



THE OUTLOOK FOR MEDICARE ADVANTAGE IN YEAR TWO OF TRUMP

*A Presentation to The Sixth National Physician Advisor and
Utilization Review Team Boot Camp*

JOHN GORMAN

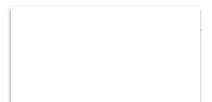
Executive Chairman

July 26, 2018

GORMAN
HEALTH GROUP

TODAY'S AGENDA

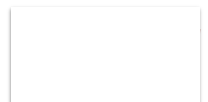
1. Medicare Advantage Basics
2. The Outlook for Medicare Advantage and Dual Eligibles Under Trump
3. New Policy for Medicare Advantage/ Part D Benefits
4. New Trends and Opportunities
5. Compliance Priorities for 2018
6. Risk Adjustment and Star Ratings
7. Conclusions and Q&A



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"*



MEDICARE ADVANTAGE BASICS

Option 1: Original Medicare

This includes Part A and B.



Part A
Hospital Insurance



Part B
Medical Insurance

You can add:



Part D
Medicare Prescription
Drug Coverage

You can also add:



Medigap
Medicare Supplement Insurance
(Medigap policies help pay your
out-of-pocket costs in Original Medicare.)

Option 2: Medicare Advantage (Part C)

These plans are like HMOs or PPOs, and
typically include Part A, B, and D.



Part A
Hospital Insurance

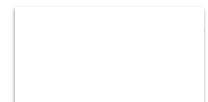


Part B
Medical Insurance



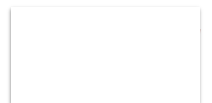
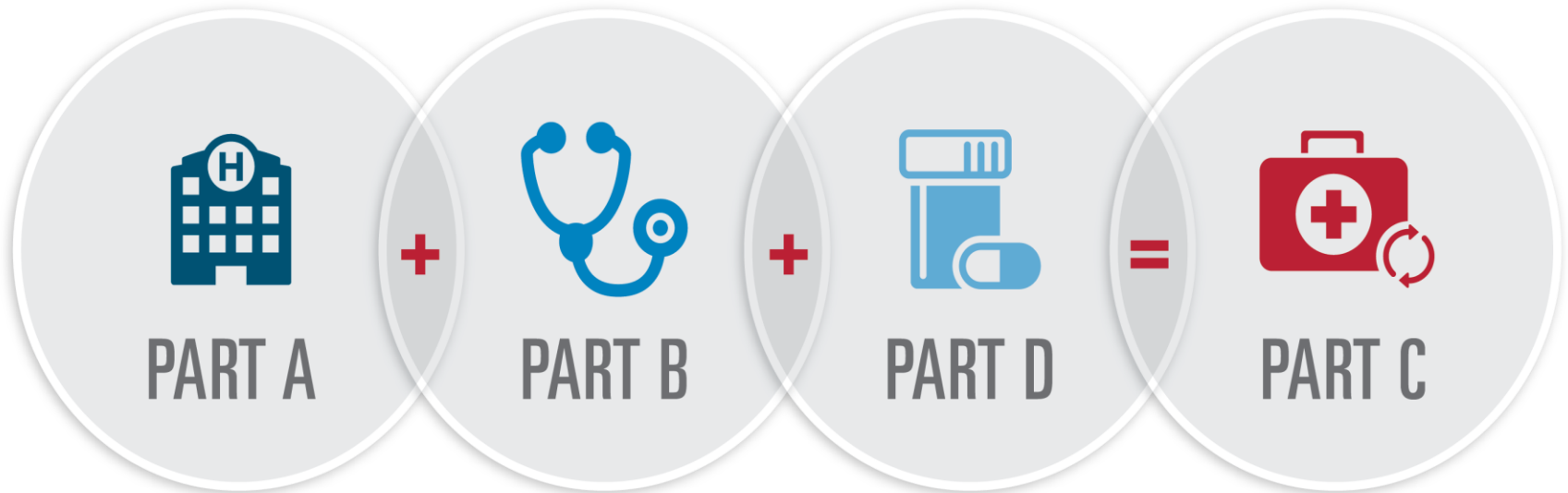
Part D
Medicare Prescription
Drug Coverage

(Most plans cover prescription drugs.
If yours doesn't, you may be able to join a
separate Part D plan.)

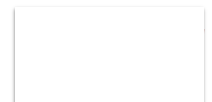
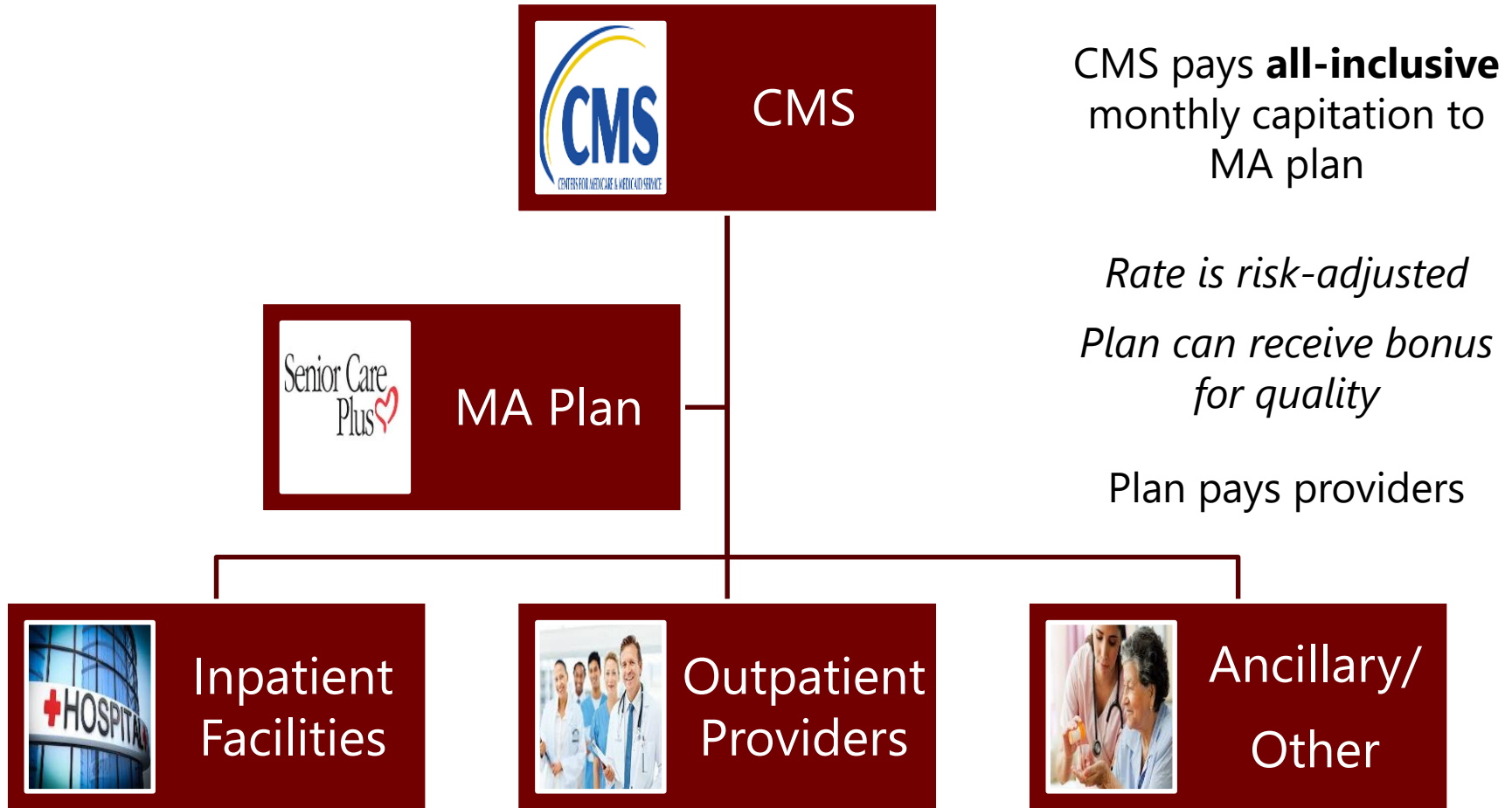


MEDICARE ADVANTAGE BASICS

- Put another way...



