Medicare Advantage
Understanding the Health Insurance Business (Part 3)

Wednesday, September 19, 2018
3:00 PM ET - 3:30 PM ET

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The Advisory Board Company
trebesn@advisory.com
1. Overview of Business Line

2. Major Trends Impacting Medicare Advantage Plans

3. Understanding Key Advisory Board Resources

4. Questions
Medicare Contains Several Coverage Options

Medicare Coverage Options

1. Traditional Medicare
   (38.3 M Enrollees)
   - Part A: Hospital and long-term care insurance; includes home health, hospice
   - Part B: Medical insurance; includes tests, prevention, DME1

2. Medicare Advantage
   (20.3 M Enrollees)
   - Part C: Private Medicare plans that combine Part A, Part B and (usually) Part D
   - Part D: Prescription drug coverage (if not already included)

3. Add drug coverage?
   (41.2 M Enrollees)
   - Part D: Prescription drug coverage

4. Add supplemental coverage?
   - Medigap: Private supplemental insurance policies

END

Medicare in Brief, 2017

- Federally-funded insurance for seniors (65+) and disabled
- Part A funded through payroll deductions
- Part A: No premium; $1,316 deductible, coinsurance only for extended inpatient stays
- Parts B, C, D have monthly premiums, deductibles, coinsurance/copays


1) Durable medical equipment.
Medicare Advantage Continues Record Growth

MA Enrollment to Nearly Double by 2025
Total Enrollment and Percentage of Total Medicare Population

- **10.4M** (13% in 2005)
- **19M** (33% in 2017)
- **31M** (41% projected for 2027)

MA Penetration Varies by State, 2017
Total MA Enrollment as a Percent of Total Medicare Population

- **0%-13%**
- **14%-25%**
- **26%-38%**
- **39%-51%**

MA enrollment growth since 2010: **71%**

Source:

1) Projected.
Medicare Advantage Payment a Multi-Step Process

Plans Required to Use Rebate to Supply Supplemental Benefits

Medicare Advantage Plan Payment Process

Illustration Showing Plan Bid Below Benchmark

Regional or local Medicare benchmark

Plan Bid $ \times \frac{1}{(0.5 \text{ to } 0.7)^1} \text{ Rebate} \text{ Payment to plan}$

Examples of Supplemental Benefits Offered Through Rebates

- Gym membership
- Dental
- Vision
- Reduced cost sharing

1) Plan share of rebate varies by star rating.

Seniors May Have a Lot More to Shop For

CMS Increases Coverage Flexibility to Reduce Medical Costs

CMS' Finalized Changes to Medicare Advantage 2019

Custom(ish) Benefit Design

- Plans can design disease-specific benefits for enrollees with chronic or high-risk conditions

Supplemental Benefit Expansion

- Supplemental benefits can cover services that diagnose, prevent or improve effects of health conditions

Example Plan Services

- Reduced co-pays for diabetic enrollees
- Additional tobacco cessation sessions for enrollees with COPD
- Transportation to primary care appointments
- Temporary and portable mobility ramps for in-home safety

“Should Medicare pay for toothpaste and shoes?”

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# Success Requires Juggling Multiple Priorities

**Common Medicare Advantage Plan Operational Priorities**

**Accurate member risk coding**  
Greater reimbursement for riskier member populations

**Attracting and retaining enrollees**  
Increased revenue from member enrollment

**Closing care gaps**  
Higher quality rating for managing and screening members

**Challenges to Success**

- Collaborating with providers to collect member health information
- Compelling members to complete HRAs
- Maintaining and increasing quality ratings
- Keeping premiums steady
- Recruiting providers to close clinical gaps
- Capturing member attention

Source: Health Plan Advisory Council interviews and analysis.
What Is Risk Adjustment?

Process Assigns Member Risk Score Using Previous Year Diagnoses

**Purpose of Risk Adjustment**

- Member 1:
  - 66 years old
  - No chronic illnesses

- Member 2:
  - 73 years old
  - Diabetes and hypertension

**The Cost of Undercoding in Medicare Advantage**

"From a coding perspective, these plans are often paid **$2,000 less than they should be paid** for these members because of under-reporting of ICD-9 codes."

