

Falling behind: Non-profit health plans need a new Medicare Advantage strategy as share losses widen

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<https://www.chartis.com/insights/falling-behind-non-profit-health-plans-need-new-medicare-advantage-strategy-share-losses>

Introduction

The surge in Medicare Advantage enrollment has masked a concerning trend: For-profit health plans are far outpacing non-profits in capturing market share. With a renewed strategy, non-profits can narrow this gap.

By 2030, nearly 1 in 5 individuals in the United States will be 65 years of age or older, up from 1 in 7 today. The senior segment is growing rapidly, far outpacing growth in all other age segments. This population shift is having dramatic effects across industries, but likely none more noticeable than healthcare — and these effects are especially dramatic within Medicare Advantage. Rapid market growth has driven intense competition among health plans. For-profit plans are growing enrollment at a considerably faster pace than their local and regional non-profit competitors, driven by rapid national expansion.

Health Plan	Growth Activity for the 2021 Plan Year
UnitedHealthcare	300 additional counties, a 16% footprint increase
Cigna	67 additional counties and 5 new states, a 22% footprint increase
Anthem	A 20% footprint increase
Humana	125 additional counties, a 5% footprint increase
Aetna	115 additional counties, a 7% footprint increase
Clover Health	74 additional counties, a 200% footprint increase
Bright Health	Entered 6 new metropolitan markets and 3 new states
Devoted Health	Entered Arizona, its fourth state since 2017

Health Plan	Growth Activity for the 2021 Plan Year
Oscar Health	Entered Florida, its third state in 2 years

Sources: Respective health plan press releases, August-November 2020

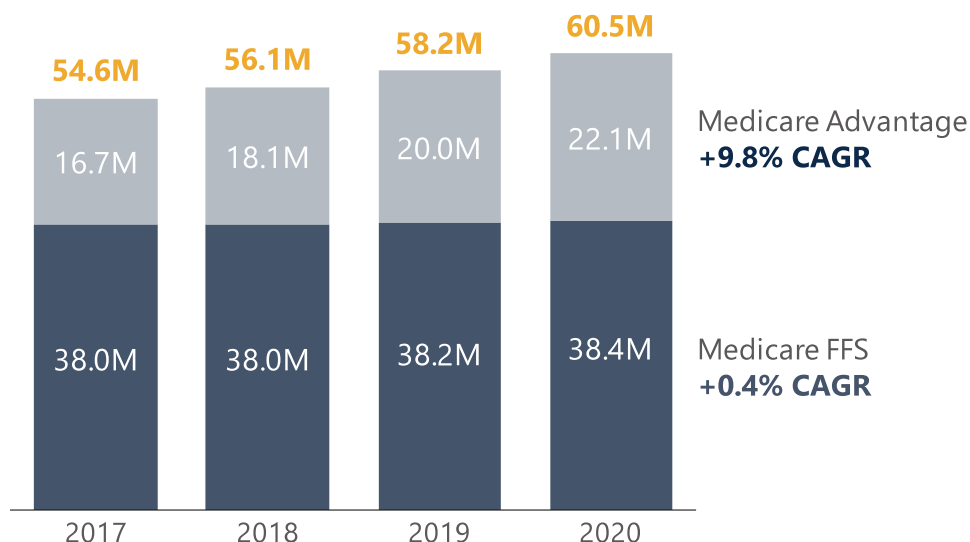
The resulting success gap will limit non-profit plans' ability to compete for share in this segment and grow beyond the 7 million beneficiaries they collectively serve today. Absent a change in priority or strategy, non-profit health plans risk missing out on this attractive and growing market. In this analysis, we explore the source of this widening gap between for-profit and not-for-profit plans in Medicare Advantage and discuss strategies for local and regional non-profit plans to confront this trend and gain a greater share of growth in this attractive segment.

The Evolving Medicare Market

Rapid market expansion...

