

# Trends in Medicare Advantage

**PRESENTED BY:**

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**Going Beyond the Numbers**

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Senior Consulting Actuary



**Robert Lang** works in the Tampa office of Wakely Consulting Group, LLC, an HMA Company. Robert joined Wakely in 2012. His experience crosses multiple lines of business with most emphasis in the preparation and certification of Medicare bids, Large Group rates and QHP rate filings. In addition to those high profile projects, he has expertise in Part D reconciliation forecasts, estimation of IBNP, and estimation of risk score accrual. He has worked with provider clients in evaluation of risk ceded from payors. He has also worked with multiple vendor clients in developing their pricing for payors and evaluating their value proposition for payors. Other projects include research and evaluation of the Medicare VBID programs as well as development of reporting packages for downstream entities. Robert also manages education for certification of year-end statutory filings within Wakely. He has authored and co-authored multiple white papers at Wakely on topics, such as Medicare Buy-In, starting a Medicare plan and quantification of margin in yearend financial statements.

# Agenda

Membership Trends

Medical and Pharmacy Claims Trends

Benefit Trends

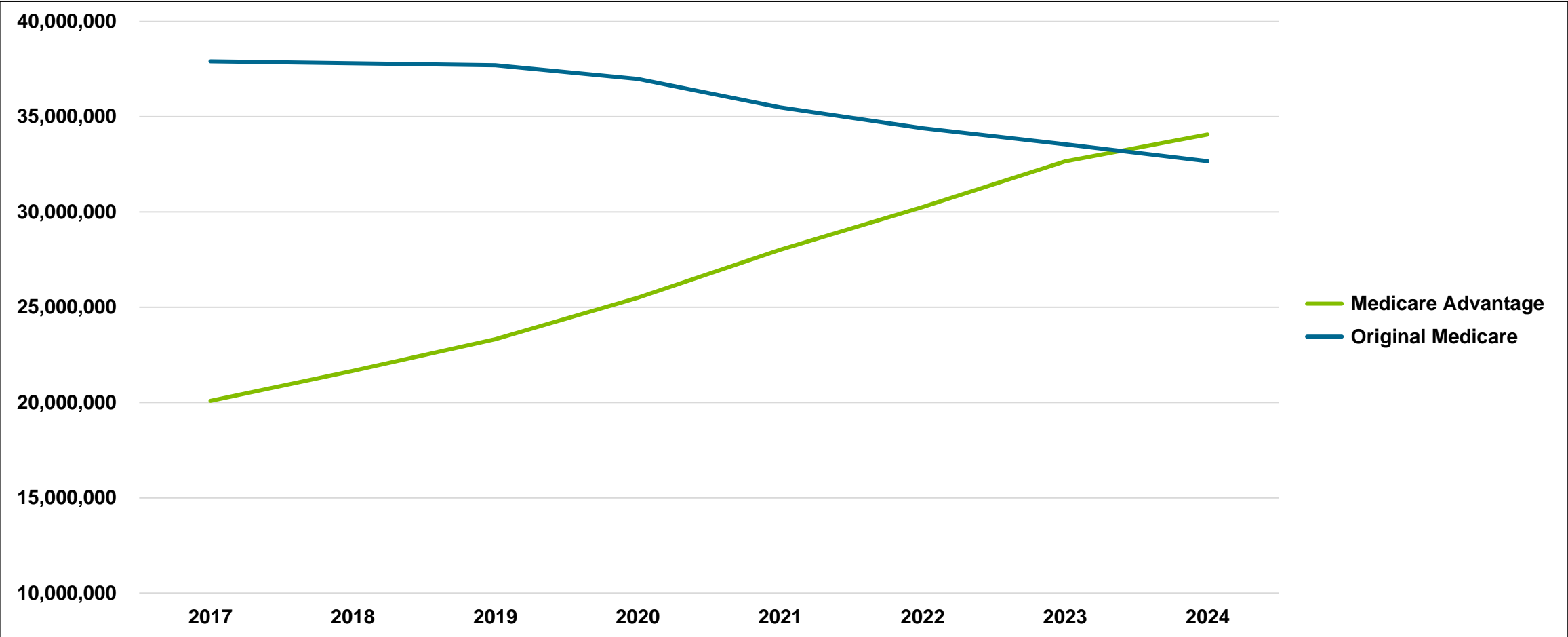
2025 and Beyond



# Membership Trends

# Medicare Enrollment Trends

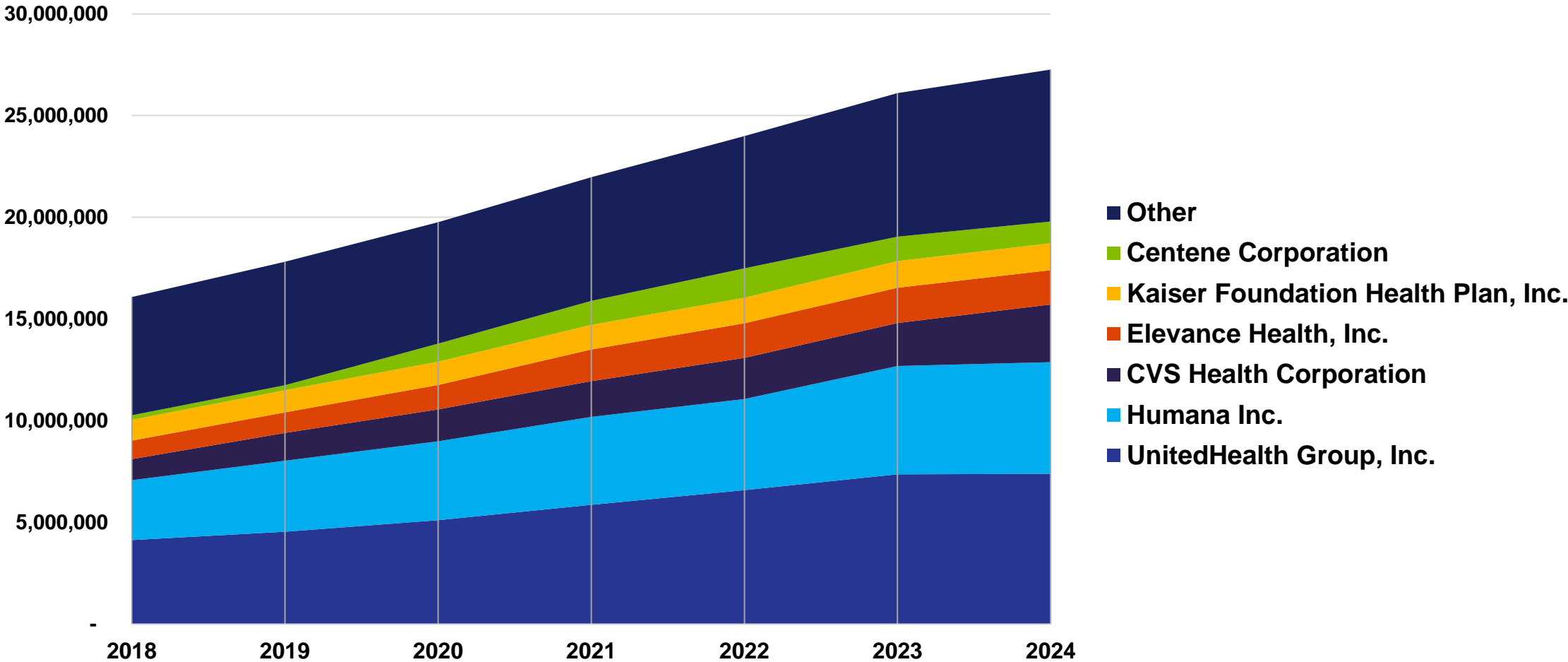
## Medicare Enrollment by Year



Source: CMS Landscape Files 2017 through April 2024

# Medicare Advantage Enrollment Trends

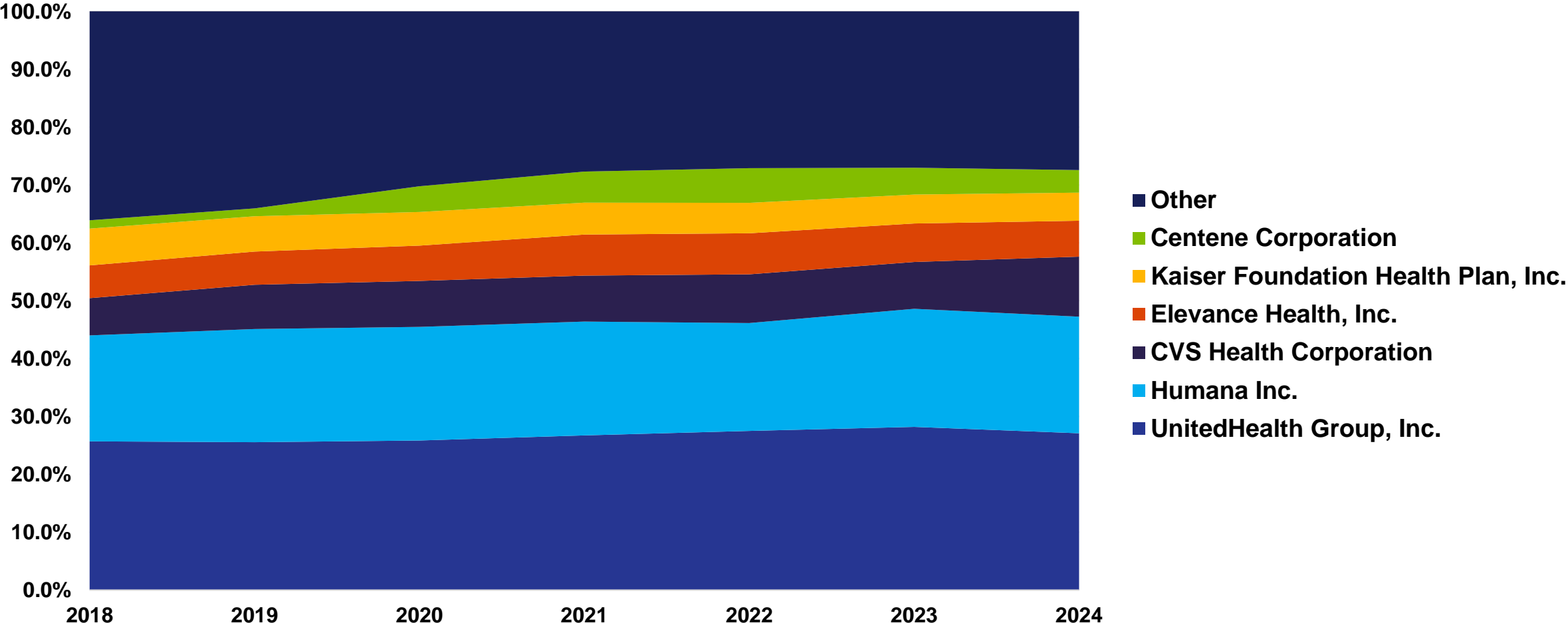
Medicare Advantage Individual Membership - Totals



Source: CMS Landscape Files 2018 through April 2024

# Medicare Advantage Enrollment Trends

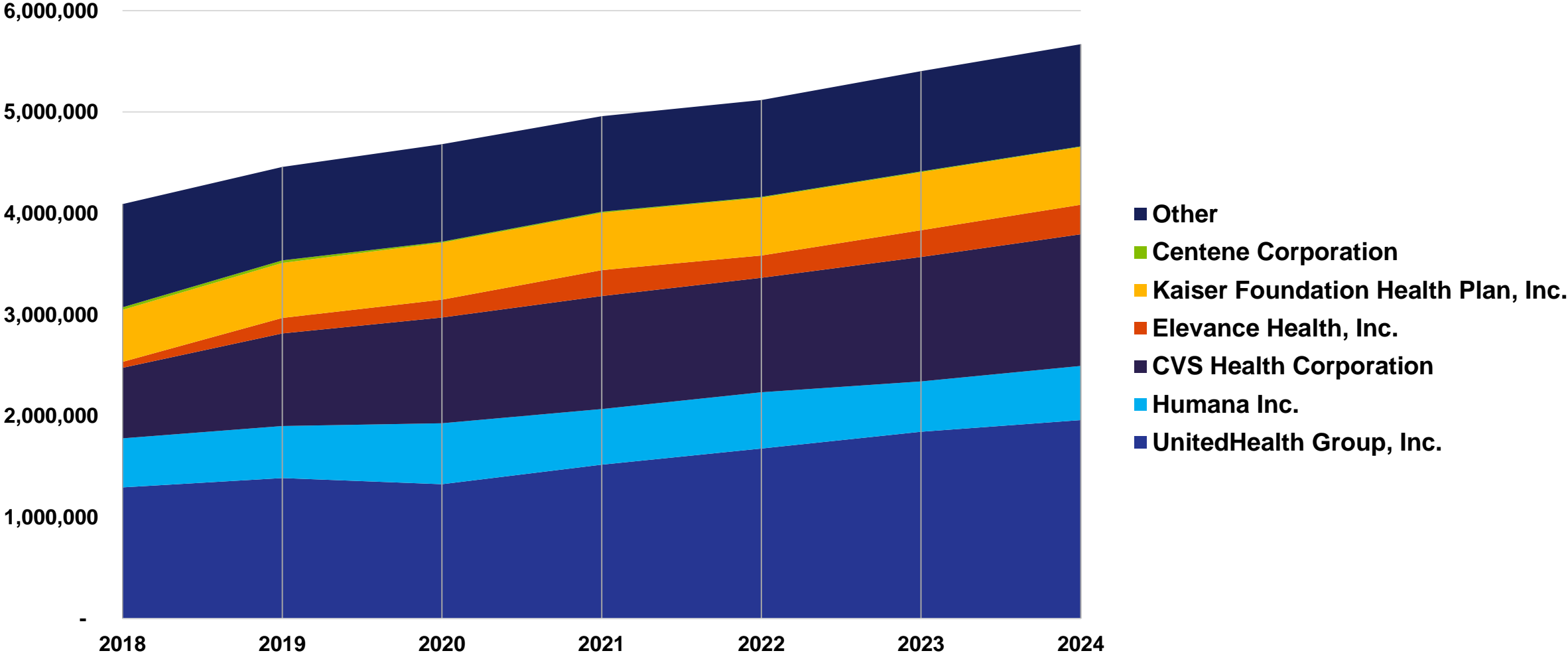
Medicare Advantage Individual Membership – Market Share



