



## Medicare Advantage Competition Analysis

8/28/2012

by Debra A. Donahue

Medicare Advantage (MA) and Part D plans are in the midst of determining their marketing strategies for the 2013 selling season and previewing their calendar year (CY) 2013 Medicare Plan Finder data. With the 2013 Medicare Advantage selling season just weeks away, health insurers are busy analyzing how their products and pricing strategies stacked up against competitors in 2012. Sales and marketing executives are considering various scenarios to determine how best to differentiate 2013 products from competitors and deploy sales force resources and scarce advertising dollars to maximize opportunities and win new business in key markets. With 50.2 million people eligible for Medicare<sup>1</sup> as of August 2012 and an estimated 3.3 million aging into the program<sup>2</sup> there is ample opportunity for health plans to gain membership during the 2013 open enrollment period.

This brief presents some interesting snapshots of the 2012 Medicare marketplace using data from The Centers for Medicare & Medicaid Services (CMS) sources. Data from these 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 roughly 13.7 million members as of August 1, 2012, an increase of more than 1.24 million members (10%) over August 1, 2011. Total Stand-alone Prescription Drug Plan (PDP) enrollment is 19.9 million as of August 1, 2012, an increase of nearly 1.17 million members (6.3%) from August 2011.

---

<sup>1</sup>The Centers for Medicare & Medicaid Services, MA State/County Penetration 2012-08, data available in Mark Farrah Associates' Medicare Business Online

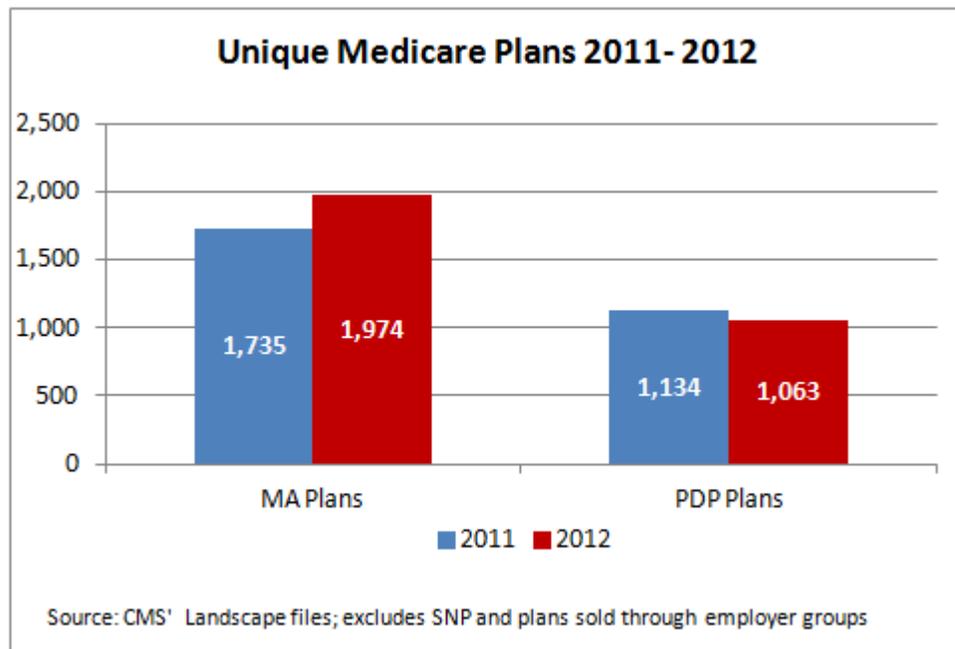
<sup>2</sup>The projected number of people that will be 65 in 2013 based on U.S. Census Bureau, Population Division, Interim State Population Projections, released in 2005 (based on Census 2000), data available in Mark Farrah Associates' Medicare Business Online

Modest premium rate changes occurred for both MA and PDP plans from 2011 and 2012 and CMS is saying that it expects "most Medicare beneficiaries enrolled in a Medicare Advantage Plan will probably see very little increase in their monthly premium in 2013. For some beneficiaries, premium rates may even go down a dollar or two, depending on their county and their plan's 2012 star ratings."<sup>3</sup>

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 Enrollment Period (AEP), starts on October 15, 2011. Beneficiaries will need to make their elections for next year's Medicare coverage by December 7, 2012. This is the same time frame as last year.

