



## M and A Activity Shakes Up PDP Leader Board

3/2/2012

by Debra A. Donahue

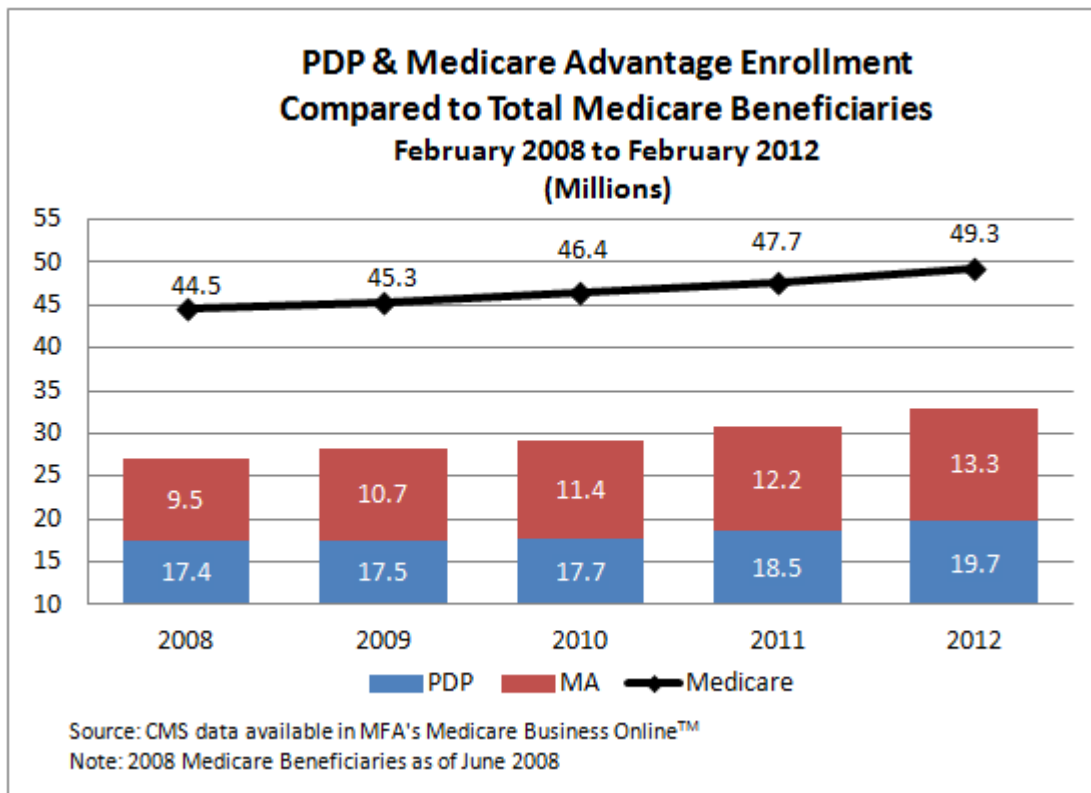
### March 8, 2012 Update:

**The sixth paragraph, fourth sentence in the Business Strategy report was updated to read: Should Express Scripts' acquisition of Medco Health Solutions be approved, the combined entity would have nearly 1.7 million PDP members.**

Mergers and acquisitions (M&A), along with a dynamic competitive environment, surround stand-alone prescription drug plans (PDPs) and this setting has altered the list of top PDP plans in 2012. PDPs covered almost 19.7 million people as of February 1, 2012 and gained nearly 1.2 million covered lives between February 2011 and February 2012, a 6% increase year-over-year. In comparison, PDP plans gained 802,000 net new members, a 4% increase between February 2010 and February 2011. Humana continues to lead the market in terms of membership growth, while UnitedHealth remains the top plan based on overall PDP enrollment. If most of the announced mergers are approved there should be significantly fewer plans in 2013.

### PDP Enrollment Growth

Prescription drug plans (PDPs), also referred to as Medicare Part D plans, enrolled 19,690,406 people as of February 1, 2012, an increase of nearly 1.17 million (6%) from February 1, 2011. Following Universal American's sale of its PDP business to CVS Caremark, there are currently 69 organizations competing in this segment as of February 2012. If most of the announced mergers are approved there could be significantly fewer plans in 2013.



