



# **(Re)Emergence of Managed Care**

## **Strategic Opportunities in an Era of Medicare Advantage Expansion**

**Avalere Health** | An Inovalon Company  
May 2018

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National Outlook

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Defining Your  
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Options

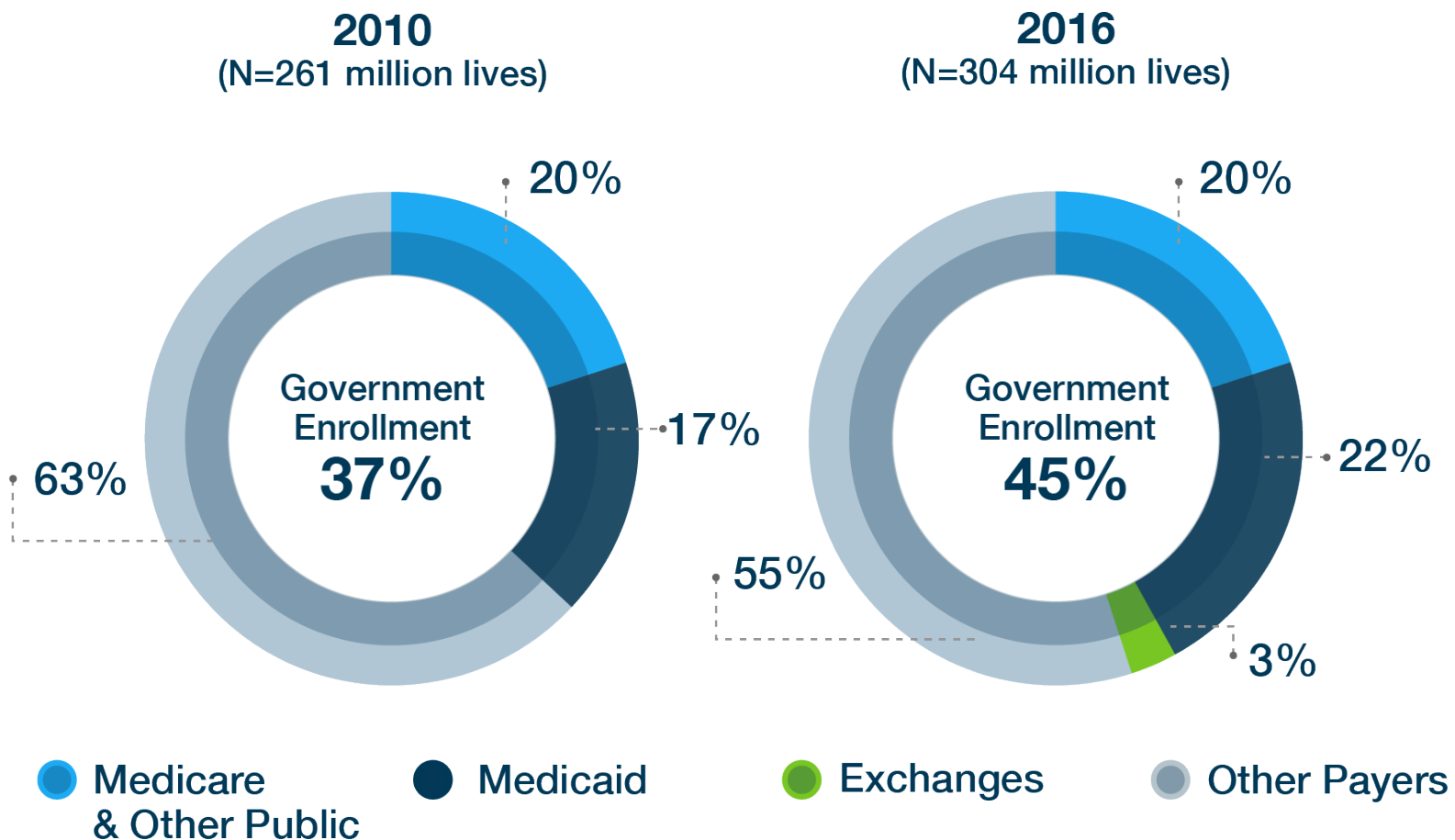
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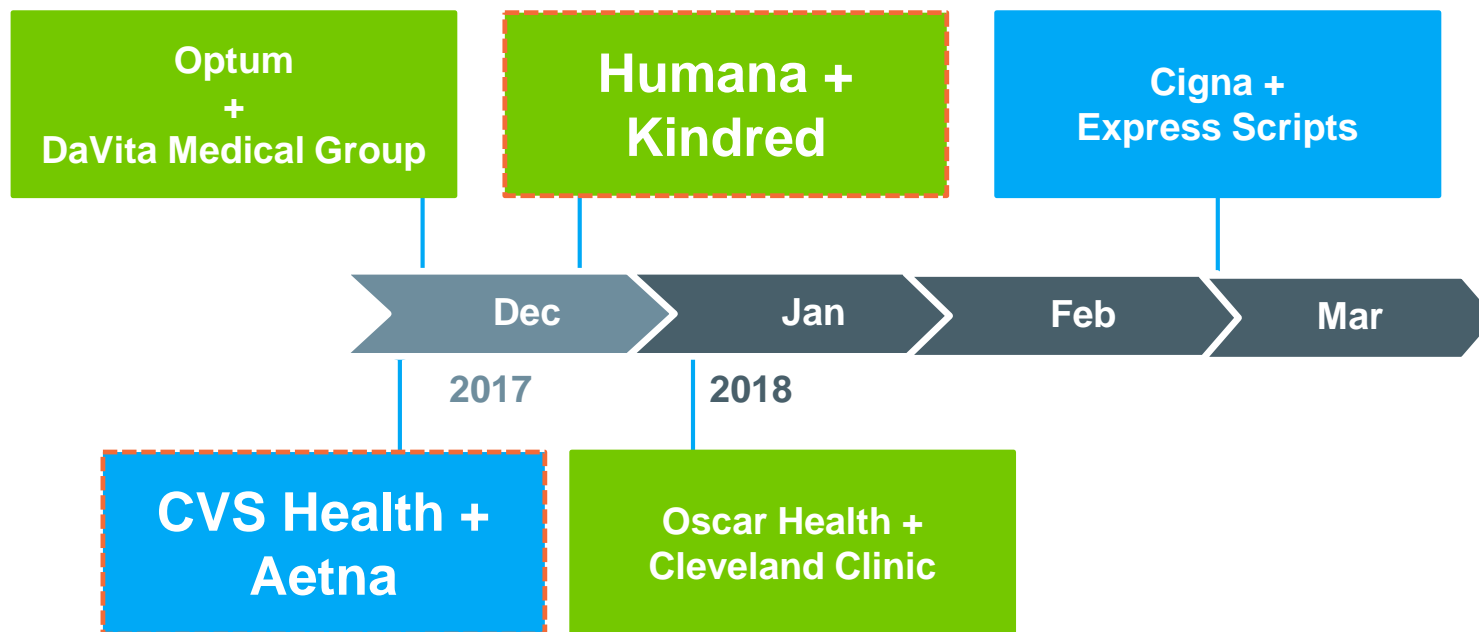