### Number of MA Plans Increased for 2012

Overall, there are 14% more Medicare Advantage (MA) plans for 2012 as the number of unique plans<sup>4</sup> offered nationwide increased from 1,735 to 1,974 (excludes Special Needs Plans (SNP) and Medicare plans offered exclusively through employer groups (EGHP)).<sup>5</sup> The number of stand-alone prescription drug plans (PDPs) declined by 6% from 1,134 in 2011 to 1,063 for 2012.



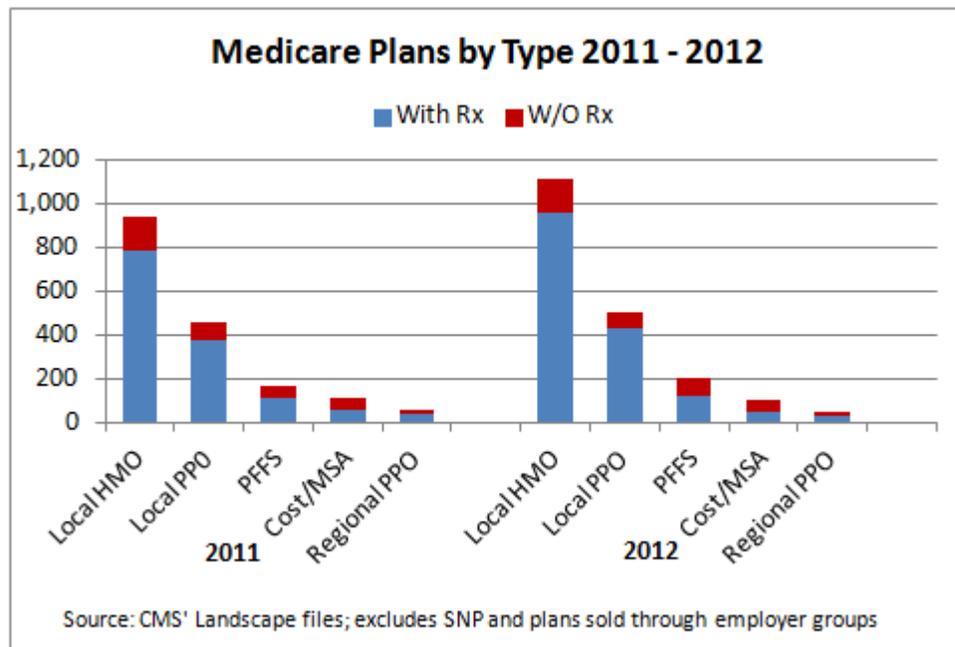
<sup>3</sup><http://www.medicare.com/advantage-plans/will-premiums-for-medicare-advantage-plans-increase-in-2013.html> (<http://www.medicare.com/advantage-plans/will-premiums-for-medicare-advantage-plans-increase-in-2013.html>)

<sup>4</sup>Counting 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.

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

Medicare beneficiaries may choose coverage from several types of plans. In 2012, the number of plans competing in the HMO, Local PPO and Private-Fee-For-Service (PFFS) segments increased. There were 172 net new HMO plans and 49 net new Local PPO plans offered in 2012. Universal American, in a bold move, added several new Private-Fee-For-Service (PFFS) plans under four new contracts with CMS for 2012. Universal American's new plans, that serve rural areas from Maine to California, gained just 604 new members in 2012. The number of Regional PPO plans offered remained relatively small with 54 unique plans available in 2012, down from 59 in 2011.

The vast majority of Medicare Advantage plans continued to offer prescription drug (Rx) coverage. The number of HMO plans offering drug coverage increased from 83% in 2011 to 86% in 2012. Local PPO plans had a similar change, with 82% of PPO plans offering prescription drug coverage in 2011 to 86% of plans including prescription coverage in 2012.



