



Employer Group Plans Drive Medicare PDP Growth

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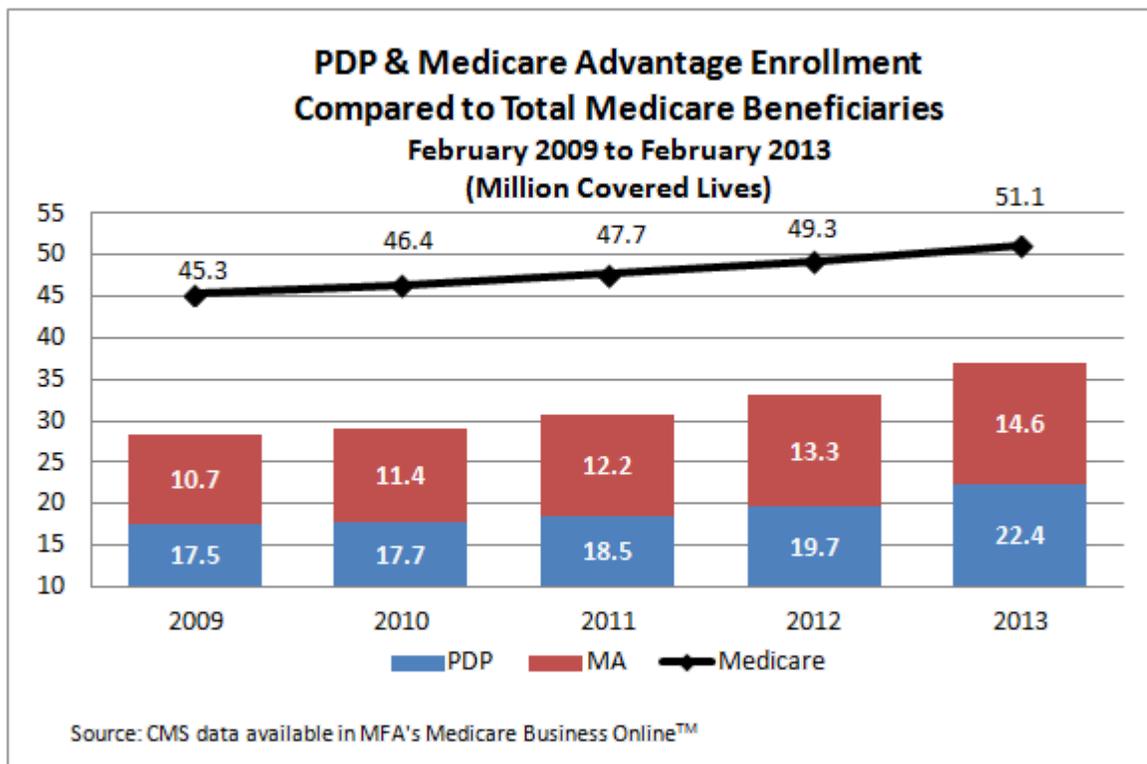
by Debra A. Donahue

Medicare stand-alone prescription drug plans (PDPs) covered almost 22.4 million people as of February 1, 2013 and gained more than 2.7 million covered lives between February 2012 and February 2013, a 14.7% increase year-over-year. Mergers and acquisitions continued to impact the leader board and six companies now control 80% of the PDP market. Employer group health plans drove much of the growth in PDPs from February 2012 to February 2013. Express Scripts alone saw a gain of over 1 million covered lives; the increase came almost entirely from employer group enrollment. UnitedHealth's gain of 680,000 new PDP members, about half from employer-sponsored plans, kept it securely at the top of all plans based on overall PDP enrollment.

PDP Enrollment Growth

Stand-alone prescription drug plans (PDPs), also referred to as Medicare Part D plans, enrolled 22.4 million people as of February 1, 2013, an increase of more than 2.7 million (14.7%) from February 1, 2012. There are currently 63 organizations competing in this segment as of February 2013, down from 69 in 2012.

The percentage of Medicare beneficiaries served by PDPs increased 3.9%, from 39.9% as of February 2012 to 43.8% as of February 2013. Together PDPs and Medicare Advantage plans cover 72.4% of the 51.1 million people eligible for Medicare in 2013, up from 62.4% in 2009 and 66.9% in 2012.



