

DATA & ANALYSIS

As Medicare Advantage enrollment booms, healthcare entities need to plan around key trends

2021 Medicare Advantage Competitive Enrollment Report

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<https://www.chartis.com/insights/medicare-advantage-enrollment-booms-healthcare-entities-need-plan-around-key-trends>

Introduction

Medicare Advantage is experiencing several meaningful competitive shifts, as results from the 2021 plan year make clear. The percentage of Medicare-eligible beneficiaries enrolled in Medicare Advantage continues to climb. This year, 42 percent of Medicare-eligible beneficiaries are enrolled in a Medicare Advantage plan, up from 32 percent just five years ago. We continue to see an accelerated concentration of market share into for-profit plans at the expense of non-profit health plans, which continue to struggle to find competitive growth. We studied this impact on non-profit plans across both non-profit Blue-branded health plans, referred to simply as “Blues” in this report, and other non-profit health plans, which are either provider-sponsored or independent regional plans.[1] Meanwhile, for-profit plans are making rapid share gains, accelerated by successful entry into new markets and the emergence of startup venture-backed plans.

This report details a series of compelling trends for all health plans to consider to better position for future growth, including:

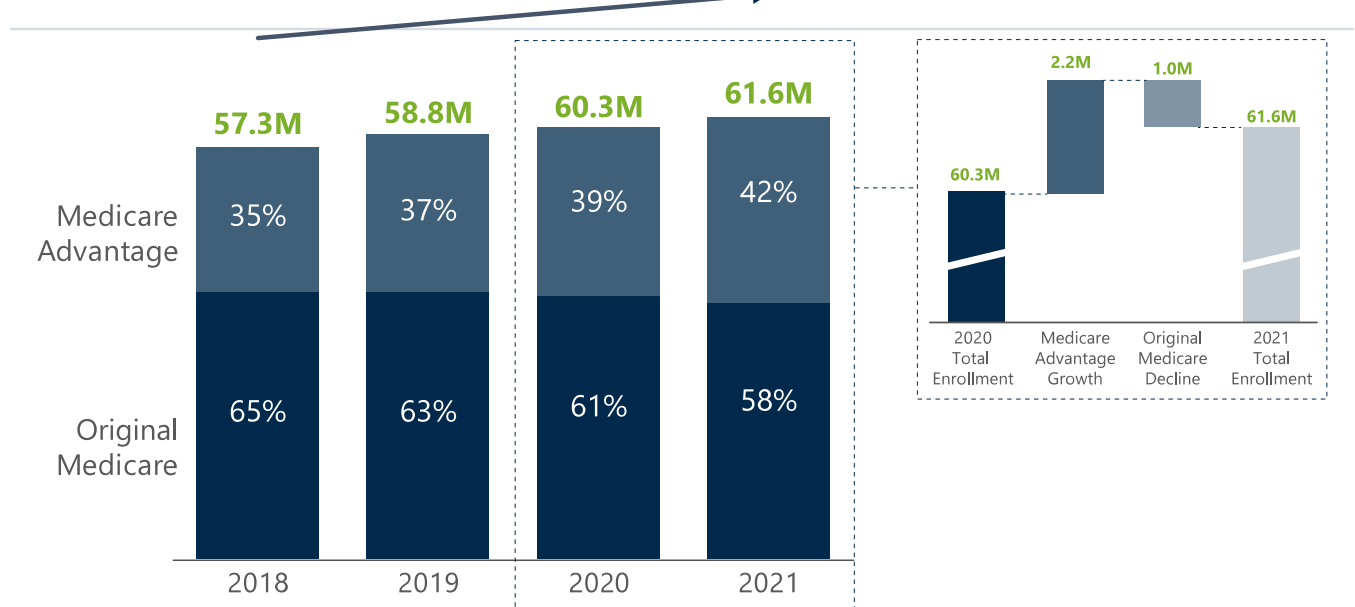
- Medicare Advantage grew 9.6 percent this year, while enrollment in Original Medicare fell 2.6 percent, pushing Medicare Advantage penetration to 42 percent.
- For-profit plan growth continues to outpace Blue and non-profit plans. For-profit plans now account for 71 percent of all enrollees, up from 69 percent last year.
- Among for-profit plans, UnitedHealthcare and Centene saw the greatest gains, adding 1.6 million lives between the two, and pushing their combined share up 4 points.

