Healthcare BUSINESS STRATEGY™

An Analysis of 2017 Medicare Business Competition

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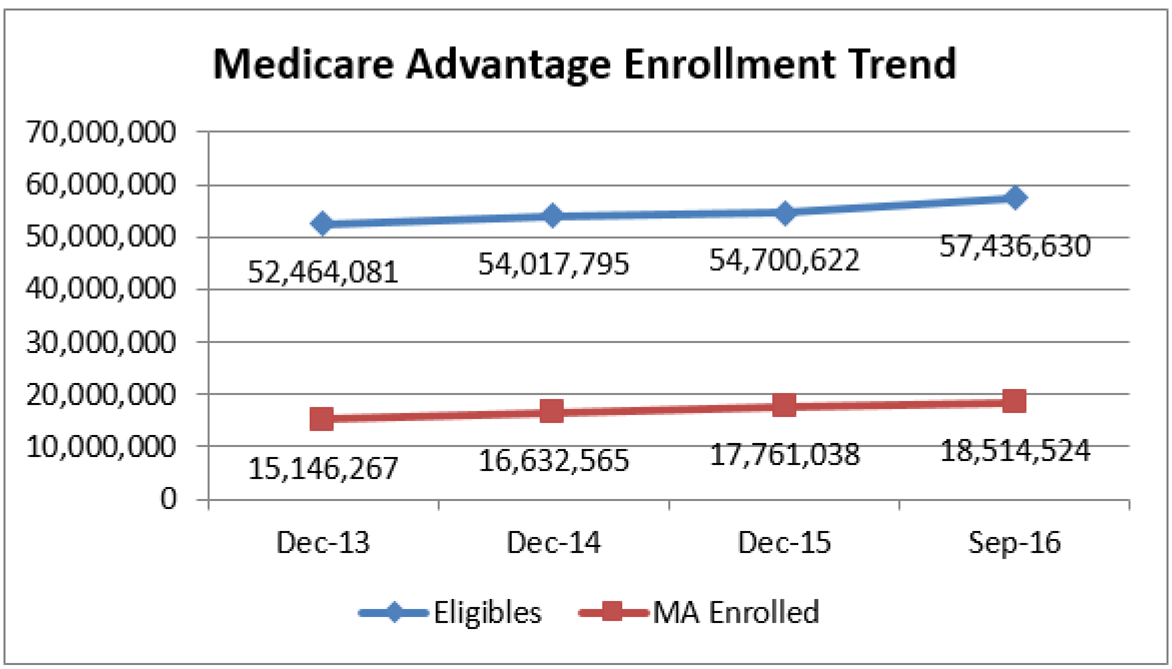
by Mark Farrah Associates

The Annual Election Period (AEP), or open enrollment, for Medicare Advantage and prescription drug plans (PDPs) will begin on October 15, 2016 and organizations have already begun to market 2017 products. Managed Medicare Advantage (MA) plans continue to solidify a strong foothold in the industry, providing medical coverage for more than 18.5 million seniors. In the last three years, MA plans picked up approximately 3.4 million members and these carriers currently cover 32% of all those eligible for Medicare benefits. With the Medicare market comprising roughly 57.4 million people, there is plenty of opportunity for health plans to gain membership during the open enrollment period.

This brief presents a snapshot of the 2017 Medicare Advantage market with insights from the CMS Medicare landscape reports and discusses the plans that will be vying for business during the upcoming AEP. In addition, as Medicare companies finalize sales and marketing strategies, they analyze data from Medicare Plan Finder (MPF), an online tool that makes it easy for seniors to review options and shop for new Medicare plans. Medicare Benefits Analyzer™, a Mark Farrah Associates' database helps simplify the analysis of the Medicare Plan Finder data for companies competing in this segment.



Source: Mark Farrah Associates' Medicare Business Online™ presenting data from CMS monthly enrollment reports.

Overview of the Medicare Landscape

Between October 15th and December 7th, MA plans, along with stand-alone PDPs (prescription drug plans), will be competing for market share across the competitive spectrum of beneficiary choices. Many companies will offer zero or low premium plans, appealing to more price-sensitive seniors while others will present higher premium plans with richer benefits and possibly lower cost-sharing. As beneficiaries begin to shop for a

Medicare plan that best meets their health needs and budget, Medicare plans are immersed in competitive assessments. Analysts often use Plan Finder benefits data from the Medicare.gov website to compare plan premiums, copays and star rating awards, market by market.

