



Difficult Decisions for Medicare Advantage Plans

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The 2014 Medicare Advantage (MA) and Part D selling season is already in progress for the eleven five-star quality-rated MA health plans across the country. The Centers for Medicare & Medicaid Services (CMS) allows the top quality-rated plans a head start on the selling season. With the primary 2014 Medicare Advantage Annual Election Period (AEP) just weeks away, the other 650+ plans are in the midst of determining their marketing strategies for the AEP and previewing their calendar year (CY) 2014 Medicare Plan Finder data. Health insurers are busy analyzing how their products and pricing strategies stacked up against competitors in 2013. Sales and marketing executives are considering various scenarios to determine how best to differentiate 2014 products from competitors and deploy sales force resources and scarce advertising dollars to maximize opportunities and win new business in key markets. With more than 51.9 million people eligible for Medicare¹ as of August 2013 and an estimated 3.3 million aging into the program² there is ample opportunity for health plans to gain membership during the 2014 open enrollment period.

This brief presents some interesting snapshots of the 2013 Medicare marketplace using data from CMS sources. It also highlights the eleven five-star rated plans. Data from the CMS sources is available, in a more user friendly and time saving medium, through Mark Farrah Associates' Medicare Business Online™ and Medicare Benefits Analyzer™ products.

Aggregate Medicare Advantage (MA) enrollment stands at more than 14.9 million members as of August 1, 2013, an increase of more than 1.26 million members (9.2%) over August 1, 2012. Total stand-alone Prescription Drug Plan (PDP) enrollment is 22.7 million as of August 1, 2013, an increase of nearly 2.8 million members (14.1%) from August 2012.

CMS has yet to release data on monthly MA premiums for beneficiaries in 2014. On July 30, 2013, the 48th anniversary of the signing of Medicare and Medicaid into law, CMS released a statement saying that "the average premium for a basic prescription drug plan in 2014 is projected to remain stable, at an estimated \$31 per month."³ The deadline for submission of CY 2014 bids for all MA plans was June 3, 2013; however, CMS has until early September to complete the approval process on the bid data. Many of the leading health plans have expressed concerns over maintaining reasonable rate increases for seniors given the 2014 Medicare reimbursement rates finalized in April 2014. Several companies have mentioned the need to carefully review service areas and that changes are likely in benefit packages for 2014.

The time period during which people can choose to change plans or shift from Traditional Medicare to Medicare Advantage, known as Open Enrollment or Annual Election Period (AEP) or Annual Coordinated Election Period (ACEP), runs from October 15 through December 7 of each year, with an effective start date of January 1. Due to the large number of changes that occur during this period, final enrollment results are usually available around February 15th.

Number of MA Plans Increased in 2013

Overall, there were 100 more Medicare Advantage (MA) plans for 2013 as the number of unique plans⁴ offered nationwide increased from 1,974 to 2,074 (excludes Special Needs Plans (SNP) and Medicare plans offered exclusively through employer groups (EGHP)).⁵ The number of stand-alone prescription drug plans (PDPs) declined by 17% from 1,063 for 2012 to 880 in 2013.

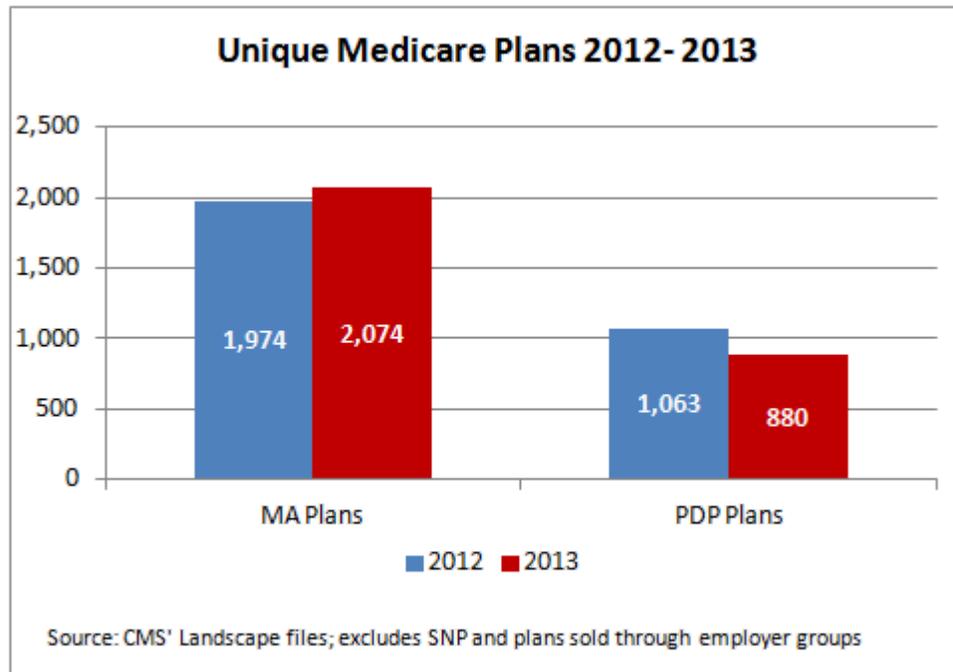
¹The Centers for Medicare & Medicaid Services, MA State/County Penetration 2013-08, data is available in Mark Farrah Associates' Medicare Business Online™.