Source: CMS Landscape Files 2018 through April 2024

# Medicare Advantage Enrollment Trends

Medicare Advantage Group Membership - Totals

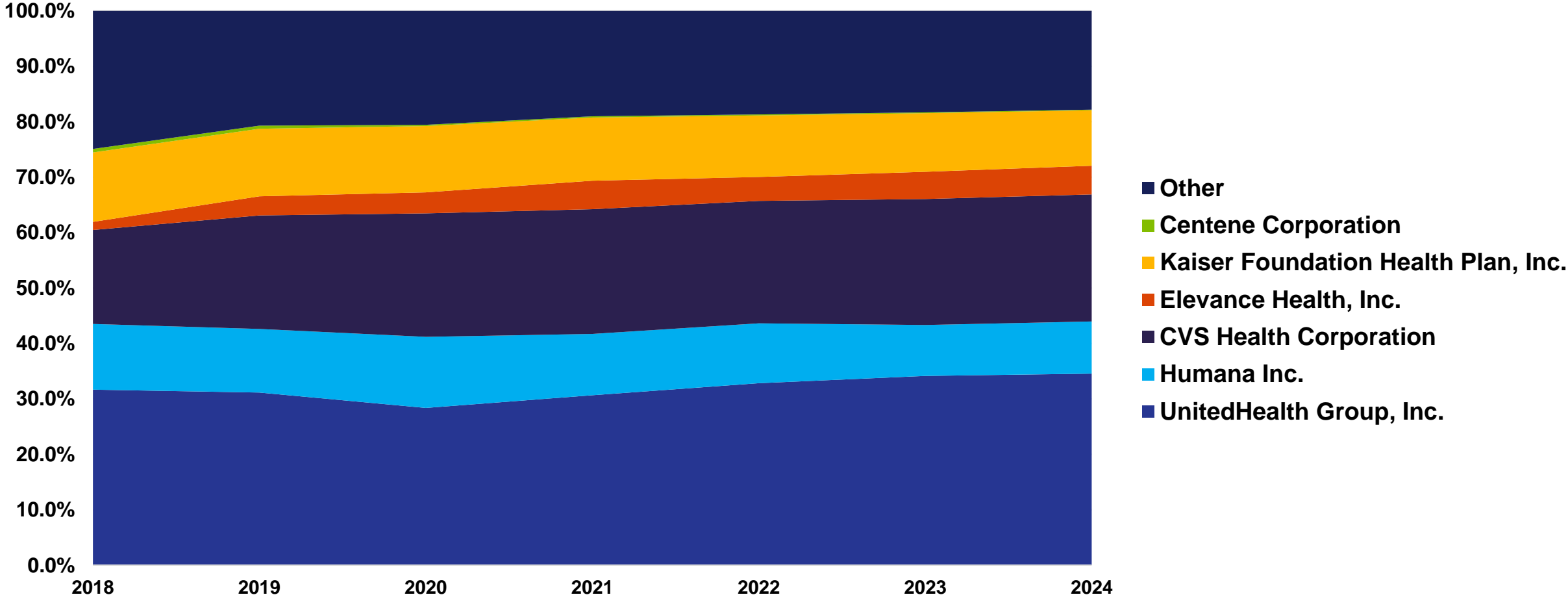


Source: CMS Landscape Files 2018 through April 2024



# Medicare Advantage Enrollment Trends

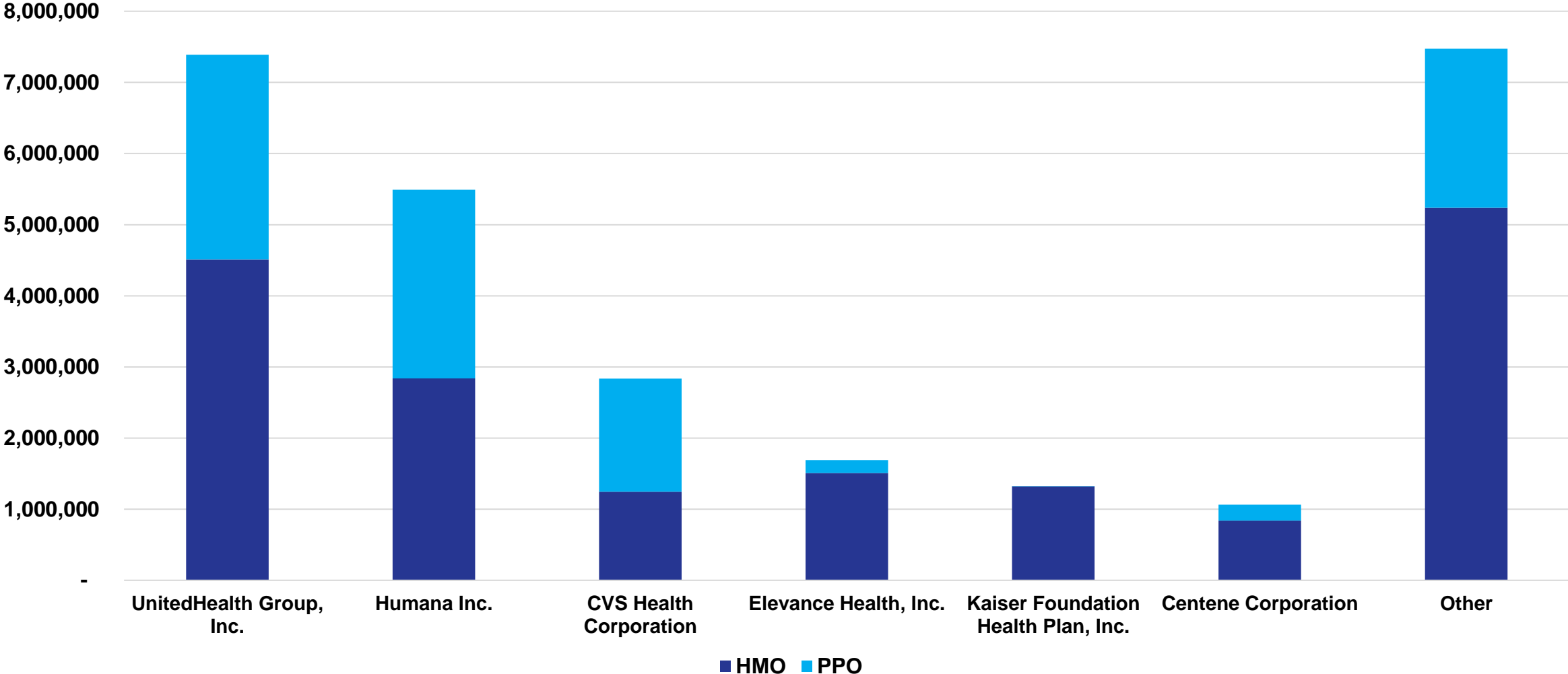
Medicare Advantage Group Membership – Market Share