- Smaller Blue and non-profit health plans saw promising enrollment gains through outsized share growth this plan year. This may be a sign that these plans can continue to become more competitive in the future.
- New market growth continues to pay dividends for national for-profit and venture-backed health plans. Entry into new markets successfully converts into greater enrollment growth over time.
- Venture-backed health plans now account for approximately 241,000 lives (1 percent of national enrollment) and collectively added 64,000 lives, more this year than any year prior.

Medicare Advantage Grew More Than Any Time in Its History, Passing an Important Milestone

Medicare Advantage crossed a notable threshold for the 2021 plan year: 42 percent of the nearly 62 million Medicare enrollees are enrolled in a Medicare Advantage plan. Overall, Medicare grew by approximately 1.3 million lives in 2021. Growth was driven by a combination of an increase of 2.25 million new Medicare Advantage enrollees and a 950,000-enrollee decline in Original Medicare — reflecting a trend of accelerating Medicare Advantage enrollment by both age-ins and a conversion of existing Original Medicare lives.

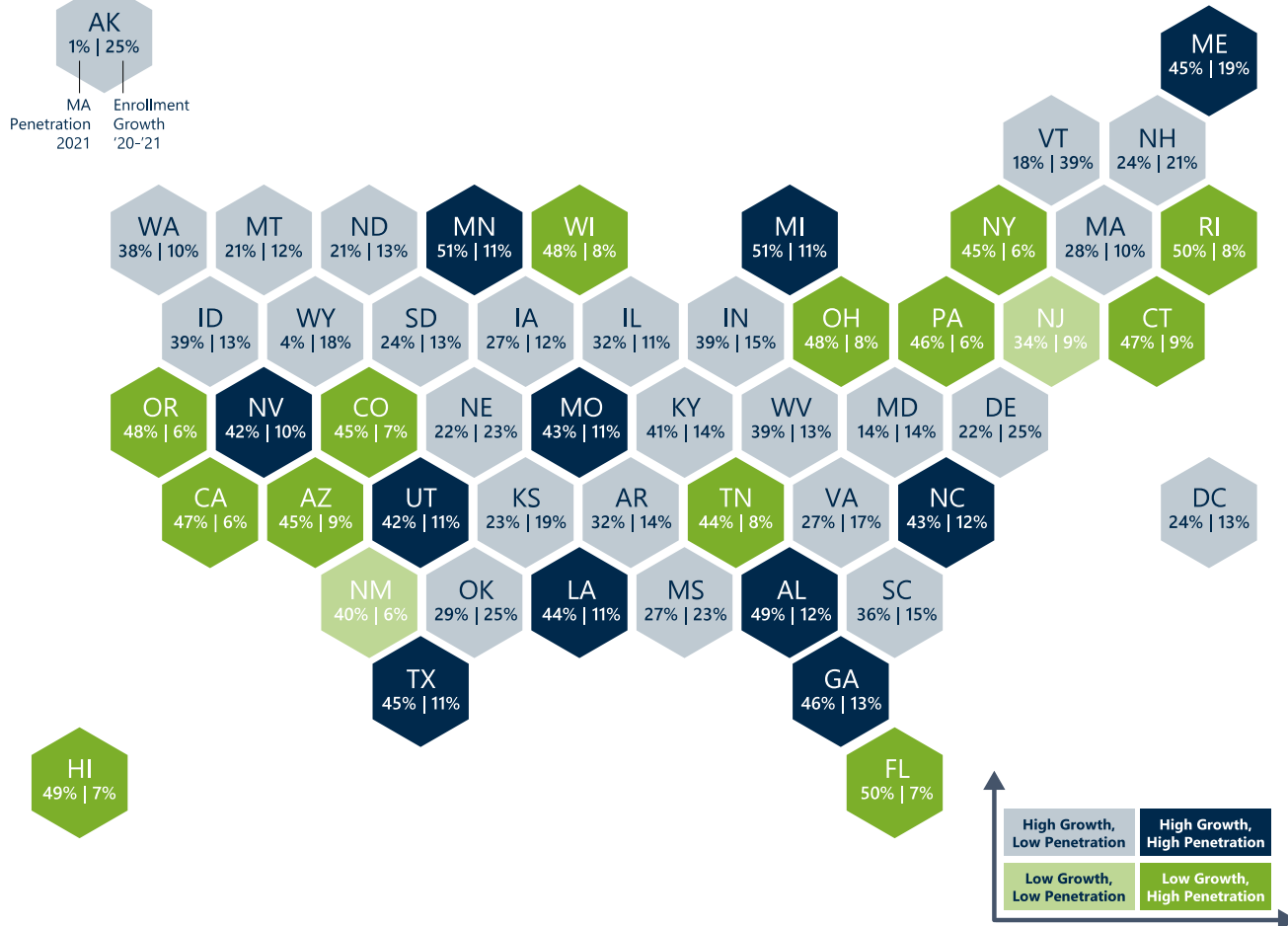
Medicare Enrollment and Penetration Change by Year