MEDICARE ADVANTAGE BASICS



MEDICARE ADVANTAGE MEMBERSHIP

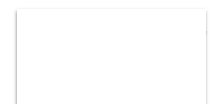
National Snapshot – June 2018

Includes:

2,699,479 SNP
4,167,191 Series 800
5,660,242 Local PPO

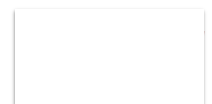
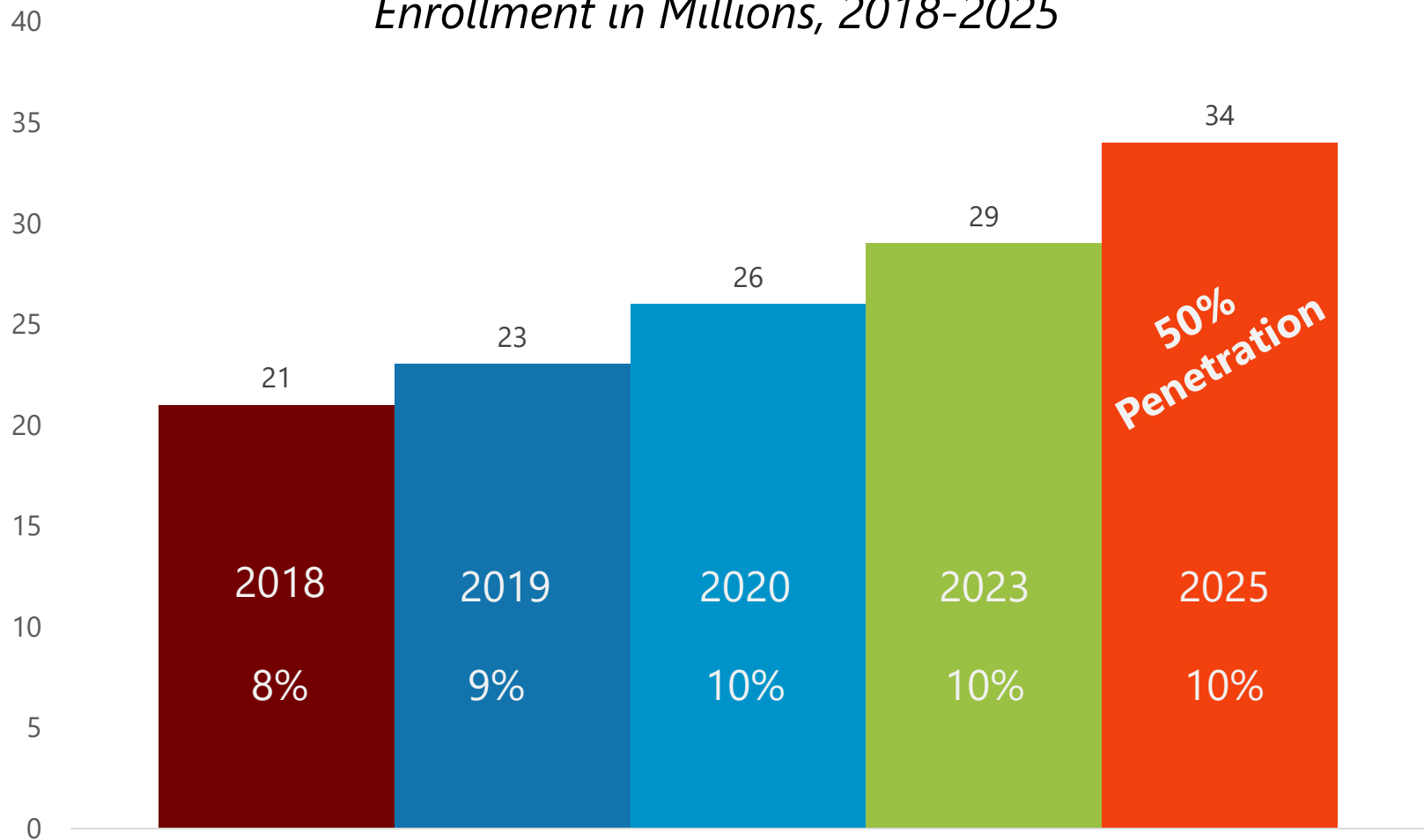
CURRENT CONTRACT SUMMARY	NO. OF CONTRACTS	MA ONLY ENROLLEES	DRUG PLAN ENROLLEES	TOTAL ENROLLEES
Total “Prepaid” Contracts	698	2,624,898	18,627,235	21,252,133
Local CCPs	467	2,021,546	16,613,606	18,635,152
PFFS	6	48,347	101,163	149,510
MMP	50	0	379,620	379,620
1876 Cost	15	362,076	267,683	629,759
1833 Cost (HCPP)	9	71,500	0	71,500
PACE	124	0	42,151	42,151
MSA	3	6,508	0	6,508
Regional PPOs	24	114,921	1,223,012	1,337,933
Total PDPs	63	0	25,358,315	25,358,315
Employer/Union Only Direct Contract PDP	3	0	111,781	111,781
All Other PDP	60	0	25,246,534	25,246,534
TOTAL	761	2,624,898	43,985,550	46,610,448

Source: Medicare Advantage, Cost, PACE, Demo, and Prescription Drug Plan Contract Report – Monthly Summary.
Totals reflect enrollment as of the June 1, 2018 payment. The May payment reflects enrollments accepted through May 11, 2018.



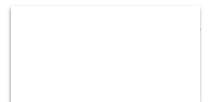
EXPLOSIVE GROWTH IN MEDICARE ADVANTAGE CONTINUES "4-EVA"

Enrollment in Millions, 2018-2025



FINAL CMS CALL LETTER FOR 2019 IS BEST EVER, AFFIRMS MA AS ONLY SAFE GAME IN INSURANCE

- ④ 6.4% average gross revenue increase
 - 160 bps increase from draft
 - Biggest pay raise since MMA of 2003
- ④ Minimal changes to Star Ratings
- ④ Most favorable position possible on EGWP payment
- ④ Risk adjustment changes as expected, at 75% RAPS/25% EPS



SUPPLEMENTAL BENEFITS POLICY CHANGE IS A GAME CHANGER

- ④ 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.”
- ④ 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

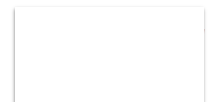
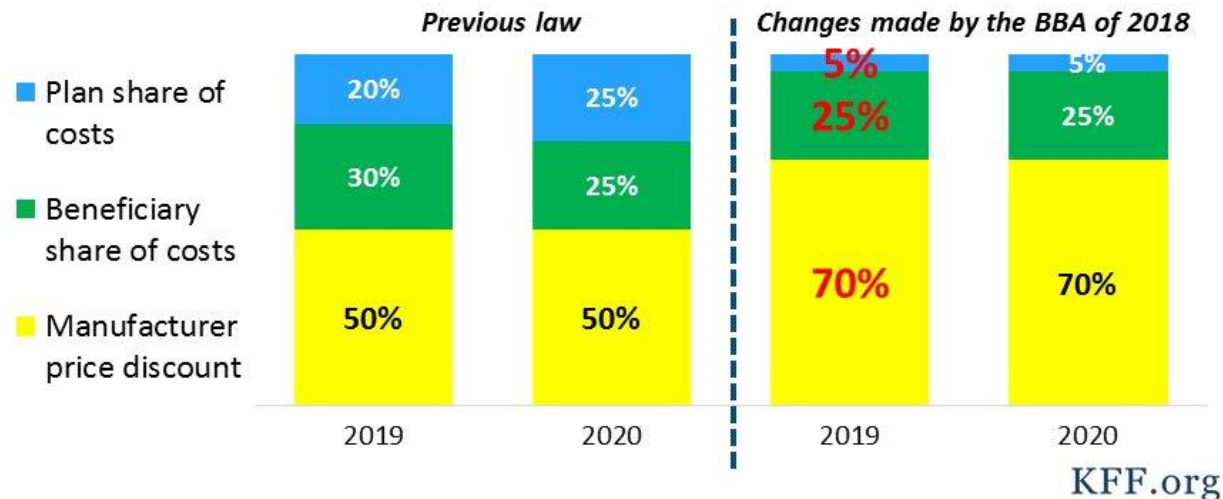


2019 BUDGET RESOLUTION = GOODIE BAG FOR MA

- 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:

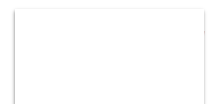
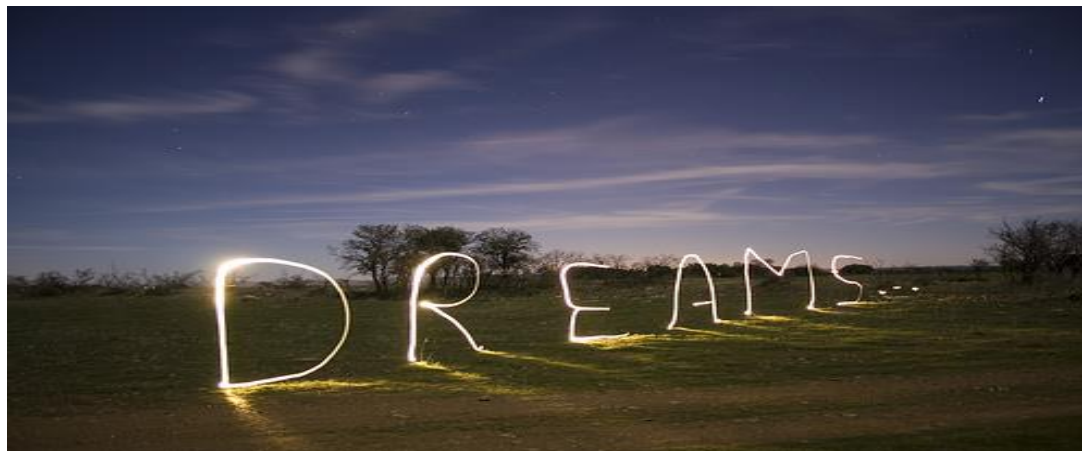
How the 2018 Bipartisan Budget Act Changes the Part D Coverage Gap