*Al Lewis, Disease Management Purchasing Consortium*

**Factors Contributing to Risk Score**

- Diagnoses
- Age
- Sex

Casual Relationship Lacking

Few Clear-Cut Wins in Risk Adjustment

Efforts to Improve Coding Accuracy

<table>
<thead>
<tr>
<th>Coding Intervention</th>
<th>Conducive Conditions</th>
<th>Barriers to Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Provider Incentives</td>
<td>Plans with <strong>dominant market share</strong> that can offer substantial incentives</td>
<td>Providers working with more than 10 plans unlikely to be interested in one payer’s incentives</td>
</tr>
<tr>
<td>Coding Education</td>
<td>Providers <strong>at-risk</strong> for total cost; <strong>smaller</strong> provider groups needing support</td>
<td>Larger provider groups who have not yet assumed global risk</td>
</tr>
<tr>
<td>Embedded Coders</td>
<td>Provider practices that contain a <strong>majority</strong> of plan’s membership</td>
<td>Larger practices with own coders or small practices that outsource billing operations</td>
</tr>
<tr>
<td>Home Assessments</td>
<td><strong>New</strong> Medicare Advantage members</td>
<td>Employed members and elderly members that have recent utilization</td>
</tr>
</tbody>
</table>

Source: Health Plan Advisory Council interviews and analysis.
### Success Requires Juggling Multiple Priorities

**Common Medicare Advantage Plan Operational Priorities**

<table>
<thead>
<tr>
<th>Priorities</th>
<th>Challenges to Success</th>
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<td>Accurate member risk coding</td>
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</tr>
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</tr>
<tr>
<td>• Higher quality rating for managing and screening members</td>
<td>• Capturing member attention</td>
</tr>
</tbody>
</table>

Source: Health Plan Advisory Council interviews and analysis.
Are Stars Worth the Investment?

Majority of Members in 3+-Star Plans

Distribution of Plan Star Ratings, 2018
Number of Plans by Part C Ratings

<table>
<thead>
<tr>
<th>Star Rating</th>
<th>Number of Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>3.5</td>
<td>61</td>
</tr>
<tr>
<td>4</td>
<td>139</td>
</tr>
<tr>
<td>4.5</td>
<td>97</td>
</tr>
<tr>
<td>5</td>
<td>58</td>
</tr>
<tr>
<td>5.5</td>
<td>16</td>
</tr>
</tbody>
</table>

Projects enrollees in 4+ star MA-PD plans for 2018: 73%

Contracts that retained a 4+ Star rating from 2014 to 2016 experienced more than 5 times the enrollment growth of those that lost a 4+ Star rating

Switching Relatively Low

But Those That Switch Do So For Lower Premiums and Better Quality

Distribution of MA Enrollees

By Switching Status, 2013-2014¹

- 78% Stayed with same plan
- 11% Switched plan voluntarily
- 10% Other²

MA Enrollees Voluntarily Switching Plans

By Premium Increase, 2013-2014

<table>
<thead>
<tr>
<th>Change in Monthly Premium if Enrollees Did Not Switch</th>
<th>11%</th>
<th>11%</th>
<th>11%</th>
<th>21%</th>
<th>24%</th>
<th>29%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0-$4.99</td>
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<tr>
<td>$5-$9.99</td>
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<tr>
<td>$10-$19.99</td>
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<tr>
<td>$20-$29.99</td>
<td></td>
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<tr>
<td>$30-$39.99</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>$40 or more</td>
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</tr>
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Members more likely to switch when facing higher premium increase

By Star Rating, 2013-2014

<table>
<thead>
<tr>
<th>2013 Plan Star Rating</th>
<th>14%</th>
<th>12%</th>
<th>9%</th>
<th>3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 or 2.5</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>3 or 3.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 or 4.5</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
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Members in higher rated plans less likely to switch


¹ Numbers don’t sum to 100 percent because of rounding.
² Includes members who died, switched to traditional Medicare, or involuntarily switched.
## Success Requires Juggling Multiple Priorities

### Common Medicare Advantage Plan Operational Priorities

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### Challenges to Success

- Collaborating with providers to collect member health information
- Compelling members to complete HRAs
- Maintaining and increasing quality ratings
- Keeping premiums steady
- Recruiting providers to close clinical gaps
- Capturing member attention