Based on an aggregate analysis of CMS landscape reports, a total of 2,900 distinct Medicare Advantage (MA) plan offerings are in the market lineup for the onset of the 2017 AEP. MFA's analysis of CMS landscape data found a total of 2,311 distinct MA plans being offered for 2017, including Medicare – Medicaid plans, up from 2,240 this year. In addition, a total of 589 Special Needs Plans (SNPs) are available in 2017, up from 554 in 2016. During the AEP, Medicare beneficiaries can choose to change MA plans or switch from Original Medicare to MA, and plan benefits will become effective on January 1, 2017. Many plans are designed to be marketed in select, targeted geographic regions while others are approved to be offered on a broader, nationwide basis. In line with prior years, the HMO is the most prevalent plan type with over 2,000 offerings, representing 71% of all MA plans and SNPs being offered for next year.

Stand-alone PDPs nationwide continue to decline each year. For 2017, the number of PDP's offered is 757, a decrease from 897 in 2016. The decline is due in part to fewer competitors as a result of M&A's and companies discontinuing PDPs that were similar to others. Although seniors will generally have fewer PDPs to choose from, the increase in MA plan choices results in a healthy level of competition in most markets.

Medicare Advantage Plan Counts (MA & MAPD)

Year	Cost	Local HMO	Local PPO	MMP	MSA	PFFS	Regional PPO	Total
2016	81	1,463	516	66	4	63	47	**2,240**
2017	77	1,532	529	62	4	58	49	**2,311**

Special Needs Plan Counts (SNPs)

Year	Local HMO	Local PPO	Regional PPO	Total
2016	517	26	11	**554**
2017	531	46	12	**589**

Stand-alone Prescription Drug Plan Counts (PDPs)

Year	PDP
2016	**897**
2017	**757**

Source: Mark Farrah Associates' Medicare Benefits Analyzer™ presenting data from CMS Medicare Plan Finder and Landscape Source Files; excludes employer-sponsored plans. For this assessment, plans were counted as distinct company records by Contract-Plan-Segment ID without geographic distribution.

The majority, 88% for a total of 2,034 MA plans, include Part D benefits and monthly premiums range from $0 to $364. Thirty-nine percent of 2017 MA plans (excluding SNPs), are available at the $0 plan premium level.

2017 Medicare Advantage Part D Coverage		
	Count	**Percent**
Total Number of Plans	2,311	100%
Plans without Part D	277	12%
Plans with Part D	2,034	88%

Source: Mark Farrah Associates' Medicare Benefits Analyzer™ presenting data from CMS Medicare Plan Finder and Landscape Source Files; excludes employer-sponsored plans. For this assessment, plans were counted as distinct company records by Contract-Plan-Segment ID without geographic distribution.

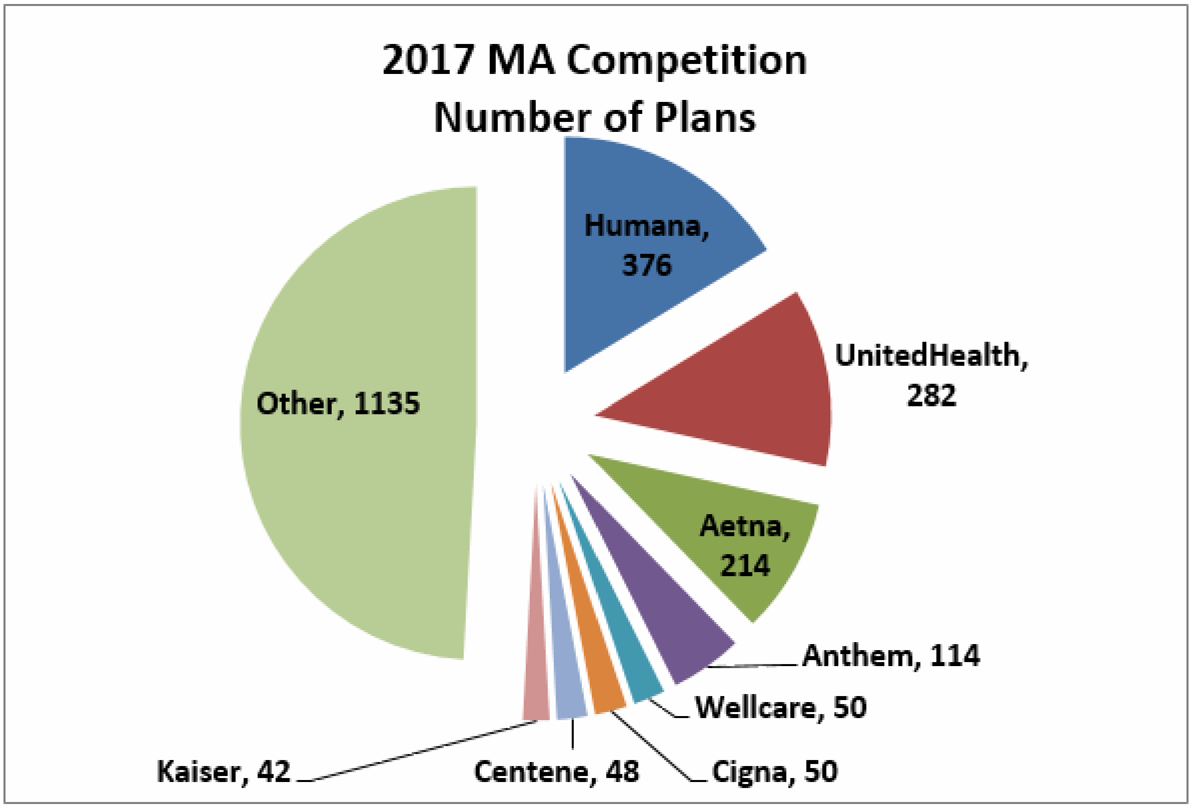
Per the breakdown in the table below, twenty-five percent of all plans will be charging monthly premiums ranging from $2 to $50 while 21% of plan premiums are in the $51 to $100 range.