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



HEALTH SYSTEMS FLOCKING TO MEDICARE ADVANTAGE

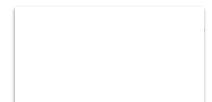
- 27% of major U.S. health systems intend to launch a Medicare Advantage plan in the next four years.
- Only 29% felt confident in their organization's ability to do so.
- Drivers:
 - controlling more of the premium dollar vs FFS Medicare
 - senior population continues to grow and becomes a larger proportion of providers' patient panels
 - market and regulatory trends supporting Medicare Advantage



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.	628,658	858,181	993,257	1,366,631	1,558,494
% 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



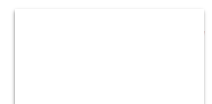
MACRA'S SEISMIC CHANGE TO MEDIGAP IMPACTS MA AND PDPS TODAY

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



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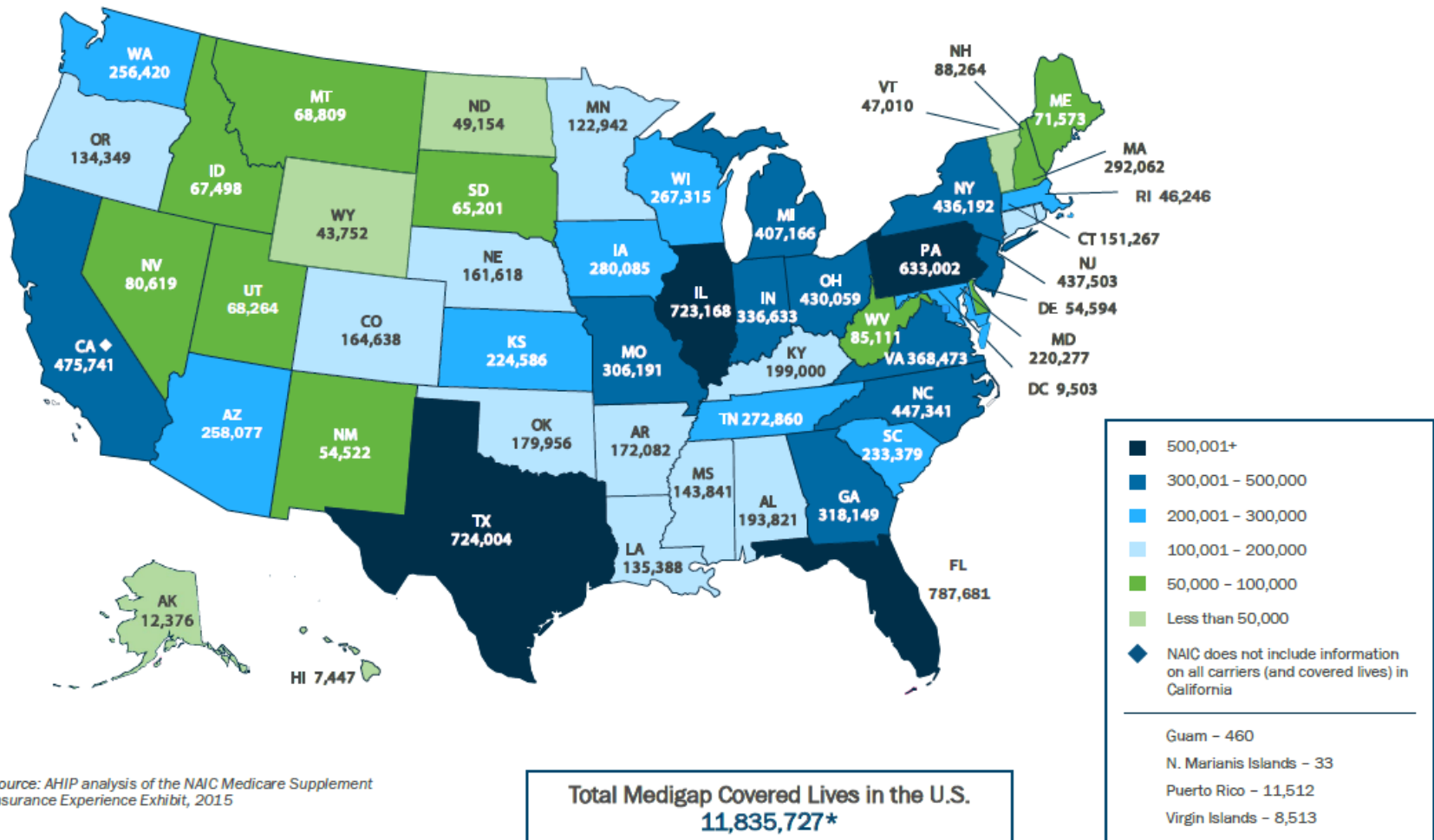
Enrollment						
Plan Type	2012	2013	2014	2015	Change in Enrollment 2014-2015	Percent Change 2014-2015
A	165,796	159,352	165,483	143,373	-22,110	-13%
B	394,166	374,294	346,086	294,935	-51,151	-15%
C	1,211,857	1,133,744	1,064,386	971,602	-92,784	-9%
D	259,792	232,275	213,572	192,640	-20,932	-10%
E	117,022	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.

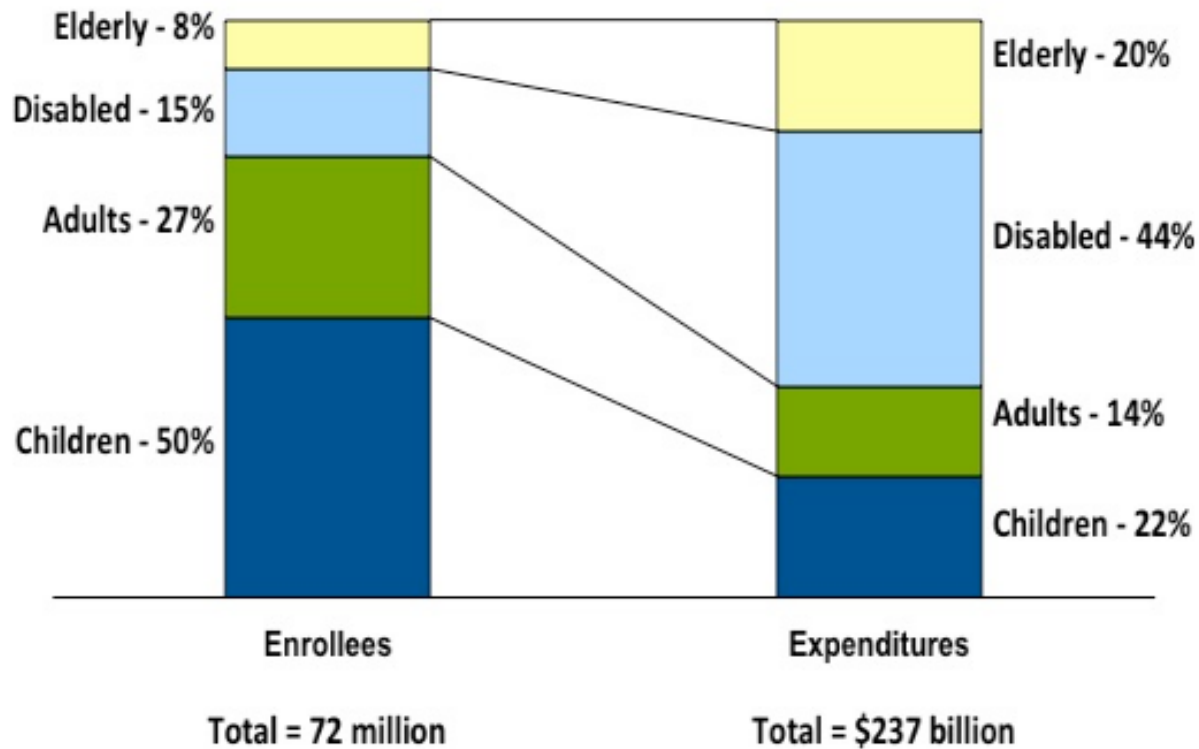


MACRA'S SEISMIC CHANGE TO MEDIGAP IMPACTS MA AND PDPS TODAY

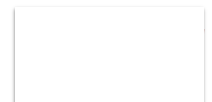
MACRA Bans Sale of First-Dollar Coverage Supplements in 2020



