Launching a Successful Medicare Advantage Plan: Key Strategic, Product, and Operational Considerations

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Moderator: Carl Mercurio, HMA Information Services

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Outline of Today’s Webinar

• Rationale for Entering Into Medicare Advantage

• Overview of Medicare Advantage Market

• Strategic Drivers of Launch Success
Reasons for Becoming a Medicare Advantage Sponsor

- Tap market for growth
- Already managing the population
- Protect existing members
- Leverage underlying infrastructure to manage highly complex population
- Get large or die
- Steady revenue stream
- Additional revenues
- Evolve to the next phase of value-based payment
- Guard against losing the patient base
- Leverage investments in population health
- Move upstream and manage risks
- State requirement
- Additional revenues
- Steady revenue stream
Growth of the Older Population

% of Total Population

<table>
<thead>
<tr>
<th>Year</th>
<th>65 to 84 years</th>
<th>85 years and over</th>
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</thead>
<tbody>
<tr>
<td>2015</td>
<td>12.9</td>
<td>2.0</td>
</tr>
<tr>
<td>2020</td>
<td>14.8</td>
<td>2.0</td>
</tr>
<tr>
<td>2025</td>
<td>16.6</td>
<td>2.1</td>
</tr>
<tr>
<td>2030</td>
<td>17.8</td>
<td>2.5</td>
</tr>
<tr>
<td>2040</td>
<td>17.3</td>
<td>3.7</td>
</tr>
<tr>
<td>2050</td>
<td>16.4</td>
<td>4.5</td>
</tr>
<tr>
<td>2060</td>
<td>17.6</td>
<td>4.3</td>
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</tbody>
</table>

Medicare Expenditure by Program Area

Source: CBO Medicare Baseline (2011-2015)
Note: 2010-2014 are actual expenditures; 2015-2025 are projected estimates
What is Medicare Advantage?

- A type of private health plan that contracts with CMS to provide Part A and Part B benefits

- Revenues come primarily from CMS in the form of capitated payment for each member

- Members may pay a premium

- Plans at risk for managing the member’s health care cost
Total Medicare Private Health Plan Enrollment

*Includes MSAs, cost plans, demonstration plans, SNPS and other MA plans
2015 Medicare Advantage Penetration

Source: KFF. http://kff.org/medicare/state-indicator/enrollees-as-a-of-total-medicare-population/#map
Strategic Drivers of Market Launch Success

- Type of Medicare Advantage Plan
- Premiums and Other Considerations
- Marketing and Distribution Strategies
- Other Operational and Strategic Drivers
Types of Medicare Advantage Plans

Key considerations in selecting the type of MA Plan:

• Be crystal clear on strategic objective
• Identify the core competencies
• Design the benefits
Enrollment by Product Type, 2015

HMO is by far the most popular product among enrollees, followed by Local PPO

Source: CMS Enrollment Files 2015. Excludes PACE, Employer-only, SNP-only, HCPP contracts
In urban counties, HMO is the dominant MA product; whereas in rural counties, PPO products are more prevalent.

Source: CMS Enrollment Files 2015. Excludes PACE, Employer-only, SNP-only, HCPP contracts.
The majority of SNP enrollees are in Dual Eligible Special needs Plans (D-SNPs)

Distribution by Total # of SNP Plans (n=568)
- Dual Eligible (62%)
- Chronic or Disabling Condition (24%)
- Institutional (14%)

Distribution by Total # of SNP Enrollees (n=2.14M)
- Dual Eligible (82%)
- Chronic or Disabling Condition (15%)
- Institutional (3%)

Source: 2016 Special Needs Plan Comprehensive Report, CMS
Optional Supplemental Benefits

OSB provide plans greater flexibility in plan design and is a source of revenue
Premiums and Other Pricing Considerations

Key considerations in premiums and other pricing factors:

- Limited flexibility
- $0 premium plans
- Out of Pocket Maximums
Share of Beneficiaries with Access to Zero Premium MAPDs

Source: MPR/KFF Analysis of CMS’ Landscape and Penetration File, 2009-2015
Note: Includes only MAPD and cost plans
Weighted Average MAPD Premiums

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td><strong>Total</strong></td>
<td>$44</td>
<td>$39</td>
<td>$38</td>
<td>$36</td>
<td>$28</td>
<td>$66</td>
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<tr>
<td><strong>HMOs</strong></td>
<td>$39</td>
<td>$35</td>
<td>$35</td>
<td>$35</td>
<td>$34</td>
<td>$29</td>
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<tr>
<td><strong>Local PPOs</strong></td>
<td>$66</td>
<td>$59</td>
<td>$57</td>
<td>$59</td>
<td>$53</td>
<td>$59</td>
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<tr>
<td><strong>Regional PPOs</strong></td>
<td>$65</td>
<td>$55</td>
<td>$57</td>
<td>$59</td>
<td>$53</td>
<td>$59</td>
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<tr>
<td><strong>PFFS</strong></td>
<td>$55</td>
<td>$43</td>
<td>$42</td>
<td>$51</td>
<td>$51</td>
<td>$68</td>
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</table>

Percent change, 2010-2015
- Total: -14%
- HMOs: -21%
- Local PPOs: -2%
- Regional PPOs: +23%
- PFFS: +24%

Percent change, 2014-2015
- Total: +7%
- HMOs: +5%
- Local PPOs: +10%
- Regional PPOs: +11%
- PFFS: +9%

NOTE: Excludes SNPs, employer-sponsored (i.e., group) plans, demonstrations, HCPPs, PACE plans, and plans for special populations. Includes only Medicare Advantage plans that offer Part D benefits. The total includes cost plans (not shown separately), as well as plans with zero premiums. The premiums for a subset of sanctioned plans were not available in 2011; these plans were excluded from this analysis.

