

Emerging Trends in the 2022 Medicare Advantage Market

James Cooper, FSA, MAAA, MBA

Adam Feller, FSA, MAAA, CERA

Matthew Smith, FSA, MAAA

Moderator: Greg Sgrosso, FSA, MAAA

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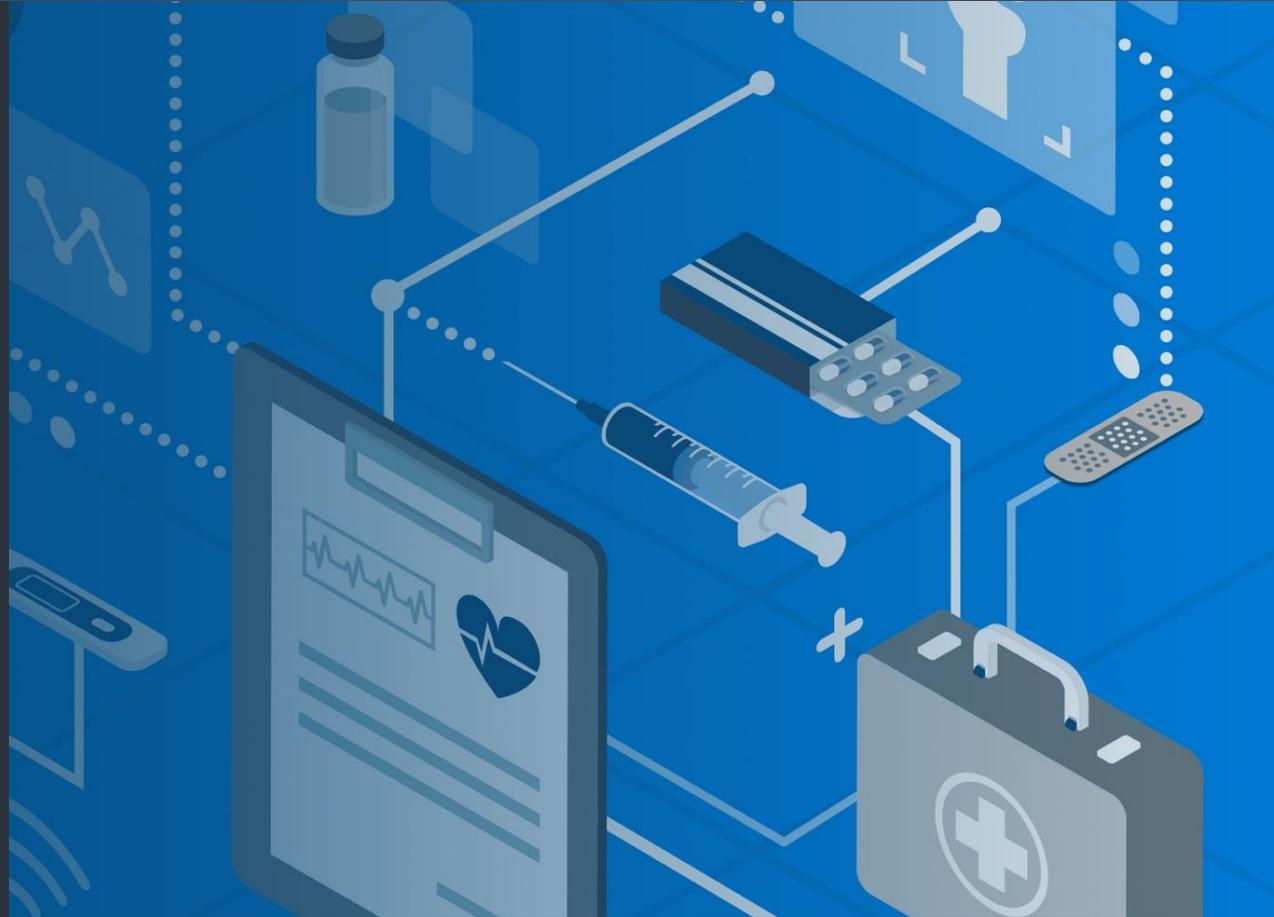
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Presenters



Matthew Smith
FSA, MAAA
Consulting Actuary



James Cooper
FSA, MAAA, MBA
Actuary



Adam Feller
FSA, MAAA, CERA
Consulting Actuary

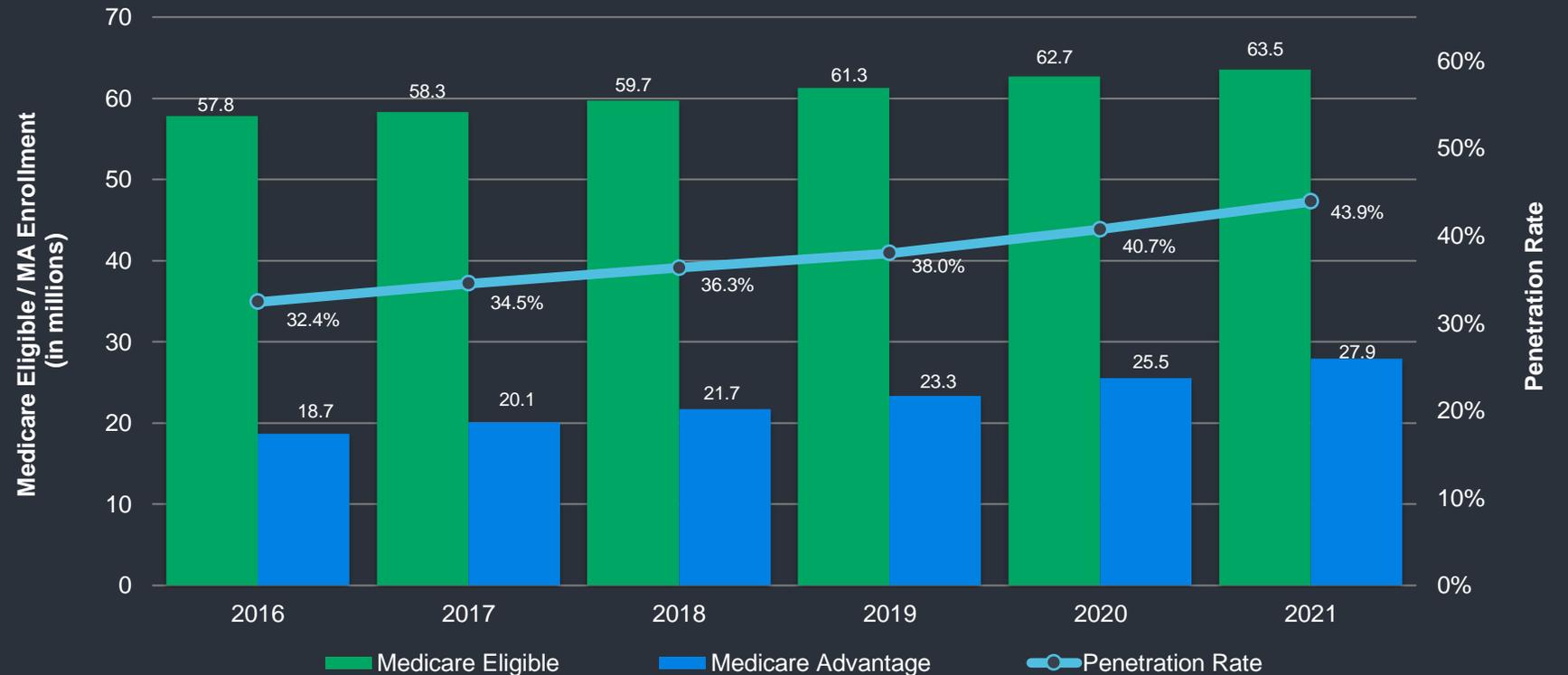
Competitive Landscape

Medicare Eligible / MA Enrollment and Penetration Rate

Insights

- Substantial growth in the Medicare Advantage market
 - 18.7 million in 2016, 27.9 million as of 2021, a 49% increase
- Growth driven by a 35% increase in penetration rate and a 10% increase in the eligible population

Focus on Medicare Advantage Market



Source: CMS.gov Medicare Advantage / Part D Contract and Enrollment Data as of October 2021, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MCRAdvPartDEnrolData>