MEDICAID ENROLLEES AND EXPENDITURES



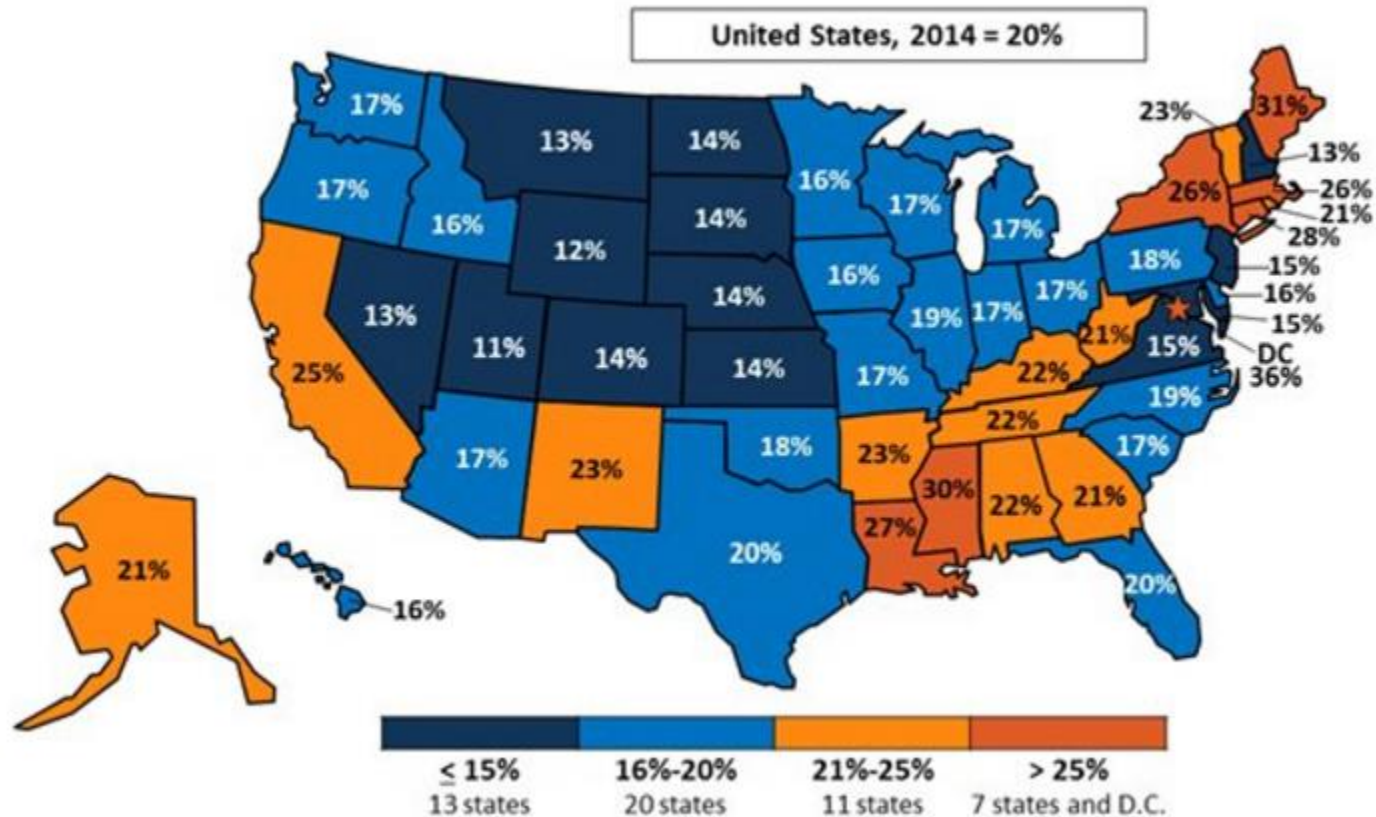
Source: Georgetown Center for Children and Families analysis of May 2013 CBO Medicaid Baseline. Numbers may not add to 100% due to rounding.



DUAL ELIGIBLES ARE THE INSURANCE INDUSTRY'S BIGGEST OPPORTUNITY

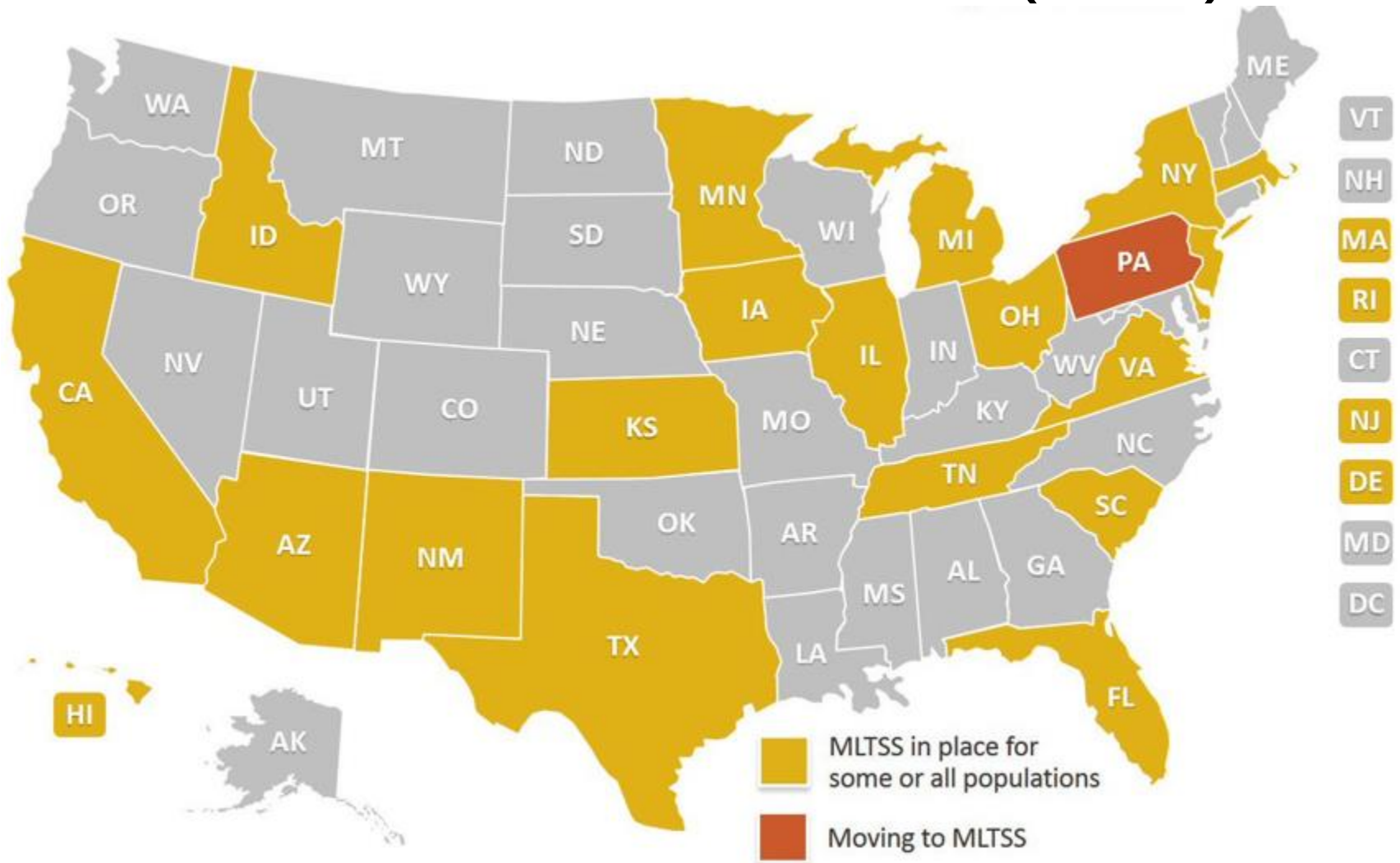
One in five people on Medicare receive assistance from Medicaid

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)

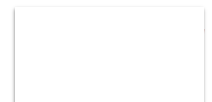


11 STATES REQUIRE MEDICAID/MLTSS CONTRACTORS TO OFFER D-SNPS; MUST INTEGRATE BY 2021

- ⊗ Arizona
- ⊗ Hawaii
- ⊗ Massachusetts
- ⊗ Minnesota
- ⊗ New Mexico
- ⊗ New Jersey

- ⊗ Pennsylvania
- ⊗ Tennessee
- ⊗ Texas
- ⊗ Virginia
- ⊗ Wisconsin

Beginning in 2021, D-SNPs must meet new integration requirements or be subject to an enrollment freeze. They must be a FIDE-SNP or provide LTSS, and assume risk for all Medicare/Medicaid benefits.

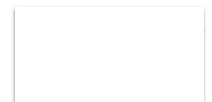


CAN SPECIAL NEEDS PLANS (SNPS) MAKE MONEY?