2017 Medicare Advantage Premium Spread		
	Count	**Percent**
Total Number of Plans	2,311	100%
$0 Premium	896	39%
$2-$50 Premium	581	25%
$51 - $100 Premium	482	21%
$101 - $200 Premium	283	12%
Greater than $200 Premium	65	3%
Null Premium Value	4	0%

Only 3% or 65 plans are charging monthly premiums greater than $200. These benefits-rich plans typically have low copays and as a result estimated out-of-pocket expenses are often minimal. The highest premium plan for 2017 is HealthPartners Freedom Ultimate with Enhanced Rx cost plan being offered in Minnesota. This plan promotes no copays for in-network PCP and specialist office visits. EmblemHealth VIP Gold Plus (HMO) in New York is the 2^{nd} highest priced MA plan for 2017. This plan also features no copays for in-network PCP and specialist office visits in addition to $0 copays across several medical benefits.

The 2017 MA Plan Competition

The 2017 Medicare Advantage marketplace is comprised of national health plans, Blue Cross Blue Shield organizations, prominent regional health plans and specialized Medicare companies. Based on the 2017 CMS landscape reports, Humana continues to market more MA plans nationwide than any other company with 376 distinct plans identified in MFA's assessment. UnitedHealth significantly increased its MA plan offerings for the 2017 calendar year with 282 distinct plans identified, up 203 plans from last year, and exceeding Aetna's offerings. Aetna (including Coventry and other affiliates) is offering 214 plans. Anthem affiliates and the vast majority of other Blue Cross Blue Shield plans offer Medicare Advantage products in their respective markets and some MA plans are collaborative Blues offerings. Cigna, WellCare, Centene (Health Net) and Kaiser also have a notable presence with respect to the number of plan offerings.



Source: Mark Farrah Associates' Medicare Benefits Analyzer™ presenting data from CMS Plan Finder and Landscape Source Files; excludes employer-sponsored plans. For this assessment, plans were counted as distinct company records by Contract-Plan-Segment ID without geographic distribution.

Medicare Benefits Analyzer™ for Comparing Medicare Benefits

Drilling into benefit details, plan by plan, such as Annual Out-of-Pocket Limits and Deductibles; Primary Care Doctor Visit Copays; Specialist Doctor Visit Copays; Inpatient Hospital Copays; Ambulance and Emergency Room Copays; and Drug Tier Copays helps companies to identify competitive advantages across markets. This type of comparative analysis provides invaluable intelligence that prepares Medicare plans to promote and sell their products.

In order to make it easier for Medicare plans to access and use MPF data, Mark Farrah Associates (MFA) maintains data in a comparative database format. MFA's Medicare Benefits Analyzer™ (/products/medicare-benefits-analyzer.aspx) provides customers with access to the latest Medicare Plan Finder data. 2017 Plan Finder data is online now and 2017 Star Quality Ratings just released by CMS will complement the benefits detail. Subscribers may query tables presenting plan benefit comparisons by state and county or download large datasets using the file export interface. Subscribers may query tables presenting plan benefit comparisons by state and county or download large datasets using the file export interface. Subscribers also have access to Medicare Business Online™ for tracking month-to-month MA and PDP enrollment changes. Visit our website at www.markfarrah.com (/Default.aspx) or call 724-338-4100 for more information.

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Mark Farrah Associates
Phone: 724.338.4100
Web: www.markfarrah.com