Competitive Landscape

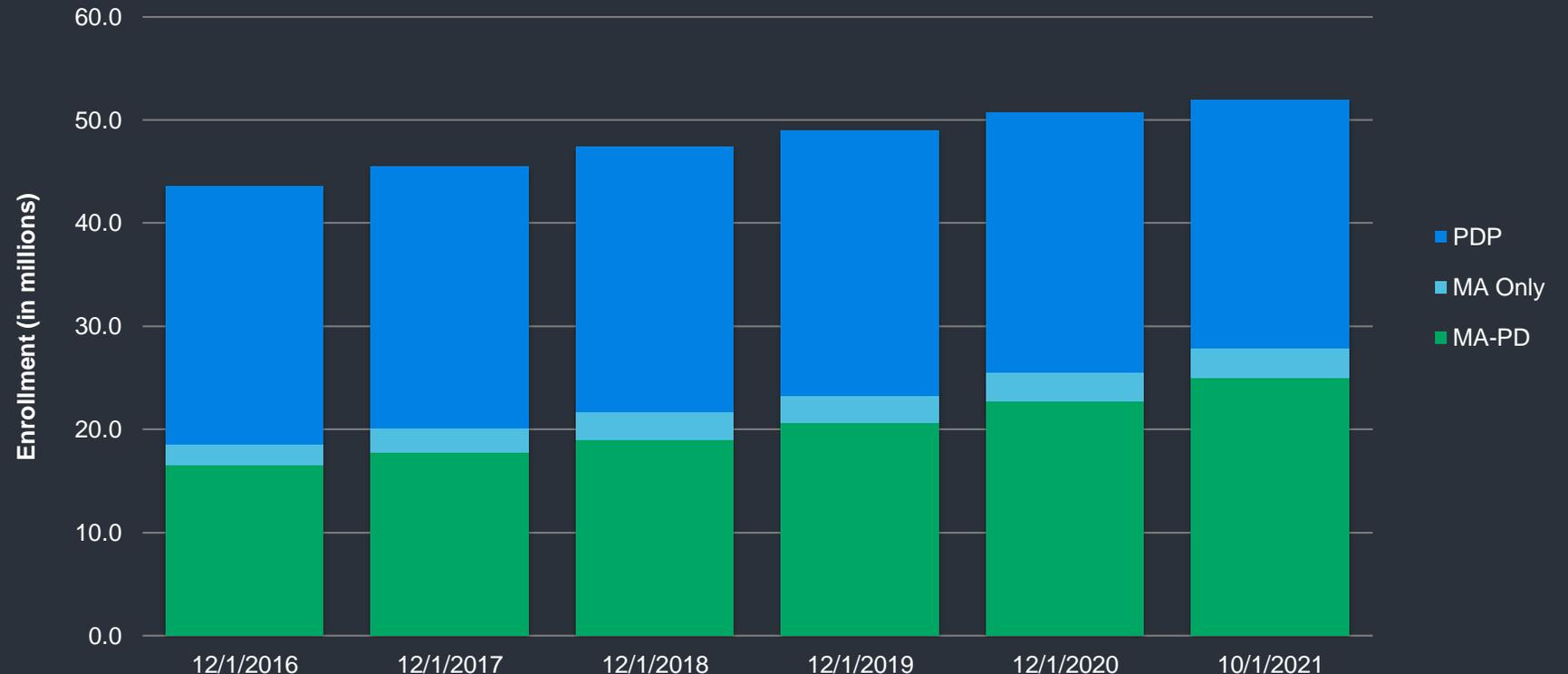
MA-PD, MA Only, and PDP Enrollment

Insights

- MA-PD market has increased from 16.6 million to 25.0 million
- MA Only market has increased from 2.0 million to 2.9 million
- PDP market increased from 25.0 million in 2016 to 25.7 million in 2018 but is now down to 24.1 million

Source: CMS.gov Medicare Advantage / Part D Contract and Enrollment Data as of October 2021, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MCRAdvPartDEnrolData>

MA-PDs and PDP are the dominant enrollment type



Competitive Landscape

Medicare Advantage Enrollment by Product

Insights

- PPOs have grown from 5.6 million in 2016 to 10.8 million in 2021
 - Local PPO market has increased more than twofold, from 4.3 million to 9.8 million
 - Regional PPO market has declined, from 1.3 million to 0.9 million
- HMOs have grown from 12.1 million to 16.8 million
- 1833 and 1876 cost plans have declined, from 0.7 million to just 0.2 million

HMOs and PPOs are the dominant enrollment type



Source: CMS.gov Medicare Advantage / Part D Contract and Enrollment Data as of October 2021, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MCRAdvPartDEnrolData>

Competitive Landscape

October 2021 Medicare Advantage and Part D Enrollment

Insights

- 94% of Medicare Advantage enrollment is in Local Coordinated Care Plans, despite only 74% of plans offered being Local CCPs
- 90% of Medicare Advantage enrollment is in a plan that offers Part D coverage
- Stand-alone Prescription Drug Plans are a popular option, with nearly as many enrollees as Medicare Advantage plans

Enrollment

Current Contract Summary:	Number of Contracts	MA Only Enrollees	MA-PD Enrollees	PDP Enrollees	Total Enrollees
Total MA-Only and MAPD	895	2,894,321	25,034,099		27,928,420
Local CCPs	663	2,572,801	23,646,084		26,218,885
PFFS	5	14,539	41,319		55,858
MSA	4	10,433	0		10,433
Regional PPOs	28	85,114	834,399		919,513
Other (1)	195	211,434	512,297		723,731
Total PDPs	66			24,135,609	24,135,609
Employer / Union Only Direct Contract PDP	3			117,312	117,312
All Other PDP (2)	63			24,018,297	24,018,297
Total	961	2,894,321	25,034,099	24,135,609	52,064,029

Source: CMS.gov Medicare Advantage / Part D Contract and Enrollment Data as of October 2021, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MCRAAdvPartDEnrolData>

Totals reflect enrollment as of the Oct. 1, 2021 payment. The payment reflects enrollments accepted through Sep. 10, 2021.

(1) Other values include PACE, Medicare-Medicaid, and Cost Plans

(2) Totals include beneficiaries enrolled in employer / union only group plans (contracts with "800 series" plan IDs).

Where a beneficiary is enrolled in both an 1876 cost or PFFS plan and a PDP plan, both enrollments are reflected in these counts.

Competitive Landscape

Medicare Enrollment and Marketing

Criteria

- Can first market October 1 of the year prior to the plan year
- Can only enroll individual beneficiaries who reside within the plan's designated service area
- Can only enroll beneficiaries during CMS designated election periods



Enrollment

- Annual Election Period (AEP): Oct. 15th – Dec 7th
- Medicare Advantage Open Enrollment Period: Jan 1 – Mar 31
 - Allows enrollees to drop their MA plan and switch to another MA plan or Original Medicare
 - Individuals can also select a PDP if switching back to Original Medicare
- Mid-year enrollment changes
 - Newly-eligible enrollees (i.e., age-ins)
 - Member relocation out of current plan's service area



Special Considerations

Year-Round Marketing

- Dual SNP (DSNP): Dual eligible (Medicare/Medicaid)
- Chronic Care SNP (CCSNP): Have chronic disease
- Institutional SNP (ISNP): Require long term care

5-star plans

- Enrollee can switch to a 5-star MA-only, MA-PD, and PDP plan at any time during the year

3-star plans

- CMS may send February Notice to enrollees in plans with fewer than 3.0 stars (Part C or Part D) for three or more consecutive years, and give enrollees the option to change plans



Competitive Landscape

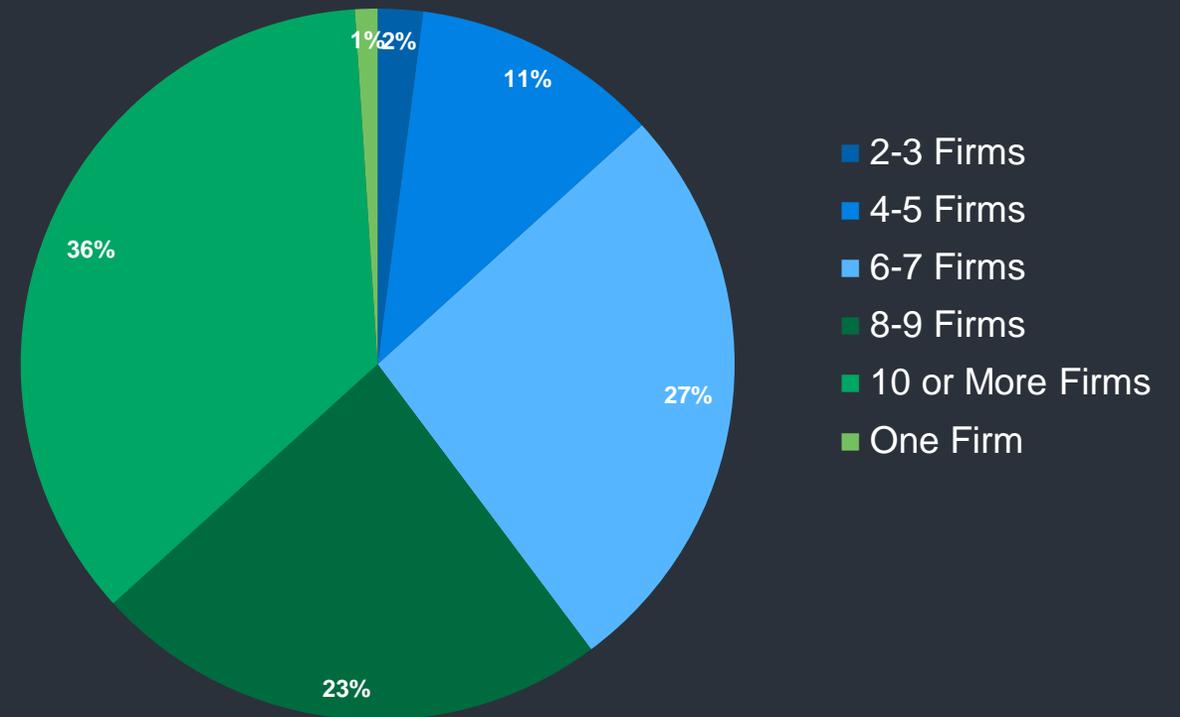
Choices Available to MA Enrollees

More than one-third (35%) of beneficiaries can choose among Medicare Advantage plans offered by 10 or more firms