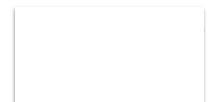
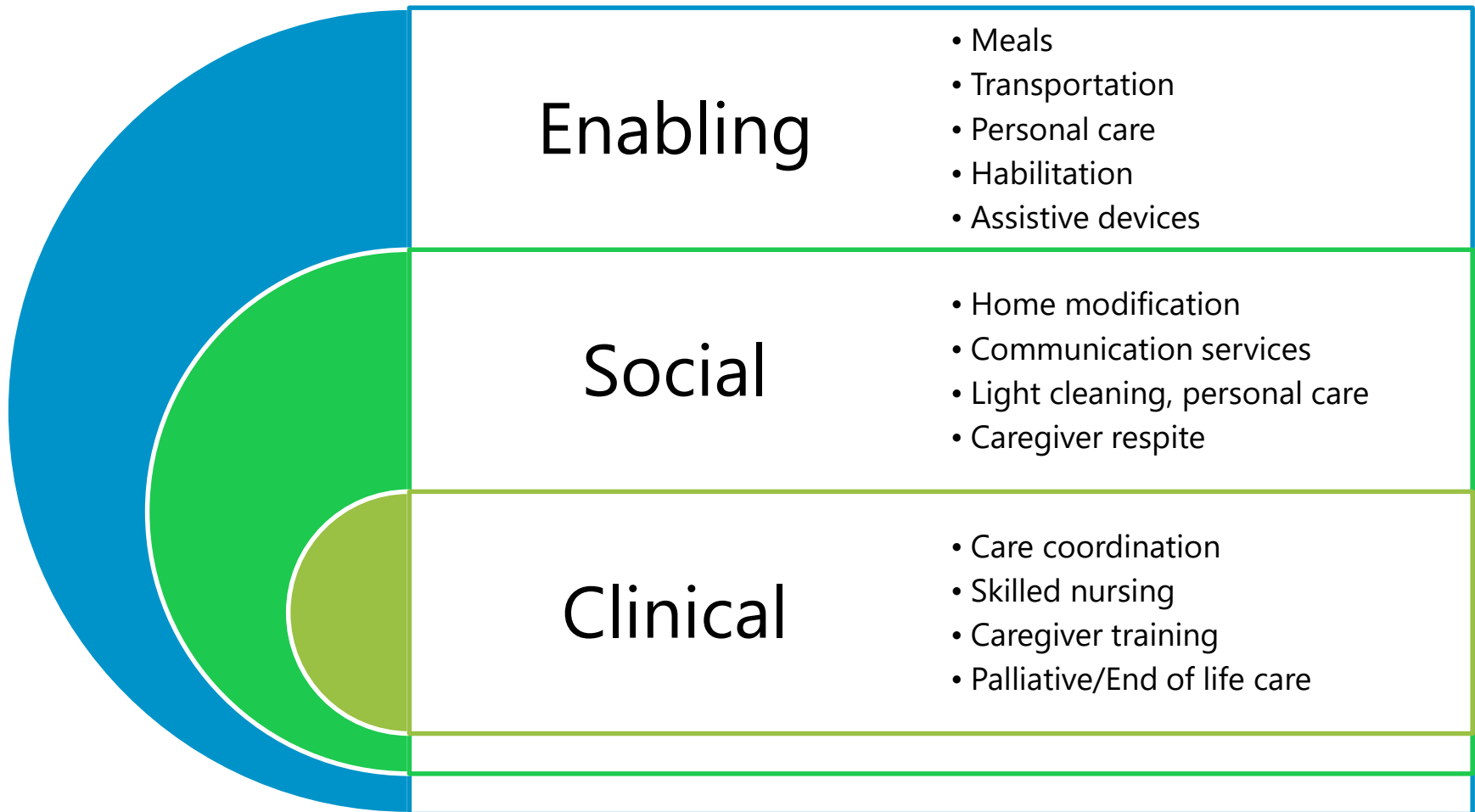
SNPs are generally more profitable than ALL other types of MA plans

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.

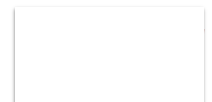


CHALLENGES FACING PLANS: CHILDLESS ADULTS, DUALS, AND LTC



GROWTH OPPORTUNITIES FOR MEDICARE ADVANTAGE

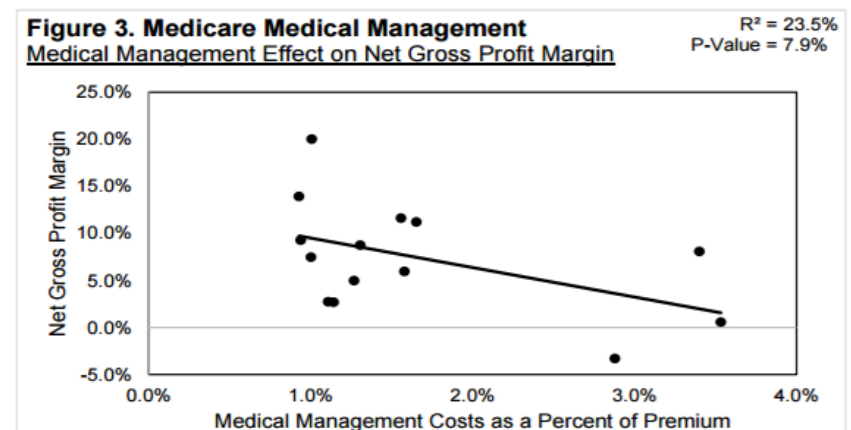
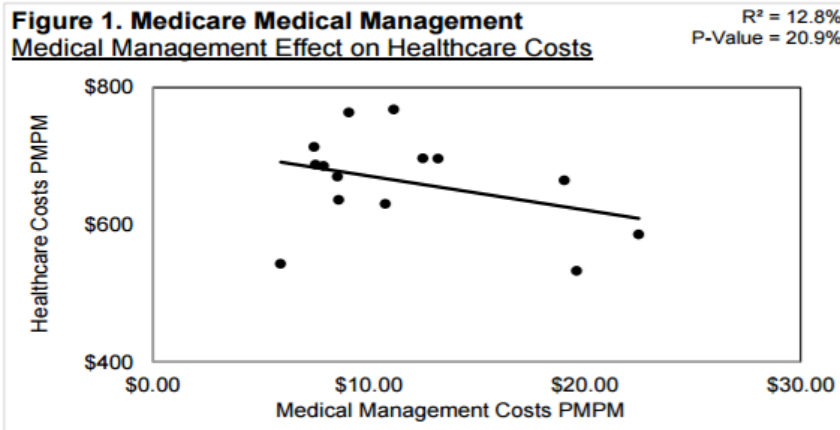
- Baby Boomers
 - 50% enrolling in MA in first two years of eligibility
 - More affluent skew toward PPOs
- Medigap conversions
 - First-dollar coverage plans (e.g., Type C and F) banned in 2020
- Prescription Drug-only plan conversions
- Retiree group/EGWP/Series 800
- Dual Eligibles/MLTSS populations



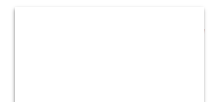
“MAKE IT WORK” VS. MAKE-WORK MEDICAL MANAGEMENT

90's-Style Managed Care Needs a Holistic Upgrade

- Restrictive medical management in MA mostly ineffective net of costs
 - Preauths/referrals, concurrent review reduce costs but diminish margins
 - MA plans' MedMan costs average \$11-\$12 PMPM, 1-1.5% of premium most profitable



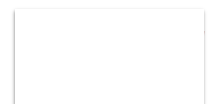
Source: Sherlock Company, 2017 Medicare Advantage Medical Management Navigator



“MAKE IT WORK” VS. MAKE-WORK MEDICAL MANAGEMENT

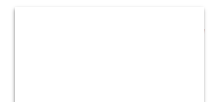
Evolve from Restrictive to Supportive MedMan

- Effective medical management is supportive and drives member experience:
 - Person-centered, nurse and social worker driven
 - Data-driven, stratified
 - High-touch, labor-intensive, mobile, community-based
 - Culturally competent, addresses social determinants



PROVIDER DIRECTORIES ARE 2018'S LEADING COMPLIANCE RISK IN MA

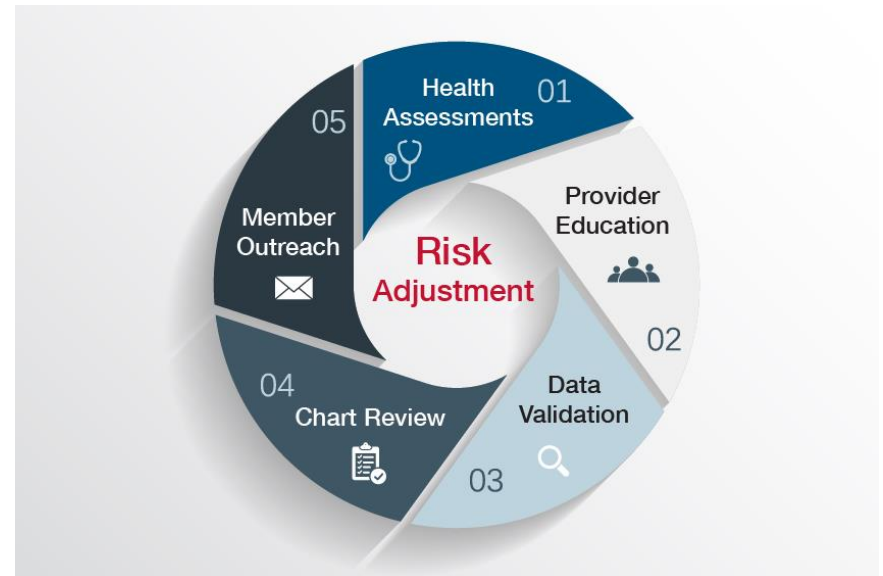
- ⊗ 52% of **Medicare Advantage** provider directory locations had at least one inaccuracy, according to a scathing new CMS report.
- ⊗ Types of inaccuracies included:
 - The provider was not at the location listed
 - The phone number was incorrect
 - The provider was not accepting new patients when the directory indicated they were.
- ⊗ "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."
- ⊗ CMS establishing basis for "per-beneficiary effected" fines