## Comparing Health Plan Benefits

Medicare plans report premiums, benefit details and co-pays in the online Plan Finder tools 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. Visit MFA's website to access detailed lists of data elements available.

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 2012, for three plans in Miami-Dade, Florida and Los Angeles, California. The top plans in each county based on enrollment were compared to one of the lowest membership plans in the area and a plan whose membership fell nearest the mid-point of other plans in the market. By reviewing Annual beneficiary cost estimates for HMO plan options in these areas it is easy to note that price is an important factor when comparing health plans. With an annual beneficiary out of pocket cost of \$1,350 CIGNA's Leon Medical Center Health Plan – Leon Cares (H5410-001) is the leading plan in the Miami Dade area with 38,500 members as of August 2012. In Los Angeles County, Kaiser Permanente Senior Advantage plan (H5410-001) covers 95,518 members as of August 2012; however it has a higher annual beneficiary out-of-pocket cost than the Health Net Healthy Heart Plan 1.

2012 HMO Plan Cost Estimates - Miami-Dade Florida			
Parent Plan	<i>Humana</i> <i>Humana Gold Plus</i> <i>H1036-164</i>	<i>UnitedHealthcare</i> <i>AARP MedicareComplete Plan 1</i> <i>H9011-003</i>	<i>CIGNA/HealthSpring</i> <i>Leon MC Health Plans - Leon Cares</i> <i>H5410-001</i>
August 2012 Members	94	2,442	38,500
Annual Beneficiary Out-of-Pocket Est.	\$1,750	\$2,150	\$1,350
<u>Monthly Estimate</u>			
Part B	\$3.50	\$99.90	\$79.90
Health Premium	\$0	\$0	\$0
Drug Premium	\$0	\$0	\$0
Inpatient Care	\$20	\$13	\$12
Outpatient Drugs	\$72	\$32	\$9
Dental	\$17	\$19	\$10
Other Svcs	\$33	\$15	\$0
Health Plan Quality	★★★★	★★★	★★★★

2012 HMO Plan Cost Estimates - Los Angeles County California			
Parent Plan	<i>Humana</i> <i>Humana Gold Plus</i> <i>H0108-011</i>	<i>Health Net</i> <i>Health Net Healthy Heart Plan 1</i> <i>H0562-082</i>	<i>Kaiser</i> <i>Kaiser Permanente Senior Advantage</i> <i>H0524-003</i>
August 2012 Members	651	2,442	95,518
Annual Beneficiary Out-of-Pocket Est.	\$3,350	\$2,900	\$3,200
<u>Monthly Estimate</u>			
Part B	\$99.90	\$99.90	\$99.90
Health Premium	\$0	\$0	\$0
Drug Premium	\$0	\$0	\$0
Inpatient Care	\$19	\$13	\$29
Outpatient Drugs	\$113	\$73	\$70
Dental	\$22	\$35	\$35
Other Svcs	\$26	\$19	\$32
Health Plan Quality	New Plan Not Rated	★★★★	★★★★★

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

Health plan quality ratings may also play an important role in understanding why one plan does better in a specific market than another. Kaiser's five star rating and the benefits that go along with exemplary rating most likely contributed to its large enrollment in the Los Angeles market.

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.

For companies or researchers in need of in-depth Medicare market analysis, take note the 2013 Plan Benefits Information will soon be available. CMS plans to upload 2013 benefit profiles on [www.Medicare.gov](http://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 Strenuus organizes Plan Finder data in the easy-to-use Medicare Benefits Analyzer™ database ([click here \(../products/Medicare-Benefits-Analyzer.aspx\)](#) for more information about Medicare Benefits Analyzer™).

MFA's database will present 2013 data as well as 2010 - 2012 Plan Benefits for comparative analysis. When CMS releases 2013 Star Quality Ratings on or around October 12th, this highly important data will immediately complement the 2013 ratings 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.

## 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™.

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 \(/email-options/subscribe-to-healthcare-business-strategy.aspx\)](#) to subscribe now.

*Debra A. Donahue is Vice President of Market Analytics & Online Products with MFA.*



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.