Distribution of Beneficiaries by the Number of Firms Offering Medicare Advantage Plans, 2022

Source: Kaiser Family Foundation; <https://www.kff.org/medicare/issue-brief/medicare-advantage-2022-spotlight-first-look/>

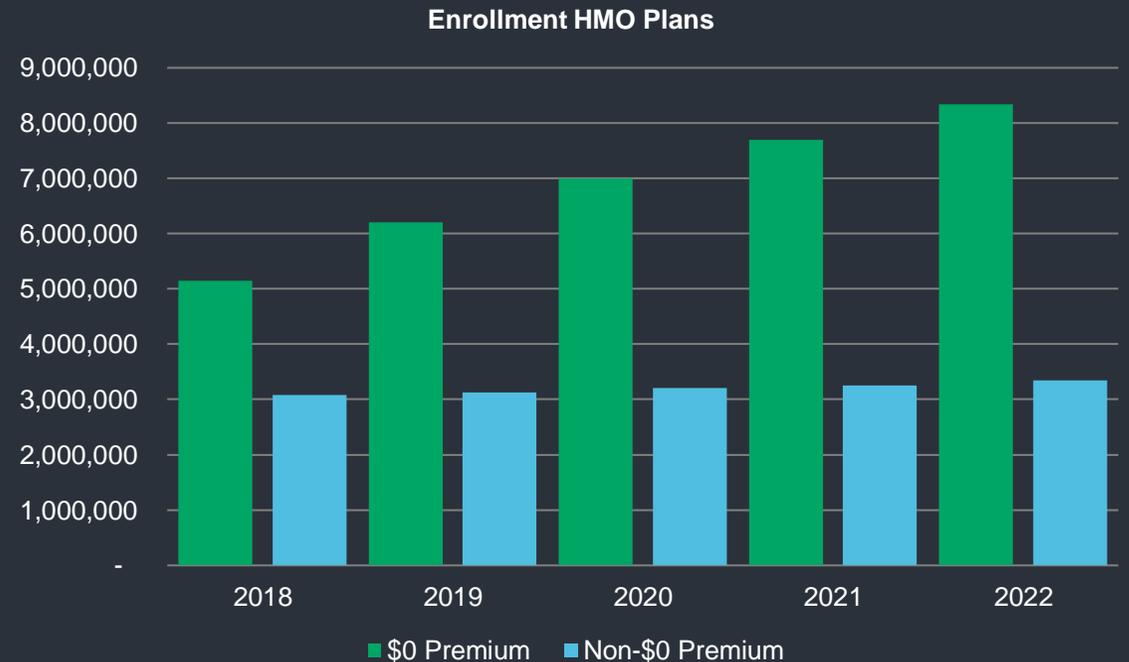
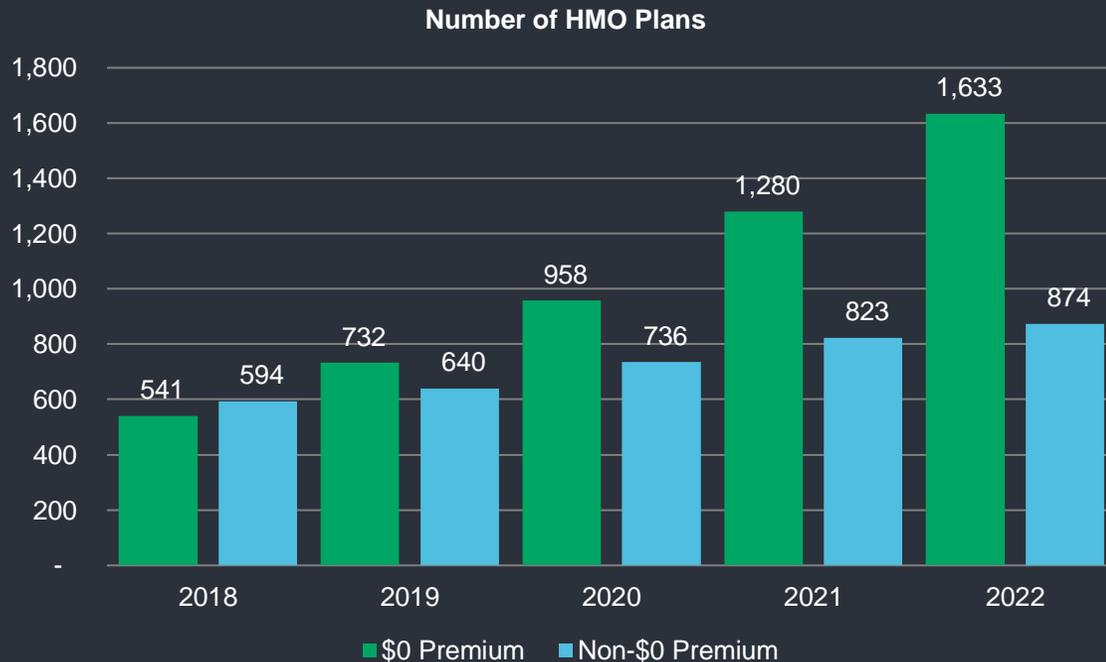
The average beneficiary can choose among Medicare Advantage plans offered by 9 firms



Competitive Landscape

HMO Plans: \$0 vs Non-\$0 Premium Plans

By Plan Type and Premium Level

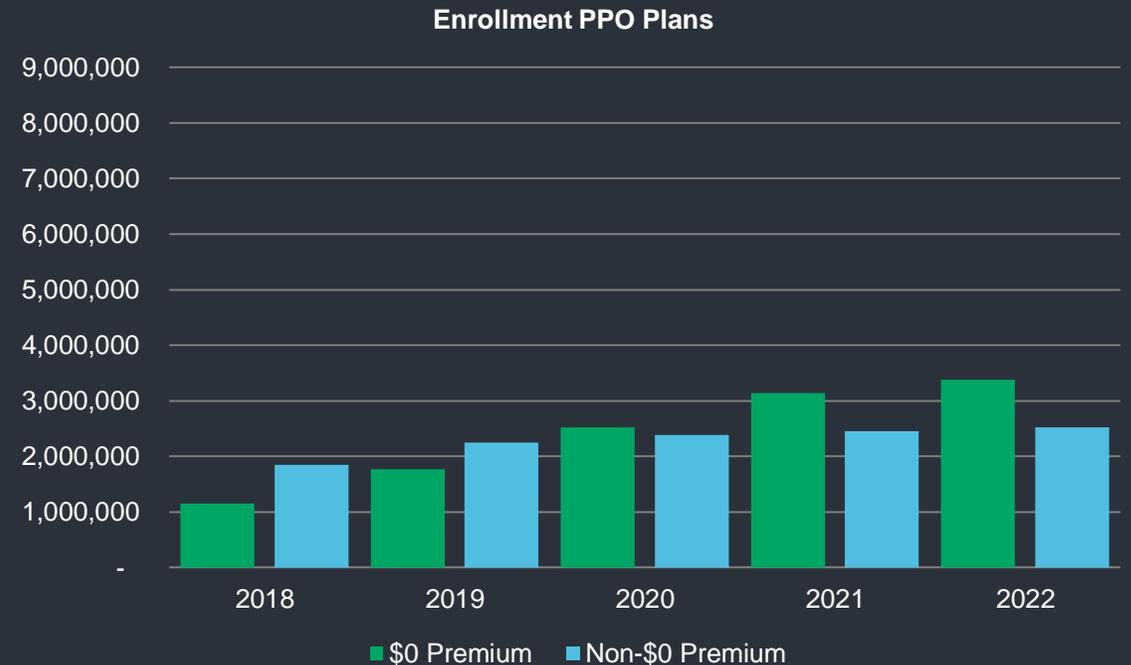
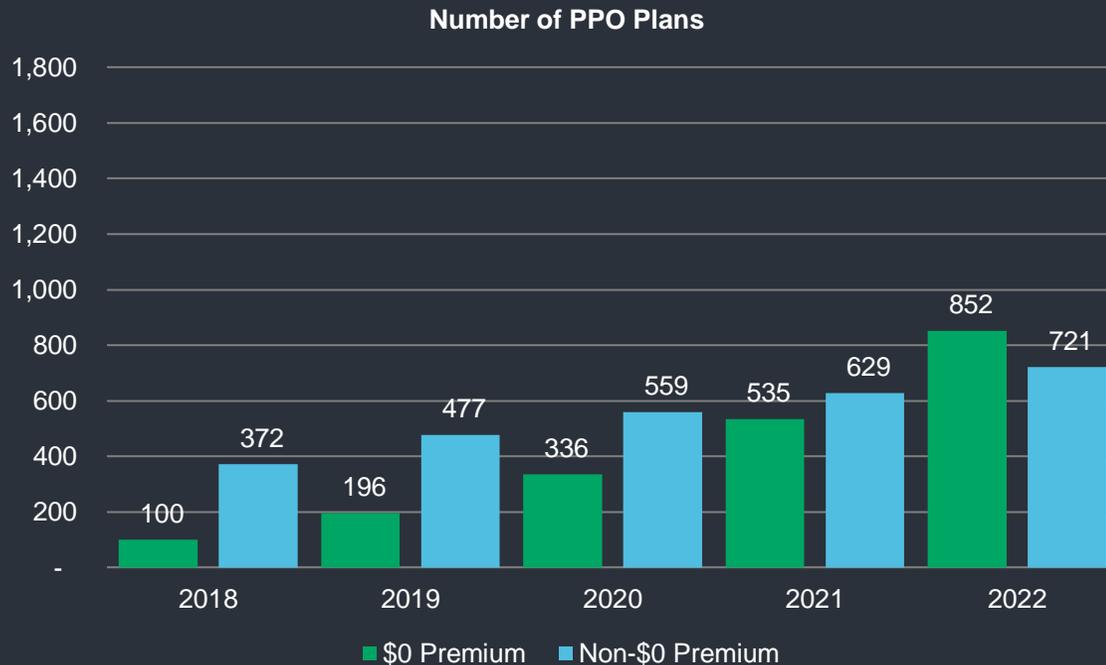


