	23,259	31,886
% of MA Membership	0%	0%	0%	5%	6%
Total Number of PPOs	0	0	0	10	19
Cigna	5,927	5,678	6,305	2,684	2,122
% of MA Membership	1%	1%	1%	1%	0%
Total Number of PPOs	4	3	3	2	2

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

MACRA Bans Sale of First-Dollar Coverage Supplements in 2020

Standardized Medigap Plans

	A	B	C	D	F*	G	K	L	M	N
Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are used up	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Part B coinsurance or copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes***
Blood (first 3 pints)	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A hospice care coinsurance or copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Skilled nursing facility care coinsurance	No	No	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A deductible	No	Yes	Yes	Yes	Yes	Yes	50%	75%	50%	Yes
Part B deductible	No	No	Yes	No	Yes	No	No	No	No	No
Part B excess charges	No	No	No	No	Yes	Yes	No	No	No	No
Foreign travel exchange (up to plan limits)	No	No	80%	80%	80%	80%	No	No	80% ^s	80%
Out-of-pocket limit**	N/A	N/A	N/A	N/A	N/A	N/A	\$4,940	\$2,470	N/A	N/A

Source: 2015 MEDIGAP GUIDE; https://www.ahinsuranceservices.com/documents/2015_ChoosingaMedigapPolicy.pdf

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

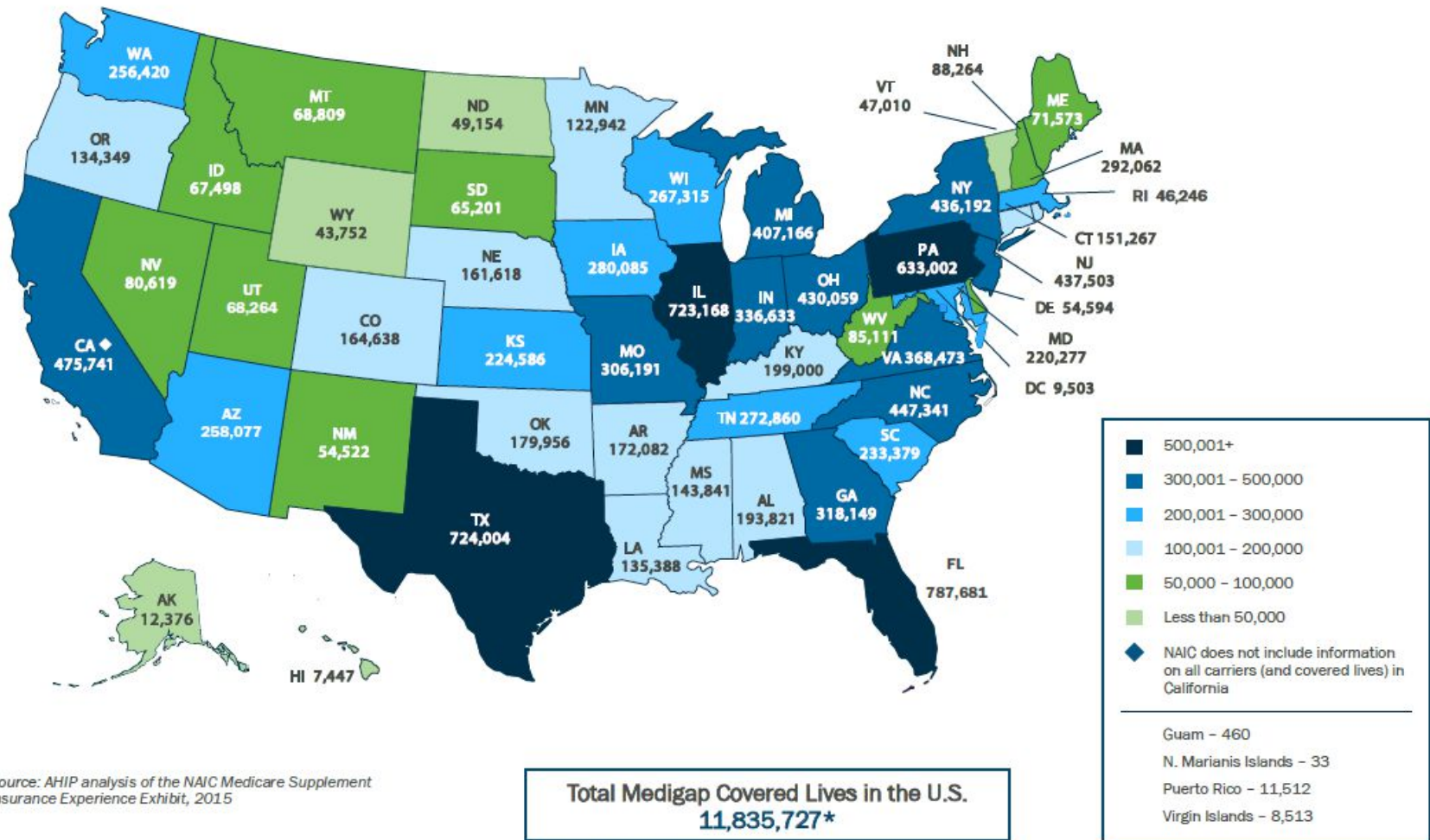
MACRA Bans Sale of First-Dollar Coverage Supplements in 2020

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%
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

