

Medicare Advantage Startups: Building out your team for market entry

Michelle Angeloni, FSA, MAAA
 Michael Saypoff, ASA, MAAA
 Patricia Zenner, RN



Operationalizing a Medicare Advantage (MA) plan involves many moving parts, and it can be difficult to determine how to start and where to focus. To properly start and manage an MA plan, Medicare Advantage organizations (MAOs) must build out a team with the required expertise and capabilities.

Starting an MA plan can be risky, but it can be a successful endeavor for organizations that are able to successfully manage the key drivers of profitability: claim costs, administrative expenses, and revenue. To that end, MAOs must ensure they have the appropriate expertise and capabilities, which can be attained either through developing the resources internally or by outsourcing to an external party. This paper provides an overview of the first steps MA startups should take, the capabilities MA startups need, and the types of vendors and organizations MA startups may contract with.

What are some of the first steps a startup should take?

Organizations seeking to enter the MA market should consider the following key steps:

1. COMPLETE A FEASIBILITY STUDY

Potential MA startups should conduct a feasibility study to determine if entering the MA market is a viable strategy. Organizations should understand their capital needs and prepare to withstand losses in early years, especially while startup and fixed costs are high and membership may be low.

In particular, potential startup MAOs need to determine if they can meet capital adequacy requirements. Many MA startups need to raise substantial capital in order to meet risk-based capital (RBC) requirements and support potentially substantial startup administrative costs. Additionally, MA startups need to consider if projected medical costs, based on anticipated provider reimbursement, utilization management, and population morbidity assumptions, will be adequate to achieve savings relative to the Centers for Medicare and Medicaid Services (CMS) benchmark revenue for a particular geographic region.

Those considering becoming an MAO should understand their target market and the premium and benefits they would like or need to offer to be competitive. For example, about 56% of MA enrollees are enrolled in a zero premium plan, meaning the plan relies solely on monies from Medicare to provide enrollee benefits.¹ MA beneficiaries are particularly sensitive to changes in premium, primary care physician copays, and supplemental benefit offerings.² Startups should consider the competitive landscape along with the benefit richness needed to compete in a region.

2. COMPLETE THE REQUIRED APPLICATIONS AND OTHER MATERIALS

New MAOs must submit certain applications and other materials to contract with CMS, including a Non-binding Notice of Intent to Apply, the Part C Medicare application, and the Part D Medicare application (for Medicare Advantage Prescription Drug, or MAPD, plans). Certain plans, such as Special Needs Plans (SNPs), need to submit additional applications and materials to meet CMS' requirements. More information on these requirements can be found in the "Medicare Advantage Startups: Opportunities, challenges, and considerations" brief.³

¹ Jacobsen, G. et al. (June 6, 2019). A Dozen Facts About Medicare Advantage in 2020. KFF.org. Retrieved on February 4, 2021, from <https://www.kff.org/medicare/issue-brief/a-dozen-facts-about-medicare-advantage-in-2019/>

² Kunkel, C. & Pettibon, J. (January 2020). How do benefit changes drive Medicare Advantage enrollment? Milliman.com. Retrieved on February 4, 2021, from https://milliman-cdn.azureedge.net/-/media/milliman/pdfs/articles/how_do_benefit_changes_drive_medicare_advantage_enrollment.ashx

³ Angeloni, M. et al. (December 2020). Medicare Advantage Startups: Opportunities, challenges, and considerations. Milliman.com. Retrieved on February 4, 2021, from https://www.milliman.com/-/media/milliman/pdfs/2020-articles/articles/12-21-20-opportunities_challenges_and_considerations-v1.ashx