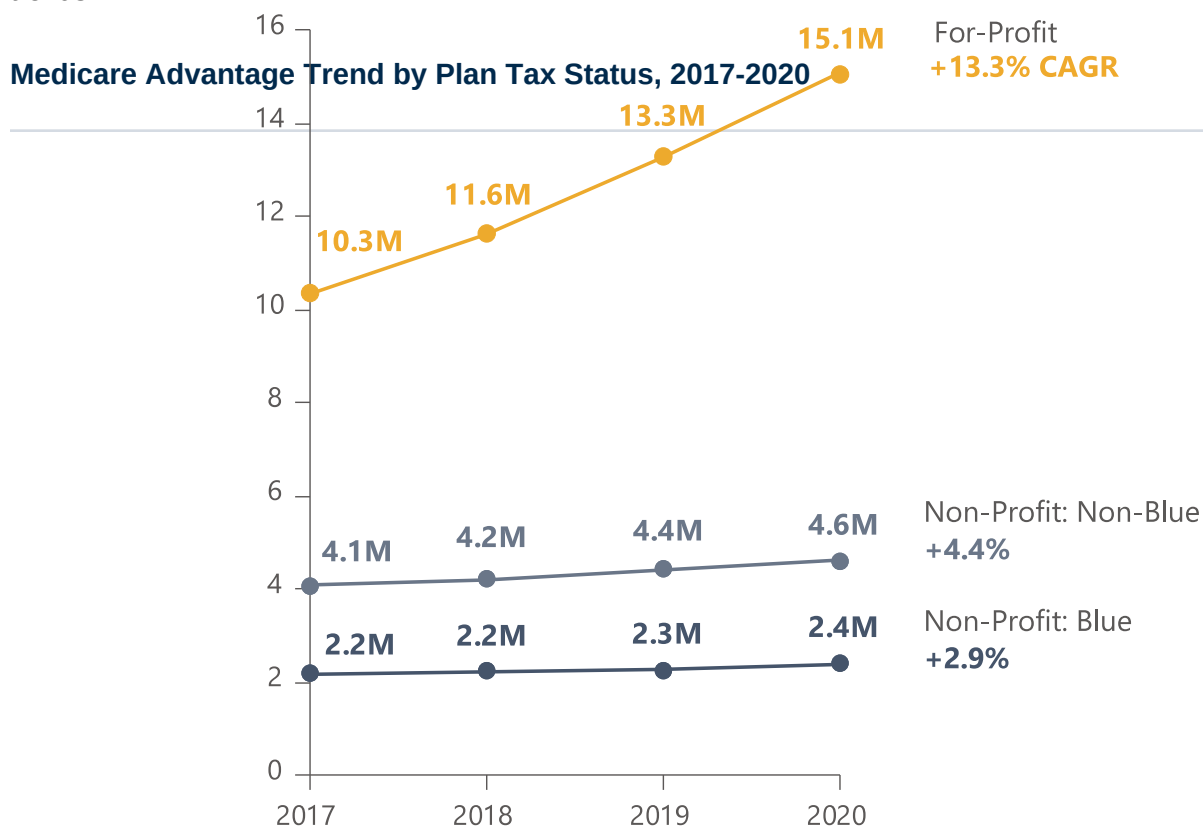
Medicare Advantage is a high-growth market for two reasons: The Medicare-eligible population itself is growing quickly (by 3.5 percent per year), and those eligible individuals are increasingly selecting managed plans for their coverage (at a rate of 9.8 percent per year). The growth within Medicare Advantage results in nearly static enrollment in traditional Medicare FFS (increasing just 0.4 percent per year). These trends are expected to persist into the future.

Medicare Enrollees, 2017-2020 +3.5% CAGR



...creates growth for health plans...

While plans across the nation are experiencing meaningful growth in this line of business, this growth is accreting to a select few health plans. This trend permeates markets across the nation: Specifically, national for-profit carriers are seeing considerably higher growth in this segment compared to local and regional non-profit plans. Analyzing both Blue-branded non-profit plans and non-Blue non-profit plans shows similar trends.