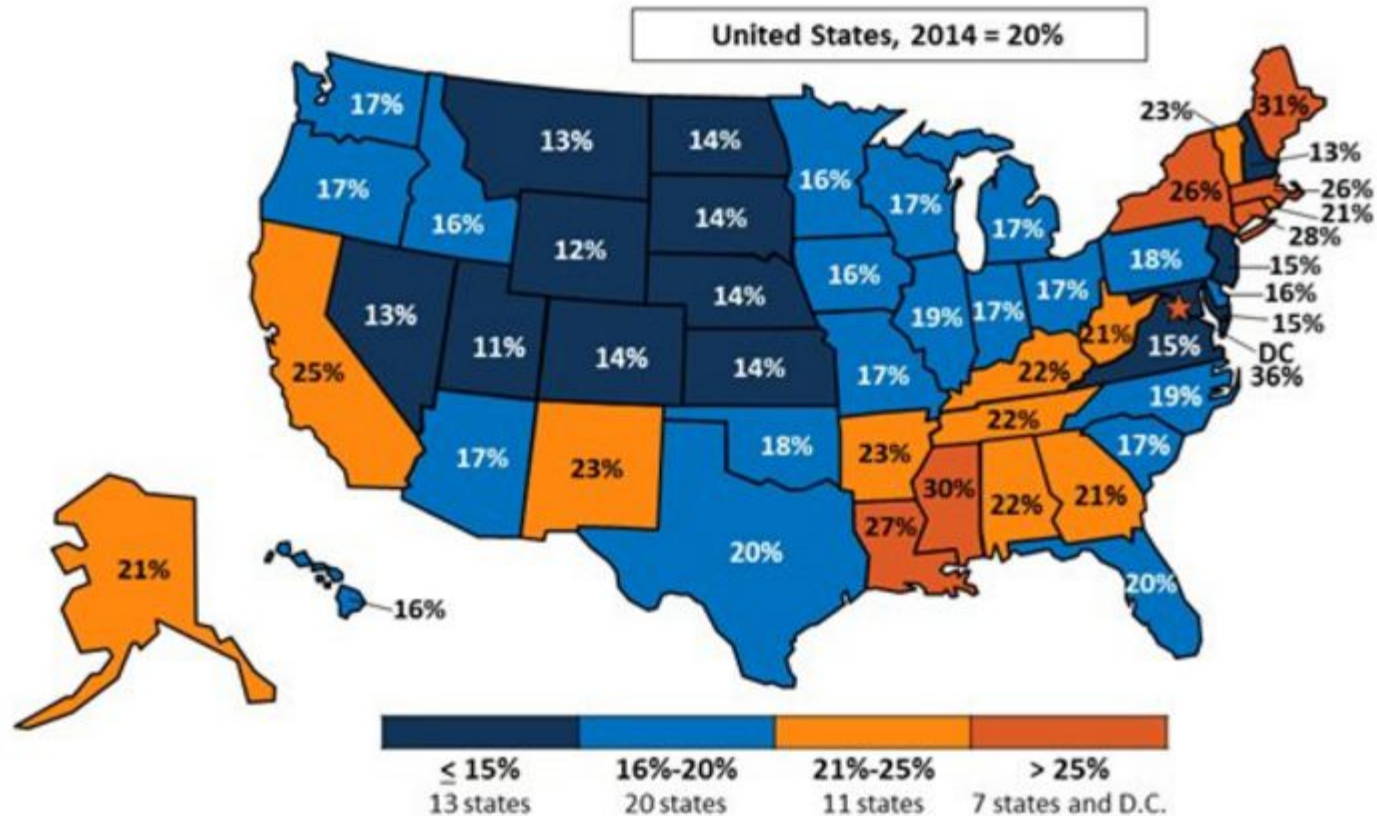
MACRA Bans Sale of First-Dollar Coverage Supplements in 2020