Source: CMS Landscape Files 2018 through April 2024

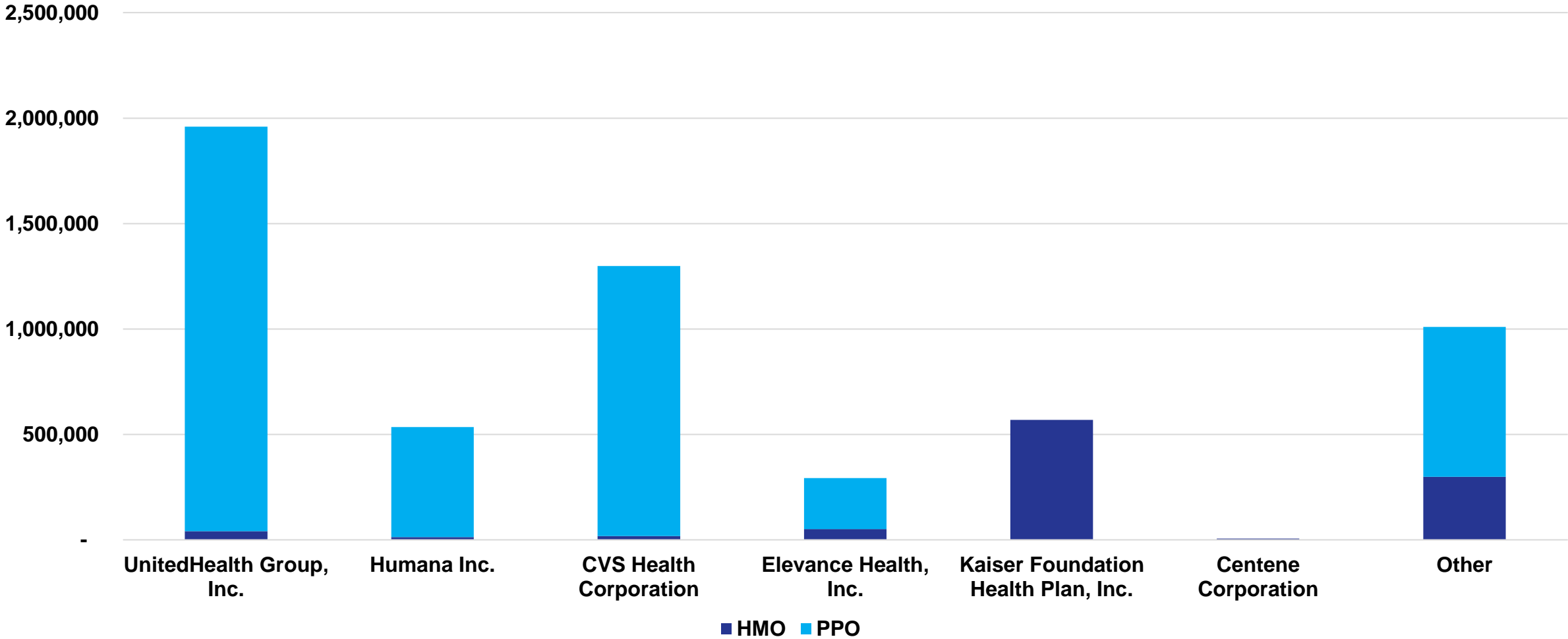
# Medicare Advantage Enrollment Trends

Medicare Advantage Individual Membership – HMO vs PPO

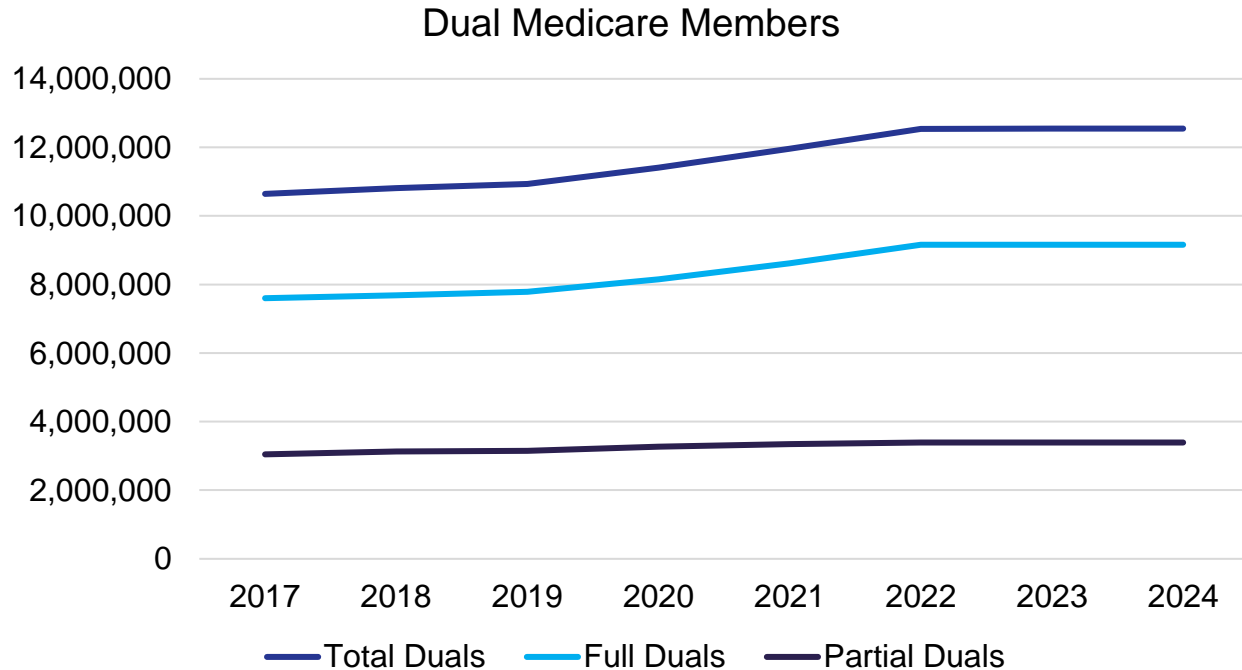


# Medicare Advantage Enrollment Trends

Medicare Advantage Group Membership – HMO vs PPO



# Dual Membership



Source: CMS Landscape Files 2017 through April 2024

## Upcoming Changes for Duals

- Maximum Allowable Dual % in Non-SNP plans is lowering
  - 70% → 60%
- CMS is marching towards full integration for Duals in their Medicaid plans
  - 2025 - Duals can only enroll mid-year in Fully Integrated Dual plans or FFS
  - 2030 – D-SNPs can only enroll individuals enrolled in the affiliated Medicaid MCO
- Sunsetting of MMP model nationwide (Medicare-Medicaid Plan)
  - Termed at end of 2025
  - Lots of states participated. Need a plan for transition

# Medical & Pharmacy Claims Trends

Health insurer Humana continues 2023 profit outlook  
2025 profit, shares sink  
The insurer also lowered its...  
this year to below the industry average

Healthcare & Pharmaceuticals | Health | Commercial Strategies | Health Insurance | Healthcare Providers  
UnitedHealth has a...  
quarter earnings...  
UnitedHealth in flagging...  
CVS...  
over first-

DEEP DIVE

# Medicare Advantage unrest, Change Healthcare fallout and more big takeaways from insurers' Q1

HEALTH | HEALTHCARE  
CVS Made a Big...  
Looking Risky.  
The healthcare giant cut its guidance...  
UnitedHealth Shares Tumble After Health...  
Reports Soaring Medical Costs in 4Q  
UnitedHealth Group turned in a better-than-expected fourth quarter but surprised Wall Street with medical costs that soared

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Shares Tumble After Health Care Giant...  
Soaring Medical Costs in 4Q  
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# Medical and Pharmacy Claims Trend

- Hospital and Physician inflation trends remain high and generally outpace utilization trends
- Emerging Utilization Market Trends