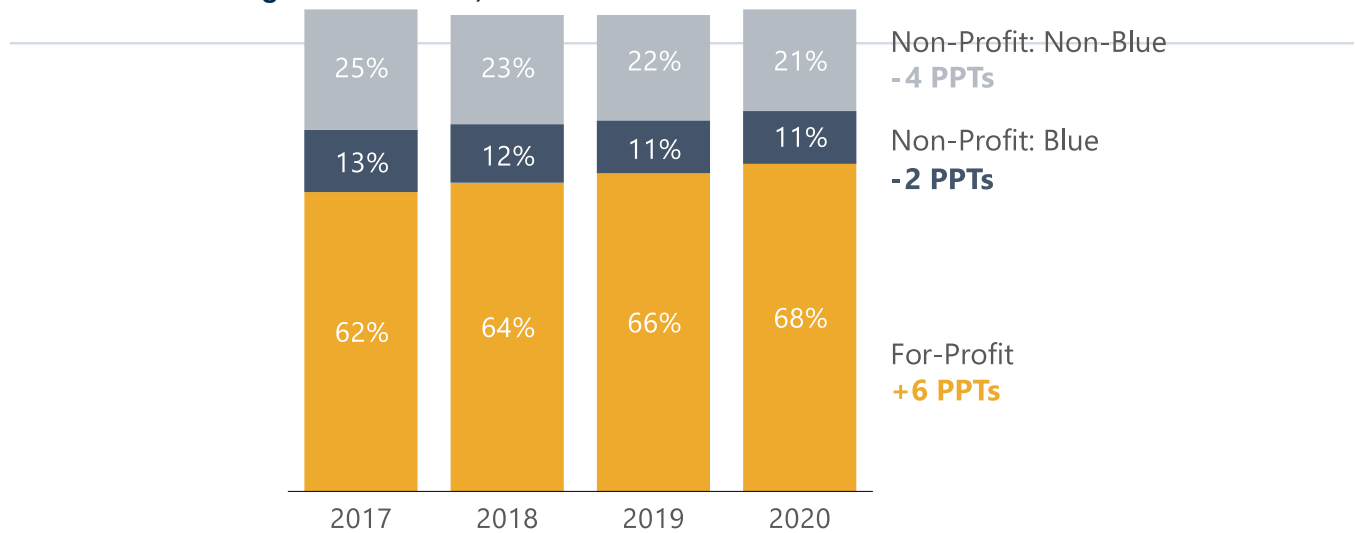


...and drives rapid market concentration.

Systematic growth in Medicare Advantage has suppressed the real story: Even though non-profit plans have seen growth — often while their commercial businesses have remained flat — their share of the market growth has waned, reflecting a deteriorating competitive position that may not be immediately evident.

During this same period, national for-profit organizations have added 6 points of market share. This has come at the expense of both Blue and non-Blue non-profit plans, which have lost 2 share points and 4 share points, respectively. If not addressed, non-profit plans may quickly find themselves unable to compete in this important segment.

Medicare Advantage Share Trend, 2017-2020



Analyzing the For-Profit Growth Playbook

To understand the source of this growing share gap, we explored macro-level market characteristics nationally to understand how for-profit plans are prioritizing markets. For-profits prioritize their Medicare Advantage enrollment growth in markets with:

01 – Smaller senior populations,

measured by the total Medicare enrolled population

02 – Historically high growth rates,

measured by annual growth in the total Medicare population

03 – Lower penetrations,

measured by overall adoption of Medicare Advantage as compared to Medicare eligibility

04 – Lower total reimbursements,

measured by the size of monthly premiums available to plans (PBPM)

05 – Higher relative reimbursements,

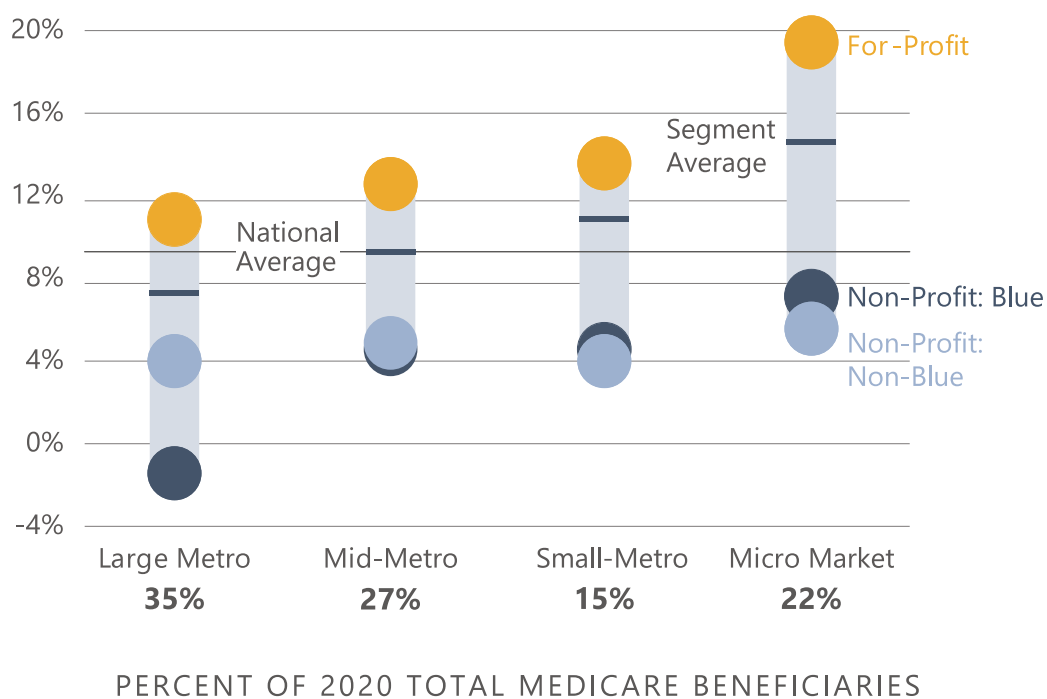
measured by the market's premium or discount to the traditional Medicare benchmark set by the Centers for Medicare & Medicaid Services (CMS)