M&A Impacts the PDP Leader Board

Mergers and acquisitions (M&A) continue to impact the leader board. M&A activity, along with a dynamic competitive environment, surround PDPs and this setting has enabled significant market share shifts between organizations from one year to the next. Currently the top six plans cover 80.2% of all PDP enrollees.

| February 2013 Top PDP Organizations with Greater than 1 Million Members | | | | |
|---|------------|------------|-------------------|--------------------------|
| Parent | Feb-12 | Feb-13 | Percent Growth | Feb-2013 Market Share |
| UnitedHealth | 4,241,527 | 4,923,799 | 16.1% | 22.0% |
| CVS Caremark | 4,045,744 | 4,520,948 | 11.7% | 20.2% |
| Humana | 2,848,834 | 3,128,892 | 9.8% | 14.0% |
| Express Scripts | 1,668,858 | 2,751,104 | 64.8% | 12.3% |
| Coventry | 1,436,779 | 1,439,158 | 0.2% | 6.4% |
| Cigna | 1,275,297 | 1,226,807 | -3.8% | 5.5% |
| Subtotal >1 Million | 15,517,039 | 17,990,708 | 15.9% | 80.2% |
| All Others | 4,173,367 | 4,428,630 | 6.1% | 19.8% |
| Total | 19,690,406 | 22,419,338 | 13.9% | 100% |
| Source: Mark Farrah Associates (MFA) analysis of CMS enrollment data; data is available in Medicare Business Online™ | | | | |

UnitedHealth with 4.9 million PDP subscribers continues to lead the market in terms of overall membership. It serves 22% of all PDP enrollees, up from 21.5% one year ago. Five additional companies covered more than 1 million PDP members each as of February 2013: CVS Caremark, Humana, Express Scripts, Coventry and Cigna.

Consolidation is increasing competition among the leading plans and will continue to shake up the leader board for the near future. Express Scripts and Cigna both joined the top PDP organizations through acquisitions in 2012. February 2012 numbers were adjusted to reflect the combined enrollment of the acquired companies. Additional Medicare Advantage and PDP plan mergers and acquisitions are being negotiated, such as Aetna's acquisition of Coventry. Combined Aetna and Coventry would have over 2 million PDP members as of February 2013.

Employer Group Plans Drive PDP Growth

Employer group health plans (EGHPs), employer-sponsored plans for retirees, drove much of the growth in PDPs from February 2012 to February 2013. The elimination of the tax advantage related to the Retiree Drug Subsidy (RDS) program beginning in 2013 had many employers seeking other Medicare Part D solutions, such as the employer group using a Medicare-contracted prescription drug plan (PDP) to provide group benefits under Medicare Part D. Enrollment from employer plans increased nearly 2.2 million, while enrollment in products sold to individuals increased by 560,000 during the period. Express Scripts alone saw a gain of over 1 million covered lives; the increase came almost entirely from employer-sponsored plans. UnitedHealth's gain of 680,000 new PDP members, about half from EGHPs, kept it securely at the top of all plans based on overall PDP enrollment.

| PDP Organizations with the Largest Gains from February 2012 to February 2013 | | | | |
|---|--------|--------|---------------------|-------------------|
| Parent | Feb-12 | Feb-13 | Growth 2012-2013 | Percent Change |
| | | | | |

| | | | | |
|---|------------|------------|-----------|----------|
| Express Scripts | 1,668,858 | 2,751,104 | 1,082,246 | 64.8% |
| UnitedHealth | 4,241,527 | 4,923,799 | 682,272 | 16.1% |
| CVS Caremark | 4,045,744 | 4,520,948 | 475,204 | 11.7% |
| Humana | 2,848,834 | 3,128,892 | 280,058 | 9.8% |
| Envision | 301,148 | 462,786 | 161,638 | 53.7% |
| Aegon | 6,505 | 119,603 | 113,098 | 1,738.6% |
| Aetna | 465,409 | 564,316 | 98,907 | 21.3% |
| RCGM | 0 | 65,721 | 65,721 | 100.0% |
| Total | 13,578,025 | 16,537,169 | 2,959,144 | 21.8% |
| Source: Mark Farrah Associates (MFA) analysis of CMS enrollment data; data is available in Medicare Business Online™ | | | | |

Pharmacy benefit management firm (PBM) based PDPs, such as CVS Caremark and Express Scripts continue to see significant gains from both group and non-group plans. Humana's co-branded plan with WalMart also saw a large increase. Roughly 56% of Humana's PDP enrollment and almost all of Humana's current PDP growth is from the Humana WalMart Preferred Rx plan which is sold directly to individuals.

Envision Insurance Company, which works with Rite Aid pharmacies, experienced an increase of more than 161,000 members between February 2012 and February 2013. It offers two Part D plans: EnvisionRx Plus Silver (PDP) and EnvisionRx Plus Gold (PDP) [formerly called Rite Aid EnvisionRx Plus]. The EnvisionRx Plus Silver plan is available in all 50 states plus the District of Columbia; however, the company continued to see its largest gains from the California market. Approximately 29% of Envision's PDP enrollment is located in California. Envision offers both individual and employer group PDP plans.