Source: 2022 Milliman MACVAT®. Excludes Cost, MSA, MMP, PFFS, and SNP plan types.

Competitive Landscape

PPO Plans: \$0 vs Non-\$0 Premium Plans

By Plan Type and Premium Level



Source: 2022 Milliman MACVAT®. Excludes Cost, MSA, MMP, PFFS, and SNP plan types.

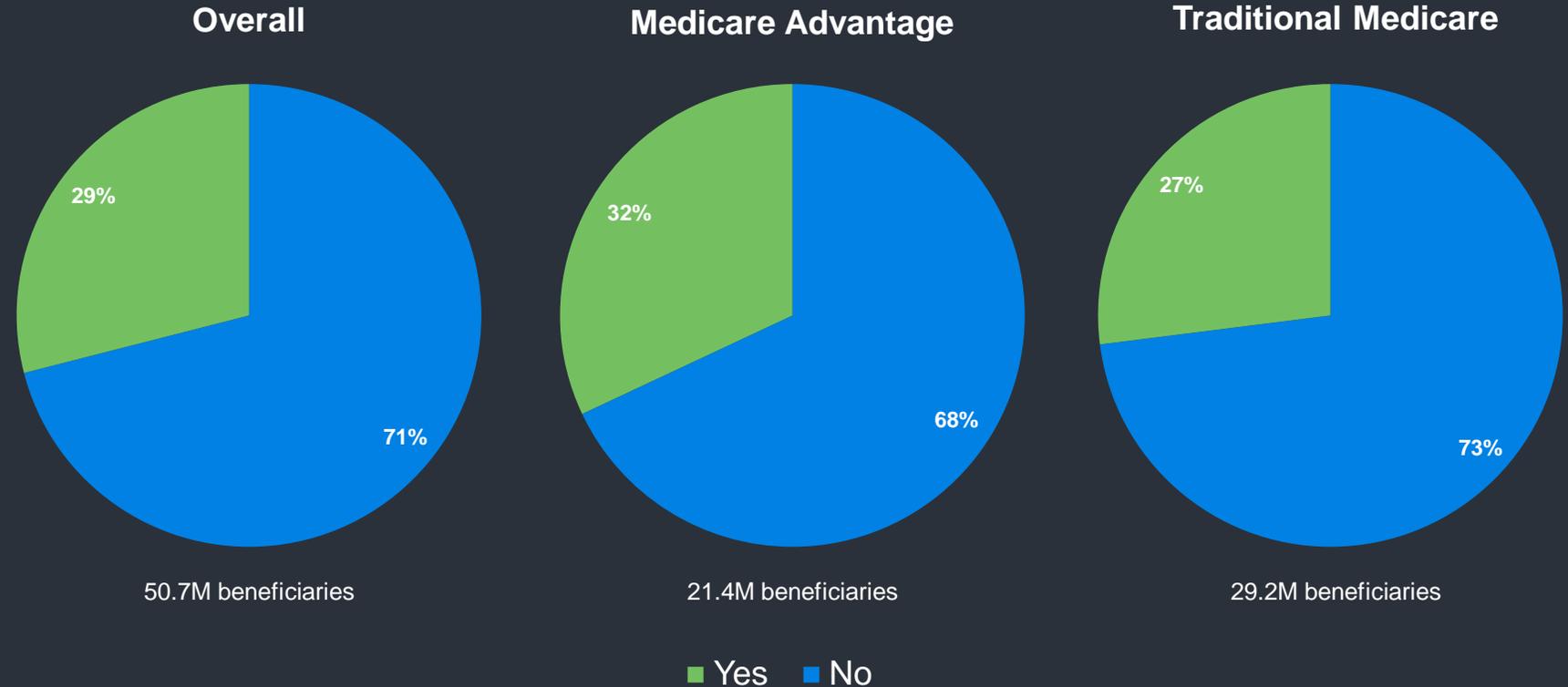
Competitive Landscape

Portion of MA Enrollees Comparing Coverage Options Annually

7 in 10 Medicare beneficiaries did not compare Medicare Plans during the 2018 Open Enrollment Period for their 2019 coverage

During the 2018 enrollment period, did you compare your Medicare insurance plan with other Medicare plans that were available?

Source: Kaiser Family Foundation;
<https://www.kff.org/medicare/issue-brief/seven-in-ten-medicare-beneficiaries-did-not-compare-plans-during-past-open-enrollment-period/>



Notes: Analysis excludes Medicare beneficiaries living in long-term care facilities and beneficiaries who just signed up for Medicare. Numbers do not sum due to rounding.
Source: KFF analysis of CMS Medicare Current Beneficiary Survey, 2019 Survey File.

Competitive Landscape

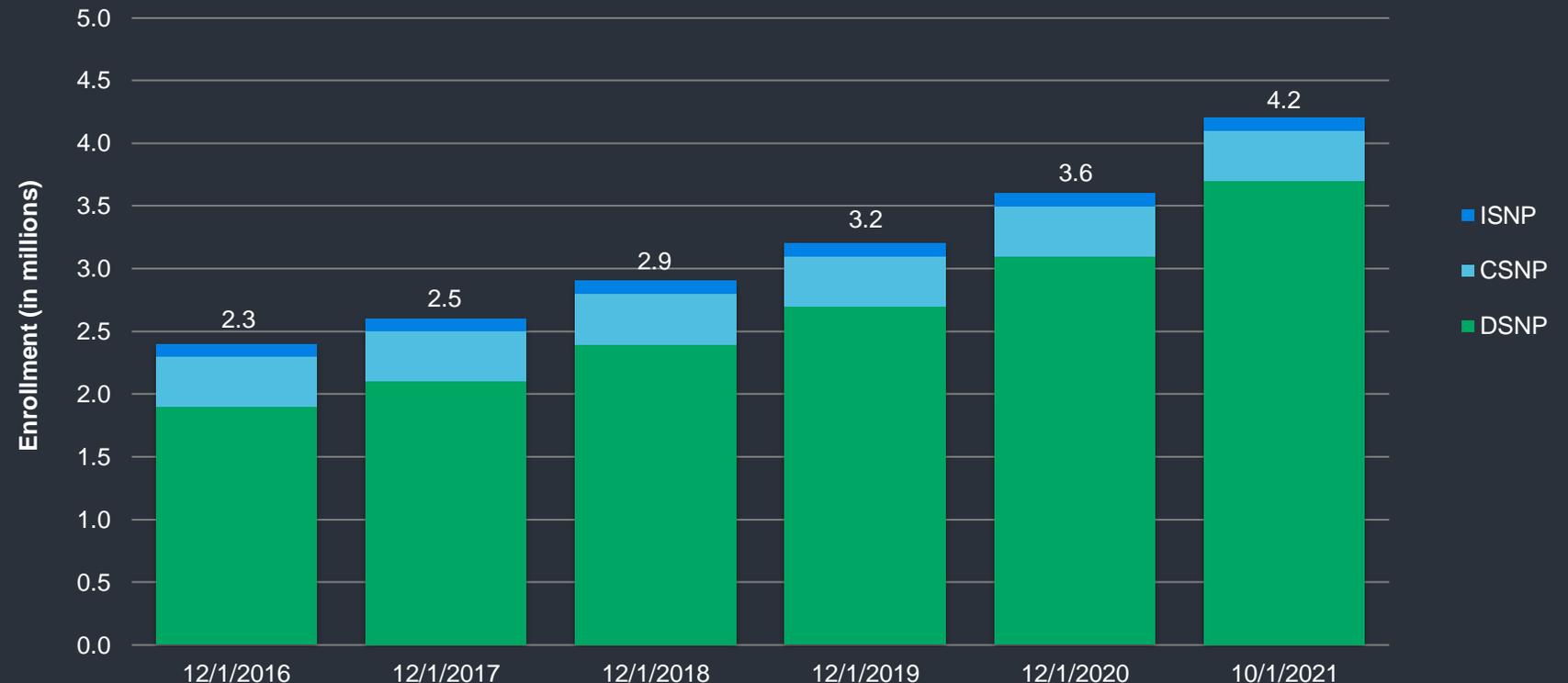
Special Needs Plan Enrollment

Insights

- DSNP membership has increased from 1.9 million in 2016 to 3.7 million in 2021
- CSNP and ISNP membership has remained relatively flat at 0.4 million and 0.1 million respectively

Source: CMS.gov Medicare Advantage / Part D Contract and Enrollment Data as of October 2021, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MCRAAdvPartDEnrolData>

DSNPs are the dominant SNP enrollment type



Medicare-Covered Benefits

Maximum Allowed Member Cost Sharing

Insights

- 2022 limits were set equal to 2021 limits
- Substantial increase to the Mandatory MOOP in 2021
- Inpatient cost sharing limits have steadily increased annually, other than 2022
- Most other service category limits have remained consistent across most years

Source: CMS.gov Rate Announcements, 2018-2020. Final Part C Bid Review Memos, 2021-2022.