# Payers Pinning their Hopes on Medicare and Medicaid



# Heavy Hitters Getting into Medicare Advantage

## Recently announced deals /



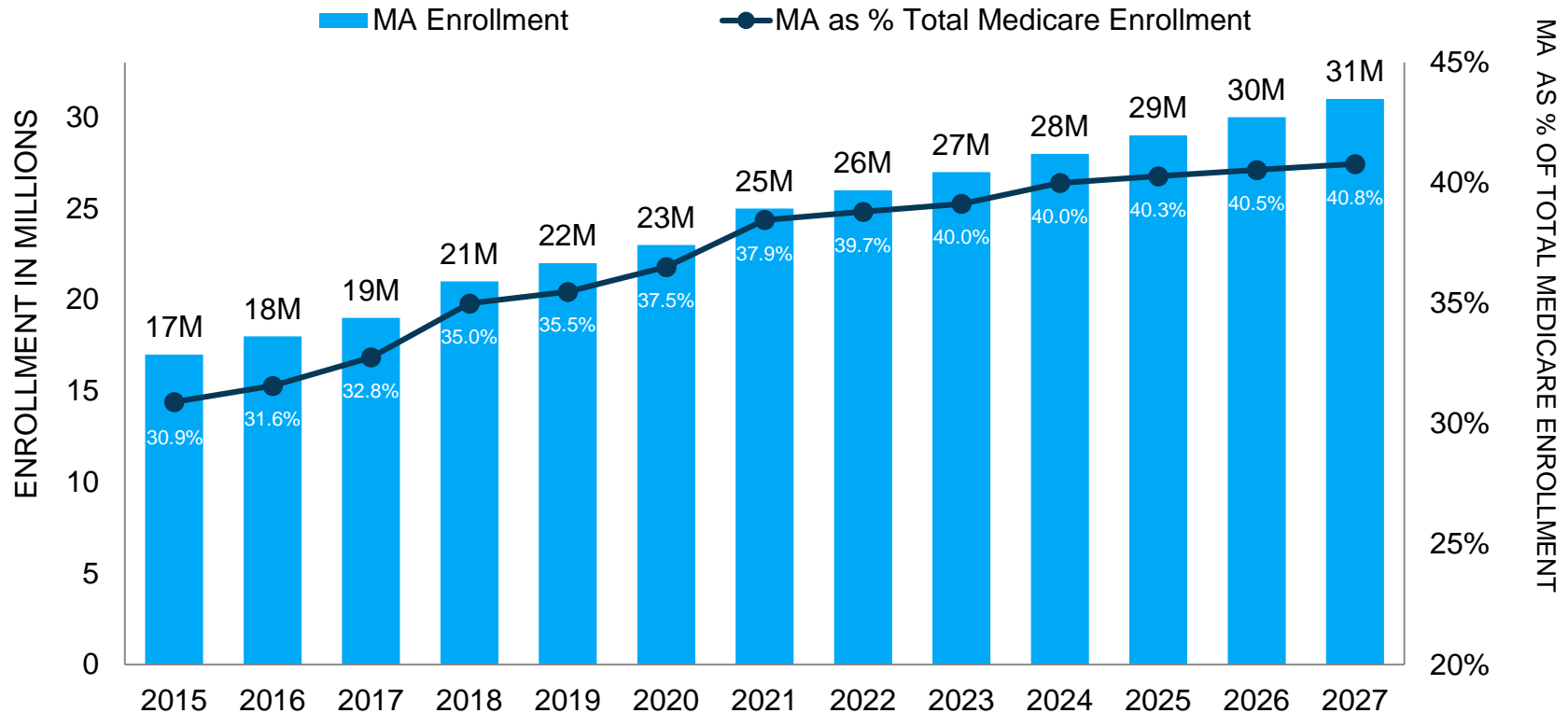
## Tentative deals /



■ Payer-PBM ■ Payer-Provider

# By 2023, Medicare Advantage Plans Will Oversee 40% of Total Medicare Population

## CBO PROJECTIONS OF MEDICARE ADVANTAGE ENROLLMENT



Note: Medicare Advantage enrollment figures exclude cost plans, PACE, and demonstration plans.

2018-2017 figures are from the Congressional Budget Office's Medicare Baseline Projections, June 2017.

CBO: Congressional Budget Office

1 CMS Medicare Advantage Monthly Summary Enrollment Reports, December 2007-2017 (analyzed January 2008 enrollment as December 2007 enrollment is not publicly available).

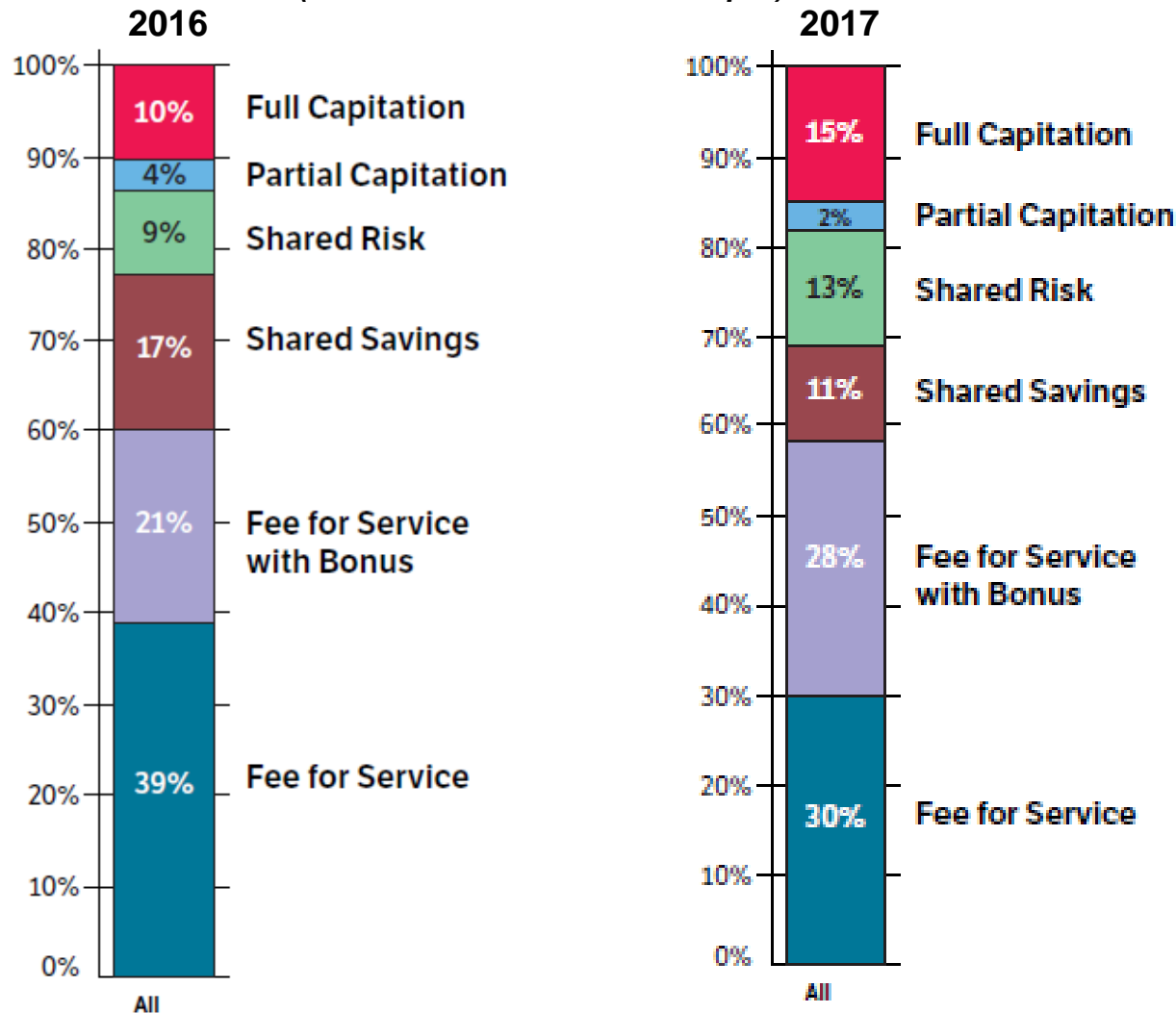
2 CMS Historical Medicare Enrollment Data, National & Territories for 2007-2011 (each figure represents average monthly enrollment in given year).