While consolidation is impacting the industry; new plans are also emerging. New entrant RCGM, an investment company that is listed as the parent of Smart Insurance and markets their PDP product under the name of SmartD Rx, did very well during the most recent Annual Election Period (AEP). Smart Insurance Company worked with Walgreens to offer in-store consultations with licensed SmartD Rx plan agents for seniors looking for information about PDP plans. Smart Insurance also uses RxAlly, a pharmacy network that Walgreen Company and some independent drugstores created that involves 20,000 pharmacies nationwide.

Aegon, another relatively new PDP parent organization, is a multinational insurance company headquartered in the Netherlands. Aegon's subsidiary, Stonebridge Life Insurance Company, markets its PDP plans under the name Medicare GenerationRx to employer groups only and has enrollment in 46 states plus the District of Columbia. The State of Michigan began offering retirees Medicare Generations Rx in January 2013. Also effective January 1, 2013, all Medicare-eligible retirees and Medicare-eligible dependents covered under the Retirement System of Alabama's Public Education Employees' Health Insurance Plan (PEEHIP) were automatically enrolled into the Medicare GenerationRx Part D Prescription Drug Program.

While more than half of all PDPs saw growth between 2012 and 2013, there were some companies that experienced significant losses.

| PDP Organizations with the Largest Losses from February 2012 to February 2013 | | | | |
|--|---------|---------|-------------------|-------------------|
| Parent | Feb-12 | Feb-13 | Loss 2012-2013 | Percent Change |
| Wellcare | 903,203 | 753,768 | -149,435 | 16.5% |
| WellPoint | 553,605 | 451,365 | -102,240 | 18.5% |

| | | | | |
|---|-----------|-----------|----------|--------|
| Cigna | 1,275,297 | 1,226,807 | -48,490 | 3.8% |
| Kentucky Retire. Sys. | 34,004 | 0 | -34,004 | 100.0% |
| Total | 2,766,109 | 2,431,940 | -334,169 | 12.1% |
| Source: Mark Farrah Associates (MFA) analysis of CMS enrollment data; data is available in Medicare Business Online™ | | | | |

WellCare dropped nearly 150,000 members between February 2012 and February 2013, primarily due to the loss of auto-assigned, low income subsidy membership in California. WellPoint and Cigna's HealthSpring also saw PDP enrollment declines year-over-year. The Kentucky Retirement System (KRS) contracted with some of the leading plans to offer Medicare Advantage and PDP options to KRS participants as of January 2013.

Changes in market share can influence purchasing power with pharmaceutical companies and pharmacies in this highly price sensitive market. The increase in M&A activity and the shift from retiree drug plans to employer group health plans in both the Medicare Advantage and PDP markets is creating significant fluctuation in market share. As consolidation continues to impact the industry, many organizations are scrutinizing the market looking for additional opportunities and competitive advantages.

The large number of seniors aging into the Medicare program presents a significant opportunity but precarious risk for some organizations. Many companies are evaluating how their 2013 results compared to expectations and to the local competition by using tools such as Mark Farrah Associates' (MFA) Medicare Business Online™ and Health Coverage Portal™. Using MFA's Medicare Benefits Analyzer (MBA), they are comparing and revising 2013 benefit packages and developing strategies to offer 2014 products that will attract and benefit seniors while ensuring the company is not adversely selected. The Centers for Medicare and Medicaid (CMS) reported 51.1 million people were eligible for Medicare as of February 2013. With only 43.8% enrolled in PDP plans, there is still opportunity for growth in this highly competitive market.

About This Data

This brief is based on an analysis of enrollment data for PDPs released by the Centers for Medicare & Medicaid Services (CMS). Enrollment, premium, product and even corrective and enforcement action data can be accessed through the CMS website or Mark Farrah Associates' [Medicare Business Online™](#) (</products/medicare-business-online.aspx>) and [Medicare Benefits Analyzer™](#) (</products/medicare-benefits-analyzer.aspx>). Mark Farrah Associates offers these products to make analysis of local markets, trends and competition easier. Enrollment data is updated monthly as soon as CMS releases new data to save organizations from having to aggregate and organize data themselves. Premiums and benefit attributes are updated each year.

About Mark Farrah Associates (MFA)

Mark Farrah Associates (MFA) is a leading data aggregator and publisher providing health plan market data and analysis tools for the healthcare industry. MFA's Medicare Business Online™ (MBO) product simplifies the tracking of Medicare Advantage and PDP growth and competition on a monthly basis. MBO coupled with Medicare Benefits Analyzer™ provides a full suite of business intelligence for the competitive Medicare Advantage market. Committed to simplifying analysis of health insurance business, our products include Medicare Business Online™, Medicare Benefits Analyzer™, Health Coverage Portal™, County Health Coverage™, Health Insurer Insights™, and Health Plans USA™.

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