²The projected number of people that will be 65 in 2014 based on U.S. Census Bureau, Population Division, Interim State Population Projections, released in 2005 (based on Census 2000), data is available in Mark Farrah Associates' Medicare Business Online™.

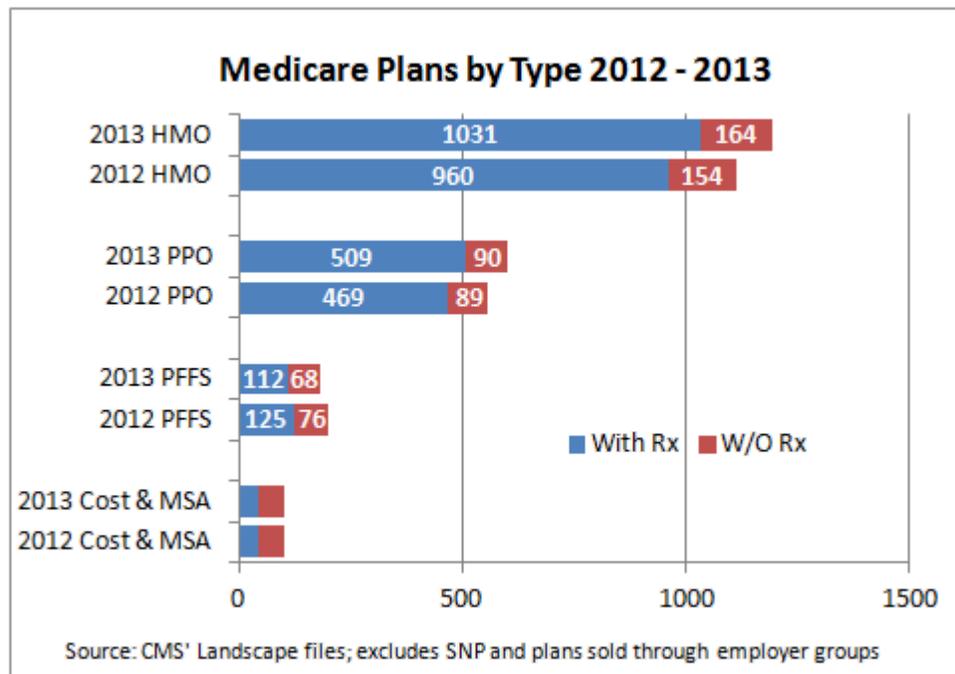
³<http://www.hhs.gov/news/press/2013pres/07/20130730a.html> (<http://www.hhs.gov/news/press/2013pres/07/20130730a.html>).

⁴Counting unique plans can be challenging because Parent organizations, such as UnitedHealth and WellPoint, offer coverage through marketing agreements or subsidiaries, such as AARP and Empire Blue Cross Blue Shield. The subsidiaries have contracts with CMS and offer separate benefit plans under each contract. In some cases, these plans are also further sub-divided into segments. Plan segments often have different price points. For the above analysis, segments of plans were aggregated to determine unique plans.

⁵Data for SNPs and EGHPs are available in Mark Farrah Associates' Medicare Business Online™ product.



Medicare beneficiaries may choose coverage from several types of MA options. In 2013, the number of plans competing in the health maintenance organization (HMO) and preferred provider organization (PPO) segments increased. There were 81 net new HMO plans and 41 net new PPO plans offered in 2013. The number of Private-Fee-For-Service (PFFS) plans declined from 201 plans in 2012 to 180 in 2013. The number of Regional PPO plans offered remained relatively small with 51 unique plans available in 2013, down from 54 in 2012. Regional PPO plans are included with Local PPOs in the following graph.