Enrollment

Plan Type	2018	2019	2020	2021	2022
Mandatory MOOP	\$6,700	\$6,700	\$6,700	\$7,550	\$7,550
Voluntary MOOP	\$3,400	\$3,400	\$3,400	\$3,400	\$3,400
Service Category Limits (1)					
Inpatient Acute, 6 Days	\$1,817	\$1,860	\$1,969	\$2,019	\$2,019
Inpatient Acute, 60 Days	\$4,235	\$4,314	\$4,777	\$4,816	\$4,816
Emergency Care	\$80	\$90	\$90	\$90	\$90
Urgently Needed Services	\$65	\$65	\$65	\$65	\$65
Primary Care	\$35	\$35	\$35	\$35	\$35
Specialist	\$50	\$50	\$50	\$50	\$50

Service Category Limits apply to Mandatory MOOP plans. Voluntary MOOP plans are subject to higher limits across many service categories. Additional limits apply to other categories of service and/or other day counts for Inpatient and SNF.

Medicare-Covered Benefits

Aduhelm

What is Aduhelm and How Much Will It Cost?

- Alzheimer's Disease treatment, produced by Biogen
- Biogen has asked for \$56,000 per patient per year
- Congress has pushed back on that amount, citing nonprofit thinktank values of \$3,000 to \$8,400

How Many People Could This Affect?

- About 6.2 million people in the United States have Alzheimer's Disease, including over 1 in 9 people age 65 and older
- Biogen estimated 1.5 million people could be candidates for this drug, which at \$56,000 per patient per year would equal \$84 billion per year, around a 10% increase to current annual Medicare spending

Current Status

- Biogen is undergoing a National Coverage Determination, due to be completed spring 2022
- Would potentially be covered under Part B, administered by infusion
- May be funded via FFS in short term presuming it exceeds the significant cost threshold
- Unknown how this will impact benchmarks for 2023 and beyond

Source: CMS.gov Press release: CMS Opens National Coverage Determination Analysis on Treatment for Alzheimer's Disease; ABC News: Medicare evaluating coverage for \$56,000 Alzheimer's drug; Dementia Talk Club: How Many People in the Us Have Alzheimer's; The Atlantic: The Drug That Could Break American Health Care; CNBC: Biogen shares surge 38% after FDA approves Alzheimer's drug...; Forbes: Aduhelm Could Breathe New Life Into Alzheimer's Diagnostics Such As Amyvid

Medicare-Covered Benefits

Other Part B Drugs

Medicare Part B Medications

Indication	Generic Name	Route of Administration	Estimated Launch Date
Multiple Myeloma	ciltacabtagene autoleucel 	Injection	11/29/2021
Chemotherapy-Induced Neutropenia	plinabulin	Injection	11/30/2021
Cervical Cancer	balstilimab	Injection	12/16/2021
Myasthenia Gravis	efgartigimod	Injection	12/17/2021
Asthma	tezepelumab*	Injection	1/10/2022
Diabetic Macular Edema	faricimab	Intraocular Injection	1/31/2022
Melanoma	bms-986213	Injection	3/18/2022
Chronic Lymphocytic Leukemia	ublituximab	Injection	3/25/2022
Non-Small Cell Lung Cancer	sintilimab	Injection	3/31/2022
Benign Prostatic Hyperplasia	fexapotide	Intratumoral	7/1/2022-9/30/2022
Alzheimer's Disease	donanemab	Injection	7/1/2022-9/30/2022
Hemophilia B	fidanocogene elaparvovec 	Injection	10/1/2022 – 12/31/2022

*May be eligible for coverage on Part B or Part D

 Denotes CAR-T cell therapies and gene therapies

Source: BioMed Tracker Drug Intelligence Platform accessed at <https://www.biomedtracker.com> on September 24, 2021. Some launch dates may have since changed.

MA Supplemental Benefits Timeline

Prior to 2017

Traditional Supplemental



2017

Value Based Insurance Design



2019

Expanded Primarily Health Related Definition



Uniformity Flexibility



2020

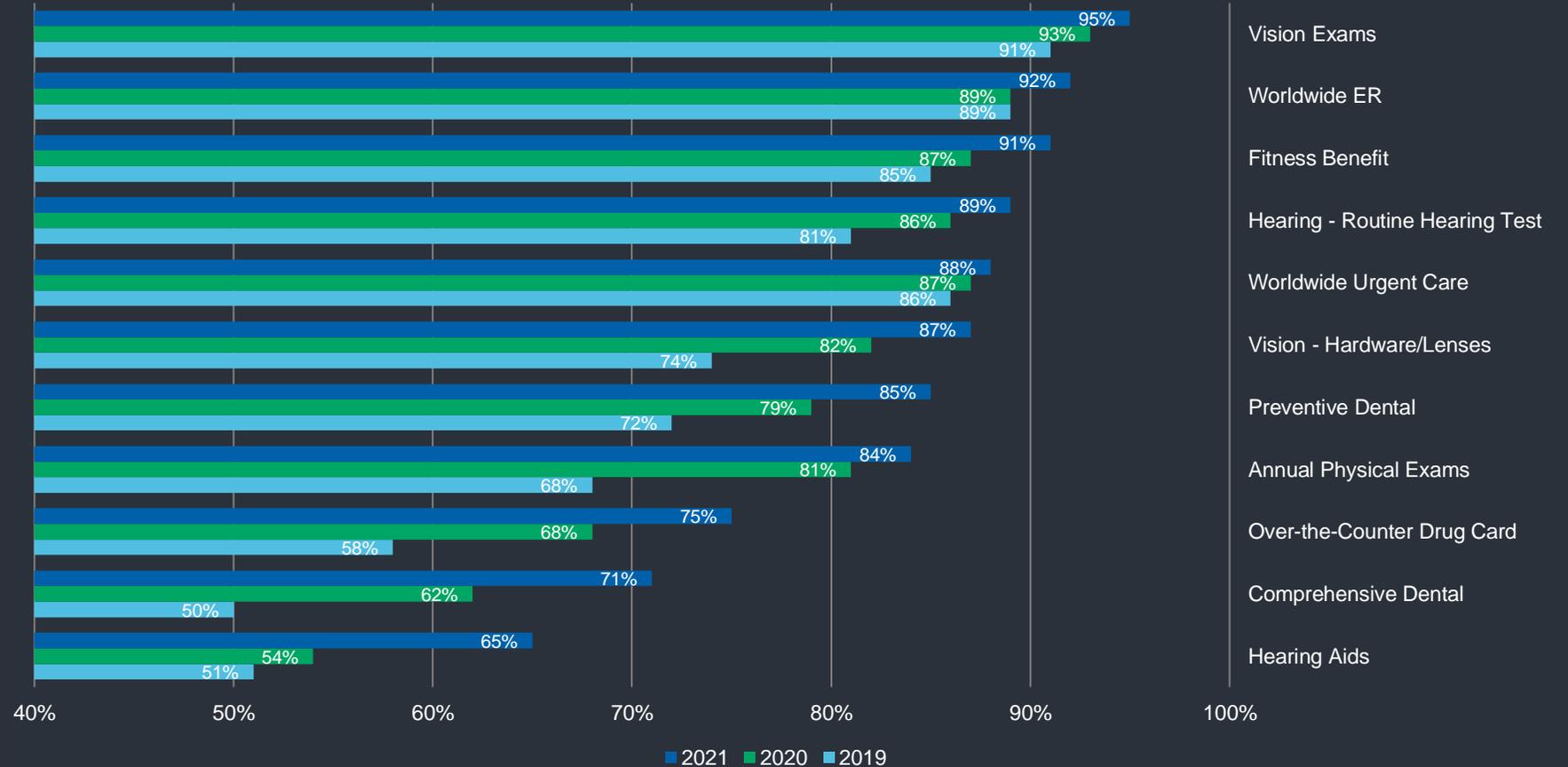
Special Supplemental Benefits for the Chronically Ill



Most Common Supplemental Benefits 2019 - 2021

Insights

- Top 5 Most commonly offered benefits had plan penetration above 80% across past 3 years
- Remaining top supplemental benefit offerings show significant growth since 2019