3 CMS Medicare Enrollment Dashboard Data File 2012-2017 (analyzed October 2017).



# MA Plans Getting Bolder with Risk-Based Contracts...

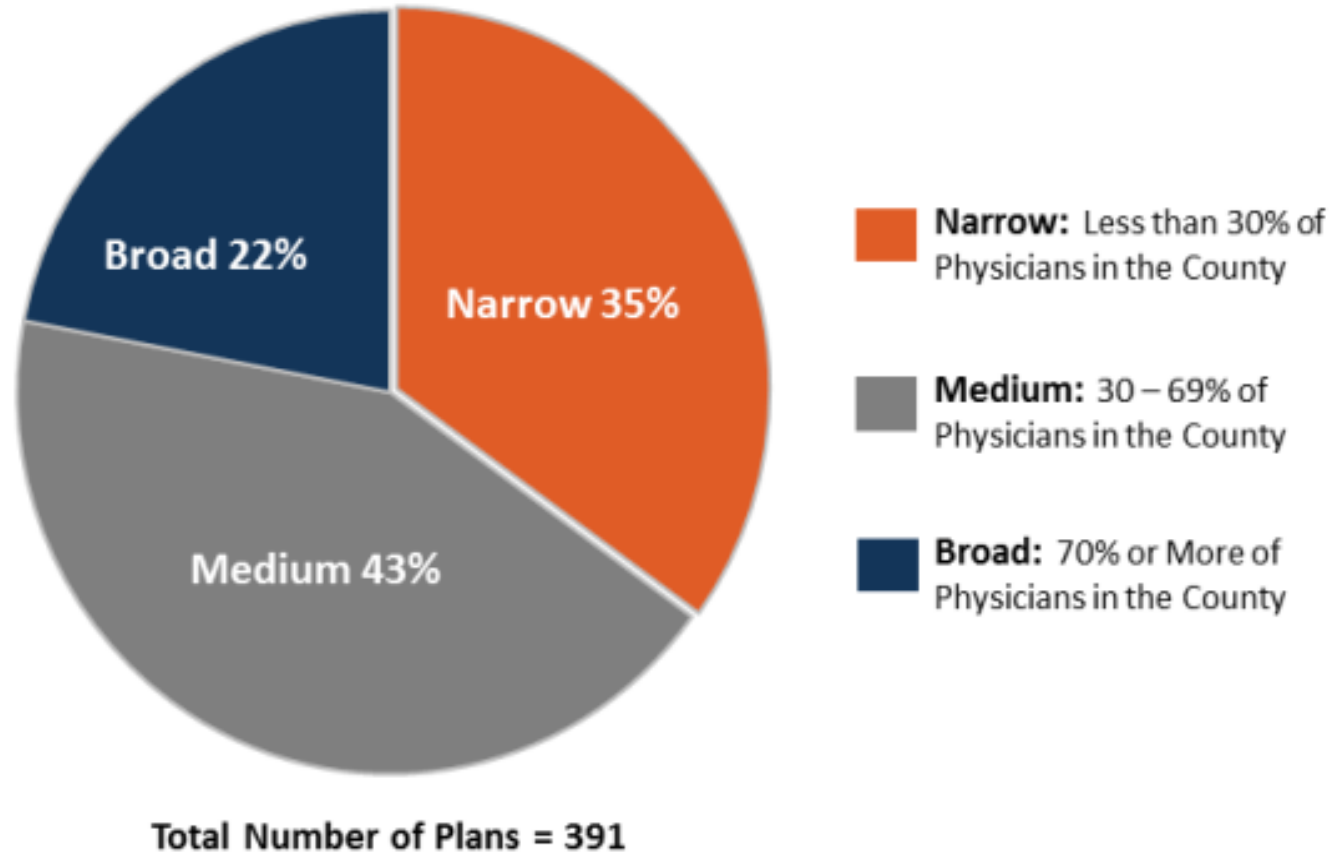
Breakdown of Medicare Advantage Reimbursement  
(*n = 80 Medical Groups*)



Source: MGMA, 3<sup>rd</sup> Annual Survey on Taking Risk (December 2017).

# ...and Not Shying Away from Narrow Provider Networks

Distribution of Medicare Advantage Enrollees by  
Size of Plan's Provider Network, 2015



Source: Kaiser Family Foundation analysis of 2015 Medicare Advantage plans' networks in 20 counties (2017).

# The Big Picture – New Flexibilities Accelerating MA's Evolution Away from a Traditional Insurance Product

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## Key Changes to Medicare Advantage in the 2019 Final Rate Announcement

### **Flexibility #1: Disease-Specific Plans**

MA plans may create disease specific plan designs that offer cost sharing or coverage tied to a specific disease state

### **Flexibility #2: Expanded Service Offerings**

Expanded interpretation of supplemental benefits now allows MA plans to cover more supportive services aimed at prevention



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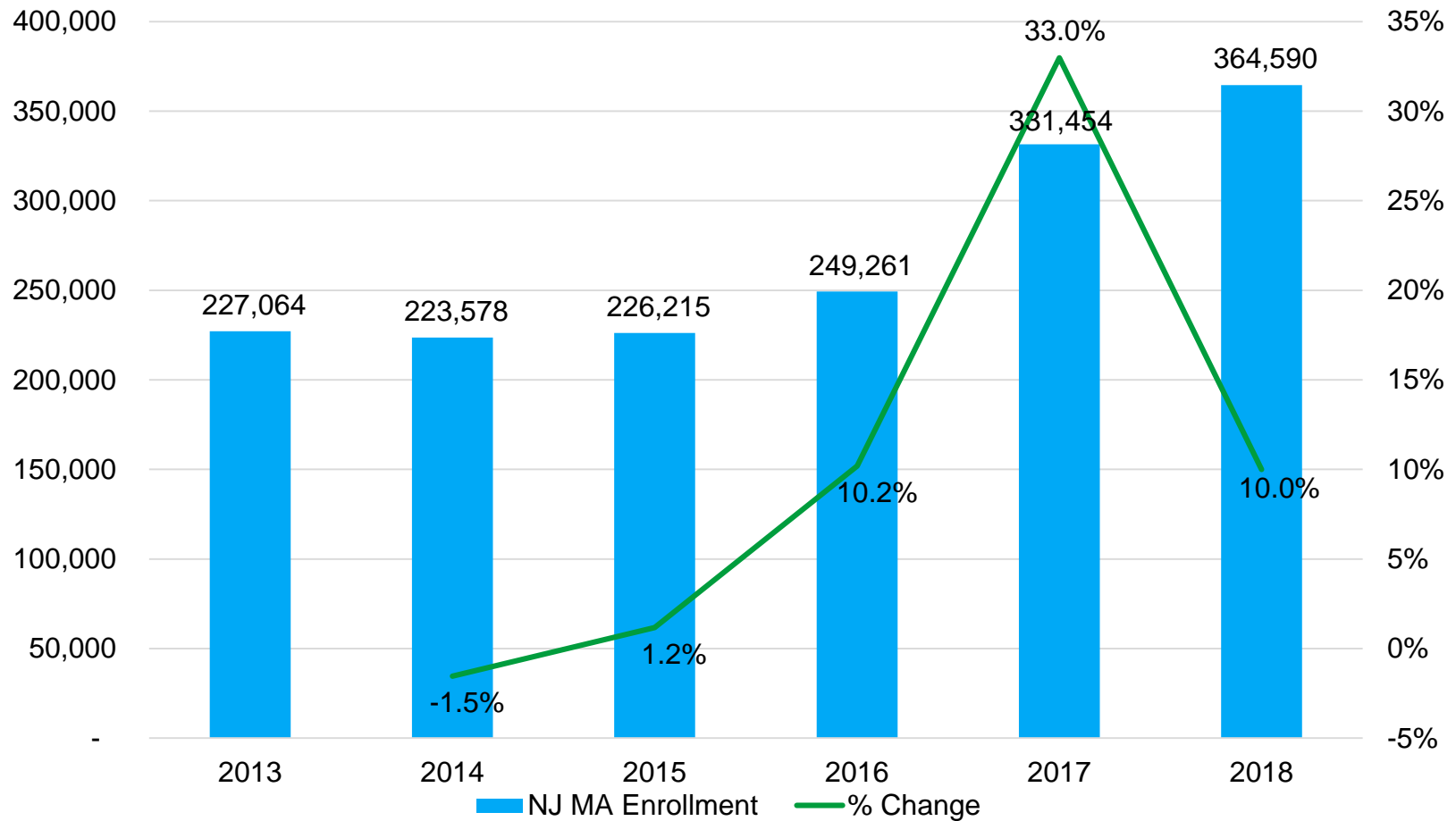
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# Dramatic MA Growth in New Jersey Over the Last 5 Years