The percentage of Medicare beneficiaries served by PDPs increased 1.1%, from 38.8% as of February 2011 to 39.9% as of February 2012. For the first time in five years the percentage of Medicare beneficiaries enrolled in PDP plans exceeds the previous high of nearly 39.1% in 2008. Together PDPs and Medicare Advantage plans cover 67% of the 49.3 million people eligible for Medicare in 2012, up from 60% in 2008 and 64% in 2011.

### M&A Impacts the PDP Leader Board

Mergers and acquisitions (M&A), 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 five plans cover 67.7% of all PDP enrollees.

February 2012 Top PDP Organizations with Greater than 1 Million Members				
Parent	Feb-11	Feb-12	Percent Growth	Feb-2012 Market Share
UnitedHealth	4,734,766	4,241,527	-10.4%	21.5%
CVS Caremark	3,417,361	3,624,822	6.1%	18.4%
Humana	2,329,384	2,848,834	22.3%	14.5%
Coventry	1,163,150	1,436,779	23.5%	7.3%
Medco Health	711,420	1,168,672	64.3%	5.9%
Subtotal >1 Million	12,356,081	13,320,634	7.8%	67.7%
All Others	6,164,690	6,369,772	3.3%	32.3%
Total	18,520,771	19,690,406	6.3%	100.0%

Source: Mark Farrah Associates (MFA) analysis of CMS enrollment data;  
data is available in Medicare Business Online™

UnitedHealth with 4.2 million PDP subscribers continues to lead the market in terms of overall membership. It serves 21.5% of all PDP enrollees, down from 26% one year ago. Four additional companies covered more than 1 million PDP members each as of February 2012: CVS Caremark, Humana, Coventry and Medco Health Solutions.

Consolidation is increasing competition among the leading plans and will continue to shake up the leader board for the near future. CVS Caremark's acquisition of Universal American's PDP business in April 2011 propelled it to second place based on membership among all PDP organizations. If CVS' acquisition of Health Net's PDP business is approved, then the company will pick up an additional 421,000 members. Should Express Scripts' acquisition of Medco Health Solutions be approved, the combined entity would have nearly 1.7 million PDP members. CIGNA, which currently ranks 8th in the PDP market, announced acquisition plans for 7th place HealthSpring, during the first half of 2012. Cigna combined with HealthSpring, which acquired Bravo Health's PDP business in 2010, would have more than 1.2 million PDP members as of February 2012. Additional Medicare Advantage and PDP plan mergers and acquisitions are being negotiated so other plans may join the ranks of the top plans soon.

## Winners and Losers

Pharmacy benefit management firm (PBM) based PDPs, such as CVS Caremark, Medco and Express Scripts continue to see significant gains. Humana's partnership with WalMart is another example of the how pharmacy-based PDPs appeal to the senior market. Pharmacy and PBM-based companies have many competencies that aid them in managing PDP products. These skills coupled with brand recognition have resulted in some impressive gains.

PDP Organizations with the Largest Gains from February 2011 to February 2012				
Parent	Feb-11	Feb-12	Growth 2011-2012	Percent Change
Humana	2,329,384	2,848,834	519,450	22.3%
Medco Health	711,420	1,168,672	457,252	64.3%
Coventry	1,163,150	1,436,779	273,629	23.5%
CVS Caremark	3,417,361	3,624,822	207,461	6.1%
Envision	117,297	301,148	183,851	156.7%
Express Scripts	385,685	500,186	114,501	29.7%
Torchmark	143,766	221,883	78,117	54.3%
CIGNA	546,727	620,852	74,125	13.6%
Total	8,814,790	10,723,176	1,908,386	21.6%
Source: Mark Farrah Associates (MFA) analysis of CMS enrollment data; data is available in Medicare Business Online™				

For the second year in a row, Humana saw the largest growth in PDP enrollment year-over-year, adding 519,450 net members between February 2011 and February 2012. During the most recent annual election period (AEP), Humana gained over 90% of new members from its Humana WalMart Preferred Rx Plan sold directly to individuals.

