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**
   - Part A: Hospital and long-term care insurance; includes home health, hospice
   - Part B: Medical insurance; includes tests, prevention, DME
   - Part D: Prescription drug coverage

2. **Medicare Advantage**
   - 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 supplemental coverage?**
   - Medigap: Private supplemental insurance policies

Medicare in Brief, 2019

- Federally-funded insurance for seniors (65+) and disabled
- Part A funded through payroll deductions
- Part A: No premium; $1,364 deductible, coinsurance only for extended inpatient stays
- Parts B, C, D have monthly premiums, deductibles, coinsurance/copays


1) Durable medical equipment.
# Understanding the consumer’s MA decision

Consumer considerations and drivers for choosing Medicare Advantage

<table>
<thead>
<tr>
<th>Attractive Features and Potential Benefits</th>
<th>Deterrents and Potential Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Wallet] Lower or zero premium costs, with OOP(^1) limits</td>
<td>![Balance] Variable, confusing cost sharing and coverage</td>
</tr>
<tr>
<td>![People] Coordinated, multi-benefit package</td>
<td>![Person] Overwhelming set of product choices</td>
</tr>
<tr>
<td>![Gym] Additional benefit options (e.g., gym)</td>
<td>![Checkmark] Restricted network of providers and service regions</td>
</tr>
<tr>
<td>![Briefcase] Familiar customer service (to employer-based coverage)</td>
<td>![Checkmark] Utilization approval rules and restrictions</td>
</tr>
</tbody>
</table>

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\(^1\) Out-of-pocket.
Medicare Advantage Continues Record Growth

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

- 2005: 5.6M (13%)
- 2017: 19M (33%)
- 2027: 31M (41%)

98% MA enrollment growth since 2010

MA Penetration Varies by State, 2019
Total MA Enrollment as a Percent of Total Medicare Population

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


1) Projected.
Unpacking a favorable financial opportunity

Plans forced to lean on performance revenue amid fluctuating rates

Payment rate increases continue to fluctuate

Annual MA payment rate increases

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>2.95%</td>
<td>3.40%</td>
<td>2.53%</td>
</tr>
</tbody>
</table>

Bonuses paid to MA plans more than doubled over four years

Total bonuses paid out to MA plans (in billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonuses ($B)</td>
<td>$3.0</td>
<td>$3.8</td>
<td>$5.9</td>
<td>$6.3</td>
</tr>
</tbody>
</table>

Established and new carriers offer more products

- Increase in number of plan product offerings available to consumers between 2018-2019: 18%
- New carriers offering MA plan products in 2019, up from 7 in 2018: 7 → 14

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

[Diagram]

\[
\text{Plan Bid} \times 0.5 \text{ to } 0.7 + \text{Rebate} = \text{Payment to plan}
\]

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

2019 Medicare Advantage Outlook
Leverage supplemental benefits for Medicare Advantage growth

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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

Risk Adjustment
Accounts for relative cost difference

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

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Greater reimbursement for riskier member populations

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

Majority of Members in 3+-Star Plans

Star Rating Definitions

★★★★★★ Excellent
★★★★★ Above average
★★★★ Average
★★★ Below average
★ Poor

Rating domains: Prevention, managing chronic conditions, member experience, member complaints, customer service

Distribution of Plan Star Ratings, 2018

Number of Plans by Part C Ratings

Implications for growth

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

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


1) For all data analysis, only plans with reported Part C data to generate a star rating included.

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Switching Relatively Low

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

**Distribution of MA Enrollees**

*By Switching Status, 2013-2014*

- Stayed with same plan: 78%
- Switched plan voluntarily: 11%
- Other: 10%

**MA Enrollees Voluntarily Switching Plans**

*By Premium Increase, 2013-2014*

- $0-$4.99: 11%
- $5-$9.99: 11%
- $10-$19.99: 11%
- $20-$29.99: 21%
- $30-$39.99: 24%
- $40 or more: 29%

Members more likely to switch when facing higher premium increase

**Change in Monthly Premium if Enrollees Did Not Switch**

<table>
<thead>
<tr>
<th>Premium Increase</th>
<th>Switch 11%</th>
<th>Switch 11%</th>
<th>Switch 11%</th>
<th>Switch 21%</th>
<th>Switch 24%</th>
<th>Switch 29%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Plan Star Rating</td>
<td>14%</td>
<td>12%</td>
<td>9%</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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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- 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

<table>
<thead>
<tr>
<th>Staying Healthy: Screening, Tests, and Vaccines</th>
<th>Managing Chronic (Long Term) Conditions</th>
<th>Member Experience with Health Plan</th>
<th>Member Complaints and Changes in the Health Plan’s Performance</th>
<th>Health Plan Customer Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Screening and vaccines rates, maintaining physical and mental health</td>
<td>Medication review, functional status, chronic condition care, and all-cause readmissions</td>
<td>Accessibility and timeliness of care, care coordination and customer service</td>
<td>Plan quality improvement, as well as member retention and complaints</td>
<td>Appeals review process and call center capacity</td>
</tr>
</tbody>
</table>

Care Gaps

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

41% Plans keeping a constant rating over 2 years

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>Betty, Age 65</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Email: Schedule your Annual Wellness Visit</td>
<td>Betty went to her wellness visit.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Please discuss: HRA, diabetes, breast cancer screening, colonoscopy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>cancer screening</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phil, Age 71</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter: Schedule your Annual Wellness Visit</td>
<td>Phil did not schedule wellness visit.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Please discuss: HRA, monitoring mental health, colonoscopy cancer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>screening</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Betty goes to provider and has new medication issues.</td>
<td></td>
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</tr>
<tr>
<td>Phone Follow-up:</td>
<td></td>
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<tr>
<td>See your doctor for medication reconciliation.</td>
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<tr>
<td>Phone Follow-up:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schedule your colonoscopy screening.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phone Follow-up:</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

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.
Case in Brief: Orchid Health Plan¹

- Regional health plan, with >300,000 Medicare Advantage members
- In order to qualify for the MA bonus, Orchid started a quality program a year ago to steer members towards the MA metrics that carried the most weight
- Orchid sends its Medicare Advantage members customized mailings based on 3-4 priority activities each member needs to complete
- Succeeding messages to members take into account their clinical interactions from the last month and the next action item with the heaviest measure weight
- They attained a 1.5-Star increase for MA Stars within 1 year of implementing the strategy, associated with a 24% increase in annual wellness visits

¹ Pseudonym

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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