RISK ADJUSTMENT BASICS

Risk Adjustment

- Medicare pays more for sicker people, less for healthy
- Based on diagnostic codes
- Responsible for ~30% variation in payments to plans
- System resets annually
- “Eyes and ears” important



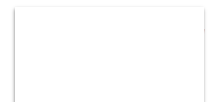
RISK ADJUSTMENT

RAPS / Encounter Data Transition



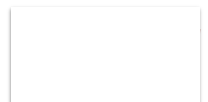
KEY CHALLENGES

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

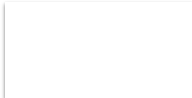


STAR RATINGS BASICS

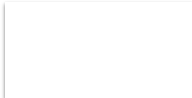
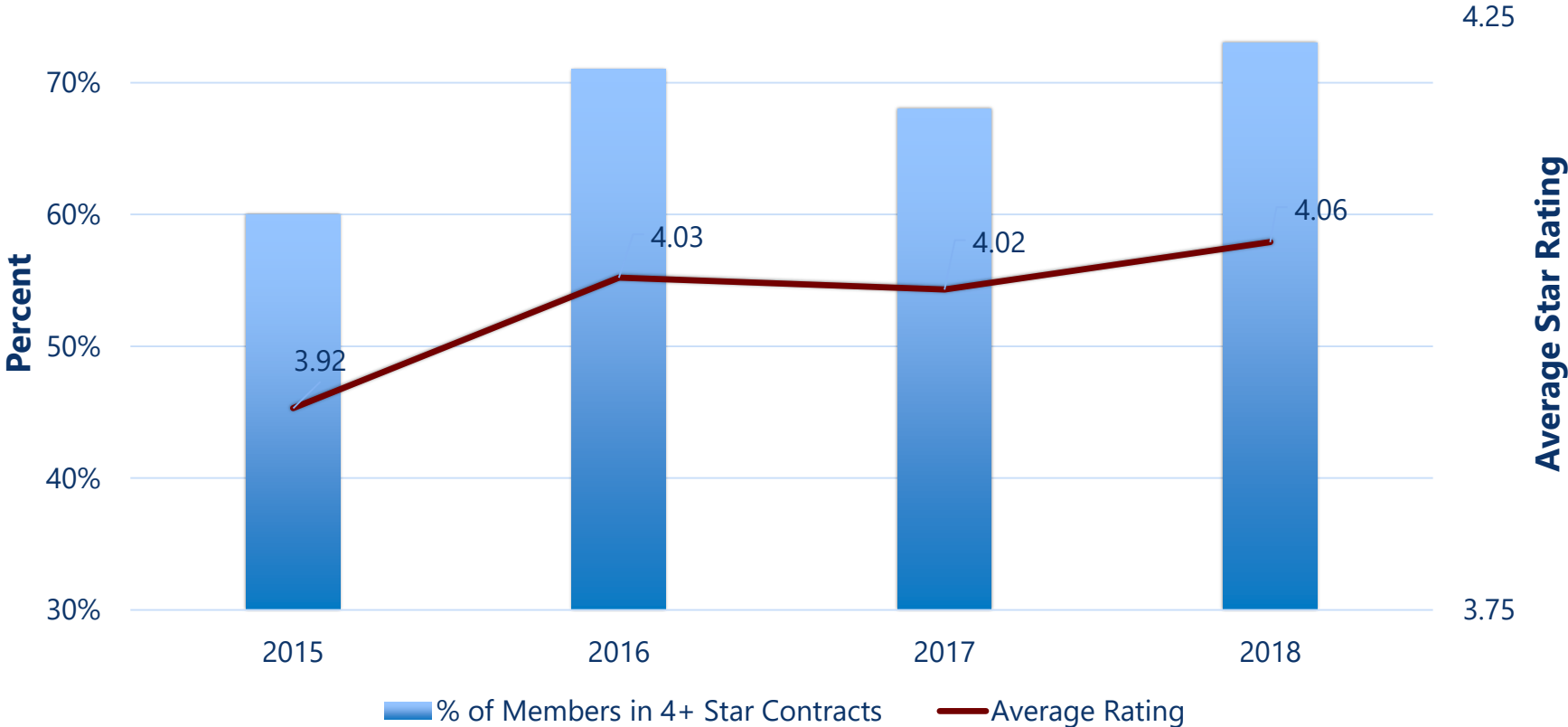
- Quality-based bonus payments
- ~50 measures of performance on medical and drug benefits
- Must score >4/5 Stars to receive bonus and rebates
- 1/2 of score = Member Experience measures



CODEPENDENCY: RISK ADJUSTMENT AND STAR RATINGS



STAR RATINGS CHANGED THE GAME IN GOVERNMENT HEALTH PROGRAMS



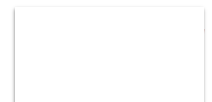
STAR RATINGS SUPPORT A CULTURE OF EXCELLENCE

Complaints per 1,000

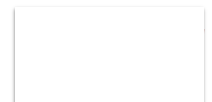
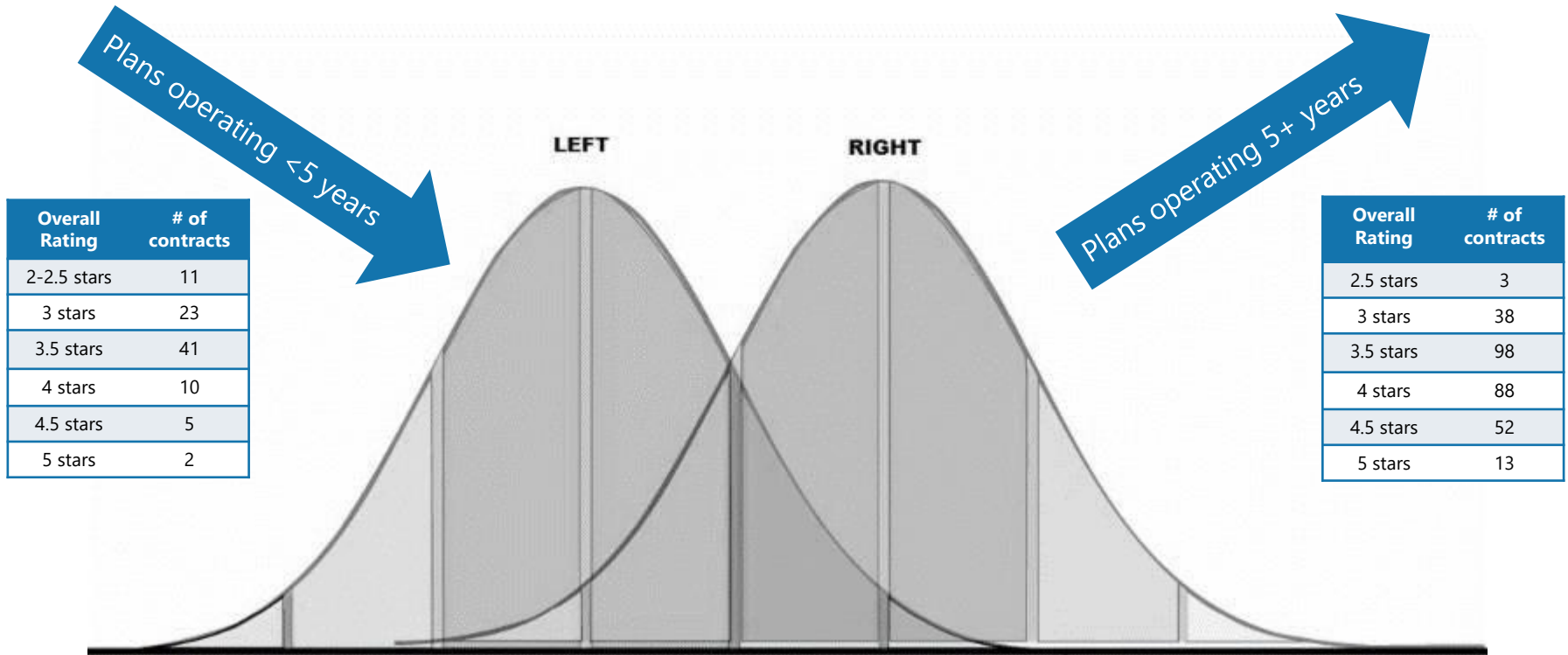
Star Rating	2017	2018
★★ ½	0.55	.71
★★★	0.40	.32
★★★ ½	0.22	.21
★★★★	0.16	.10
★★★★ ½	0.10	.09
★★★★★	0.08	.12