Every state saw Medicare Advantage enrollment growth during this year's enrollment period, with state-by-state growth ranging from 6 percent to 25 percent over the prior year. As expected, large states with existing rates of penetration above national averages, such as California, Florida, and New York, saw lower levels of growth. By comparison, smaller states that have been historically under-penetrated, such as Vermont, Delaware, and Oklahoma, saw significant growth. To be sure, much of this variance reflects different existing starting points in terms of overall Medicare Advantage adoption across the states. However, there are noteworthy exceptions: Texas and Michigan, large states that boasted penetration rates +3 percentage points and +8 percentage points above national averages in 2020, respectively, still grew by double digits, reflecting continued strong demand for Medicare Advantage products.

Slowing rates of growth for high-penetration states may begin to highlight an upper bounds of Medicare Advantage penetration that we have been anticipating. However, as long as the growth rates in these states are as meaningful as they were this year — at more than twice that of overall Medicare enrollment — we anticipate that a true leveling off is still years away.

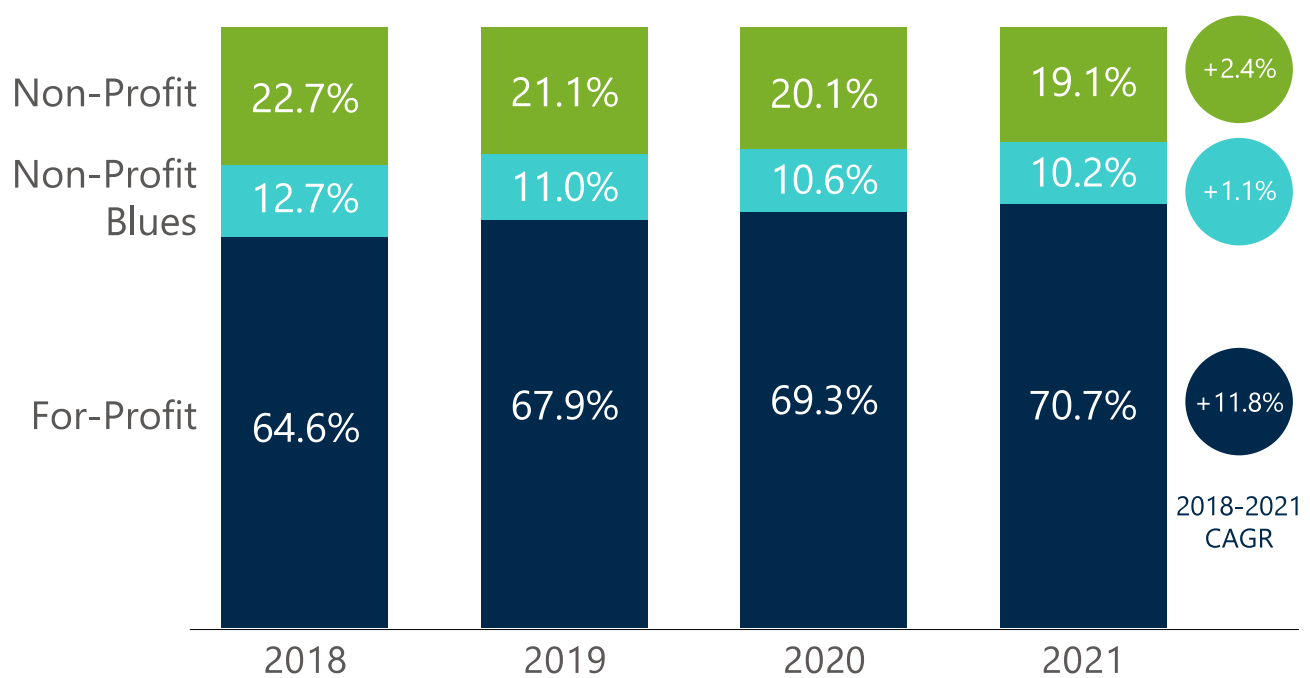
2021 Medicare Advantage Penetration and Growth by State



Membership Growth Continues to Disproportionately Benefit For-Profit Plans

2021 continued a trend that we outlined in [our report last year](#): membership growth in for-profit plans is meaningfully outpacing that of Blue and non-profit plans, causing a continued share shift in the market. This year, for-profit plans added another 1.4 market share points at the expense of Blue and non-profit plans, the same share growth we saw in 2020. Blues plans saw a share decline of 0.4 market share points, consistent with last year, while other non-profit plans ceded 1 share point. This share shift is caused by meaningfully disproportionate growth rates. For-profit plans have grown at nearly 12 percent per year since 2018, as compared to 1.1 percent and 2.4 percent for Blues and non-profit plans, respectively.

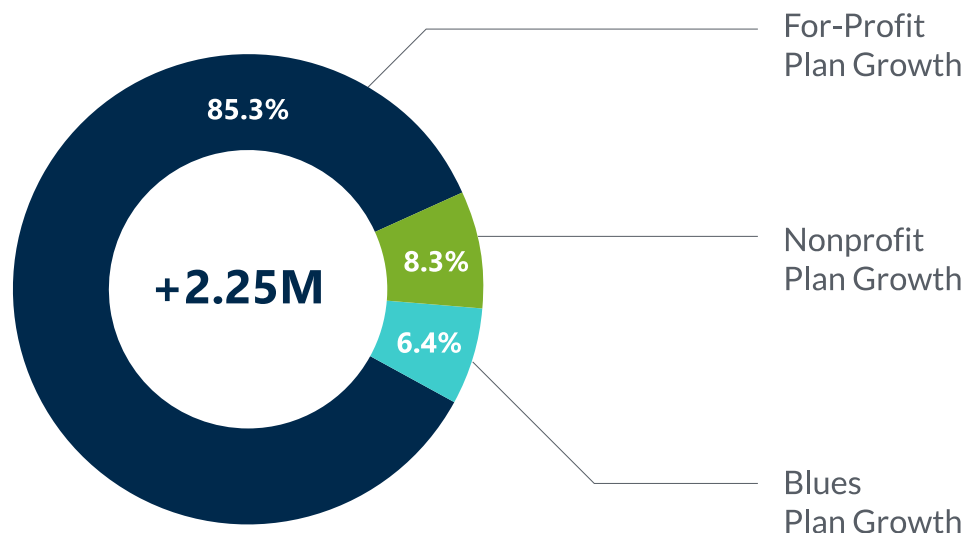
Distribution of Enrollment by Plan Cohort