  - OP and IP are "moderately higher than expected"
    - Higher utilization in Medicare businesses driven by delayed outpatient care
  - Part B Rx
  - Mental Health
- Change Healthcare hack driving pain and uncertainty
- Pharmacy trends
  - Have high trends largely driven by price inflation (especially for brands and specialty drugs)
  - Increased usage of GLP-1s

# Medical and Pharmacy Claims Trends

U.S. Per Capita Cost (USPCC) - Historical and Projected Costs Estimates for Total Medicare Program

Comparison of Current & Previous Estimates of the Total USPCC – Non-ESRD						
Calendar Year	Part A		Part B		Part A & Part B	
	Current Estimate	Last Year's Estimate	Current Estimate	Last Year's Estimate	Current Estimate	Last Year's Estimate
2020	\$404.09	\$403.90	\$525.19	\$522.48	\$929.28	\$926.38
2021	\$410.03	\$409.38	\$572.47	\$569.14	\$982.50	\$978.52
2022	\$433.89	\$431.47	\$607.46	\$603.83	\$1,041.35	\$1,035.30
2023	\$449.85	\$459.23	\$657.69	\$658.56	\$1,107.54	\$1,117.79
2024	\$458.16	\$464.05	\$683.05	\$692.10	\$1,141.21	\$1,156.15
2025	\$466.52	\$480.98	\$716.36	\$729.01	\$1,182.88	\$1,209.99
2026	\$479.63	\$496.85	\$760.94	\$772.41	\$1,240.57	\$1,269.26
2027	\$503.41		\$809.11		\$1,312.52	

Source: 2025 Final Rate Announcement

## Annualized Trends

- 2021 → 2023
  - Part A: 4.7% (was 5.9%)
  - Part B: 7.2% (was 7.6%)
  - Total: 6.2% (was 6.9%)
- 2023 → 2025
  - Part A: 1.8% (was 2.3%)
  - Part B: 4.4% (was 5.2%)
  - Total: 3.3% (was 4.0%)



# Medical and Pharmacy Claims Trends

2024 Segal Trend Survey

Selected Medical,<sup>1</sup> Outpatient Rx<sup>2</sup> and Dental Trends: 2010–2022 Actual and 2023 and 2024 Projected<sup>3</sup>

	Year	Open-Access PPOs/POS Plans	PPO/POS Plans with PCP Gatekeepers	HMO/EPO Plans	MA HMO Plans	Outpatient Rx Plans	DPO Plans
Actual	2018	6.3%	6.1%	6.0%	4.1%	5.3%	2.5%
	2019	6.8%	6.8%	6.6%	2.2%	5.6%	2.5%
	2020	-2.1%	1.5%	0.8%	-4.1%	8.5%	-3.5%
	2021	14.0%	12.0%	13.3%	9.1%	8.9%	4.5%
	2022	2.5%	5.5%	3.2%	3.0%	10.3%	4.0%
Projected	2023	7.4%	7.9%	7.0%	4.2%	9.8%	4.0%
	2024	6.8%	8.0%	7.6%	4.5%	9.9%	4.0%