DUAL ELIGIBLES ARE THE INSURANCE INDUSTRY'S BIGGEST OPPORTUNITY

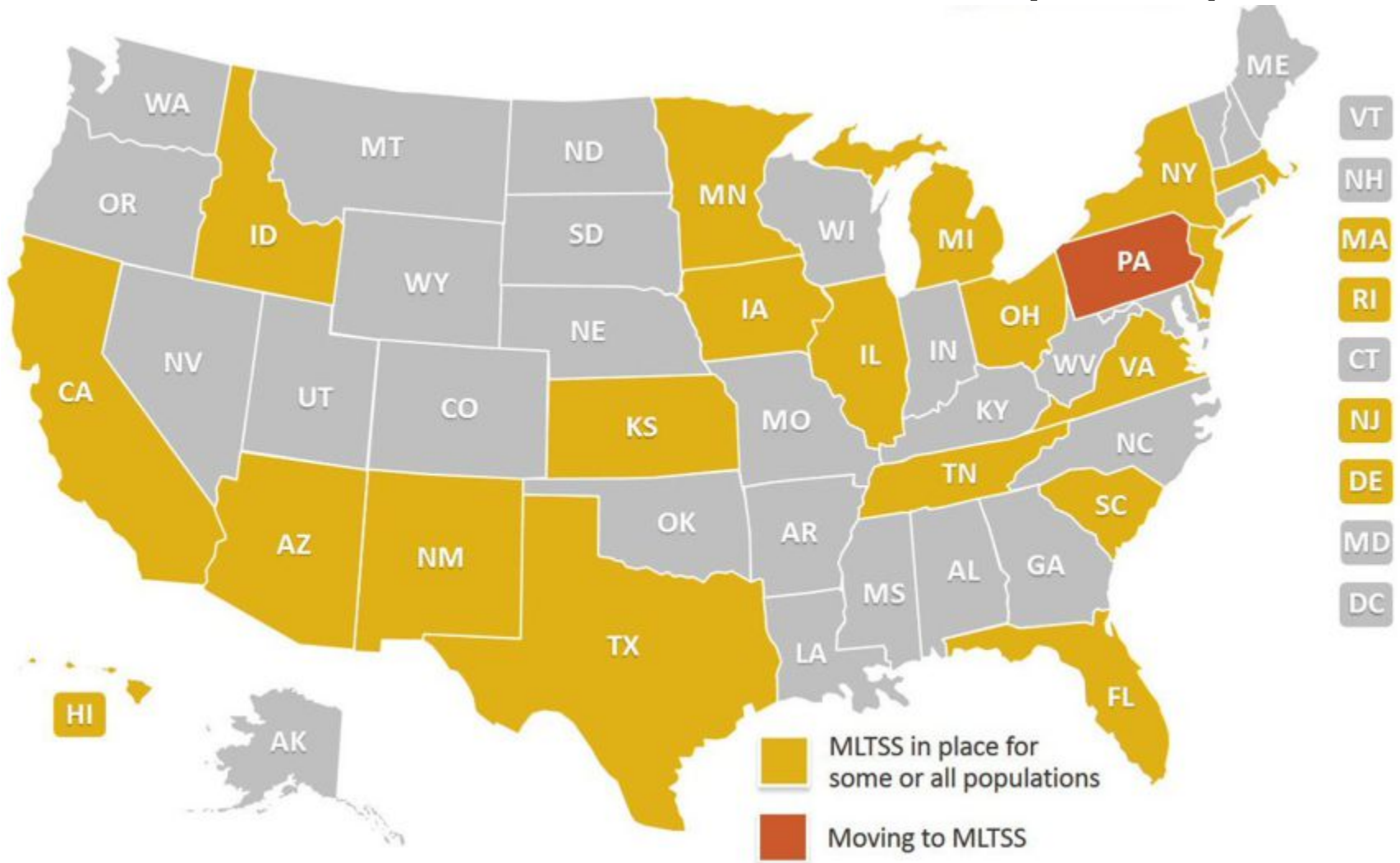
One in five people on Medicare receive assistance from Medicaid

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)



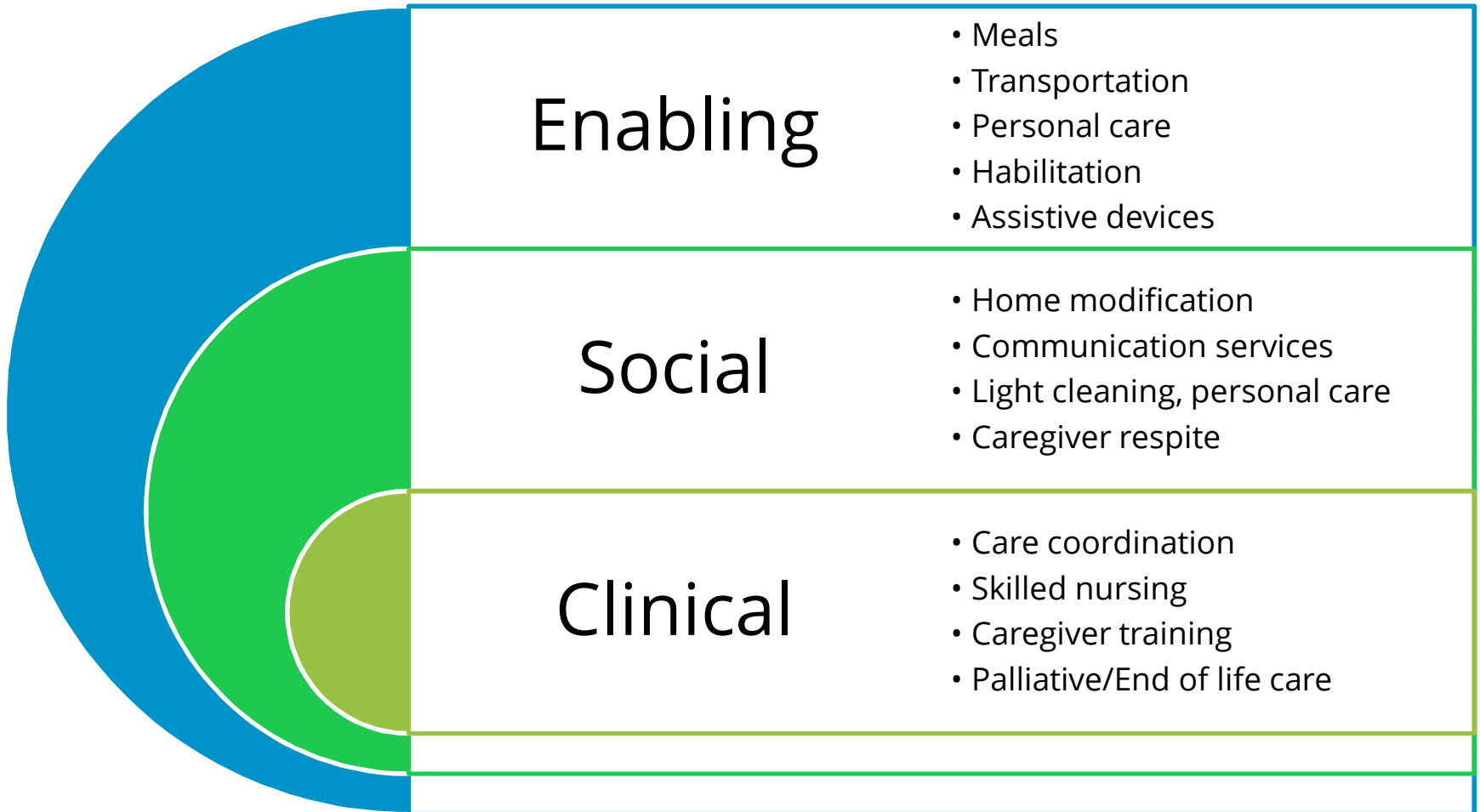
CAN SPECIAL NEEDS PLANS (SNPS) MAKE MONEY?