## NEW JERSEY MEDICARE ADVANTAGE ENROLLMENT, 2013-2018

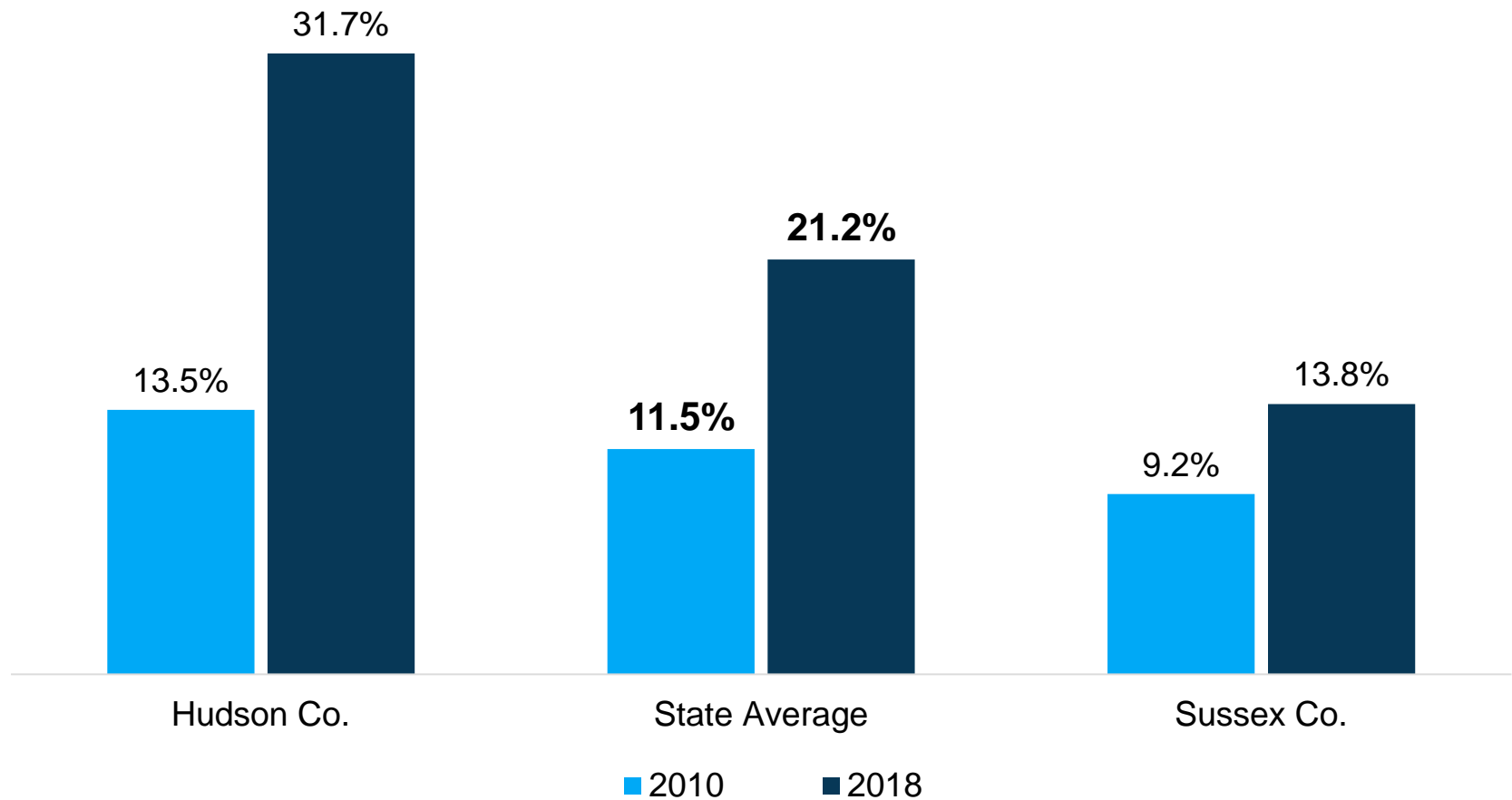


MA: Medicare Advantage; FFS: Traditional Fee-For-Service

Source: Avalere Proprietary 2018 All-Payer Enrollment Model; CMS, MA State/County Penetration files 2013-2018.

# Significant Variation in MA Penetration Across NJ Markets

## MEDICARE ADVANTAGE COUNTY PENETRATION RATES



MA: Medicare Advantage

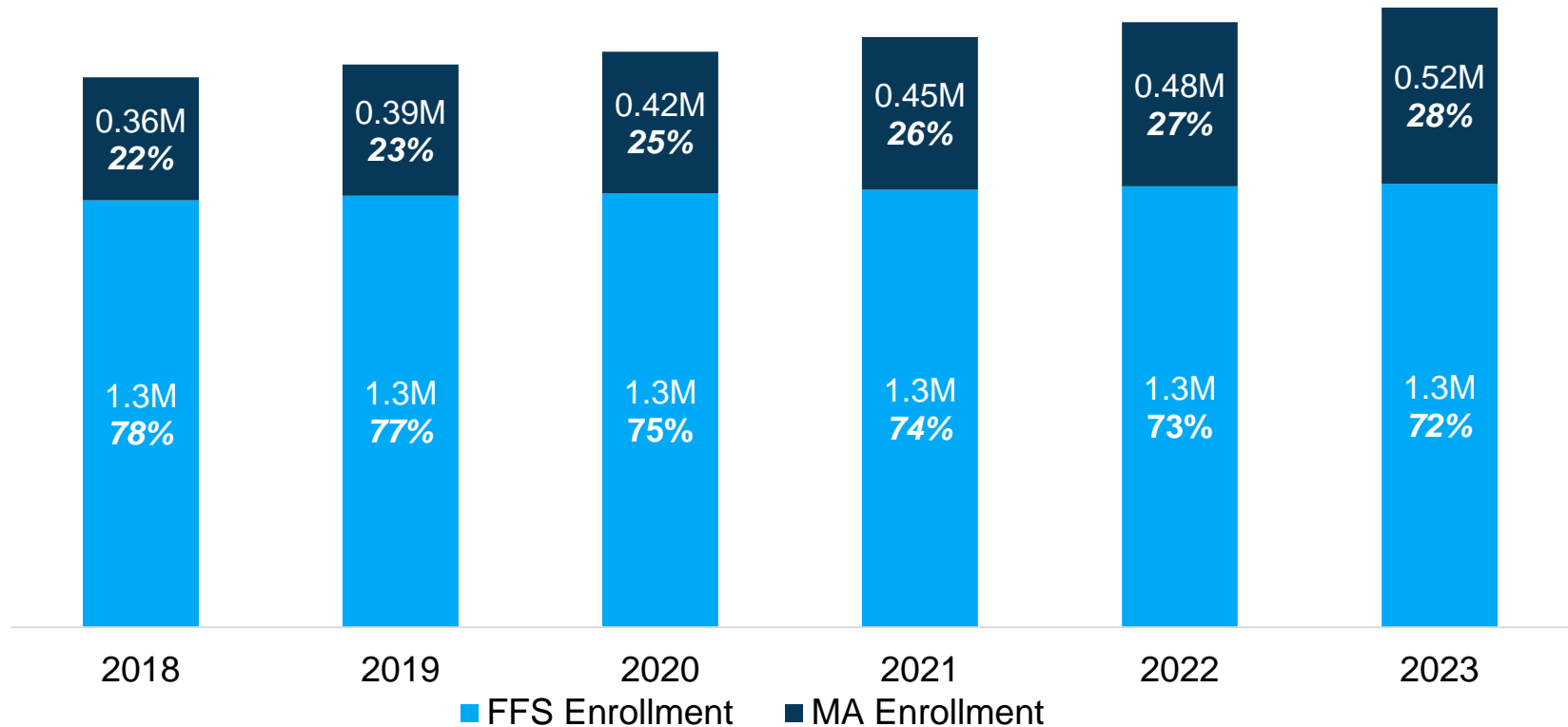
Note: See appendix for county specific rates.

Source: CMS, MA State/County Penetration files, February 2010 and 2018.