Source: Health Plan Advisory Council interviews and analysis.
Closing Care Gaps A Key Piece of Stars Strategy

Five Part C Stars Domains and Metric Areas

**Staying Healthy: Screening, Tests, and Vaccines**
- Screening and vaccines rates, maintaining physical and mental health

**Managing Chronic (Long Term) Conditions**
- Medication review, functional status, chronic condition care, and all-cause readmissions

**Member Experience with Health Plan**
- Accessibility and timeliness of care, care coordination and customer service

**Member Complaints and Changes in the Health Plan’s Performance**
- Plan quality improvement, as well as member retention and complaints

**Health Plan Customer Service**
- Appeals review process and call center capacity

Closing care gaps also essential for managing member costs

Source: Health Plan Advisory Council interviews and analysis.
Hard to Budge on Stars

Plan Star Performance, 2014-2016

- 325 Had available data
- 192 Changed star rating
- 12 Increased by 1 star

Barriers to Closing Care Caps

**Recruiting providers**
- Plan data confusing and untimely
- Closing gaps may not be worth provider time

**Capturing member attention**
- Plan communication confusing
- Members uninterested in plan engagement

(Hook)ing Members

Annual Wellness Visit Focus Scales Marketing Efforts

Orchid Health Plan¹ Program Staff Responsibility

Marketing and risk staff work together on member roadmaps

Analytics staff generate member lists with next action items

Dedicated marketing staff create member “hooks” for identified actions

Sample Email

To: sam.liebl@gmail.com
From: orchid@orchid.com
Subject: Take 3 minutes to schedule your free visit!

Happy New Year, Sam!

We’re excited to see you for your annual wellness visit this year. Take 5 minutes to schedule your visit with Dr. Smith here. Looking forward to seeing you!

¹ Pseudonym.

Source: Health Plan Advisory Council interviews and analysis.
## Adaptive Learning

### Mass Customization Built on Consistent Messages

**Roadmap Examples for Orchid MA Beneficiaries**

<table>
<thead>
<tr>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Betty, Age 65</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• <strong>Email</strong>: Schedule your Annual Wellness Visit</td>
<td><strong>Betty went to her wellness visit.</strong></td>
<td><strong>Email</strong>: Check your blood sugar, schedule diabetes follow-up appointment</td>
<td><strong>Betty goes to provider and has new medication issues.</strong></td>
<td>Phone Follow-up: See your doctor for medication reconciliation.</td>
</tr>
<tr>
<td>• <strong>Please discuss</strong>: HRA, diabetes, breast cancer screening, colonoscopy cancer screening</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Phil, Age 71 | | | | |
| • **Letter**: Schedule your Annual Wellness Visit | **Phil did not schedule wellness visit.** | **Phone Follow-up**: Schedule your Annual Wellness Visit | **Phil went to his wellness visit and scheduled follow up with behavioral health specialist.** | **Phone Follow-up**: Schedule your colonoscopy screening. |
| • **Please discuss**: HRA, monitoring mental health, colonoscopy cancer screening | | | | |

Source: Health Plan Advisory Council interviews and analysis.
Star Power

Redesigned Messaging Yields Significant Bonus

"Knowing What You Want Your Members To Do"

“If our communications confuse health plan and health system individuals, even using the jargon that we all understand, how do we expect consumers in the individual marketplace to understand what we’re saying? We had to figure out a way of simplifying the message, not only so that people can consume it, but so that we understand what we actually want them to do.”

Vice President, Quality

Orchid’s Strong Improvements in Quality Performance

30%
Medicare Advantage members getting annual wellness visits, up from 6%

1.5 stars
Increase in 1 year of strategy implementation

Source: Health Plan Advisory Council interviews and analysis.
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Other Health Plan Advisory Council Resources

The Medicare Advantage Stars Improvement Guide
A custom toolkit for improving stars performance

How to Give Providers the Data They Want
Three steps to better data sharing with providers

New Partnerships for Risk Adjustment Accuracy
Tactics to encourage provider and member behavior that supports your risk adjustment strategy.

Three Major Avenues for Growth in Medicare Advantage
Quick insight on Medicare Advantage growth

Contact us at hpac@advisory.com for access to more resources on Medicare Advantage needs and priorities

Source: Health Plan Advisory Council interviews and analysis.
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