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



2018 CMS COMPLIANCE OUTLOOK

- CMS compliance activity will be at an all-time high
- Penalties doubled for most infractions
- Priorities:
 - Delegation oversight, especially PBM
 - Appeals and grievances
 - Network adequacy and provider directories
 - Risk adjustment coding
 - Compliance effectiveness



PROVIDER DIRECTORIES ARE 2018'S LEADING COMPLIANCE RISK IN MA

- ① 52% of **Medicare Advantage** provider directory locations had at least one inaccuracy, according to a scathing new CMS report.
- ① Types of inaccuracies included:
 - The provider was not at the location listed
 - The phone number was incorrect
 - The provider was not accepting new patients when the directory indicated they were.
- ① “These inaccuracies could pose a significant access-to-care barrier. Inaccuracies with the highest likelihood of preventing access to care were found in 45.64% of all locations.”
- ① CMS issued “appropriate compliance actions to drive industry improvement in the accuracy of provider directories for MA beneficiaries.”
- ① CMS establishing basis for “per-beneficiary effected” fines



RISK ADJUSTMENT = EVERGREEN COMPLIANCE RISK

UnitedHealth Nears Nixing FCA Claims, But DOJ Row Not Over

By **Melissa Daniels**

Law360, Los Angeles (January 29, 2018, 8:32 PM EST) -- A California federal judge on Monday tentatively ruled to give the U.S. Department of Justice another shot at amending a whistleblower False Claims Act suit against UnitedHealth Group Inc. alleging Medicare Advantage fraud, although the insurer argued the claims should be tossed for good.

The DOJ-backed whistleblower suit alleges that UnitedHealth knowingly submitted false claims by including invalid diagnosis codes on the medical records it received payments for, among other allegations.

RISK ADJUSTMENT

RAPS / Encounter Data Transition



KEY CHALLENGES

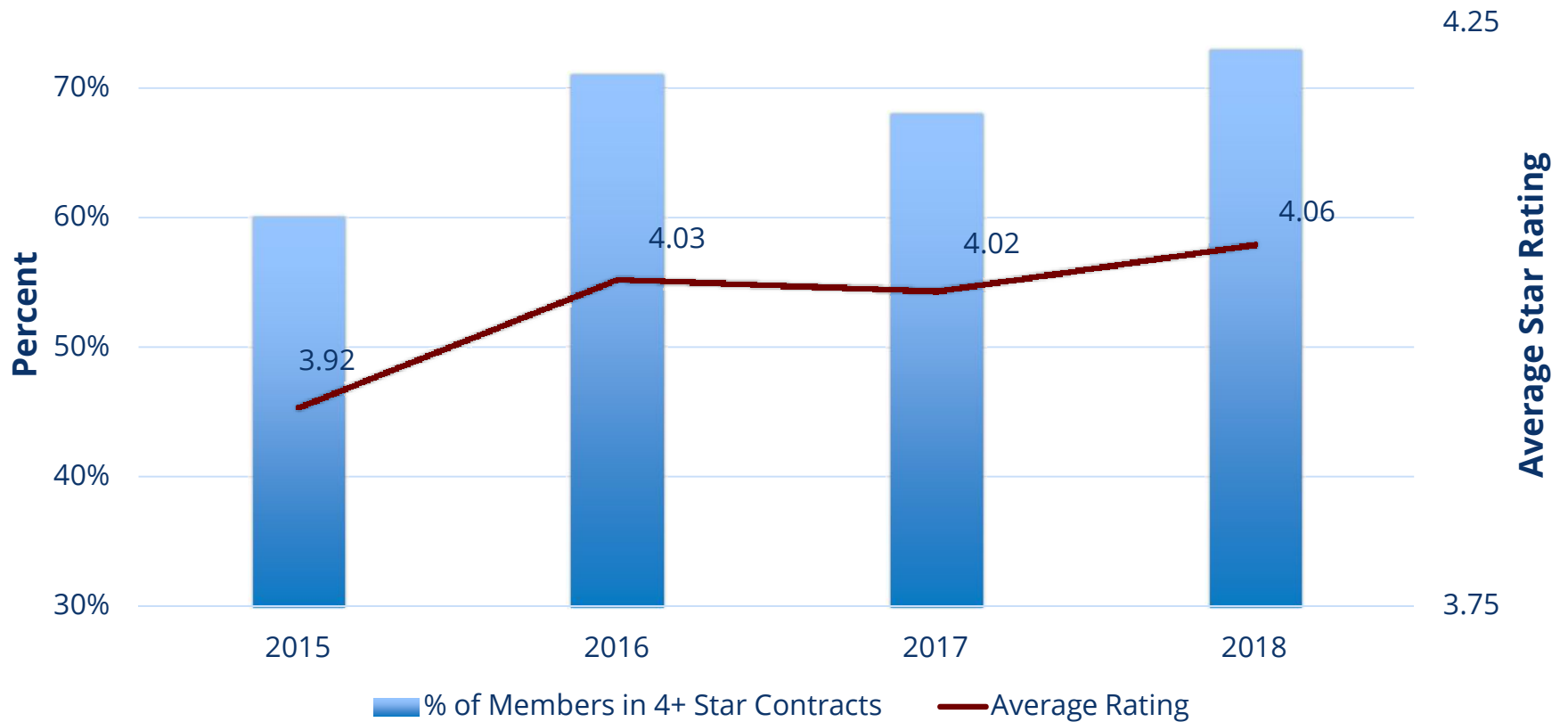
- ① Multiple data hand-offs and rejection points
- ① File formats vary and change
- ① Data submission requirements and communication
- ① Verification processes vary
- ① Unknown financial impact
- ① Lack of standard data quality benchmarking
- ① Submission process creates unnecessary work
- ① Reliance on vendor clean-up and accuracy
- ① Provider data completeness and accuracy
- ① Edit and error reviews and resolution

