



Medicare Market Innovations

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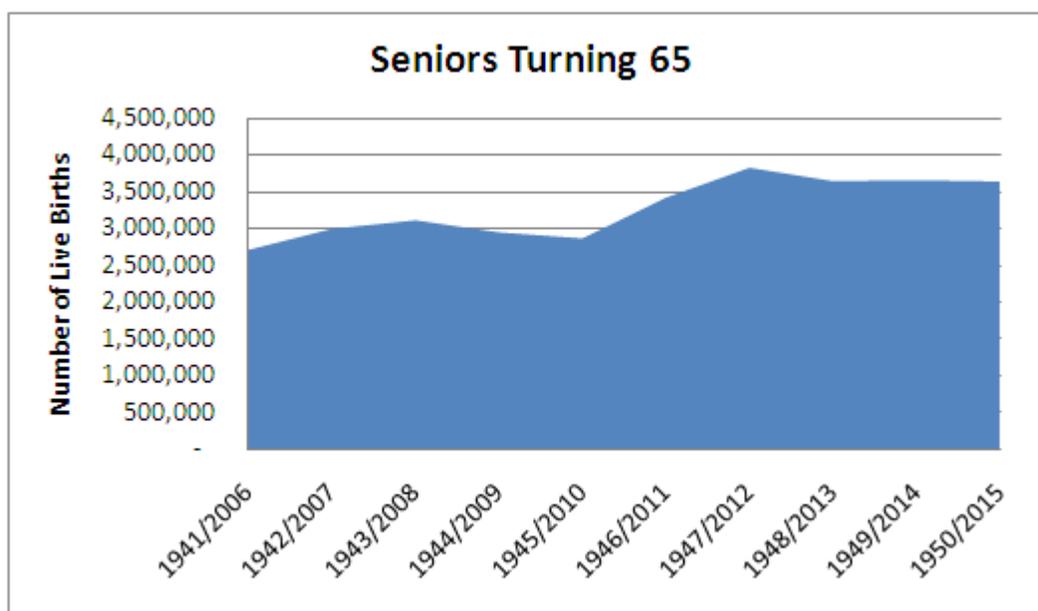
by LuAnne Farrah and Debra A. Donahue

How to meet the needs of the growing Medicare population in an efficient, cost effective, and quality-of-care manner was the theme of industry thought leaders attending the inaugural Medicare Market Innovations Forum (<http://medicaremarketinnovations.com/>). The meeting on July 13-14, 2010 brought together a diverse group of executives from health plans and vendor companies with a vested interest in Medicare Advantage, Medicare Supplement and Part D products.

Two main themes emerged that impact everyone serving the Medicare market: (1) Growth of in the number of seniors turning 65 beginning in 2011; and (2) Changes imposed by of the Patient Protection and Affordable Care Act of 2010. Innovations to improve Medicare coverage, service and outcomes was the central focus. Companies, large and small alike, shared wisdom and best practices with one another -- all for the betterment of senior health coverage options. Following are highlights and key observations from the conference.

Boomers

With the onset of the baby boomers entering the Medicare market, approximately 10,000 seniors per day will turn 65 in 2011 and 2012. Expansion in the "lower-age" senior cohort makes for a rich growth market and may ease underwriting burdens somewhat by reducing the average age and inclusion of relatively healthier seniors. The trend of more seniors 65 and older opting remain in the active work force was also discussed.



Source: Mark Farrah Associates analysis of U.S. Census Bureau data.

Gary Jacobs, Senior VP, Corporate Development for Universal American pointed out that the majority of seniors are opposed to health reform and this makes things interesting as Medicare cuts remain center stage with elections near. He gave a very enlightening overview of Medicare in transition with respect to health reforms. Concern was also raised that some Medicare Advantage plans may leave the market because of reimbursement

cuts. Another future scenario mentioned was industry consolidation followed by moderate growth for remaining Medicare Advantage plans. Lori Hallauer, Director, Senior Markets for Blue Cross Blue Shield of Florida cited that challenges to Medicare Advantage plans present growth opportunities for Medicare Supplement and stand-alone prescription drug plans. Many agreed recent legislation left unanswered questions for Special Needs Plans (SNPs), especially those serving the Dual Eligible (Medicare/ Medicaid) population.

Consumer behavior & preferences

The "value proposition" varies by age and lifestyle segments across the Medicare eligible population. Interests, values, economic means & lifestyles all play an important role in product selection. Plans are implementing complex segmentation strategies to market to different types of seniors. They are also using sophisticated enrollment & retention strategies using various distribution channels. Health plans seem to agree, though seniors are online, they still prefer to purchase in person or on the phone. Boomers want more choice of coverage & services, not necessarily more choice of providers.

Many plans are establishing "community centers" for seniors. One example discussed in detail was Blue Cross Blue Shield of Tennessee's (BCBSTN) innovative Silver Life Center. The BCBSTN's low cost model has not only reaped many rewards for seniors in the local community but has resulted in a rewarding return on investment in terms of member satisfaction, quality of care and financial metrics for the company.

There was high interest in new delivery models such as "medical homes" and "accountable care organizations (ACOs)". The convergence of quality, cost and patient satisfaction along with evidence that medical homes do reduce costs were illustrated. Findings by health plans include doubling and tripling investment in primary care to save on the inpatient side. One example cited reduced avoidable hospitalizations by 11% while doubling the plan's market growth rate. Another plan discussed improved contracting arrangements through value-based purchasing. The premise is that putting providers back at the helm will generate better outcomes.

Kevin Mowll, Vice President, Medicare Products at Capital District Physicians' Health Plan in New York discussed product strategy in the context of identifying company strengths. For example, is your company's strength: network differentiation, distribution channel, low-cost producer ("the Wal-Mart"), product innovator (the "Apple"), high-touch relationships (the "Nordstroms") and/or high-quality focus (high Medicare stars rating)?

During the Day 2 keynote presentation, Mike O'Neil, Senior Vice President, Strategy and Development of Health Spring wrapped up his presentation (Leveraging the Medical Home as a Bridge to Accountable Care Organizations) with a poem paraphrasing John Lennon's Imagine that shared the sentiments of most in the room (reprinted with permission):

Imagine pay for value
I wonder if you dare
No pay for volume
A health system that cares
Imagine all the PCP's
Sharing in the savings...

You may say I'm a dreamer
But I'm not the only one
I hope someday you'll join us
And the patient will have finally won

Stay tuned for information on the next Medicare Market Innovations Forum.

About Medicare Market Innovations Forum

Strategic Solutions Network (SSN), based in Boca Raton, FL, is the parent company of the Medicare Market Innovations Forum (<http://medicaremarketinnovations.com/>) and a series of other events including the Medicaid Innovation Forum (www.medicaidinnovations.com (<http://www.medicaidinnovations.com>)). In addition to Medicare, SSN has also spearheaded information access within the Intellectual Property space. (Please see biopharmaiprevenueforum.com). SSN's vision is to enable and promote the exchange of meaningful information in a timely and actionable manner through topic-specific websites and live events. SSN creates unmatched networking opportunities between end-users with vetted purchasing authority and leading solutions-providers.

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 partnered with Strategic Solutions Network to offer the Medicare and Medicaid conferences this year. Committed to simplifying analysis of health insurance business, our products include Medicare Business Online™, the new Medicare Benefits Analyzer™, Health Coverage Portal™, Health Insurer Insights™ and Health Plans USA™.

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