01

Markets with smaller senior populations are seeing the fastest growth rates, led by for-profit plans.

For-profit carriers have focused their growth in smaller metropolitan areas. Blue plans appear to be treading water in these markets, while losing share in the largest metros.

Medicare Advantage Growth (CAGR) by Total Medicare Beneficiaries Market (CBSA) Size, 2017-2020

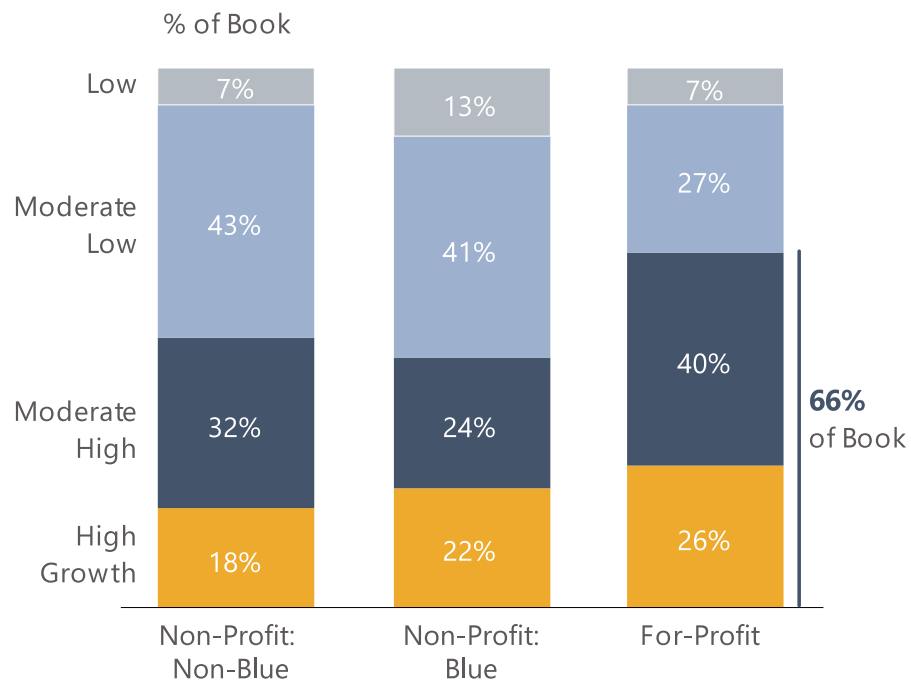


02

For-profit plans have positioned disproportionately in markets with historically high growth rates.

For-profit carriers have positioned themselves in the fastest growing markets, as measured by annual growth of Medicare beneficiaries, representing approximately two-thirds of book. By comparison, only half of non-profit plan enrollment is concentrated in these high-growth markets.