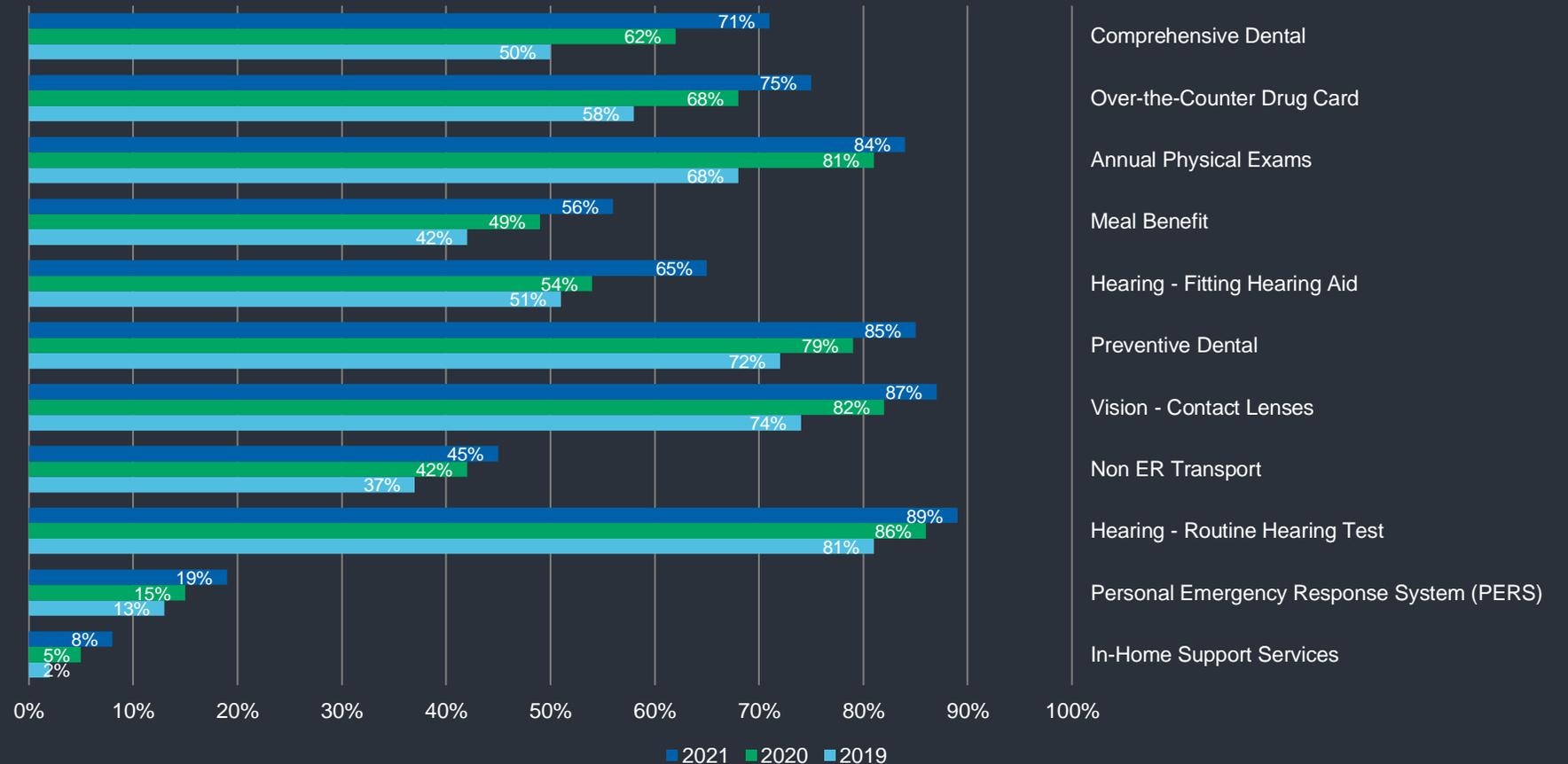


Source: 2021 Milliman MACVAT®
Excludes EGWP, MSA, and Cost plans

Fastest Growing Benefits 2019 - 2021

Insights

- Several of the fastest growing benefits rank within top benefits overall – suggestive of “keep-up” benefit offerings
- Other quick risers reflect increased demand for in-home care



Source: 2021 Milliman MACVAT®
Excludes EGWP, MSA, and Cost plans

Bundling, Buy-ups and Buy-down

Beyond Traditional Mandatory Supplemental Benefits

Bundling Services with Combined Max



Optional
Supplemental
Buy-ups

Part B
Buy-down

Benefit Flexibilities

- Growing at a fast pace from 5% of the plans in 2019 to 29% in 2021
- The highest penetration of these types of benefits are in the D-SNP market.
- The most common benefits under uniform flexibility are cost sharing reductions. The most common conditions targeted for these are: diabetes, coronary artery disease, and congestive heart failure.

Plan Count Percentage by Year

Year	SSBCI	UF	VBID	Total* (Unique)
2019	0%	3%	2%	5%
2020	6%	7%	3%	15%
2021	18%	11%	6%	29%

2021 SSBCI / UF / VBID Offerings by SNP Type

SNP Type	SSBCI	UF	VBID	Total* (Unique)
Not SNP	16%	12%	5%	26%
Dual Eligible	31%	5%	20%	48%
Institutional	10%	6%	0%	12%
Chronic or Disabling Condition	29%	5%	1%	31%

Source: 2021 Milliman MACVAT®
Excludes EGWP, MSA, and Cost plans

*Total not additive due to plans with multiple flexibility offerings

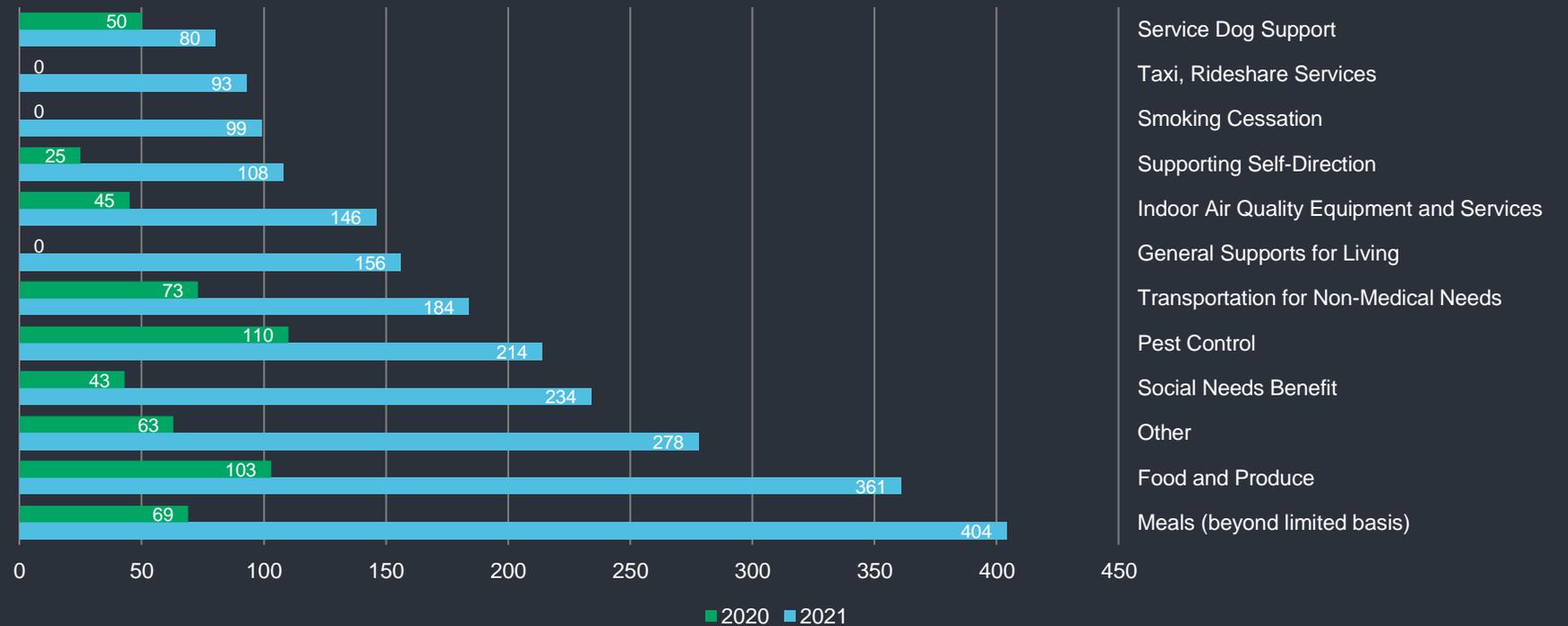
SSBCI

Insights

- Total SSBCI Benefit Offerings Grew by over 300% between CY 2020 and CY2021
- Existing 2020 SSBCI Benefit Types grew by over 200% on average in 2021
- 22% of all SSBCI Benefit Types were new in 2021 (Including Other)

Source: 2021 Milliman MACVAT®
Excludes EGWP, MSA, and Cost plans

SSBCI Benefit Counts*



*Due to plans providing more than one SSBCI benefit offering, benefit counts will not equal total unique number of plans offering SSBCI benefits

Population and Positioning

Understand the target population

- What is the MLR of the utilizing members?
- What other benefits are these members using?
- Highly competitive market – Which members am I losing to the "new" benefit introduced by the competition?