The vast majority of Medicare Advantage plans continued to offer prescription drug (Rx) coverage. The number of HMO plans offering drug coverage remained the same between 2012 and 2013 at 86%. The number of PPO plans offering prescription drug coverage increased from 469 in 2012 to 509 in 2013, with 84% of PPO plans offering prescription drug coverage in 2012 to 85% of plans including prescription coverage in 2013. The combined number of Cost and MSA plans declined by one plan with prescription drug coverage between 2012 and 2013.

It is interesting to note that three of the eleven CMS five-star quality-rated plans are 1876 Cost plans. A Medicare Cost Plan is a type of HMO. Cost contract plans are paid based on the reasonable costs incurred by delivering Medicare-covered services to plan members. Enrollees in these plans may use the cost plan's network of providers or receive their health care services through Original Medicare. Section 1876 cost plans are plans operated by an HMO or Competitive Medical Plan (CMP) in accordance with a cost reimbursement contract under section 1876 of the Social Security Act and Title 42, Part 417 of the Code of Federal Regulations. Roughly 3% of all MA enrollment is currently served by 1876 cost plans, with more than a quarter of the 3% covered by the top quality-rated plans.

CMS Five-star Quality-rated Plans

Eleven MA plans received overall quality ratings of five-stars according to CMS data. Kaiser Permanente is the parent organization for six of these plans. Wisconsin, with about 34% of its Medicare eligible people covered by Medicare Advantage plans as of August 2013, is served by three of the five-star plans. These plans are offered by HealthPartners (marketed as Group Health Plan), Gunderson Lutheran Health Plan and Humana Wisconsin Health Organization Insurance Corporation. Baystate Health's HNE Medicare Advantage plans, located in western Massachusetts, and Group Health Cooperative, located in the state of Washington, also enjoy the benefits of having top quality MA health plans. The eleven plans primarily serve members in 16 states and have the ability to market their 2014 health plans in the regions they serve prior to the standard AEP.

While there are advantages to being a top quality-rated plan, including bonuses and marketing benefits, significant enrollment growth has not yet been realized for top quality MA health plans. With the exception of Humana, the leading quality plans saw enrollment growth rates from Kaiser's 6.8% to Baystate Health's Health New England (HNE) plan of 16.2%. In aggregate, these plans saw median enrollment gains of 7.5%, significantly less than the industry average enrollment growth of 9.2% for the same period.

Enrollment Growth for Top Quality MA Plans August 2012 to August 2013

Parent	Plan Type	August 2012	August 2013	Year-over-Year Growth
Kaiser Permanente	HMO/HMOPOS	1,023,190	1,092,446	6.8%
Group Health Cooperative	HMO/HMOPOS	74,848	81,626	9.1%
Kaiser Permanente	1876 Cost	65,655	70,622	7.6%
HealthPartners	1876 Cost	42,726	45,883	7.4%
Gundersen Lutheran	HMO/HMOPOS	13,284	13,681	3.0%
BayState Health	HMO/HMOPOS	7,252	8,427	16.2%
Humana	HMO/HMOPOS	8,138	6,052	-25.6%
Total Enrollment for Five-Star Plans		1,235,093	1,318,737	6.8%
Enrollment for Other Plans		12,422,415	13,598,492	9.5%
Total Enrollment for All MA Plans		13,657,508	14,917,229	9.2%
Source: MFA analysis of CMS data available in MFA's Medicare Business Online™ and MFA's Medicare Benefits Analyzer™				

The top quality-rated plans cover nearly 9% of total MA enrollment as of August 2013. Quality ratings are only one factor Medicare eligible beneficiaries consider when choosing a health plan.

Comparing Health Plan Benefits

Along with quality ratings, Medicare plans report premiums, benefit details and co-pays in the online CMS Plan Finder tools which were designed to help seniors compare coverage choices. The information and data points are presented within these broad categories: Estimated health plan costs; Health plan benefits; Estimated drug costs; Prescription drug coverage; and Optional supplemental benefits.

When comparing Medicare Advantage options using Plan Finder data, the disparity in monthly premiums and out-of-pocket expense estimates can be quite significant across plans. In any given market, beneficiaries generally have many plans to choose from with varying copay levels across a wide array of health benefits.