Source: 2024 Segal Health Plan Cost Trend Survey

Note: only the MA HMO column includes a Medicare-eligible population

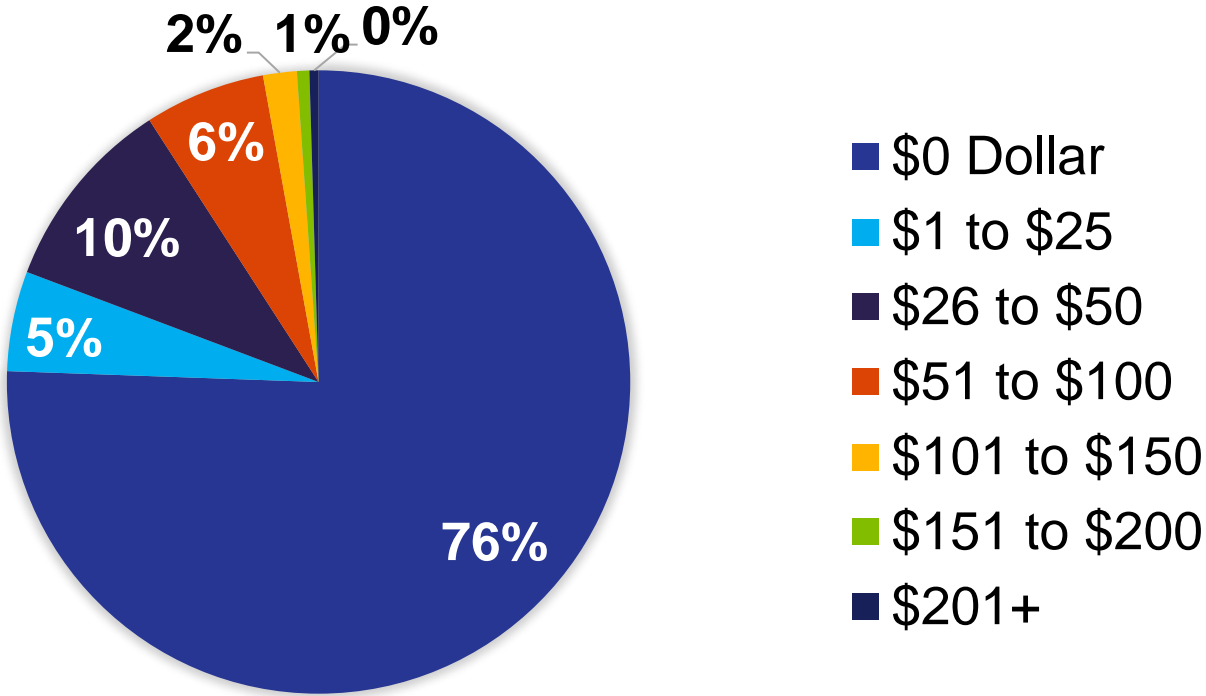
# Benefit Trends

# Member Premium Trends

Premium Range	All Members		Gen Enrollment Members	
	2023	2024	2023	2024
\$0 Dollar	59.9%	60.5%	74.6%	75.6%
\$1 to \$25	9.4%	6.1%	6.4%	5.2%
\$26 to \$50	23.1%	26.5%	9.1%	10.1%
\$51 to \$100	5.2%	4.8%	6.8%	6.3%
\$101 to \$150	1.3%	1.3%	1.7%	1.7%
\$151 to \$200	0.6%	0.5%	0.8%	0.6%
\$201+	0.4%	0.4%	0.5%	0.5%

Source: CMS Landscape Files 2023 through April 2024

## 2024 MEMBERSHIP DISTRIBUTION BY PLAN PREMIUM GENERAL ENROLLMENT

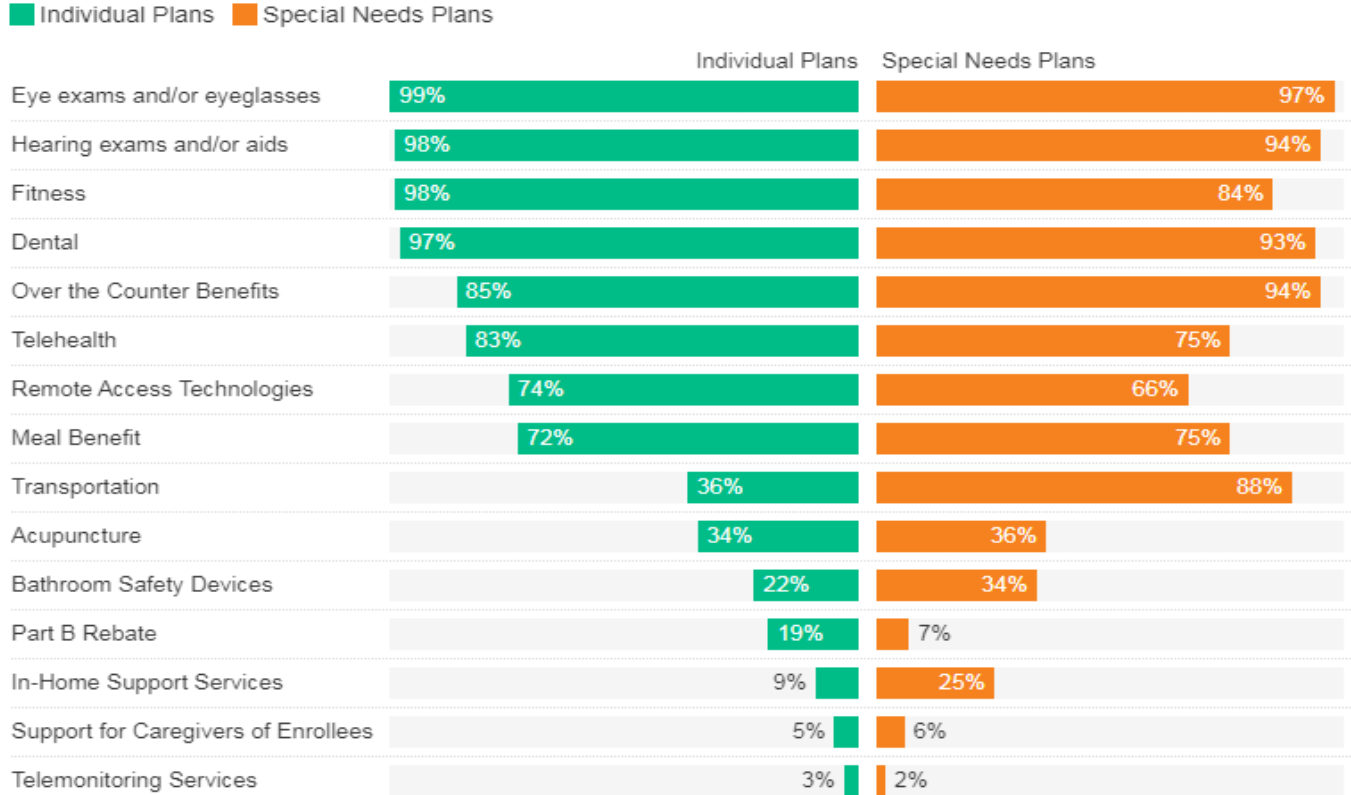


# Historical MA Supplemental Benefit Trends

Figure 9

97% or more of individual Medicare Advantage plans offer vision, fitness, hearing, or dental benefits in 2024

Share of Individual and SNP Medicare Advantage Plans offering extra benefits by benefit and plan type, 2024



NOTE: \*Telehealth benefits are part of the basic Medicare Advantage benefit package – beyond what was allowed under traditional Medicare prior to the COVID-19 public health emergency. These benefits are considered “telehealth” in the figure, even though their cost is not covered by either rebates or supplemental premiums. Vision includes eye exams and/or eyeglasses. Hearing includes hearing exams and/or aids. Dental includes all plans that provide dental benefits, including those that provide preventive benefits only, such as cleanings. Individual plans are plans open for general enrollment and exclude EGHPs and SNPs.