Market positioning

- Consider the competition
- Do I need to offer this benefit to be/remain competitive?
- Will adding/removing this benefit affect my position in the market?
- Does it align with the business strategy?



Potential Pitfalls

Potential for adverse selection/ increased utilization

- Increase benefit limit by a significant amount year over year
- Unlimited benefits
- Allowances/Debit Card type benefits
- Healthy foods/grocery benefit
- VBID – Monetary rebates



Potential for abuse

- MAOs responsibility: detect, correct, and prevent FW&A
- Implement the necessary controls



Pricing – Vendor Engagement

Needed for pricing

- Who is eligible & who is expected to use the benefit?
- How much will the service cost?
- Capitated vs fee schedule



Work with the vendor to understand costs, when possible

- Better understanding of the market-specific costs and utilization
- Manual data gathered from other markets may not apply to your region.
- Strengthens the relationship with the vendor



Manual Rating

- If available, consider applicable information from own experience/market
- Apply appropriate area adjustments
- Understand availability of vendors in market



What can we expect moving forward?

Penetration of benefit flexibilities will continue to grow



These flexibilities will be used to differentiate between plans going forward



New Benefits



Potential regulatory changes



A Brief Tour of Emerging Trends in Part D

PDP Market



MAPD Market



**Formulary
and Networks**



Benefit Design



Senior Savings Model



PDP Market

Major plan consolidations between 2021 and 2022

PDP MARKET

MAPD MARKET

FORMULARY AND NETWORKS

BENEFIT DESIGN

SENIOR SAVINGS MODEL

ESI + Cigna

- **6 total plans** in 2021 (ESI + Cigna)
- **3 total plans** in 2022 (Cigna name)
- Combined, **nearly 8%** of total PDP enrollment



WellCare + Centene

- **6 total plans** in 2021 (WellCare + Aetna-divested)
- **3 total plans** in 2022 (WellCare name)
- Combined, **over 20%** of total PDP enrollment



	ESI + Cigna			WellCare + Centene			
2022	Cigna Secure Rx	Cigna Essential Rx	Cigna Extra Rx	2022	WellCare Classic	WellCare Value Script	WellCare Medicare Rx Value Plus
	Secure Rx	Secure-Essential Rx	Secure-Extra Rx		Classic	Value Script	Medicare Rx Value Plus
2021	Express Scripts Value		Express Scripts Saver	2021	Medicare Rx Saver	Wellness Rx	Medicare Rx Select
	Basic	First Enhanced	Second Enhanced		Basic	First Enhanced	Second Enhanced

*Source: CMS enrollment and plan crosswalk data, as of September 2021, crosswalked to 2022 plan basis; excludes Employer Group Waiver Plans (EGWPs).

PDP Market

Continues to be a market dominated by national players

PDP MARKET

MAPD MARKET

FORMULARY AND NETWORKS

BENEFIT DESIGN

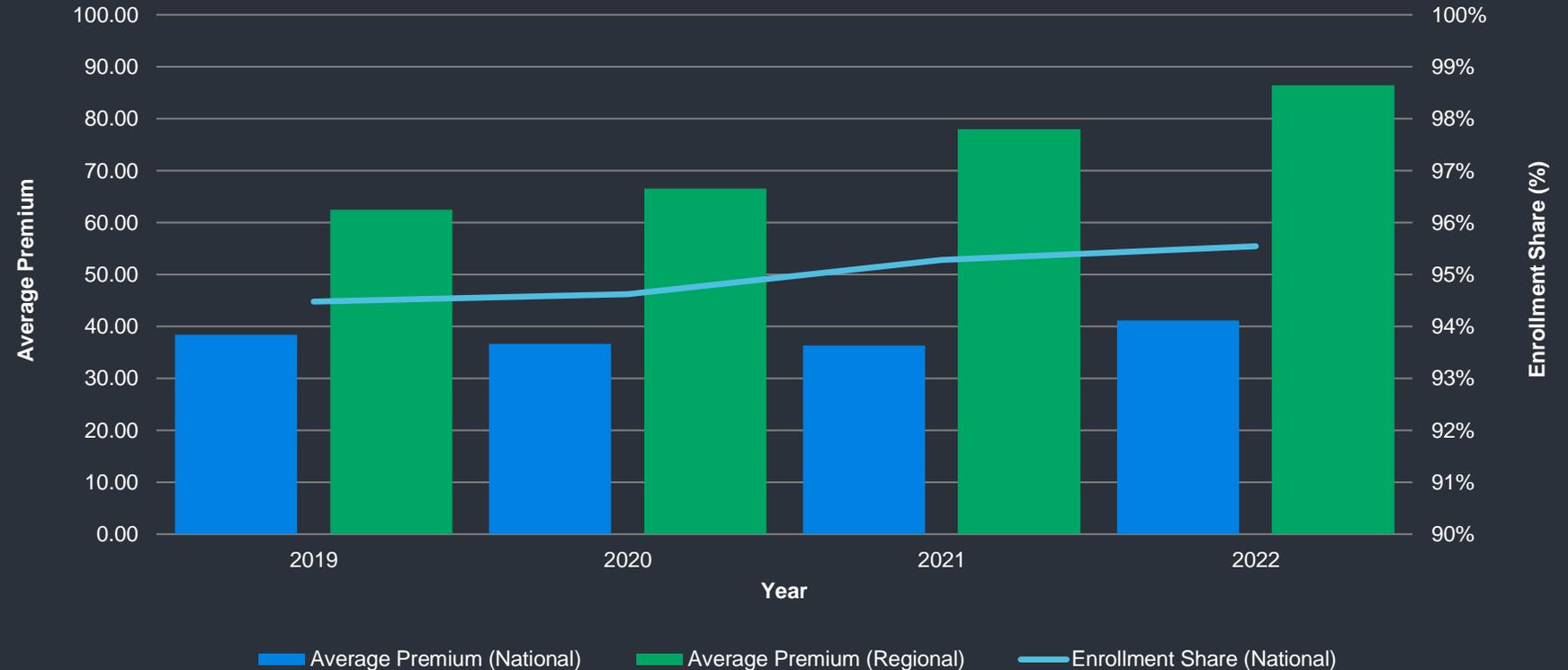
SENIOR SAVINGS MODEL

National PDPs consistently able to offer lower premiums than regional competitors.

- Can negotiate better rebates, network contracts
- Fixed costs over more enrollment

Together, have maintained at or above 95% market share.

- Difficult for smaller payers, start-ups to enter and succeed
- Able to target specific populations



*Source: CMS enrollment and premium data; 2019-2021 reflect February enrollment for each year, 2022 reflects September 2021 enrollment, crosswalked to 2022 plan basis; excludes Employer Group Waiver Plans (EGWPs).

MAPD Market

Different enrollment trends in PDP versus MAPD

PDP MARKET

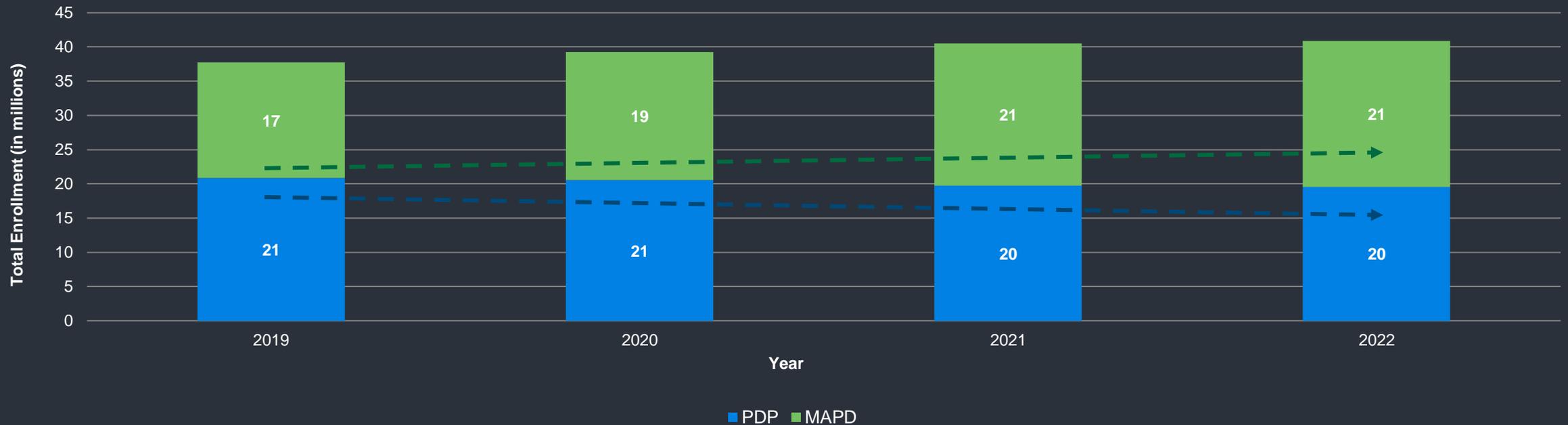
MAPD MARKET

FORMULARY AND NETWORKS

BENEFIT DESIGN

SENIOR SAVINGS MODEL

While total market has grown, enrollment has gradually shifted from PDP to MAPD in recent years.