Envision Insurance Company more than doubled its enrollment from February 2011 to February 2012. The company experienced an increase of more than 50,000 members in California alone during the most recent AEP. It offers two Part D plans: EnvisionRxPlus Silver (PDP) and Rite Aid EnvisionRxPlus (PDP). The Rite Aid

branded Part D plan is available in the 31 States where Rite Aid has a retail presence; the EnvisionRxPlus Silver plan is available in all 50 States and the District of Columbia.

Many of the PBM-based PDP organizations are also seeing large membership gains from products sold to retirees through their employers. For example, Medco Health experienced the majority of its growth through employer-sponsored retiree plans or retiree prescription drug programs. The elimination of the tax advantage related to the Retiree Drug Subsidy (RDS) beginning in 2013 has many employers seeking other Medicare Part D solutions, such as the employer group waiver plan (EGWP). An employer using an EGWP works with a Medicare-contracted prescription drug plan (PDP) to provide group benefits under Medicare Part D.

While more than half of all PDPs saw growth between 2011 and 2012, there were some companies that experienced significant losses.

PDP Organizations with the Largest Losses from February 2011 to February 2012				
Parent	Feb-11	Feb-12	Loss 2011-2012	Percent Change
UnitedHealth	4,734,766	4,241,527	-493,239	-10.4%
Healthspring	831,609	654,445	-177,164	-21.3%
WellPoint	627,916	553,605	-74,311	-11.8%
WellCare	932,472	903,203	-29,269	-3.1%
Total	7,126,763	6,352,780	-773,983	-10.9%

Source: Mark Farrah Associates (MFA) analysis of CMS enrollment data; data is available in Medicare Business Online™

Market leader UnitedHealth reported that its PDP losses in 2012 may be as high as 625,000 because the low-income market benchmark price was below its bids for 2012. This means UnitedHealth's PDP options are not offered to low-income seniors in 2012. HealthSpring and WellPoint also saw PDP enrollment declines year-over-year. HealthSpring saw the majority of its losses in the Bravo Rx plan marketed in California. WellPoint's decline may be the result of the removal of Walgreens from its pharmacy network.

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 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 2012 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 2012 benefit packages and developing strategies to offer 2013 products that will attract and benefit seniors while ensuring the company is not adversely selected. The Centers for Medicare and Medicaid (CMS) reported 49.3 million people were eligible for Medicare as of February 2012. With only 40% enrolled in PDPs, there is still a lot of 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 and 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>) product. Mark Farrah Associates offers Medicare Business Online™ to make analysis of local markets, trends and competition easier. The database is updated monthly as soon as CMS releases new data to save organizations from having to aggregate and organize data themselves.

## 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. We are a licensed distributor of NAIC data. MFA's Health Coverage Portal™ includes both risk-based and administrative services only (ASO) membership and financial data by plan, parent, state, region and nationally. Committed to simplifying analysis of health insurance business, our products include Medicare Business Online™, Medicare Benefits Analyzer™, Health Coverage Portal™, Health Insurer Insights™, Health Plans USA™ and the new County Health Coverage™.

Healthcare Business Strategy is a FREE monthly brief that presents analysis of important issues and developments affecting healthcare business today. If you aren't on our email distribution list, [click here \(/email-options/subscribe-to-healthcare-business-strategy.aspx\)](/email-options/subscribe-to-healthcare-business-strategy.aspx) to subscribe now.

Debra A. Donahue is Vice President Market Analysis and Online Products for Mark Farrah Associates

---



Mark Farrah Associates  
Phone: 724.338.4100  
Web: [www.markfarrah.com](http://www.markfarrah.com)

© Copyright 1997-2018. All rights reserved. Unauthorized use is prohibited. Healthcare Business Strategy™ is the product of Mark Farrah Associates. No part of this product may be reproduced, in any form or by any means, including posting in its entirety in blogs or other media applications, without permission in writing from Mark Farrah Associates - (724) 338-4100.