

Membership Trends in Employer-Group Medicare Advantage

December 18, 2017

As roughly 76 million Americans of the Baby Boom generation have begun to enter retirement age, Medicare Advantage (MA) continues to be a popular option for seniors. This has presented an opportunity for health insurers over the past decade and the MA market continues to grow even amidst a volatile healthcare environment. Medicare Advantage plans are appealing to the senior population because they generally offer enhanced benefits and better services, often at lower costs, over original Medicare.

At December 1, 2017, total Medicare Advantage membership stood at 20.1 million, representing approximately 35% of the 60 million Americans eligible for Medicare. MA plans can either be acquired individually through direct purchase policies or through an employer/group retiree program. Since the inception of Medicare Advantage in 2003, Individual MA policies have historically dominated the market as 16.1 million beneficiaries purchased MA plans as of December 1, 2017. However, membership trends in employer-group Medicare Advantage plans have demonstrated marked enrollment growth especially within the last year. This brief provides insights about the current employer-group Medicare Advantage market and assesses membership trends over the past four years, by carrier and state.

Medicare Advantage Employer-Group Health Plans: A Brief Overview

Medicare Advantage employer-group health plans, also known as employer-group waiver plans (MA-EGWPs), are customized MA plans that present opportunities for employers and union groups to provide comprehensive health care benefits for their retirees. MA-EGWPs cover traditional Medicare Parts A and B plus additional retiree health benefits. Employers either contract directly with the Centers for Medicare and Medicaid Services (CMS) or with a private health insurance company that offers group Medicare Advantage plan options.

Most MA-EGWP enrollees, however, are in plans offered by employers under contracts with private health insurers, where most members are primarily enrolled

in local Preferred Provider Organizations (PPOs). Under these contracts, the health plan receives a fixed payment to provide Medicare benefits for retirees and the employer pays a premium for additional benefits or lower cost-sharing. Contracting with a private plan under an MA-EGWP is an attractive option because it allows administrative responsibilities and insurance risks to fall mostly on the plan and often produces cost savings to employers and their retirees.

Employer-group waiver plans are designed specifically for Medicare-eligible retirees of a particular employer. Therefore, CMS waves certain requirements for MA-EGWPs thus limiting enrollment in these plans to eligible retirees and their family members. Rules are modified and regulated to meet an employer's needs including uniform plan designs and a broad national network of coverage.

Under the payment structure for MA-EGWPs prior to 2017, plans submitted bids annually to CMS detailing the expected cost of coverage for providing benefits to enrollees. If a plan's bid fell below the benchmark, it received a portion of the difference to increase offerings to beneficiaries. Furthermore, if a plan's bid was above the benchmark, enrollees were charged a premium equal to the difference.

However, CMS proposed changes for 2017 and began to phase in a new payment system that replaces the MA-EGWP bidding system with a fixed payment system based on a county benchmark of average individual MA plan bids. In its [Final 2018 Call Letter](#), CMS finalized this approach where MA-EGWPs will not submit bids for 2018 and will continue with the phased-in ratio in which MA-EGWP bids are weighted 50/50 with Individual market bids from 2016. There are raised concerns that this methodology is flawed and fails to differentiate between MA-EGWPs and MA plans offered to individuals. Despite these concerns and the perpetual erratic health insurance market, MA employer-group plan membership has continued to steadily grow with a notable increase between 2016 and 2017.

Enrollment Trends by Carrier and State

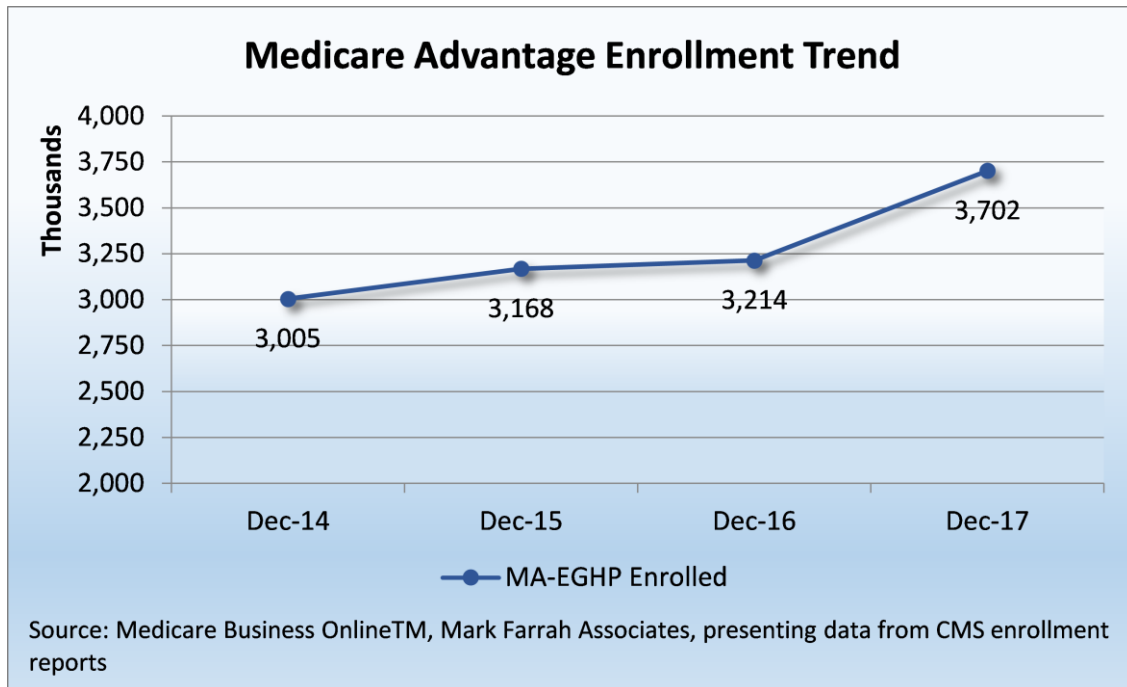
According to the Centers for Medicare and Medicaid Services (CMS) Medicare Advantage enrollment reports aggregated by Mark Farrah Associates in Medicare Business Online™, approximately 3.7 million, only 19%, of total Medicare Advantage members originated through an employer-group health plan as of December 2017. This is in stark contrast to the 16.1 million individual MA enrollees during the same time period. Nonetheless, group membership continues to grow, as roughly 488,000 more beneficiaries were enrolled in employer-group MA plans than from a year ago.