Medicare Advantage Enrollees Percent Distribution by Market (CBSA) Total Medicare Growth (CAGR), 2017-2020

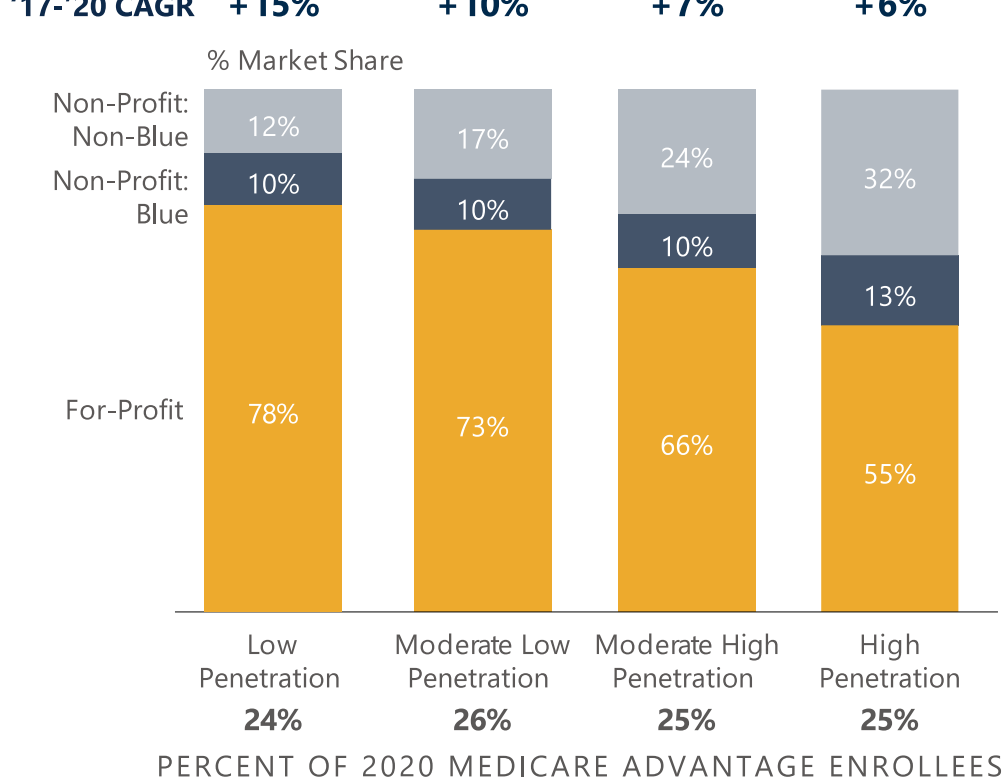


03

For-profit plans have positioned disproportionately in markets with lower penetration.

For-profit plans have focused their enrollment in the low-penetration markets while non-profit plans have disproportionate share in higher-penetration markets.

Percent Market Share by Medicare Advantage Penetration Rate, 2017-2020

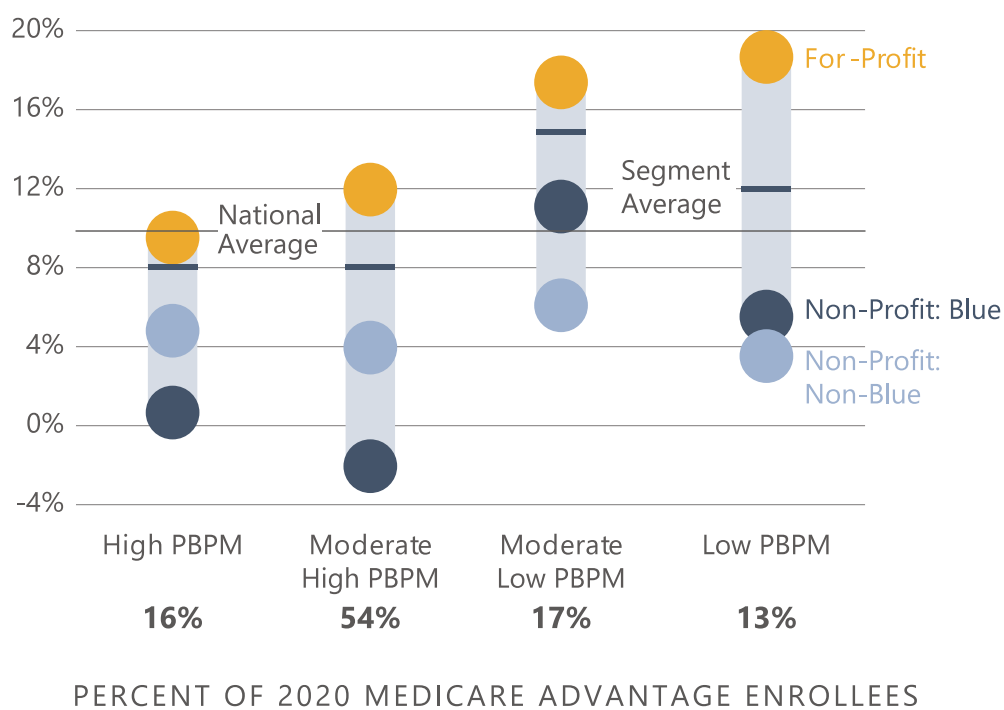


04

Growth is concentrating in lower total reimbursement (PBPM) markets, led by for-profit plans.