% Disenrollment

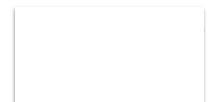
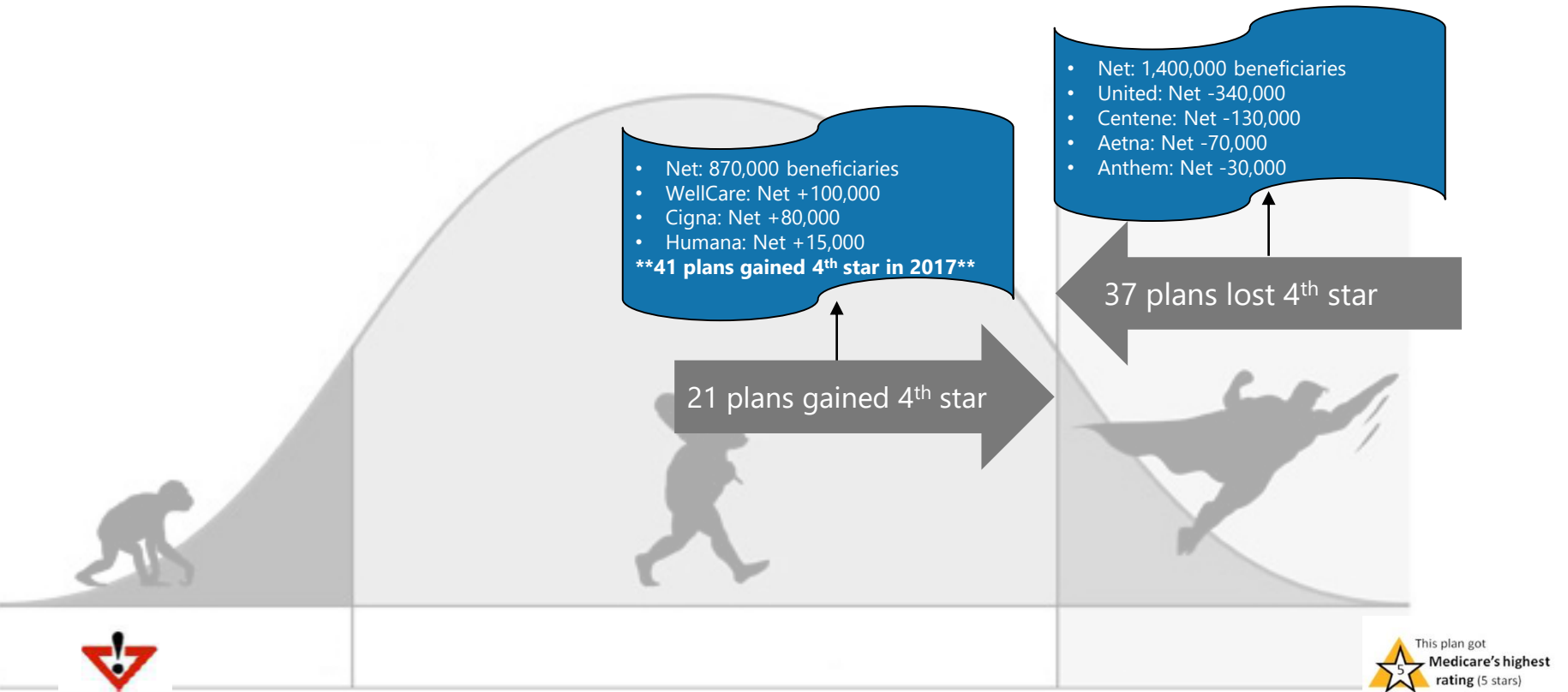
Star Rating	2017	2018
★★ ½	20%	20%
★★★	17%	16%
★★★ ½	11%	11%
★★★★	10%	8%
★★★★ ½	7%	6%
★★★★★	4%	5%



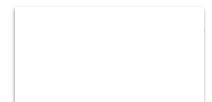
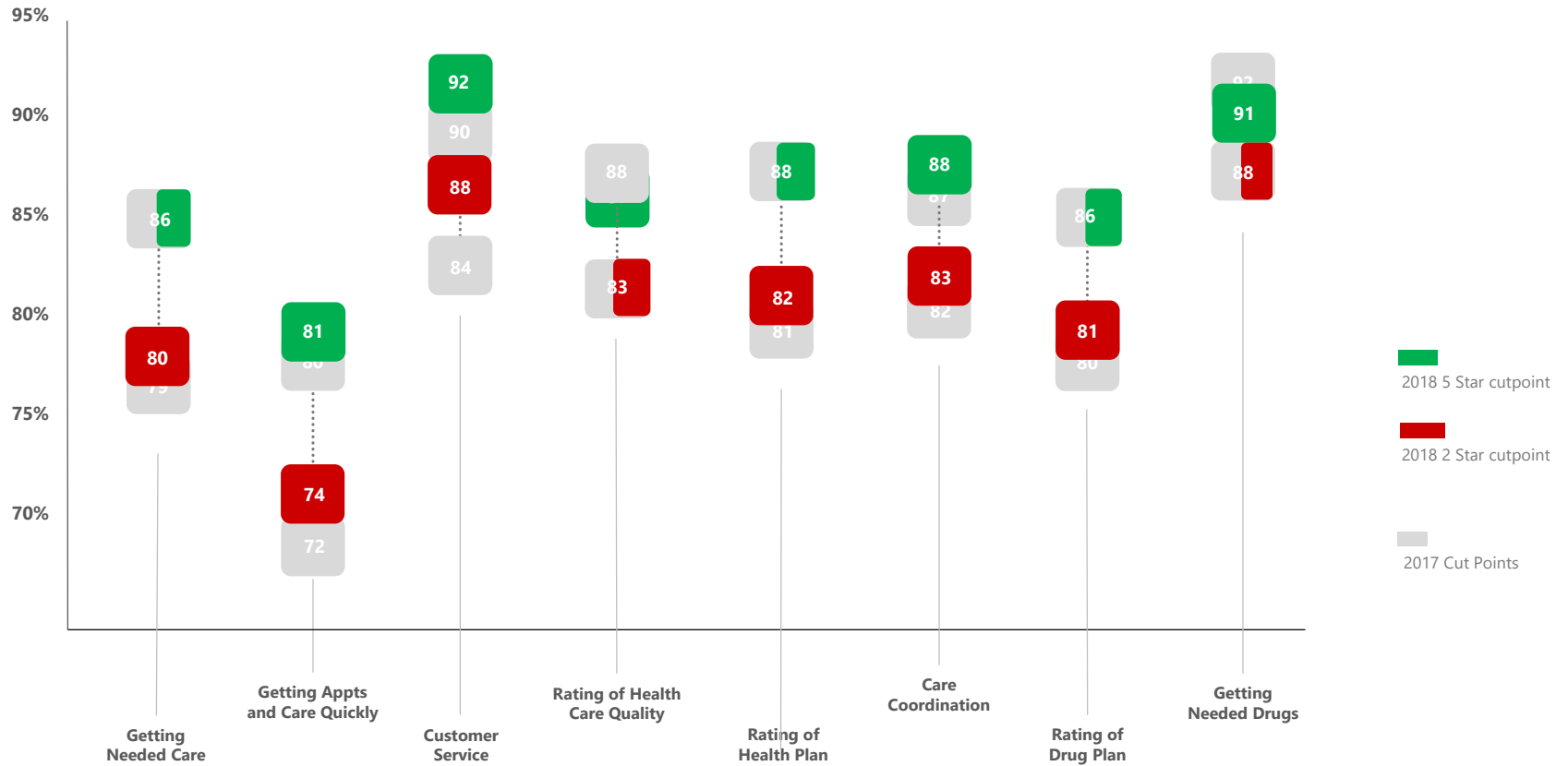
A TALE OF TWO BELL CURVES