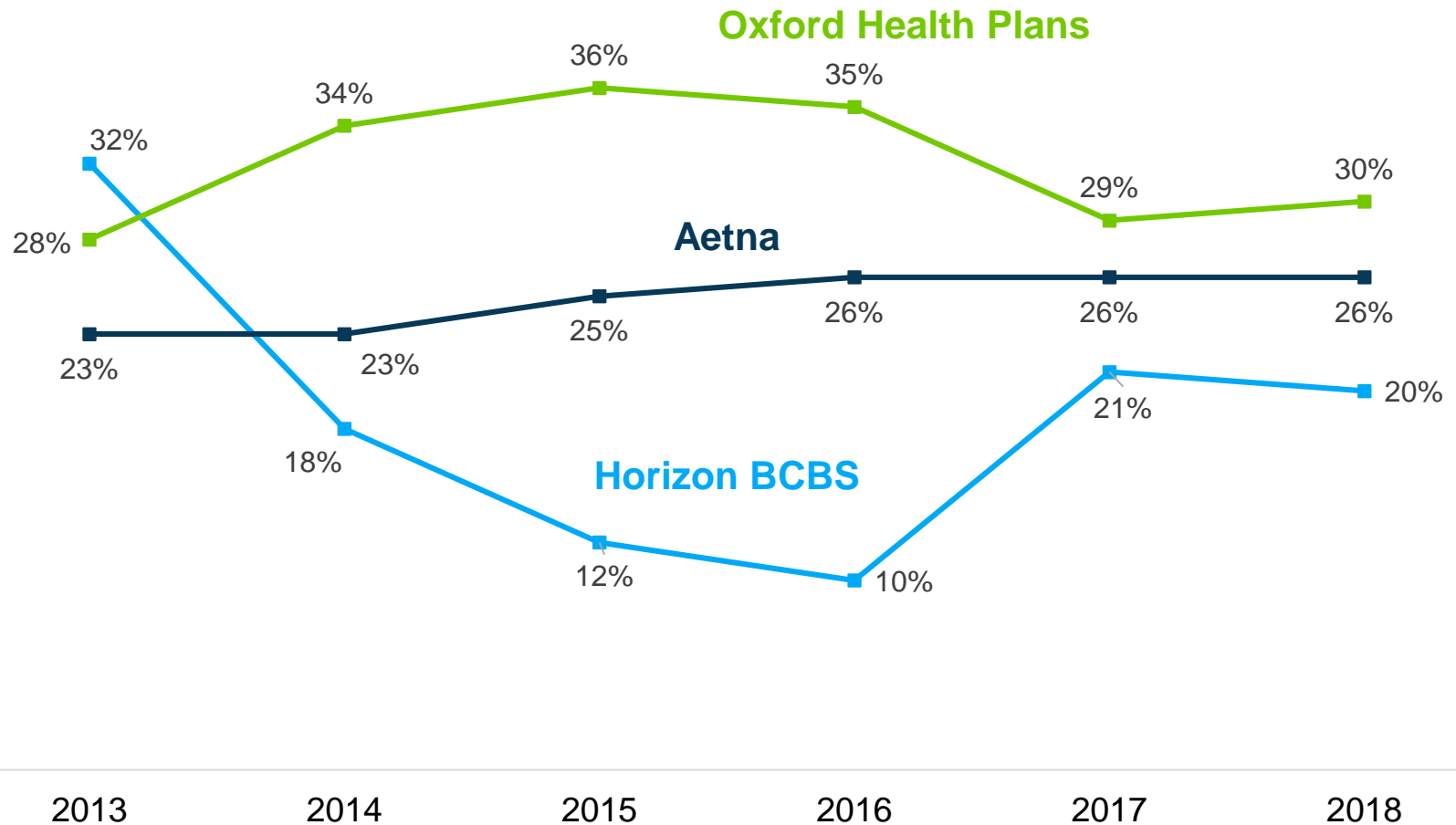
# Slowly but Steadily, MA Plans Capturing More of the Medicare Market in NJ

## PROJECTED NEW JERSEY MEDICARE ADVANTAGE AND FFS ENROLLMENT IN MILLIONS, 2018-2023



# Horizon, Aetna, and Oxford/United Continue to Dominate the New Jersey MA Market

## MA MARKET SHARE OF TOP 3 ISSUERS, 2013-2018



# No Need to Sugarcoat – MA Expansion Presents Challenges for Health Systems

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## Health System Risks under Medicare Advantage

### Exclusion from Provider Networks

- Narrower networks have the potential to adversely impact lower-tiered facilities
- Limited enrollee pushback on restrictions could result in expansion of narrow and tiered networks

### Tighter Reimbursement

- Rates under MA are comparable to Medicare FFS rates in the aggregate, but payment levels could be significantly lower for certain providers and certain services

### More Denied Medicare Claims

- Denial rates likely higher under MA compared to Medicare FFS
- Potential for increased costs and administrative burden to ensure adequate and timely payment of claims



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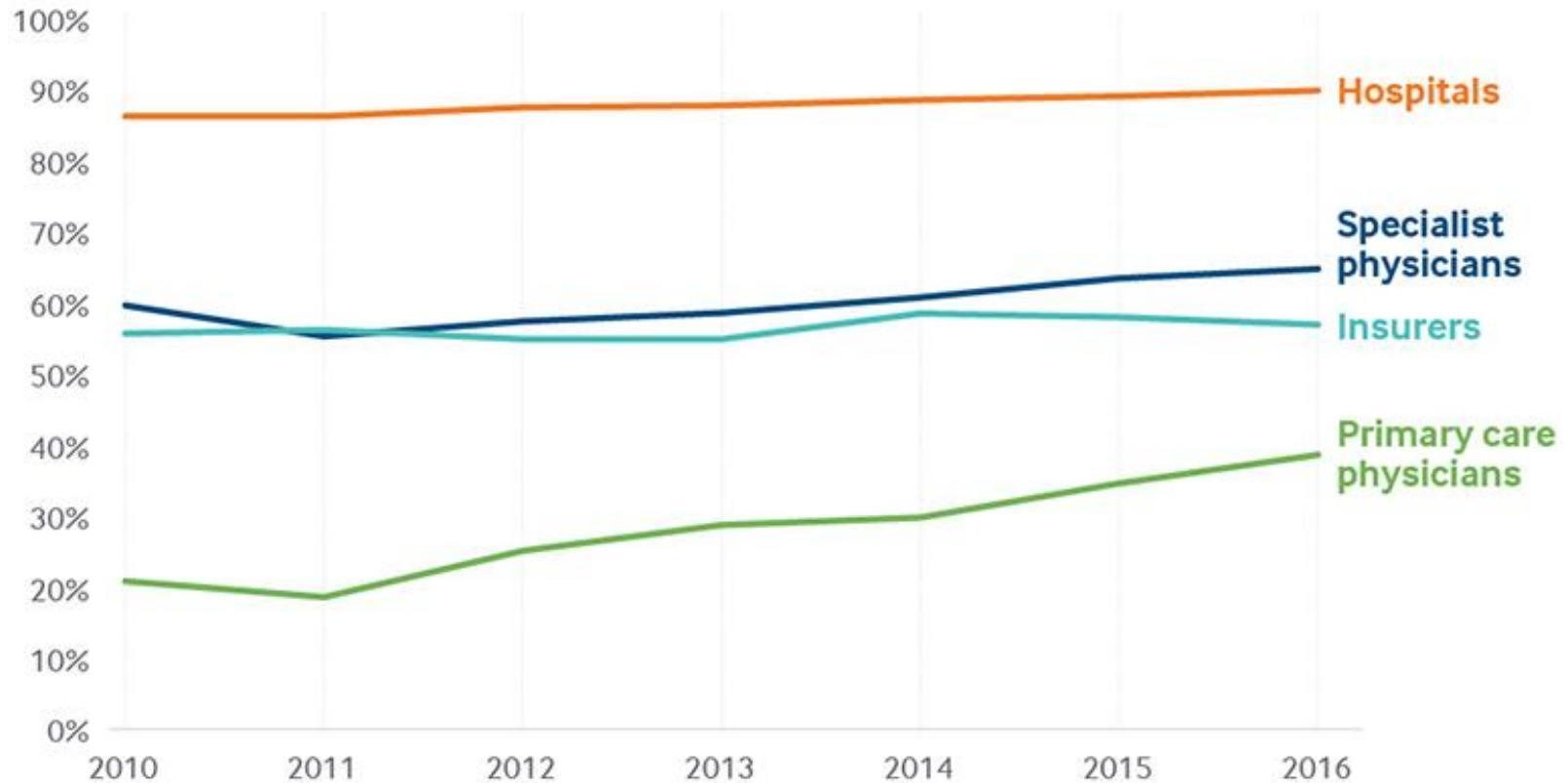
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# One Option: Consolidate to Gain Leverage