3. DETERMINE WHICH ROLES WILL BE PERFORMED IN-HOUSE VERSUS OUTSOURCED AND BEGIN VENDOR CONTRACTING

MA startups need to carry out health plan and MA-specific functions that meet CMS requirements, including claims payment processing, enrollment processing, and customer service assistance. A more detailed list of health plan functions can be found in the “MA startup core capabilities” section below. MAOs fulfill these requirements through either internal development or outsourcing to another business entity. MAOs should determine which core capabilities they possess and which are best to outsource, at least for the first few years of operations. MAOs may enter into contracts with first tier, downstream, or related entities (FDRs) to provide administrative or healthcare services for enrollees on behalf of the plan. However, MAOs may not outsource compliance program administrative functions (e.g., compliance officer, compliance committee, compliance reporting to senior management, etc.). Part D applicants should consider that they or their contracted FDRs must have experience in the Part D program providing key Part D functions. Certain vendors may require significant lead time to establish the relationship and execute the contract. MAOs should begin vendor contracting early to allow sufficient time to adequately evaluate vendors and ensure ample time to implement the vendor’s services prior to enrolling members.

4. DETERMINE PROVIDER AND PHARMACY NETWORKS

MAPD plans must meet provider network adequacy requirements set forth by CMS for both the medical and pharmacy benefit. As part of the bid submission process, MA plans must upload their provider network for CMS review. Currently, CMS uses 27 provider specialty types and 13 facility specialty types in the evaluation of network adequacy in each service area.⁴ CMS assesses MA network adequacy at the county level. CMS annually updates and makes available a Provider Supply file that identifies available providers and facilities with office locations and specialty types, and a Health Service Delivery (HSD) Reference File that contains the minimum provider and facility number requirements, minimum provider ratios, and the minimum time and distance standards.

More information on plan network requirements can be found in the CMS Medicare Advantage Network Adequacy Criteria Guidance and HSD Reference File.⁵ Part D pharmacy network requirements can be found in 42 CFR §423.120.⁶

5. SUBMIT BID AND PLAN BENEFIT PACKAGE INFORMATION TO CMS

MA plans are required to submit a plan benefit package (PBP) and Medicare bid to CMS by the first Monday in June each year. The bid represents the MA plan’s estimate of costs and revenue for the upcoming plan year and also drives the revenue the plan will receive in the upcoming plan year. The PBP contains the benefits a plan intends to offer for the upcoming year.

6. ESTABLISH A MARKETING AND SALES PLAN

MAOs will need to establish a robust marketing and sales strategy to determine their anticipated sources of enrollment and the approach and associated costs needed to meet their initial enrollment goals. Although some MAOs start with employer group marketing and sales plans, most MA plans obtain a large share of their enrollment through brokers and agents selling directly to Medicare beneficiaries. These agents and brokers may be employees of the MAO or independent contractors. Independent agents and brokers are typically compensated a larger amount for the initial enrollment of a member and a smaller amount for renewals. CMS provides compensation restrictions on the CMS website.⁷ MAOs with a provider or pharmacy relationship may be able to leverage these dynamics as a source of enrollment as well, subject to CMS marketing regulations.

7. ESTABLISH PROCESSES TO OPTIMIZE STAR RATINGS, RISK SCORES, ENROLLMENT, AND CLAIM COST MANAGEMENT

Successful MAOs should put programs and processes in place that help achieve star rating, risk score, enrollment, and claim cost management goals from day one of operation. While some of these key drivers of profitability may not affect the MAO’s financial results in year one, it is important for plans to invest in activities that optimize these key factors in order to achieve long term success. The “Medicare Advantage Startups: Opportunities, challenges, and considerations”⁸ brief provides more information on the key drivers of success for MA startups.

⁴ Medicare Advantage and Section 1876 Cost Plan Network Adequacy Guidelines. (June 17, 2020). CMS.gov. Retrieved on February 4, 2021, from <https://www.cms.gov/files/document/medicareadvantageandsection1876costplannetworkadequacyguidance6-17-2020.pdf>

⁵ Medicare Advantage Applications. CMS.gov. Retrieved on February 4, 2021, from <https://www.cms.gov/Medicare/Medicare-Advantage/MedicareAdvantageApps>