THE PURSUIT OF QUALITY BONUS PAYMENTS

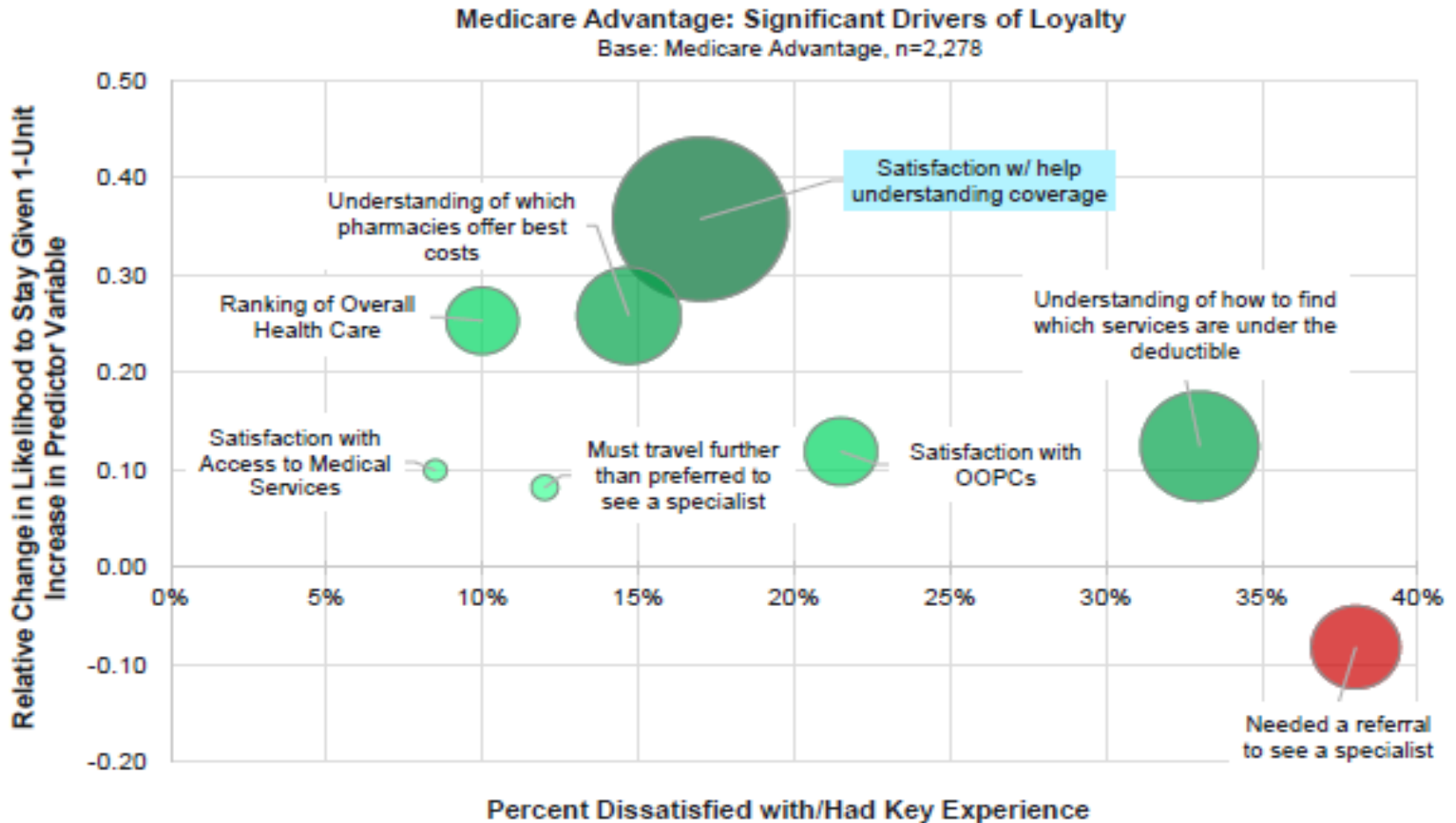


THE BAR RISES AND EVERY BENEFICIARY MATTERS IN STARS' MEMBER EXPERIENCE MEASURES

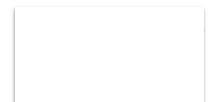


LEVERS OF LOYALTY

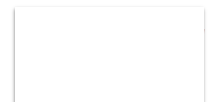
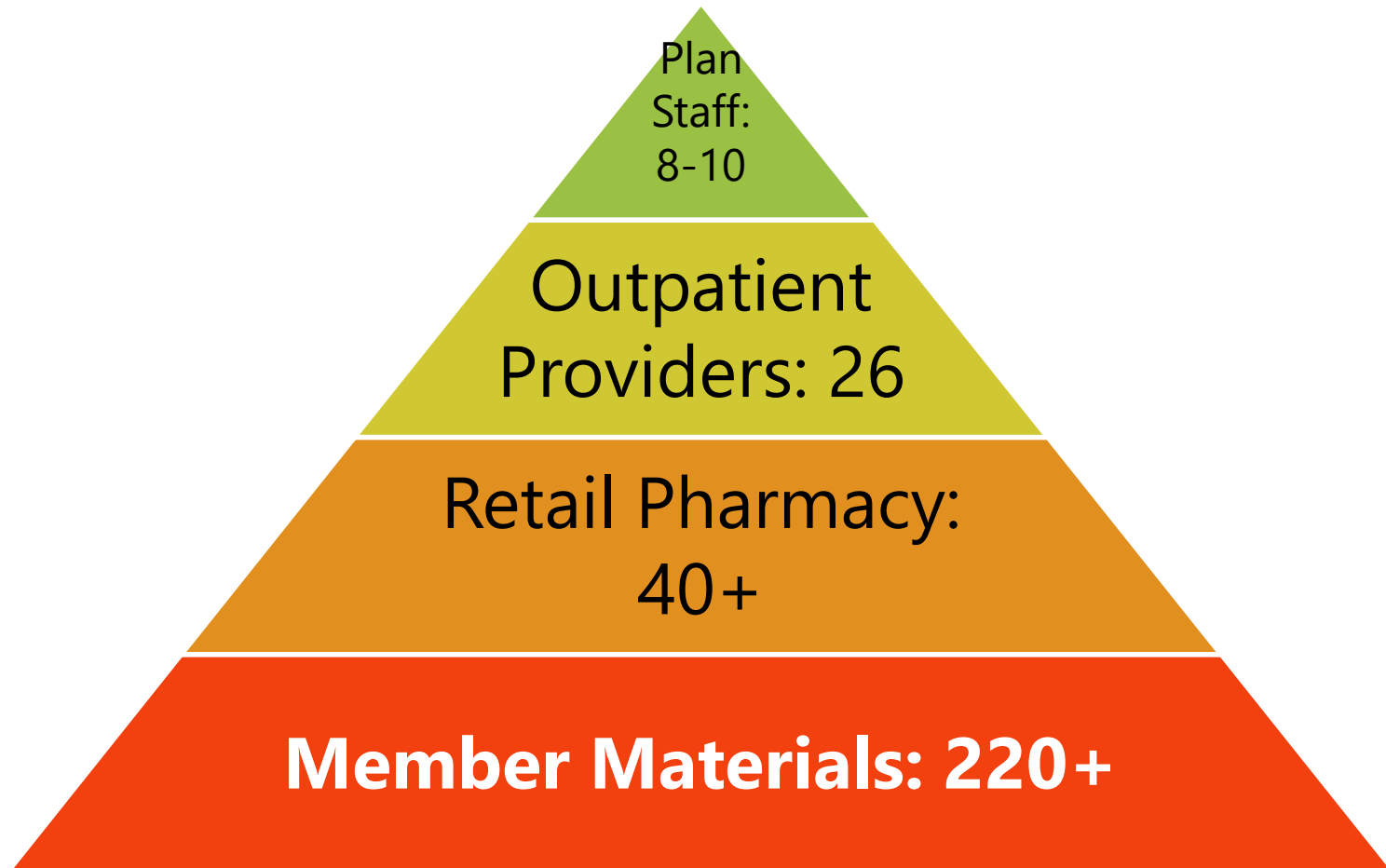
Varying Factors Impact the Member Experience



Source: Deft Research, 2017 Medicare Member Experience Study

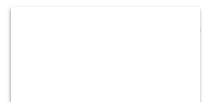
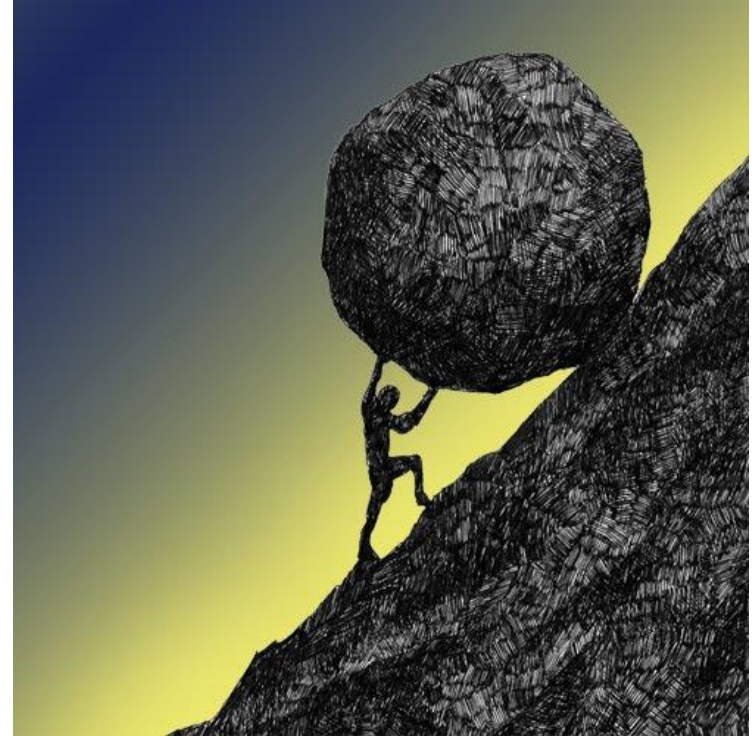


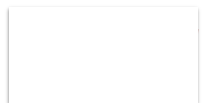
HIERARCHIES IN MEMBER CONTACTS PER YEAR



CONCLUSIONS

- Medicare Advantage remains safe and stable in Year 2 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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