*Source: CMS enrollment data; 2019-2021 reflect February enrollment for each year, 2022 reflects September 2021 enrollment, crosswalked to 2022 plan basis; excludes Employer Group Waiver Plans (EGWPs), Medicare-Medicaid Plans (MMPs), and Cost plans.

Pharmacy Networks and Formularies in Part D

PDP MARKET

MAPD MARKET

FORMULARY AND NETWORKS

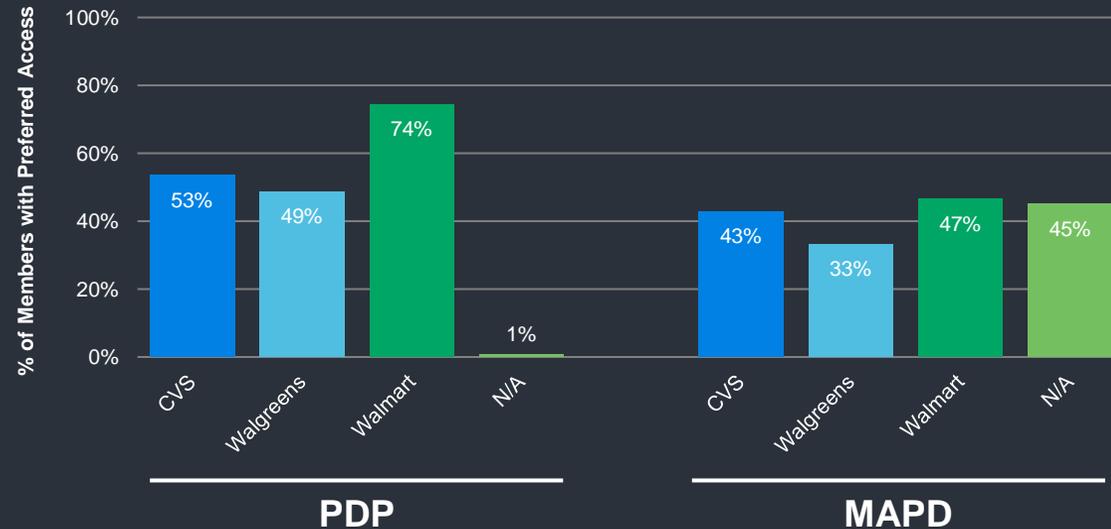
BENEFIT DESIGN

SENIOR SAVINGS MODEL

Preferred Retail Networks (2022)

Preferred retail pharmacy networks **considerably more common** in PDP than MAPD.

In both PDP and MAPD, **Walmart** is the pharmacy chain most commonly included in preferred networks.



Trends in Formulary Composition

Tier Structure

- **Five-tier structure most common**, but more common in PDP than in MAPD
- **Less than 10%** of PDP members enrolled in six-tier formularies, compared to **nearly 25%** in MAPD

Coverage of Products

- Products with largest changes in coverage include **brands that recently lost patent**: Northera, Saphris, Tecfidera, Truvada
- Despite wide participation in the SSM, very limited coverage of **authorized generic insulins**
- MAPD tends to have **broader coverage** of insulins, MS Agents, Autoimmune Agents

New Flexibilities

- **Indication-based formularies** (began in 2020)
- **Two specialty tiers** (begins in 2022)
- Limited uptake for both

*Source: CMS 2022 Part D Formulary, Pharmacy Network, and Pricing Information Public Use Files (PUFs), as of October 2021.

Recent Trends in Part D Benefit Design

PDP MARKET

MAPD MARKET

FORMULARY AND NETWORKS

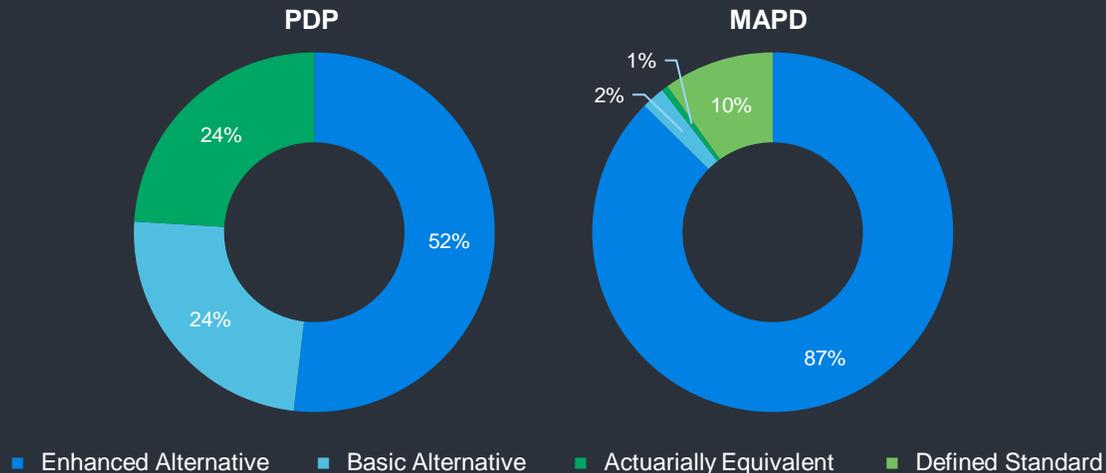
BENEFIT DESIGN

SENIOR SAVINGS MODEL

Distribution by Plan Type (2022)

Much **higher concentration of EA plans** in MAPD than PDP. Basic plans in MAPD tend to be defined standard.

Distribution has held fairly constant over recent four years, with an **increase in EA plans** in both markets.



Trends Among Enhanced Plans

Deductibles

- Availability of **\$0 deductible** increases in both PDP and MAPD, but still more popular in MAPD
- Among EA plans with a deductible, PDPs more likely to limit to specific tiers (e.g., “brand only”)

ICL Cost Sharing

- Popularity of **\$0 generic cost sharing** at retail similar between PDP and MAPD until 2022, when more MAPDs will offer it
- **Preferred brands** most commonly subject to copay-style cost sharing

Gap Coverage

- **Enhanced gap coverage** relatively unpopular in PDP, with less than 10% of members enrolled in such plans in 2021 or 2022
- **In MAPD**, enhanced gap coverage much more common (and has been for several years)

*Source: CMS 2022 Part D landscape files as of October 2021 and monthly enrollment data as of September 2021.

Voluntary Models and Flexibilities in Part D

PDP MARKET

MAPD MARKET

FORMULARY AND NETWORKS

BENEFIT DESIGN

SENIOR SAVINGS MODEL

Value Based Insurance Design (VBID)

- Offers a range of benefit flexibilities to MAOs.
- Flexibilities include the ability to reduce cost-sharing for LIS members.
- Plans must demonstrate savings to Medicare
- Significant growth in participation among MAOs*:

2017 **9 MAOs**
(60k members)

2022 **34 MAOs**
(3.7m members)



Part D Payment Modernization Model (PDM)

- Offers a range of flexibilities in exchange for two-sided risk-sharing for reinsurance.
- Model and its flexibilities aimed at reducing overall federal reinsurance.
- Very limited participation among both PDP and MAPD plans.



Part D Senior Savings Model (SSM)

- Plans who participate must offer insulins at maximum monthly copay of \$35 to non-low income members.
- Modifies design of Part D benefit to mitigate financial disincentive for plans.
- Substantial participation by eligible plans in both 2021 and 2022.

*Source: <https://innovation.cms.gov/media/document/vbid-oash-acl-webinar-slides-10-07-2021>

Part D Senior Savings Model

Two years in, how has the program evolved?

PDP MARKET

MAPD MARKET

FORMULARY AND NETWORKS

BENEFIT DESIGN

SENIOR SAVINGS MODEL

The number of participating plans and associated membership is growing in 2022.

- Majority of growth in MAPD
- Will there be a meaningful “shift” in enrollment for 2022?

1

In PDP, participating plans have higher premiums than non-participating plans, on average.

- PDPs likely targeting specific populations
- 2023 bids will be first with experience under SSM

2

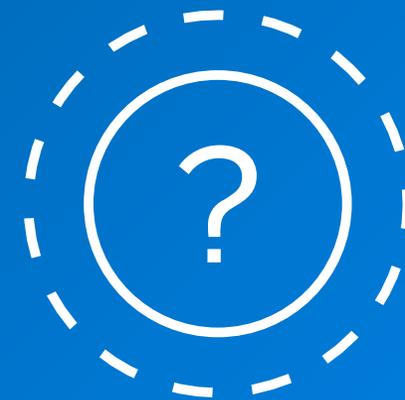
What will year 3 of the SSM bring to the Part D market?

- Enrollment shifts
- Emerging experience for plans already participating
- Insulin cap under the *Build Back Better Act* (still in negotiation)*

3

*Source: <https://us.milliman.com/en/insight/build-back-better-act-proposed-medicare-changes>

Questions?



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