The following examples demonstrate cost and premium data for 2013, for three plans in La Crosse County, Wisconsin, one of the few areas of the country where five-star quality-rated plans compete with each other. Humana and Gundersen Lutheran compete against each other in the state but Humana's PPO and PFFS enrollment is more significant than its five-star rated HMO Point-of-Service (HMOPOS) plan. HealthPartners' enrollment in the state is also insignificant compared to UnitedHealth's AARP plan which is the second leading plan in La Crosse County.

By reviewing Annual beneficiary cost estimates for HMO plan options in this area it is easy to note that price does not appear to be an important factor when choosing a health plan. With an annual beneficiary out-of-pocket cost of \$5,000, Gundersen Lutheran's Senior Preferred Elite HMO with prescription drug (w/Rx) coverage (H5262-001) is the most expensive plan in the county. It is also the leading plan with 3,539 members as of August 2013. Gundersen Lutheran Medical Center is located in La Crosse and the Center is the largest employer in the county which gives the plan a significant advantage over its competition. UnitedHealth's AARP Medicare Complete Plus HMOPOS w/Rx plan (H5253-028) with an annual beneficiary out-of-pocket cost of \$3,750 offers significant savings to its 1,325 members as of August 2013. Humana's Gold Plus product is at a significant disadvantage in this market even with a five-star rating.

2013 HMO Plan Cost Estimates -- La Crosse County Wisconsin				
Parent Plan	<i>Humana Gold Plus HMOPOS w/Rx H6622-003</i>	<i>Gundersen Lutheran Senior Pref. Elite HMO w/Rx H5262-001</i>	<i>UnitedHealth AARP Medicare Complete Plus HMOPOS w/Rx H5253-028</i>	
August 2013 Members	89	3,539	1,325	
Annual Beneficiary Out-of-Pocket Est.	\$4,200	\$5,000	\$3,750	
<u>Monthly Estimate</u>				
Part B	\$104.90	\$104.90	\$104.90	
Health Premium	\$18	\$100	\$0	
Drug Premium	\$14	\$42	\$0	
Inpatient Care	\$35	\$20	\$28	
Outpatient Drugs	\$86	\$88	\$84	
Dental	\$35	\$35	\$35	
Other Svcs	\$59	\$27	\$59	
<u>Copayments</u>				
Rx Tier 1 Generic 30 day	\$5	\$8	\$3	
PCP	\$5	\$20	\$10	
Health Plan Quality	★★★★★	★★★★★	★★★★★	

Source: Medicare Benefits Analyzer™ presenting data from Medicare Plan Finder

Health plan quality ratings may play an important role in understanding why one plan does better in a specific market than another. Gundersen Lutheran's five-star rating, and the marketing benefits that go along with the exemplary rating, most likely contributed to its large enrollment in the La Crosse market. Its high quality rating may also play a role in its ability to charge higher rates than its nearest competitor; however, this strategy also provides an opportunity for lower cost competitors to enter the market. Quality ratings are not the only factor influencing how enrollees choose a plan, as Humana can attest too. Understanding what influences enrollment decisions can help a plan decide if it should enter a market or remain in one.

Drilling into benefit details such as Annual Out-of-Pocket Limits and Deductibles; Primary Care Doctor Visit Copays; Specialist Doctor Visit Copays; Inpatient Hospital Copays; Ambulance and Emergency Room Copays; and Drug Tier Copays can explain differentials in cost estimates. This type of comparative analysis provides invaluable competitive intelligence for Medicare plans preparing to promote and sell products.

Difficult decisions are ahead for many MA health plans. For companies or researchers in need of in-depth Medicare market analysis, take note the 2014 Plan Benefits Information will soon be available. CMS intends to upload 2014 benefit profiles on www.Medicare.gov (<http://www.Medicare.gov>) in early October. However analysts beware, this online tool, designed to help beneficiaries evaluate coverage options, does not lend itself to easy competitor analysis. To help Medicare companies with market analysis, Mark Farrah Associates in partnership with Strenuous organizes Plan Finder data in the easy-to-use Medicare Benefits Analyzer™ database ([click here \(/products/medicare-benefits-analyzer.aspx\)](/products/medicare-benefits-analyzer.aspx) for more information about Medicare Benefits Analyzer™).

MFA's database will present 2014 data as well as 2010 - 2013 plan benefits for comparative analysis. When CMS releases 2014 Star Quality Ratings on or around October 12th, this highly important data will immediately complement the 2014 data available in Medicare Benefits Analyzer™. Subscribers also have access to Medicare Business Online™ for tracking month-to-month enrollment changes. If you'd like more information about the Medicare Benefits Analyzer™ database, visit our website or call Mark Farrah Associates at 207.985.8484.

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