⁶ §423.120 Access to covered Part D drugs. CMS. Retrieved on February 4, 2021, from <https://www.govinfo.gov/content/pkg/CFR-2011-title42-vol3/pdf/CFR-2011-title42-vol3-sec423-120.pdf>

⁷ Agent Broker Compensation. CMS.gov. Retrieved on February 4, 2021, from <https://www.cms.gov/Medicare/Health-Plans/ManagedCareMarketing/AgentBroker>

⁸ Angeloni, M. et al. (December 2020). Medicare Advantage Startups: Opportunities, challenges, and considerations. Retrieved on February 4, 2021, from https://www.milliman.com/-/media/milliman/pdfs/2020-articles/articles/12-21-20-opportunities_challenges_and_considerations-v1.ashx

8. ADDITIONAL STEPS AND CONSIDERATIONS

An MAO will need to complete many additional steps in addition to those listed above, including hiring a knowledgeable and capable workforce, building out compliant operations, and ensuring the capabilities listed in the “MA startup core capabilities” section below are fulfilled. Depending on the type of MA organization, there may be additional steps; for example, a dual eligible SNP (D-SNP) may need to build out infrastructure to coordinate Medicare and Medicaid benefits.

Additionally, in times affected by COVID-19, all MAOs (including startups) should evaluate how the COVID-19 crisis affects their anticipated financials, operations, and strategy. For example, recent regulatory changes have affected risk scores, the value of telehealth, sequestration, star ratings, and other important dynamics.

MA startup core capabilities

Prior to assembling the MAO’s team, organizations should consider the core capabilities that are needed to perform compliant and best practice operations. MAOs should decide which capabilities will be outsourced to a third party and which capabilities will be brought in-house. Some core capabilities that MA startups should consider are:

1. **Sales and marketing** – MA startups will need agents/brokers to enroll beneficiaries. MAOs can hire external, independent brokers or can fulfill this role in-house. MAOs will need to develop and implement CMS-compliant marketing strategies and sales oversight, and conduct analytics to track marketing and sales performance.
2. **Enrollment** – MAOs need to be able to manage the receipt of member enrollment requests, perform beneficiary eligibility determinations, communicate with CMS, and manage systems to perform compliant MA enrollment functions. Enrollment processes and systems must maintain enrollees’ various statuses that tie to subsidies and risk score.
3. **Customer service** – MAOs must maintain a call center in compliance with CMS requirements and be able to address beneficiary questions and resolve enrollee issues. Many MAOs use customer service to welcome new members to the plan and administer CMS required health risk appraisals (within 90 days of enrollment for all MA plans and annually thereafter for SNPs).
4. **Network development** – Whether through MAO staff or third party contractors, MAOs must build and maintain a CMS-compliant, credentialed, and contracted provider network.
5. **Provider engagement** – Provider engagement may come through contracting with health systems or partnering with medical groups to leverage their expertise. MAOs may deploy provider representatives and care teams to engage participating clinicians. Risk-sharing contractual arrangements between the MAO and the provider(s) are also used to facilitate provider engagement.
6. **Healthcare management** – MAOs should develop care management approaches designed to promote cost effective and appropriate care and lower claim related expenses. Approaches may include population management (case management, disease management) and utilization management programs.
7. **Claim payment** – MAOs need to be able to receive and process provider and enrollee claims according to CMS’ coverage and payment criteria. Claim systems must be adaptable to incorporate CMS coverage and payment updates in a timely fashion and fee schedules in accordance with provider contracts.
8. **Grievances and appeals** – MAOs must access CMS’ complaint tracking module and be able to process standard and expedited enrollee appeals and grievances in accordance with CMS requirements. Additionally, appeal decision timeliness and fairness are two measures affecting Part C star ratings.
9. **General finance and accounting** – MAOs need to fulfill health plan budgeting and accounting functions. They also need to monitor plan performance against benchmarks, develop strategic initiatives based on cost and utilization data, evaluate the financial impact of strategic decisions, and provide forecasts based on management initiatives.
10. **Actuarial** – Medicare bid submission requires actuarial certification, so plans will need to contract with an actuarial consulting firm or hire an actuarial team to complete bid work. The actuarial pricing team can also provide support during CMS “desk review” (which is the period during June and July when CMS examines the bids and requests clarifications). MAOs will also require or benefit from actuarial expertise as they develop reserves or complete various other financial projections.
11. **Quality management** – MAOs must develop and manage a quality improvement program that meets CMS requirements. As part of the requirements, CMS has MA plans report annual audited Healthcare Effectiveness Data and Information Set (HEDIS) measures. Approved HEDIS