## PERCENTAGES OF MSAs WITH HIGHLY CONCENTRATED MARKETS



**78%** of hospitals affiliated  
with a health system in  
Trenton, NJ

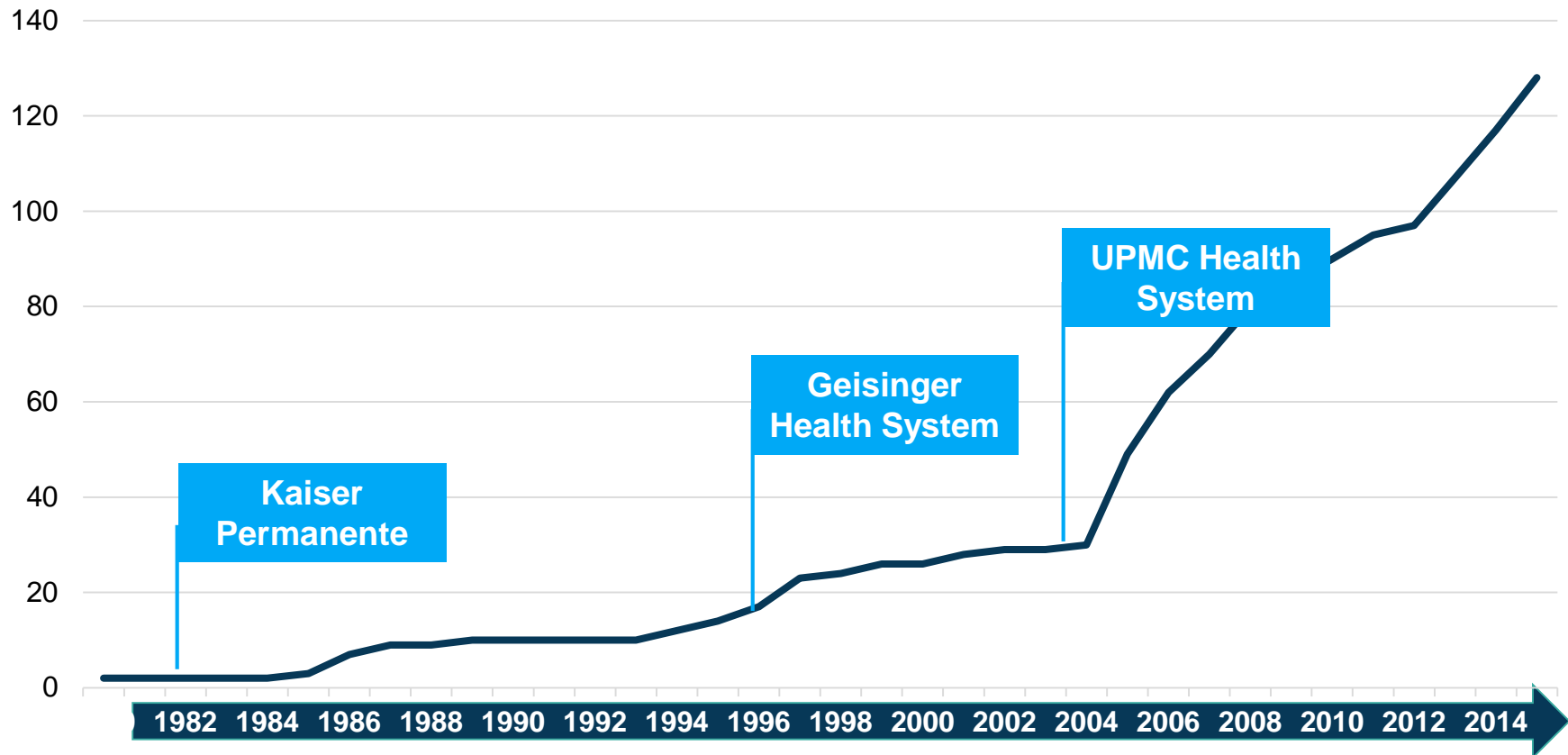


**82%** of admissions were  
to health systems



# Another Option: Launch Your Own MA Plan

## TOTAL NUMBER OF PROVIDER-OWNED PLAN MEDICARE ADVANTAGE CONTRACTS



# Partnership Opportunity #1 – Aligning Incentives on Measures that Matter Most to MA Plans

Star Rating	Plan Quality Performance	Implications
★★★★★	Excellent	5% bonus, 70% rebate, year-round enrollment
★★★★	Above Average	5% bonus, 65% rebate
★★★	Average	50% rebate
★★	Below Average	Possible loss of CMS contracts if 3-year trend, 50% rebate
★	Poor	Possible loss of CMS contracts if 3-year trend, 50% rebate

Star Ratings Measure Categories	Quality Improvement	Outcomes	Intermediate Outcomes	Patient Experience	Access	Process
Applicable Weight	5x	3x	3x	1.5x	1.5x	1x
Number of Measures	2	3	6	10	7	16



# Health Plans' Success in Medicare Advantage Hinges on their Star Ratings

PLAN SELECTION	COMPLIANCE	PAYMENT
<ul style="list-style-type: none"> <li>Star ratings were originally conceived to help Medicare beneficiaries and their caregivers choose the best option when shopping for plans</li> <li>High and low performance plans are indicated as such on Medicare Plan Finder</li> <li>Beneficiaries have special election periods (SEPs) to select 5 star plans</li> </ul>	<ul style="list-style-type: none"> <li>Contract termination for plans consistently below 3 stars</li> <li>Prohibition of enrollment via Medicare Plan Finder for low-rated plans</li> <li>Special enrollment period for members of plans with fewer than 3 stars</li> <li>Proposal to include star ratings performance requirement in MA and PDP contracts and to remove outliers from program</li> </ul>	<ul style="list-style-type: none"> <li>The ACA linked star ratings to Medicare Advantage (MA) plan payment</li> <li>Plans with star ratings of at least four stars receive bonus payments that can be used to offer more benefits to enrollees at no extra cost.</li> <li>Plan rebate payments tied to star rating level                         <ul style="list-style-type: none"> <li>5 star - 70% rebate</li> <li>4 star - 65% rebate</li> <li>3-star or less – 50% rebate</li> </ul> </li> </ul>

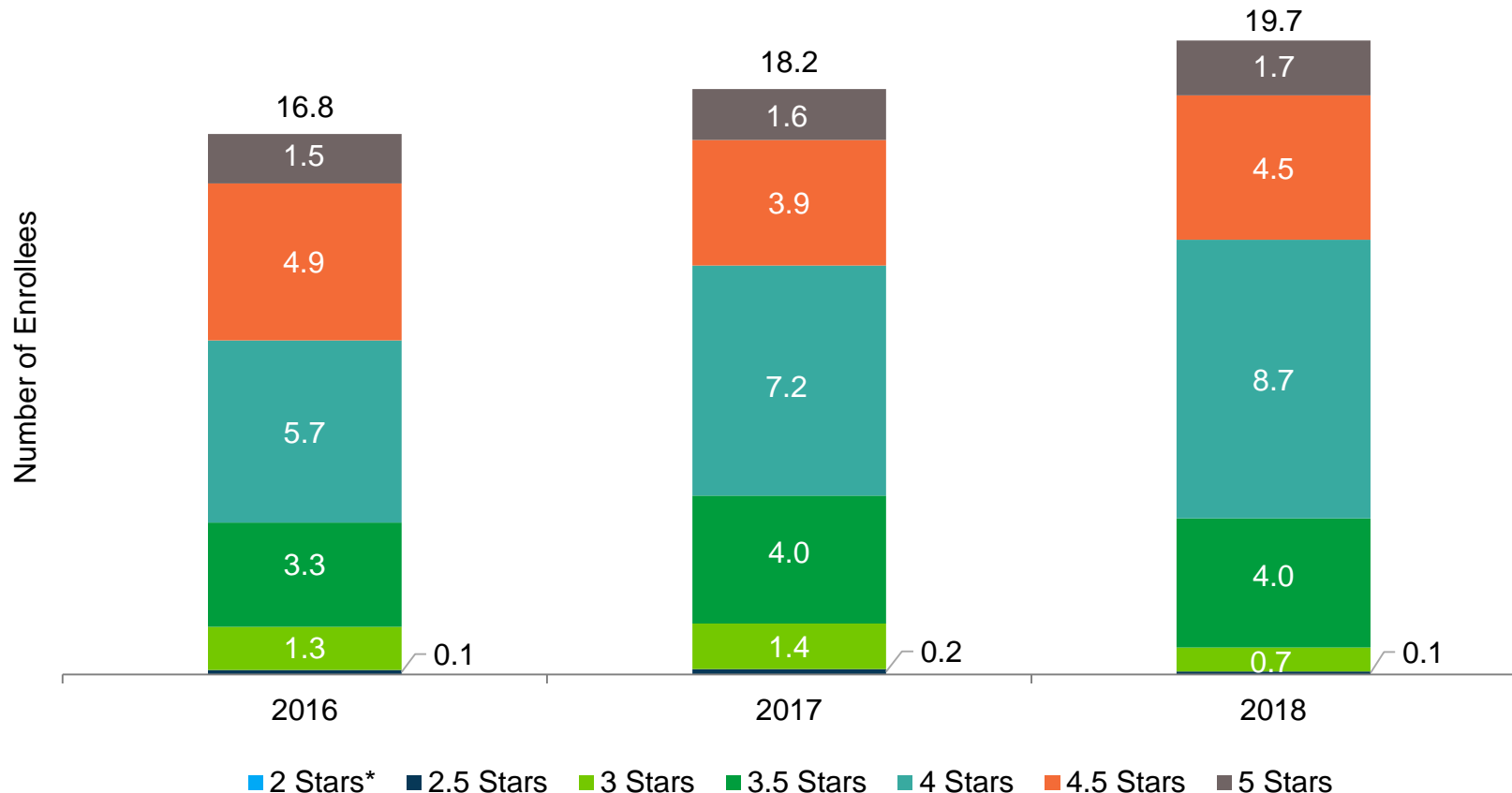
ACA: Affordable Care Act; MA: Medicare Advantage; PDP: Part D Plan