The top five carriers covered over 80% of all group Medicare Advantage enrollees as of December 1, 2017. Year-over-year enrollment was primarily driven by UnitedHealth plan gains with over 1.15 million group plan members to date. Aetna and Kaiser Foundation Group trailed UnitedHealth's employer-group MA membership with 548K and 525K, respectively. Humana and Blue Cross Blue Shield of Michigan also command a sizeable stake in the Group Medicare market.

Top 5 Medicare Advantage Payers-Group Segment				
Membership Trend				
Company	Dec-14	Dec-15	Dec-16	Dec-17
United Health	429,550	670,833	789,377	1,148,615
Aetna	518,521	538,562	563,938	547,618
Kaiser	477,073	472,433	486,115	525,711
Humana	473,901	469,019	341,926	428,240
BCBS of Michigan	265,476	282,661	302,207	318,675
Total	2,164,521	2,433,508	2,483,563	2,968,859

Source: Medicare Business Online™, Mark Farrah Associates, presenting data from CMS enrollment reports

Per the reference table above, most leading health plans with group Medicare Advantage realized an overall increase in membership over the past four years. Since December of 2014, UnitedHealth experienced the largest increase, adding nearly 720K members for a net gain of 167%. Blue Cross Blue Shield of Michigan experienced the second largest growth with 53K new enrollees, for a net gain of 20%. The overall net gain between 2014 and 2017 for the top five companies was 804K members, or 37%.



As illustrated in the chart below, total net membership increased 23% nationally between December of 2014 and December of 2017. While employer-group Medicare Advantage market penetration varies across states but enrollment trends indicate growth in most states since 2014 within the U.S. and its surrounding territories. The top ten leading states with the highest Group Medicare enrollment mostly all experienced membership gains. Having the highest percentage of enrollees with over 550K members, California saw a 13% enrollment increase over the four-year period. Of the leading states, Illinois and Florida saw the most membership gains with increases of 47% and 50% respectively.

Top 10 States Medicare Advantage-Group Segment				
Membership Trend				
State	Dec-14	Dec-15	Dec-16	Dec-17
CA	488,918	485,136	522,411	552,221
MI	281,705	300,280	315,917	333,653
NY	212,074	216,373	221,630	250,598
TX	182,976	196,871	211,098	244,097
PA	199,691	203,375	201,425	216,773
OH	307,951	315,820	191,397	204,936
IL	128,570	150,448	162,023	189,044

NC	123,016	129,959	139,685	154,050
GA	123,759	131,398	137,122	150,051
FL	92,926	106,356	110,619	139,670
Subtotal	2,141,586	2,236,380	2,213,327	2,435,093
All Other States	863,318	931,945	1,000,234	1,266,598
Total	3,004,904	3,168,325	3,213,561	3,701,691
Source: Medicare Business Online™, Mark Farrah Associates, presenting data from CMS enrollment reports				

Conclusion

Employer-group Medicare Advantage plans, or Medicare Advantage employer-group waiver plans (MA-EGWPs), are a viable opportunity for employers, retirees and Medicare Advantage organizations. MA-EGWPs have increased in popularity because they allow employers to provide comprehensive medical coverage and quality plan design at lower costs to seniors. In addition, employers find these plans offer enhanced benefits to their retirees such as disease management and coordinated care that are not available through other programs. As a result, enrollment in employer-group MA plans continues to grow. As public attention on health care policy changes continues to manifest, Mark Farrah Associates will continue to monitor enrollment and industry shifts in this highly competitive Medicare segment.

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 monthly Medicare Advantage and PDP enrollment by competitor. The Medicare Benefits Analyzer™ presents benefit copay comparisons across hundreds of benefit attributes by plan as reported in the Plan Finder on Medicare.gov. Med Supp Market Data™ offers enrollment and financial insights for companies interested in Medicare Supplement business. Our product portfolio also includes Health Coverage Portal™ (with Supplemental Health Care Exhibit data), County Health Coverage™, and Health Plans USA™.

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