2018 DRUG BENEFITS COMPLIANCE PRIORITIES

- Annual PBM delegation audits required for MA-PDs/PDPs – not happening
- Extreme use of opioids – new in OIG work plan
- MTM audits:
 - Emphasis on data integration
 - Eligibility screenings
 - CMRs must be multi-modal
- Preferred networks: quality over reimbursements



STAR RATINGS CHANGED THE GAME IN GOVERNMENT HEALTH PROGRAMS



STAR RATINGS SUPPORT A CULTURE OF EXCELLENCE

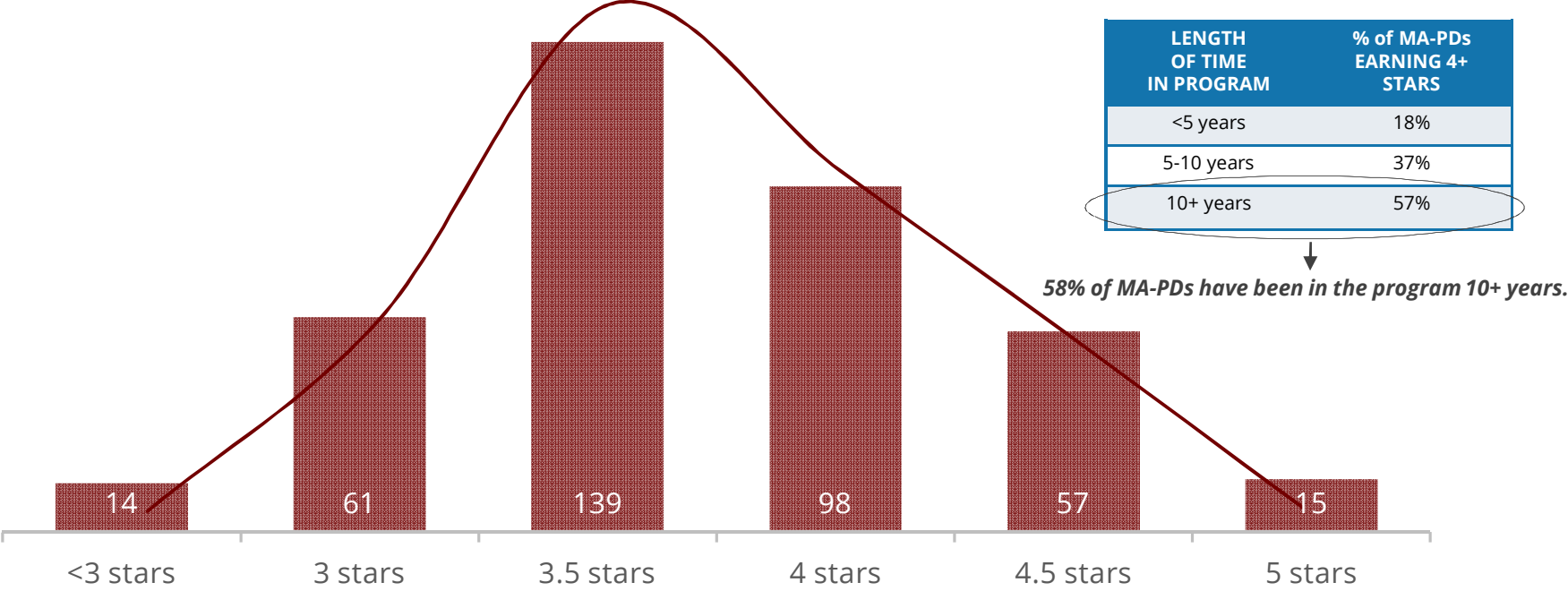
Complaints per 1,000

Star Rating	2017	2018
★★ ½	0.55	.71
★★★	0.40	.32
★★★★ ½	0.22	.21
★★★★★	0.16	.10
★★★★★ ½	0.10	.09
★★★★★★	0.08	.12