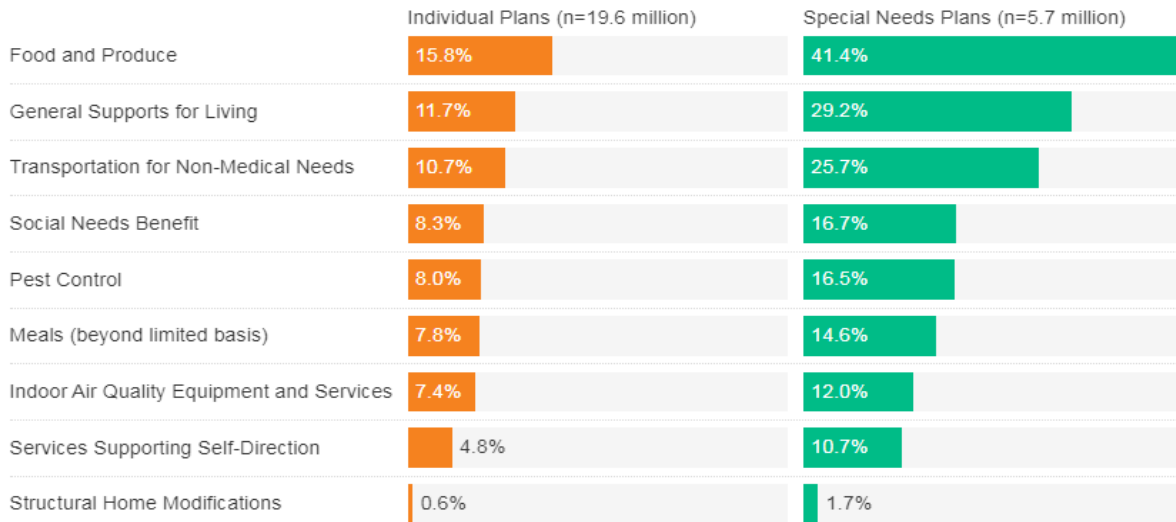
SOURCE: KFF analysis of CMS Landscape and Benefit files for 2024. • PNG



# Historical MA Supplemental Benefit Trends

Figure 5

## Share of Medicare Advantage Enrollees in Plans with Special Supplemental Benefits for the Chronically Ill (SSBCI), by Benefit and Plan Type, 2023



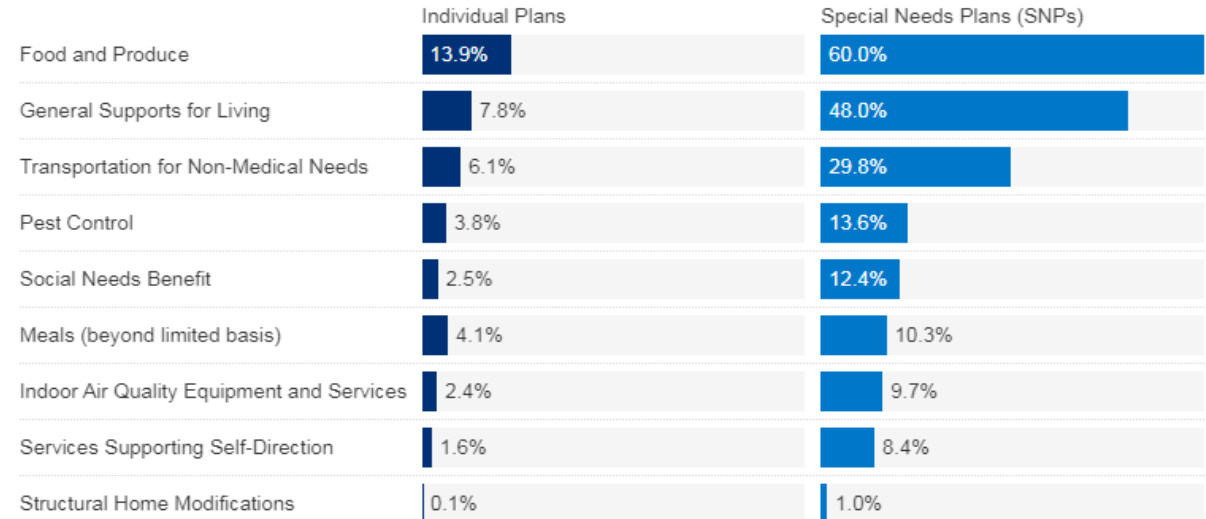
NOTE: Some plans may offer variations of the same plan, but with different SSBCI benefits, so shares enrolled may be slight overestimates of actual enrollment. Social needs include access to community or plan-sponsored programs and events, such as non-fitness club memberships, community or social clubs, and park passes. Indoor air quality equipment and services may include temporary or portable air conditioning units, humidifiers, or dehumidifiers. General supports for living such as housing may be provided. Services supporting self-direction may include services to assist in the establishment of decision-making authority for healthcare needs (e.g., power of attorney for health services) and/or may provide education such as financial literacy classes. Individual plans are plans open for general enrollment and exclude employer group health plans and SNPs.

SOURCE: KFF analysis of CMS Landscape and Benefit files for 2023 • PNG

KFF

Figure 10

## Most Medicare Advantage plans are not offering Special Supplemental Benefits for the Chronically Ill (SSBCI) in 2024 though more SNPs generally offer these benefits



NOTE: Some plans may offer variations of the same plan, but with different SSBCI benefits, so shares enrolled may be slight overestimates of actual enrollment. Social needs include access to community or plan-sponsored programs and events, such as non-fitness club memberships, community or social clubs, and park passes. Indoor air quality equipment and services may include temporary or portable air conditioning units, humidifiers, or dehumidifiers. General supports for living such as housing may be provided. Services supporting self-direction may include services to assist in the establishment of decision-making authority for healthcare needs (e.g., power of attorney for health services) and/or may provide education such as financial literacy classes. Individual plans are plans open for general enrollment and exclude employer group health plans and SNPs.