MA Plan Out-of-Pocket Limits

Source: KFF
Marketing and Distribution Strategies

Key considerations in premiums and other pricing factors:

- Membership
- Distribution Channels
- Marketing Channels
Where Do Medicare Advantage Members Come From?

*Inquiry, Aug 2013, Morris et al.*
- New Medicare beneficiaries more likely to enroll in MA than beneficiaries who had traditional Medicare coverage for at least one year (Miami-Dade County)

*Health Affairs, Jan 2015, Jacobson G, Newman P, Damico A.*
- 22% of new Medicare beneficiaries elected MA over traditional Medicare in 2011 vs. 15% in 2006
- < 5% of traditional Medicare beneficiaries switched to MA
- Beneficiaries ages 65-69 switched from traditional Medicare to MA at a higher than average rates
- Conclusion: initial coverage decisions have long lasting effects
- Dual eligible and <65 with disabilities disenrolled from MA at a higher than average rate
Insights: What is Important to Beneficiaries?

*Kaiser Family Foundation, May 2014, Jacobson et al.*

- Premiums and out-of-pocket cost
- Access to desired providers
- Familiarity with name of the company (AARP)
- Favorable experience with plan representative
- Adequate coverage of health care needs
- Match spousal coverage
Distribution Channel Strategy

**Telephonic**
- Scalability: High
- Cost: Low
- Compliance Oversight: High
- Channel Close Rate: Low

**Brokered**
- Scalability: High
- Cost: High
- Compliance Oversight: Med
- Channel Close Rate: Variable

**Captive**
- Scalability: Low
- Cost: High
- Compliance Oversight: High
- Channel Close Rate: High

**Innovative and Emerging Channels**
Marketing and Sales Funnel

Target Universe:
Impressions, click-throughs, mail drops, DM pieces, etc.

Distribution Channel Preference:
Who goes first?

Un-identified:
CMS.gov, State Health Insurance Assistance Programs, etc.

Leads: Qualified leads generated, lead disposition, follow-up, etc.

Lead sweeps:
Continue to work warm and cold leads

Membership Goal
Other Operational and Strategic Drivers

Key considerations in premiums and other pricing factors:

• Compliance Infrastructure
• Implications of 5-Stars
• Timing
Compliance Infrastructure

- Measures that prevent, detect and correct non-compliance
- Routine monitoring and ID of compliance risks
- Prompt response as they are raised
- Involvement of senior leadership in the issues
- Investigate and correct
- Monitor and auditing of entities that contract with the MA plans for their compliance with CMS requirements
Implications of 5-Stars

• 5-star special enrollment period

• New plans -- 3.5 stars

• Reputational impact

• Bonus and rebates
Overall Star Rating Distribution for MAPDs

Source: CMS. Fact Sheet – 2016 Star Ratings. Notes: % distribution is weighted by enrollment.
Timing

Today
Strategic evaluation: opportunity assessment; feasibility analysis; Pro-Forma

Year 1
Gap analysis: Infrastructure, systems and reporting, provider network, buy vs build

Year 2
Competitor analysis, enrollment scenarios

Notice of Intent to Apply (Nov-Jan)
Application submission (Feb)
Advanced Notice released

Draft HSD Table
Address application deficiencies
Product design finalized

Year 3
In Market with offering

Provider network and reimbursement strategies

Staffing model: build internally and vendor assessment (S&M functions, actuarial)

AEP (8 weeks)
SEP Strategy

Marketing material creation and approval

Bids approved
Often Neglected Wisdoms

• Any sound business investment comes with a clear path for exit strategy

• Crunch the numbers and be realistic

• Timing is critical
# Roadmap in Launching A Successful MA Plan

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Key Resources</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
<th>Cost Structure</th>
<th>Revenue Streams</th>
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</thead>
<tbody>
<tr>
<td>CMS</td>
<td>Product Dev</td>
<td>Price</td>
<td>Actuarial</td>
<td>Agent contact</td>
<td>Market size</td>
<td>Selling, G&amp;A</td>
<td>CMS</td>
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<tr>
<td>Provider network</td>
<td>Compliance</td>
<td>Quality</td>
<td>Product Development</td>
<td>Star rating</td>
<td>Penetration</td>
<td>Make vs. Buy</td>
<td>Premiums</td>
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<tr>
<td>Channel partners</td>
<td>oversight</td>
<td>Star rating</td>
<td>Compliance</td>
<td>Sanctions</td>
<td>Pipeline management</td>
<td>Entry, maintenance and exit costs</td>
<td>Stars Bonus</td>
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<td></td>
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<td>Sales &amp; Marketing</td>
<td></td>
<td>Switchers</td>
<td></td>
<td>Risk Adjusted Payments</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>New Members</td>
<td></td>
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</tr>
</tbody>
</table>

- Channels: Telesales, Brokers, Captive agents, Others
- Revenue Streams: CMS, Premiums, Stars Bonus, Risk Adjusted Payments

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**Designed by:** Business Model Foundry AG
Q & A

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