1. CMS. "Part C and D Performance Data." Available at: <http://cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovGenIn/PerformanceData.html>.
2. CMS. "Proposed Changes to the Medicare Advantage and the Medicare Prescription Drug Benefit Programs for Contract Year 2012 and Demonstration on Quality Bonus Payments." Available at: <http://www.cms.gov/apps/docs/Fact-Sheet-2011-Landscape-for-MAe-and-Part-D-FINAL111010.pdf>.
3. CMS. "Establishing a Special Election Period (SEP) to Enroll in 5-star Medicare Advantage Plans in Plan Year 2012." Available at: <http://www.cms.gov/Medicare/Eligibility-and-Enrollment/MedicareMangCareEligEnroll/downloads/SEPtoEnrollin5starplans.pdf>.
4. CMS. "Advance Notice of Methodological Changes for Calendar Year (CY) 2016 for Medicare Advantage (MA) Capitation Rates, Part C and Part D Payment Policies and 2016 Call Letter." April 7, 2015. Available at: <http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/downloads/Announcement2016.pdf>.



# Star Ratings Clearly Influencing Plan Selection

## DISTRIBUTION OF MA ENROLLEES BY PLAN STAR RATING, 2016-2018, IN MILLIONS<sup>1</sup>



<sup>1</sup> Does not include plans without star ratings

\*No plans had a star rating of 2.0 in 2016 and 2017. <1% of plans had a 2 star rating in 2018.

MA: Medicare Advantage

Source: Avalere Health analysis using enrollment data released by the Centers for Medicare & Medicaid Services. The analysis uses enrollment files released in February of each year, from 2016 through 2018, reflecting enrollment effective in January of each respective year.



# Health Systems Can Directly Impact Key Measures

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## MA Star Ratings Domains

**Staying Healthy:  
Screenings, Vaccinations,  
Testing**

**Managing  
Chronic  
Conditions**

**Member  
Experience**

**Member Complaints  
and Changes in  
Health Plan**

## Sample Measures

- Breast Cancer Screening
- Colorectal Screening
- Annual Flu Vaccine
- Diabetes – Eye Exams, Blood Sugar Levels
- Rheumatoid Arthritis Management
- Medication Adherence
- Getting Needed Care
- Getting Appointments and Care Quickly
- Rating of Health Plan
- Access to Primary Care Doctor Visits
- Complaints about the Health Plan

# Zeroing in on Payer's Pain Points

Issuer	Contract	Contract Enrollment	MA Summary Rating
<b>Oxford Health Plans</b>	H0755	91,535	4.5
	H3113	16,720	3.5
	<b>Enrollment Weighted Average</b>		<b>4.3</b>
<b>Aetna</b>	H3152	43,868	4
	H3931	16	3.5
	H5521	47,577	4
	R6694	2,574	N/A
	<b>Enrollment Weighted Average</b>		<b>3.9</b>
<b>Horizon</b>	H3154	22,094	2.5
	H7971	43,879	N/A
	H8298	6,173	N/A
	<b>Enrollment Weighted Average</b>		<b>2.5</b>

Source: CMS, Part C and D Performance Data 2017.



# Partnership Opportunity #2 – Collaborating on Disease-Specific, Value-Based Insurance Products

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**Diabetes**

**Heart  
Failure**

**COPD**

**Stroke**

**Coronary  
Artery  
Disease**

**Mood  
Disorders**

**Dementia**

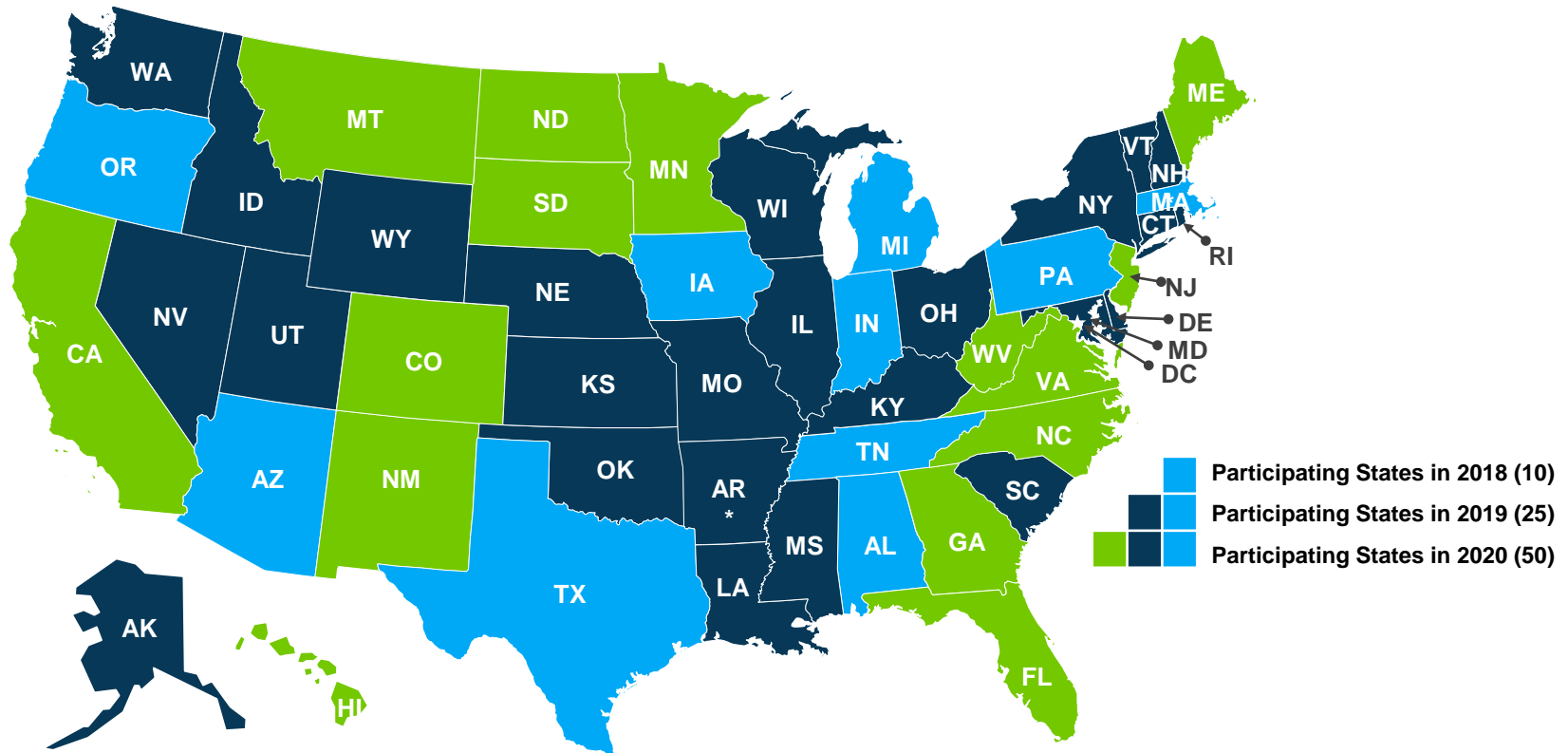
**Arthritis**



# Value-Based Insurance Design (VBID) Demonstration

## Expanding Opportunities for Win-Win Partnerships

### EXPANSION OF MA VALUE-BASED INSURANCE DESIGN (VBID) DEMONSTRATION





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# Imperative #1 – Demonstrate Your Value