auditors can be found on the NCQA website.⁹ CMS requires MA plans to contract with an approved vendor to conduct an annual Consumer Assessment of Healthcare Providers and Systems (CAHPS) survey. CAHPS survey vendors are provided on the MA & PDP (Prescription Drug Plan) CAHPS website.¹⁰ CMS also requires MA plans to contract with an approved vendor to conduct an annual Health Outcomes Survey (HOS) to gather data on patient care. Approved HOS vendors can be found on the CMS HOS website.¹¹ CMS uses select HEDIS, CAHPS, and HOS results in the determination of star ratings.

12. **Compliance** – MAOs cannot outsource certain compliance functions and must conduct delegation oversight of all FDRs. Sponsors may use FDRs for a subset of compliance activities such as monitoring, auditing, and training. Compliance programs are subject to federal requirements outlined in 42 CFR §422.503 and §423.504, including the requirement to devote adequate resources to implement an effective compliance program for both Part C and Part D (if applicable).¹² MAOs must also be in compliance with all federal and state requirements including CMS, the Department of Insurance (DOI), and any other applicable regulators and regulations.
13. **Analytics and reporting** – MAOs should maintain a data warehouse. Plans must keep track of utilization and finances, manage operations, and produce data to meet CMS reporting requirements. For example, MA plans need to submit encounter data records that comply with CMS guidance.¹³ In addition, in the third year of operation, MAOs will need to report year 1 claims and revenue and will also need to reconcile those amounts against financial statements. Good data analytics can also give MAOs a competitive advantage to develop strategies to capitalize on positive trends and mitigate negative trends.

Organizations and vendors for your team

Organizations and vendors that MAOs may need to contract with include:

- Pharmacy Benefit Manager (PBM)
- Third Party Administrator (TPA)
- Supplemental Benefit Vendors

PHARMACY BENEFIT MANAGER (PBM)

Almost all MAOs offering Part D benefits work with a pharmacy benefit manager (PBM), as CMS requires Part D administration expertise, and these organizations typically manage the formulary, pharmacy network, and rebates. PBMs can also assist in other activities such as utilization management or providing call center and claim processing support.

Some MAOs may choose to keep certain Part D services in-house. For example, a plan might choose to incorporate its own pharmacy network or do utilization management.

Most new MAOs expecting to use a PBM will issue a Request for Proposal (RFP) to solicit bids and procure a contract with a PBM experienced in Part D. PBMs may require significant lead time to establish the relationship and execute the contract prior to submitting the Part D application (e.g., it may take five to ten months to begin PBM conversations, complete the RFP process, select a vendor, and secure a CMS compliant contract). While MAOs can issue an abbreviated RFP in less time, doing so may limit the responding PBMs (putting plans at a competitive disadvantage) and can jeopardize the PBM's ability to provide the required support during the startup and application phases. For example, the PBM typically provides pharmacy network tables, attestations to confirm PBM services meet CMS requirements, and pharmacy contract templates containing the required provisions (in addition to other items) as part of the required applications.