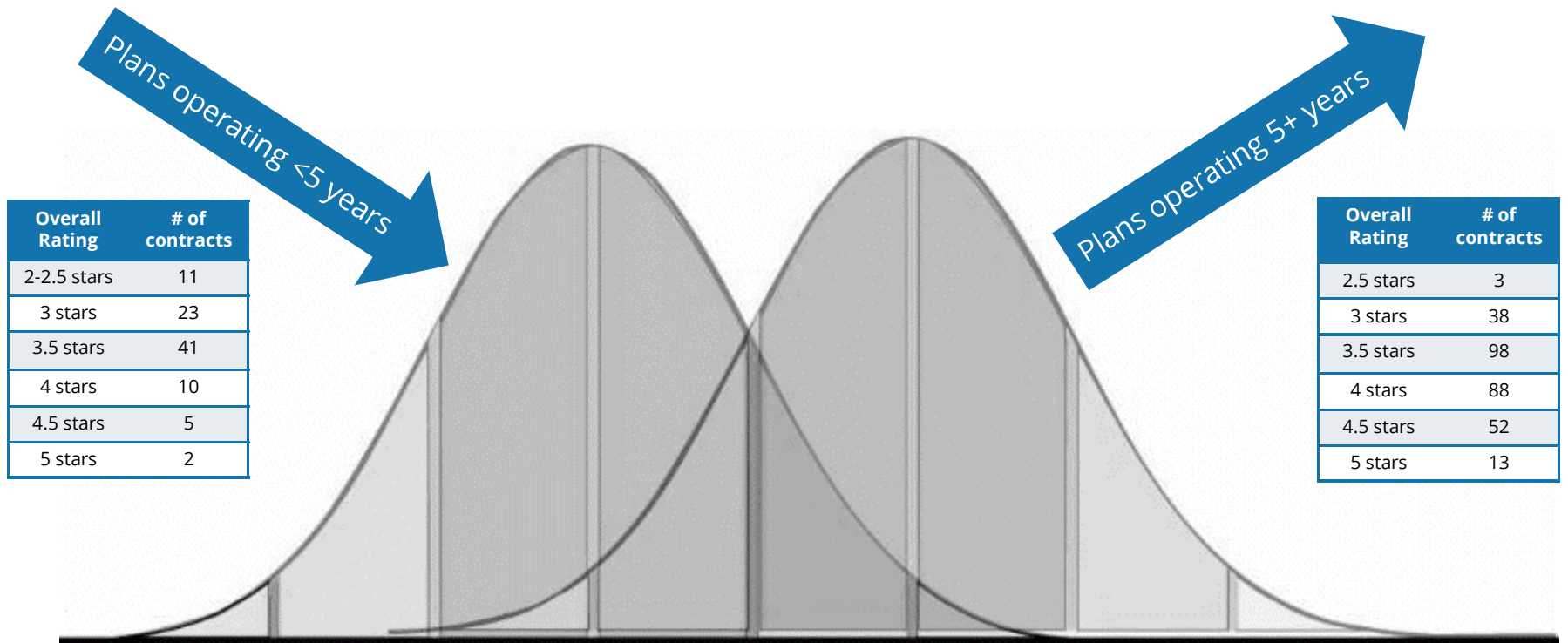
% Disenrollment

Star Rating	2017	2018
★★ ½	20%	20%
★★★	17%	16%
★★★★ ½	11%	11%
★★★★★	10%	8%
★★★★★ ½	7%	6%
★★★★★★	4%	5%