Enrollment growth is occurring in the lower reimbursing markets, with for-profit plans showing a clear preference for incremental enrollment growth in below-average PBPM markets. Among non-profit plans, non-Blue plans show no clear preference, whereas Blue plan enrollment growth is concentrated almost entirely in low-reimbursement markets.

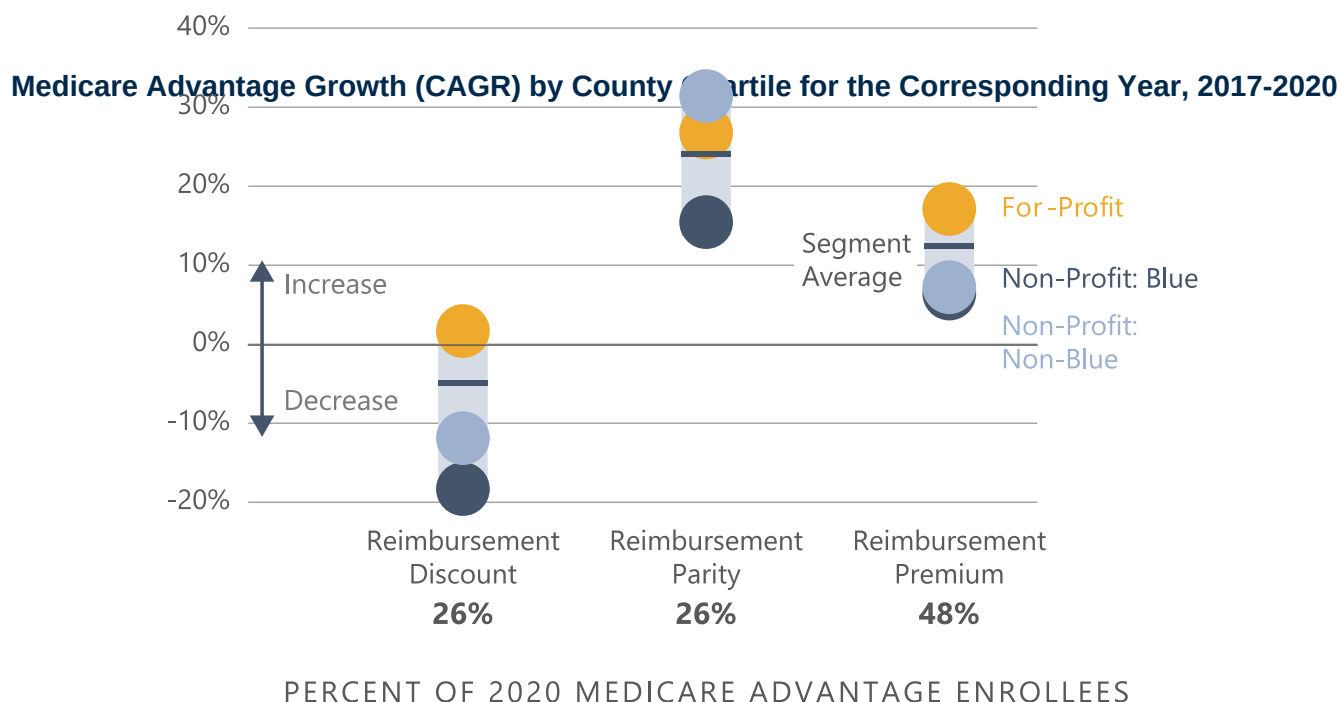
Medicare Advantage Growth (CAGR) by Market (CSBA) Weighted PBPM, 2017-2020



05

For-profit plans have led growth in markets with premium relative reimbursement.

Nationally, enrollment has been steadily shifting from being reimbursed by CMS at a discount to Traditional Medicare to parity and premium over time. Non-profit enrollment in discount markets has declined over this period, whereas for-profit plans have maintained their discounted enrollment and targeted growth in premium reimbursing markets.