⁹ NCQA and eCQM Certification: Directory of Certified Vendors. (January 6, 2021). National Committee for Quality Assurance. Retrieved on February 4, 2021, from <https://www.ncqa.org/programs/data-and-information-technology/hit-and-data-certification/ecqm-certification/ecqm-certification-vendor-directory/>

¹⁰ Medicare Advantage and Prescription Drug Plan CAHPS® Survey. Approved Survey Vendors as of November 4, 2020. Retrieved on February 4, 2021, from <https://ma-pdpcahps.org/en/approved-survey-vendor-list/>

¹¹ Medicare Health Outcomes Survey. Program. Survey Vendors. Hosonline.org. Retrieved on February 4, 2021, from <https://www.hosonline.org/en/program-overview/survey-vendors/>

¹² Compliance Program Policy and Guidance. CMS.gov. Retrieved on February 4, 2021, from <https://www.cms.gov/Medicare/Compliance-and-Audits/Part-C-and-Part-D-Compliance-and-Audits/ComplianceProgramPolicyandGuidance>

¹³ Encounter and Risk Adjustment Program (Part C). CMS.gov. Retrieved on February 4, 2021, from [https://csscooperations.com/internet/csscw3.nsf/T/Encounter%20and%20Risk%20Adjustment%20Program%20\(Part%20C\)](https://csscooperations.com/internet/csscw3.nsf/T/Encounter%20and%20Risk%20Adjustment%20Program%20(Part%20C))

There are many Part D experienced PBMs, some of which may do well in working with certain types of plans or with startups. MAPDs should evaluate which PBM is able to administer the desired benefit, provide competitive contract terms, and maintain CMS compliance.

THIRD PARTY ADMINISTRATOR (TPA)

Similar to the PBM RFP, the RFP process for TPA services should begin early because, although all outsourced services do not need to be disclosed in the Medicare Advantage application, MA operations take significant time to build, usually starting immediately after CMS application submission. A TPA organization could be another MAO that will allow the MA startup to use its functions already in place. Most TPAs can provide a range of the functions listed in the “MA startup core capabilities” section above.

SUPPLEMENTAL BENEFIT VENDORS

Supplemental benefit vendors can, and are often, used to provide and manage the supplemental benefits offered by an MAO. Examples of benefits often administered by these types of vendors include:

- Dental
- Gym/Fitness
- Hearing
- In-home support services
- Meals
- Over-the-counter drugs (OTC)
- Personal Emergency Response Systems/Remote Monitoring
- Non-emergent transportation
- Virtual Visits/Telemedicine
- Vision

The list above does not capture all possible supplemental benefits. MAOs should evaluate supplemental vendors based on the benefits offered and their geographic and financial needs.

ADDITIONAL EXPERTISE

MAPD experienced professionals can offer expertise and support to MAOs in every aspect of their startup planning and operations, including strategic support. Feasibility studies and DOI applications require industry expertise and actuarial analyses to project the viability of the business. Annual Medicare bid submissions benefit from experts that understand the

assumptions, actuarial pricing methods, bid dynamics, MAPD market, and CMS regulations. In-house or consulting actuaries can provide the necessary expertise to certify the bids and provide support for CMS desk review and audit.

Additional areas of support that MAPD experience professionals can provide MAOs in the startup phase include:

- Operational development and additional vendor selection (e.g., PBM and TPA RFP)
- Implementation project plans and support
- Target market analysis
- Service area selection
- Claims and administrative cost benchmarking
- Sales models and marketing plans
- Policy and procedure development (including templates incorporating CMS regulatory requirements)
- Star rating strategies and tactical planning
- Optimizing risk adjustment scores and data submission
- Reserving support, including incurred but not reported (i.e., IBNR) claims and premium deficiency reserve (i.e., PDR) calculation support
- Educational sessions and training
- Support for staffing (e.g., interviewing candidates, temporarily serving in a role until it is filled)

Concluding remarks

Starting an MA plan requires significant resources and expertise, and often involves the use of experts and capabilities internal and external to the MAO. The MA market is competitive and highly regulated. MAOs that engage the right business partners, vendors, and experts will be better positioned to meet CMS requirements and ultimately achieve profitability.

CONTACT

Michelle Angeloni, FSA, MAAA
michelle.angeloni@milliman.com

Michael Saypoff, ASA, MAAA
michael.saypoff@milliman.com

Patricia Zenner, RN
pat.zenner@milliman.com