## HEART FAILURE PERFORMANCE BENCHMARKING (SAMPLE)

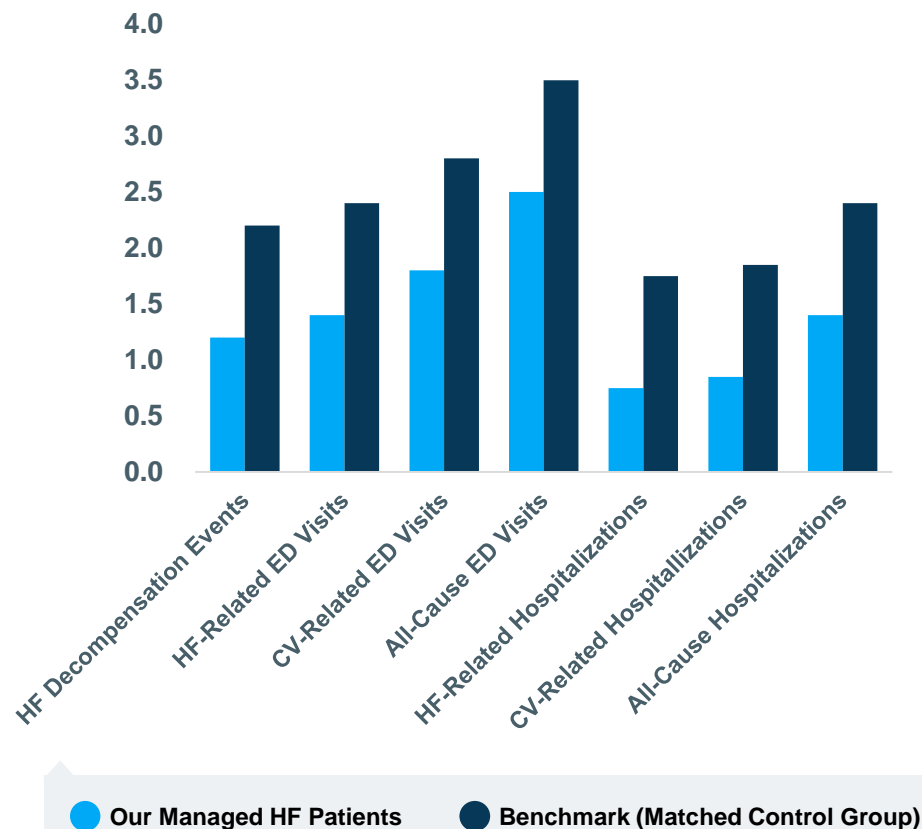
### Risk Profiles /

Risk Factor	% of Program Population	Risk Factor Weight
Reduced Ejection Fraction (LVEF < 40)	44%	●
Prolonged QRS (> 120)	36%	●
NYHA Class 3	24%	●
Diabetes	48%	●
Severe Mental Illness	9%	●

### Process Measures /

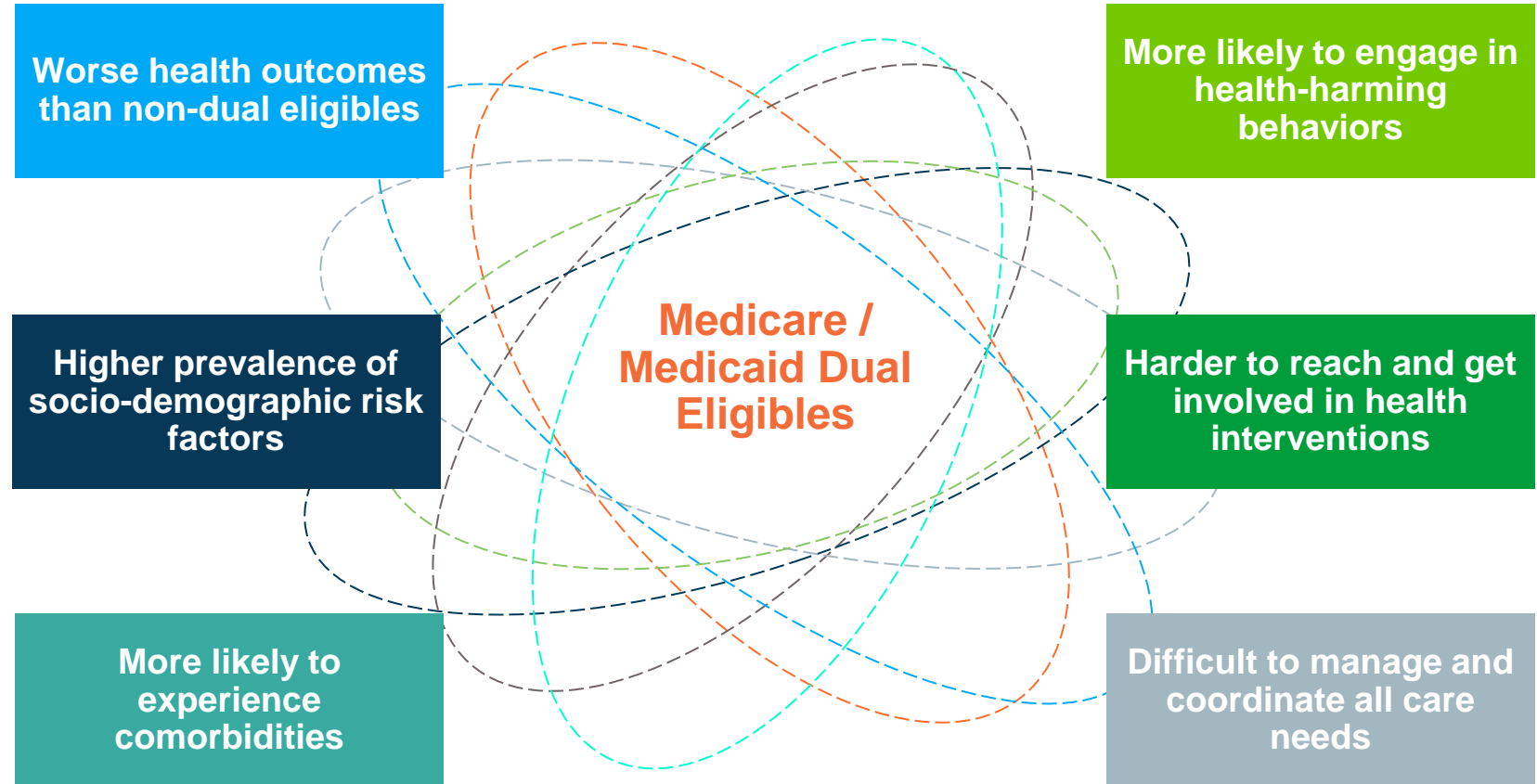
Medication Regimen	% of Population Adherent (>80% PDC)
ACE/ARBs or Entresto	67%
Beta blocker	76%
Diuretics	52%
ACE/ARBs or Entresto and Beta blocker and Diuretics	34%

### Outcomes Relative to Benchmark / Annual Rate of Occurrence



# Imperative #2 – Develop Innovative Partnerships around High-Cost Patient Populations

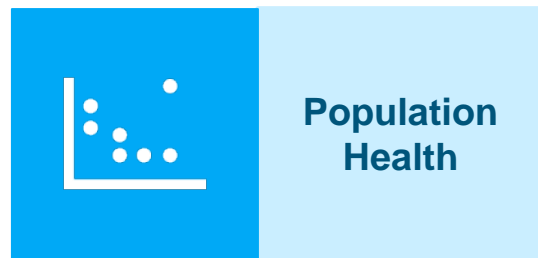
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# Imperative #3 – Define the Path Forward for Disruptive Innovation in Medicare Advantage



- **Direct member engagement:** retail stores and urgent/primary care clinics
- **Digital platforms:** sophisticated user interfaces



- **Analytics:** predictive modeling to drive clinical operations
- **Platforms:** support functions to build platforms that support population health



- **Consultative partners:** providing the tools to providers and engaging on the ground
- **Optimizing care delivery:** building infrastructure to support population health



- **Condition-specific MA plans:** new growth opportunity for MA plans
- **Low-income populations:** concentrating business in Special Needs Plans and Medicaid markets





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