SOURCE: KFF analysis of CMS Landscape and Benefit files for 2024. • PNG

KFF

Resource: <https://www.kff.org/medicare/issue-brief/medicare-advantage-in-2023-premiums-out-of-pocket-limits-cost-sharing-supplemental-benefits-prior-authorization-and-star-ratings/#:~:text=SSBCI>

Resource: <https://www.kff.org/medicare/issue-brief/medicare-advantage-2024-spotlight-first-look/>

# 2025 and Beyond

# Key Industry Headwinds

## ➤ Key headwinds that are impacting the Medicare Advantage market:

- Inflation Reduction Act's impact on Part D overall and on high-cost drugs
- Medicare Advantage risk score model changes (V28 versus V24 impacts) and FFS normalization
- Increased utilization, especially inpatient, and higher medical expense trends
- Low Medicare Advantage benchmark growth rate
- Multiple Star ratings methodology changes resulting in reduction to average Star ratings
- Rebate reallocation rules and NAMBA volatility make benefit and profit management challenging
- Part D is becoming a larger piece of the financial picture; new risk score model presents opportunities and threats
- 2025 Final Rule impact on future of D-SNP opportunities
- Increased administrative requirements for VBID and SSBCI

## ➤ Net impact of industry headwinds

- Expect benefit degradation starting in 2025
- MA plans existing select counties and markets
- Potential for increasing rate negotiation with providers and hospitals

# Observations from a Challenging Bid Year

## Challenges

- Utilization trends
  - Higher utilization trends are continuing into 2024 and impacted 2025 bid assumptions
- MA v28 risk score model change
  - Impact is plan-specific, but impact is significant, outweighing PD redesign impact in most cases
  - New enrollee model cohorts seeing significant improvement, but still relatively less profitable than continuing enrollee cohorts
- Part D
  - Part D has become a larger piece of the pie & for some plans outweighs MA impacts in specific target cohorts (where PD risk score imbalances are highest)
- TBC challenges
  - Many carriers were significantly constrained by TBC rules
- Competitive VBID application
  - New rules make it more challenging to submit application and also screen out new participation

## Plan Responses

- » Benefit degradation
  - » Extensive benefit degradations to balance out rate and utilization challenges
  - » Includes core medical benefits, formulary and PD benefit design, premiums and supplemental benefits
- » Product Portfolios
  - » Product terminations - Plans are terminating specific products (e.g., PPO in market where they currently offer both HMO and PPO)
  - » Increase in product consolidations with plans offering fewer options in a given market
- » Footprint contraction
  - » Plans are exiting counties and even states due to underlying rates, historical utilization and cost experience, expected lack of competitiveness
- » Profitability
  - » Push for profitability versus growth especially in plans that have underperformed in the past or now facing potential losses
- » Growth targets
  - » Plans are setting limited to no growth targets
  - » Some plans are projecting membership losses

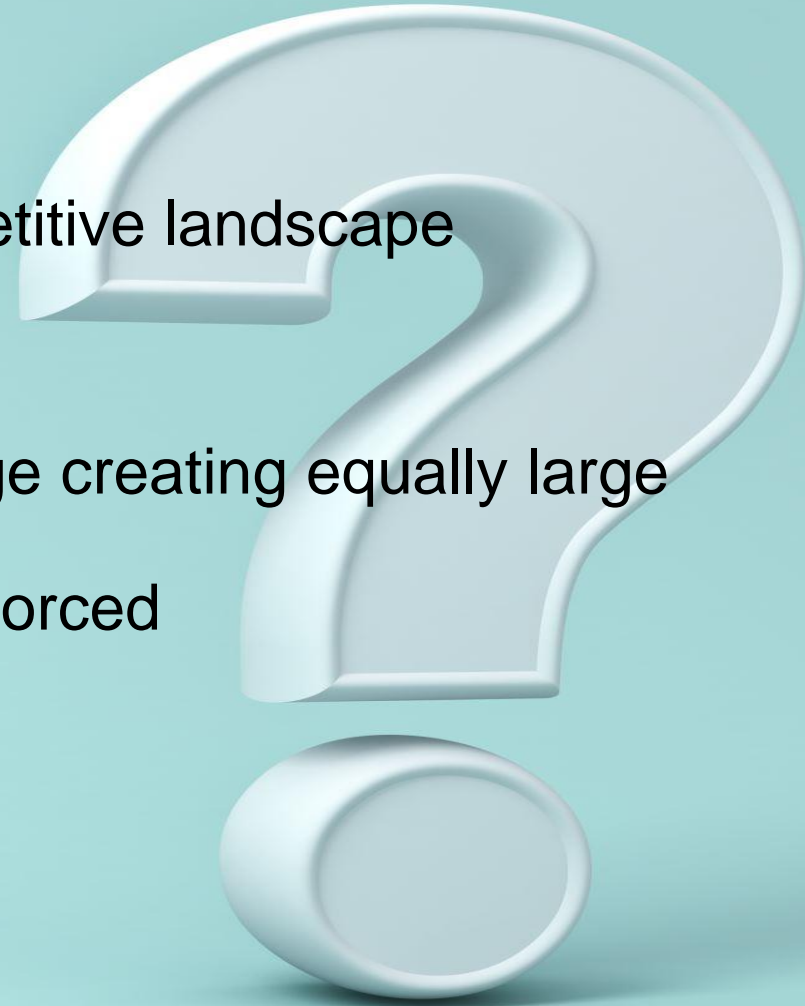


# New Supplemental Requirements

- New supplemental encounter submissions requirements
  - In Spring 2024, CMS released new guidance and requirements around encounter submissions for
  - Effective retroactive to 1/1/24
- New requirements on providing midyear statements to members on supplementals
  - MA plans will need to inform members if they have unused supplemental benefits
  - Utilization implications
  - Effective 2026

# Drivers of Uncertainty in Near Future

- Tukey Outlier Star Rating Lawsuits
  - SCAN and Elevance successful
  - Results in unanticipated shifts in competitive landscape
- Uncertainty in August
  - Direct subsidy is a large unknown
  - Misses in the direct subsidy can be large creating equally large changes in supplemental benefits
  - New rebate reallocation rules being enforced
    - Potential for weird premiums
- Longer Term – Medicare Solvency



# Questions