The Non-Profit Health Plan Response

While non-profit plans have seen growth in Medicare Advantage, for-profit plans have accumulated considerably greater market share gains. To narrow this widening gap, non-profit plans must play to their strengths by identifying and capitalizing on their unique positions in the market. We have synthesized strategic initiatives and enabling tactics based on activity we are experiencing across markets with our clients.

Strategic Opportunities for Non-Profit Health Plans

Broaden and refocus consumer channels to expand access to seniors

Enhance community relationships: Enrolling in Medicare is a complex decision. Local and regional plans can tap their deep community relationships (e.g., community-based organizations) to create growth.

Convert age-ins: Members in other lines will eventually turn 65. Plans spend considerable money to acquire customers. Retaining members lowers acquisition costs and maximizes long-term customer value.

Consider serving duals: States are likely to continue to advance Medicaid eligibility, managed enrollment, and integrated products.

Develop high-impact partnerships to create market essentiality	Evaluate M&A: Consolidation can create a platform to pursue new growth opportunities for the combined organization. Further, intensifying competition may accelerate exits, which can be attractive opportunities for strong non-profit plans. Partner with providers: Acceleration in Medicare Advantage partnerships shows there is market demand for joint products. Build on a unique market advantage of being local and easy to work with while providing the necessary infrastructure to innovate with these partners. Innovate with the network: Non-profit plans should prioritize a more direct relationship with their network. Innovation between plans and leading providers is an opportunity to create a competitive advantage.
Focus on key economic levers to enable compelling product design	Focus on quality: 3 in 4 plans today, by enrollment, are four-star plans. Competitive plan design requires delivering against a comprehensive quality imperative to drive enrollment. Realign payment models: Medicare Advantage is a favorable platform for experimentation and innovation with value-based initiatives that deliver savings that can be reinvested in member-facing benefits. Differentiate benefits: Creatively design benefits that differentiate from national competition, including cash-equivalent benefits to buy-down the cost of healthcare.

A vibrant health plan marketplace needs non-profit health plans to support competition and choice. Non-profit health plans, like non-profit health systems, are well aligned with seniors' needs because of their long-term commitment to communities, local leadership, and charitable missions. By contrast, national, for-profit plans can fail fast and pivot quickly. Their distributed and diversified business models allow them to capture value in many other areas of the value chain.

We believe it is imperative that non-profit health plans, both Blue and non-Blue, re-evaluate their growth strategy in Medicare Advantage to compete more effectively with the national for-profit plans and stop losing share. Non-profit plans must play to their strengths, capitalize on their competitive advantages, and deliberately plan for growth in new and innovative ways. At stake is one of the highest growth segments of the healthcare industry for the next decade.

Sources and Methodology

Analytic methodology:

Medicare Advantage enrollment, plan, and pricing data from CMS, January 2017–January 2020. Medicare FFS data from CMS, 2014–2018, projected for 2019 and 2020. Filters applied to the data for Medicare Part C only, 50 states, and DC. Excludes Medicare Cost and Regional PPO plans. Medicare Advantage plans categorized as for-profits, non-profit Blues, and non-Blue non-profits based on Chartis analysis. For the market analyses, any counties not part of a CBSA (defined by the U.S. Office of Management and Budget) or that had less than 11 Medicare FFS enrollees were excluded. Categories for the market analyses are based on k-means clustering and other statistical methods, shown below.

Categories used in market analyses:

Enrollment Opportunity: Large Metro is >456k Medicare beneficiaries, Mid-Metro is 128k–456k, Small Metro is 50k–122k, Micro is Micro designated CBSAs and Metro CBSAs with <50k; **Historic Growth:** High >4%, Moderate High 3–4%, Moderate Low 2–3%, Low <2%; **Market Penetration:** High Penetration is >47%, Mod-High is 38%–47%, Mod-Low is 30%–38%, Low is <30%; **Total Reimbursement:** High PBPM is 894+, Mod-High is 855-893, Mod-Low is 820–855, Low is <820; **Relative reimbursement:** Discount <1.00 quartile rate, Parity =1.00 quartile rate, Premium >1.00 quartile rate

Our services

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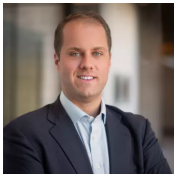
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Nick Herro
Senior Partner



Julianna Wokurka
Associate Partner