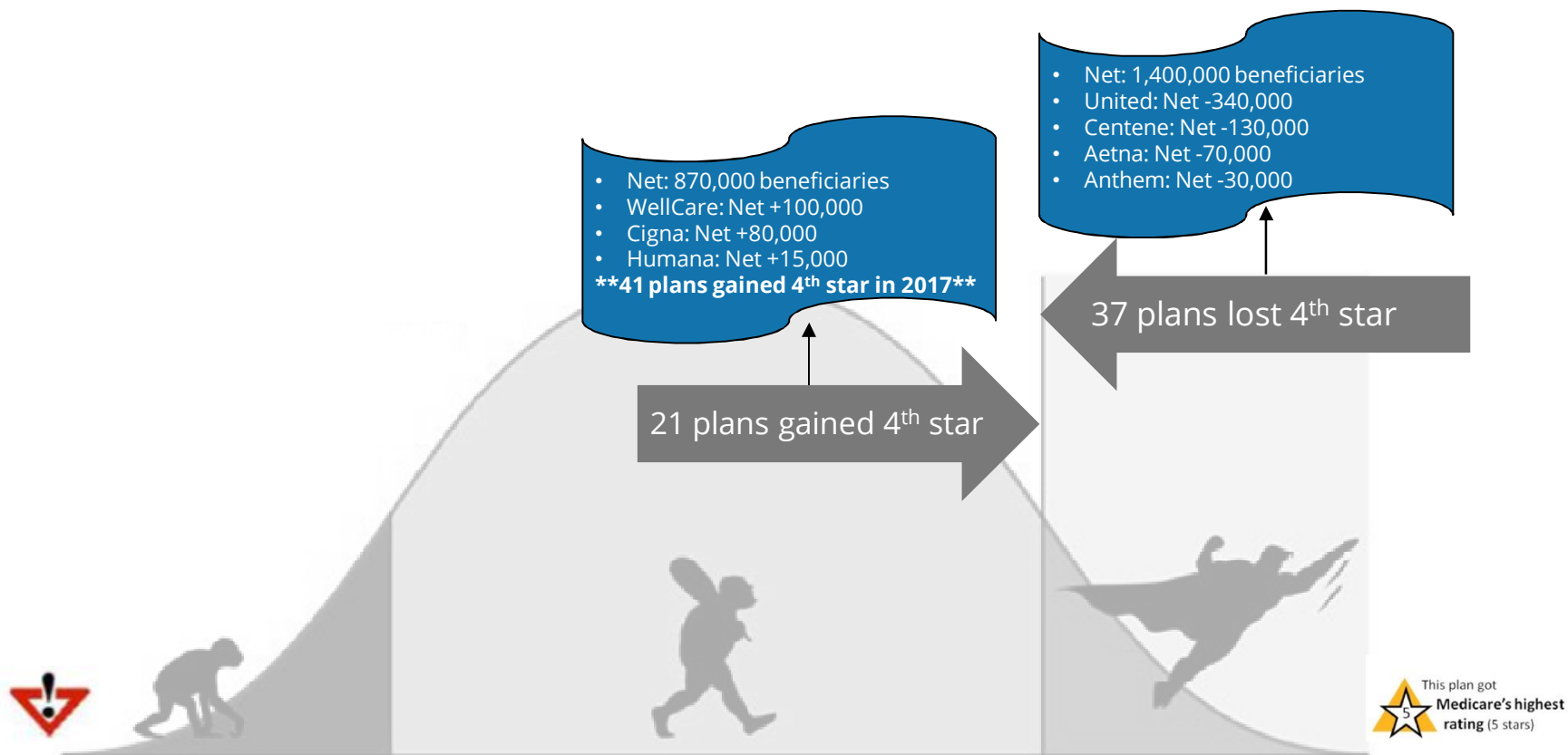
NEW ENTRANTS FACE HEADWINDS



A TALE OF TWO BELL CURVES



THE PURSUIT OF QUALITY BONUS PAYMENTS

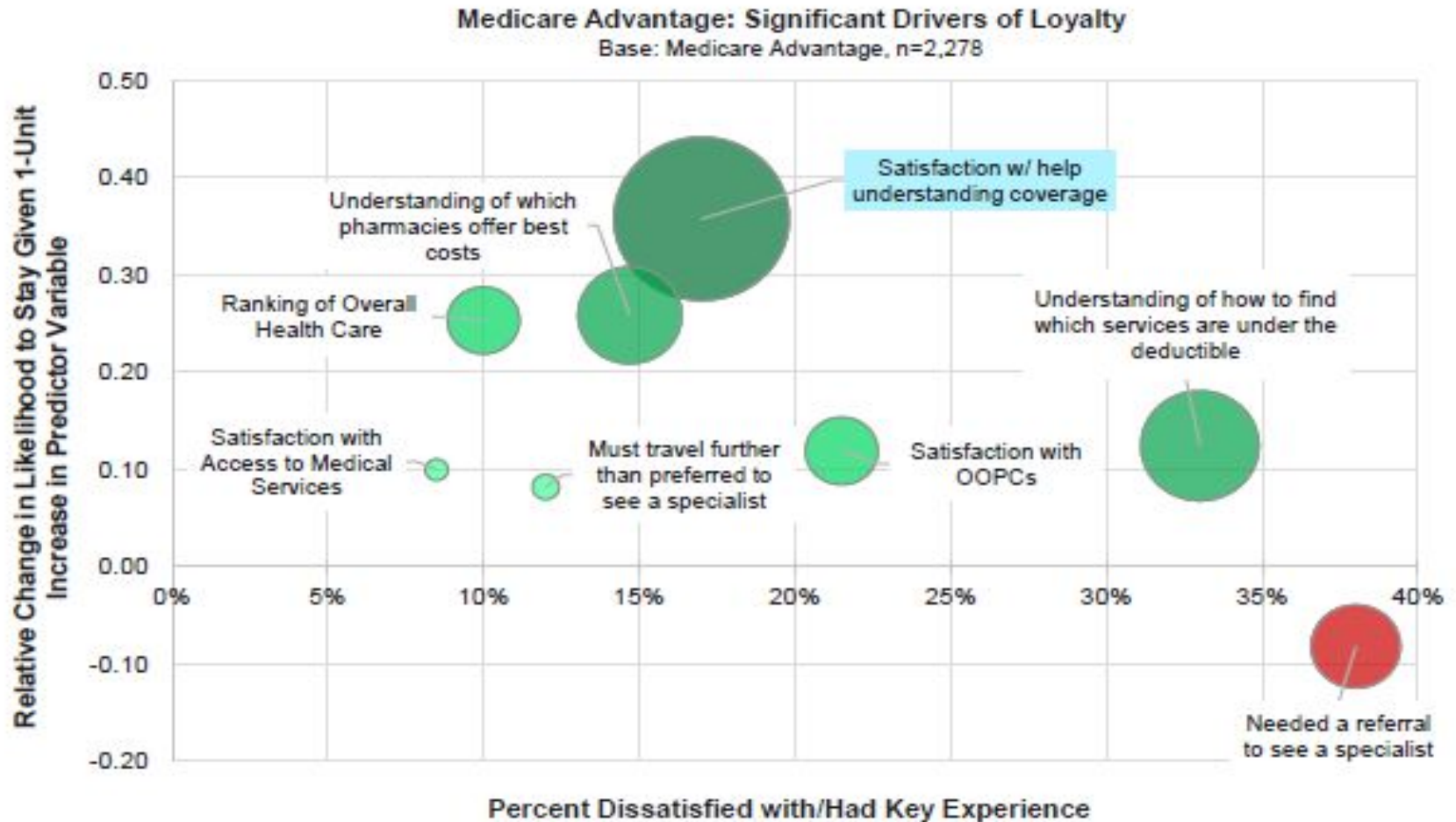


CAHPS® AND THE MEMBER EXPERIENCE: EVERY MEMBER MATTERS



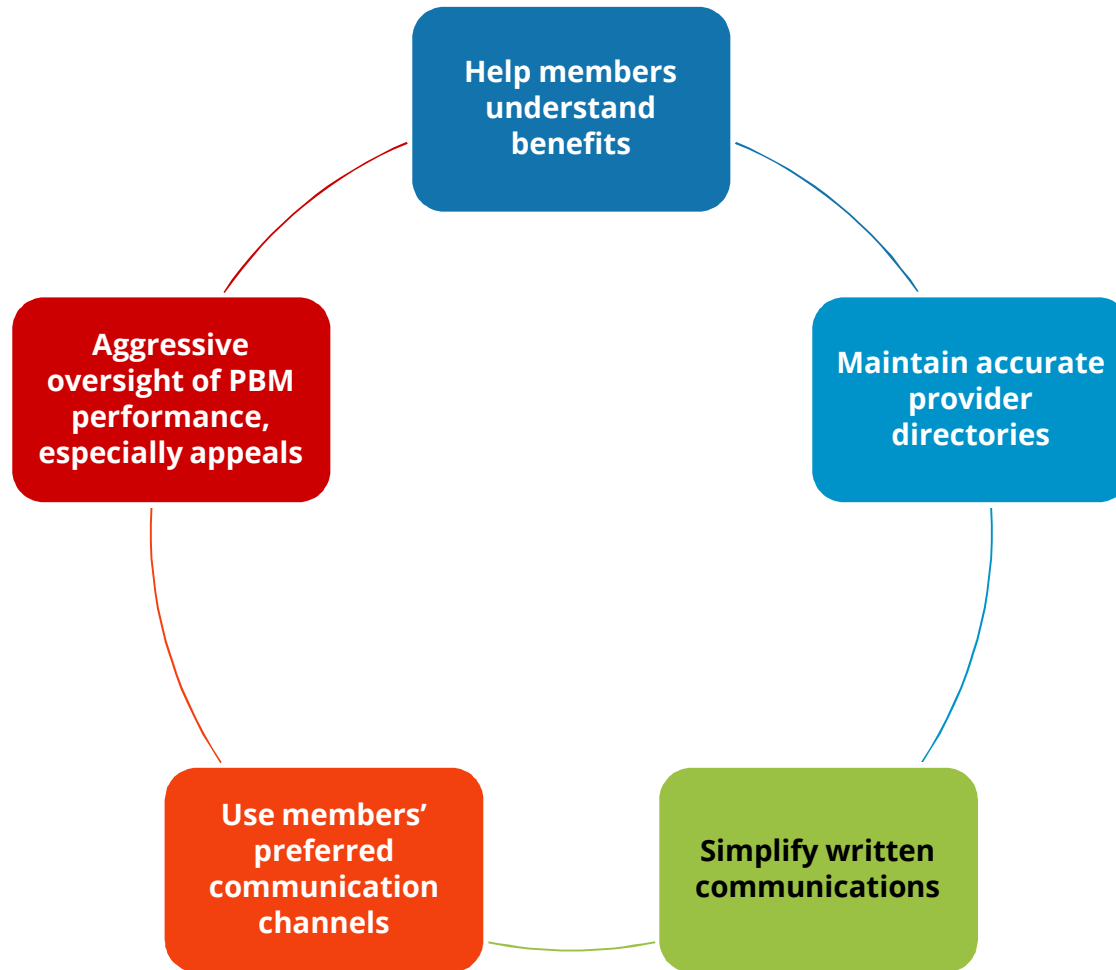
LEVERS OF LOYALTY

Varying Factors Impact the Member Experience



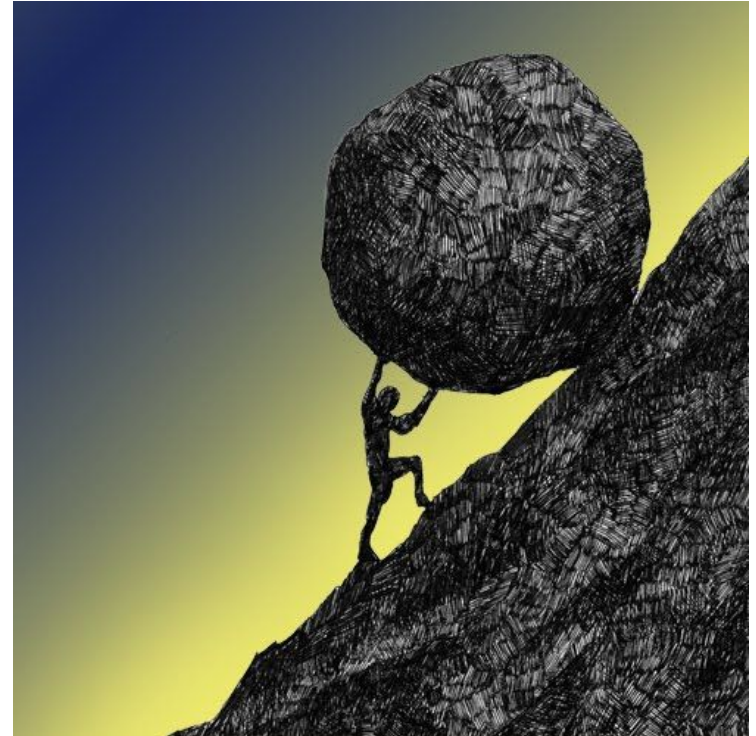
Source: Deft Research, 2016 Medicare Member Experience Study

STEPS TO SAVE THE STAR



CONCLUSIONS

- Medicare Advantage remains safe and stable in Year 2 of Trump
- Major expansions in PPOs and SNPs, major changes to Medigap
- Risk adjustment and Star Ratings remain focal points of competition
- PBM compliance and improving the member experience is key to long-term survival





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