Membership Growth Within Plan Cohorts Show Shifting Competitive Dynamics

Given 2021's broad enrollment success, we wanted to explore how this enrollment growth was distributed both between plan cohorts and among plans within each cohort. In doing so, we reveal some interesting themes. Principally, for-profit plans garnered 85 percent of enrollment growth this year. Of the 2.25 million new members in Medicare Advantage plans, 1.9 million enrolled in a for-profit plan. While staggering, this share of year-over-year growth attributed to for-profit plans is down from 112 percent in 2019, a year in which Blues saw considerable membership outflows. Within each plan cohort, there exists a unique set of competitive dynamics, explored below.

Allocation of 2021 Membership Growth by Plan Cohort



Plan Name	New Lives
UnitedHealth Group	827K
Centene Corporation	774K
Humana	369K
Anthem	211K
CVS Health/Aetna	210K

Nonprofit Plan Growth

Plan Name	New Lives
Kaiser Foundation	59K
Spectrum (MI)	29K
CommunityCare (OK)	27K
Healthfirst (NY)	23K
UCare (MN)	12K

Blues Plan Growth

Plan Name	New Lives
BCBSLA	22K

Plan Name	New Lives
BCBSMI	18K
BCBSMN	16K
BCBSFL (Guidwell)	15K
Cambia	11K

United and Centene saw considerable share gains while Anthem, CVS/Aetna, and Humana simply maintained share.

Top 10 For-Profit Health Plans

For-Profit Health Plans	2021 For-Profit Rank	2020 For-Profit Rank	2021 National Share (change)	2020 National Share
UnitedHealthcare	1	1	27.37% (+90bp)	26.47%
Humana Inc.	2	2	18.16% (-17bp)	18.33%
CVS Health/Aetna	3	3	10.50% (-11bp)	10.61%
Anthem	4	4	5.79% (+35bp)	5.44%
Centene	5	7	4.14%* (+290bp)	1.24%
Cigna	6	6	2.15% (+9bp)	2.06%
Molina Healthcare	7	8	0.42% (-2bp)	0.44%
Alignment Healthcare	8	10	0.30% (+5bp)	0.25%
Essence Group	9	9	0.25% (-2bp)	0.27%
Clover Health	10	11	0.25% (+3bp)	0.22%
Share Total of Top 10 For-Profit Plans			69.33% (+398bp)	65.35%
Share Total of Remaining For-Profit Plans				3.91%

*Note: Centene Growth: +290bp share growth comprised of +245bp M&A +45bp organic

The headline-grabber this year is United. Last year United made up 26.5 percent of all 2020 enrollment but captured 36.8 percent of net-new enrollees for 2021, an addition of 826,000 lives. 2021 further cemented them as the unrivaled national leader in Medicare Advantage and increased their share 1 percentage point.

In 2019 and 2020, they fought for this position with Aetna and Humana but this year unmistakably outpaced both for membership capture.

Centene also made waves but for different reasons. The plan added 773,000 lives this year, attributable to both legacy WellCare’s book of 575,000 enrollees and the addition of nearly 200,000 net-new for the combined company. Last year, Centene made up just 1 percent of national enrollment and today boasts 4 percent, driven by both inorganic and organic growth activities.

Rounding out the top five, Anthem added 35 basis points (bp) in share points, while Humana and CVS/Aetna saw some minor share erosion but stayed No. 2 and No. 3 in total enrollment, respectively.

Large Blues plans are struggling to find growth, while smaller plans make up lost ground.

The Blues cohort made up 10.6 percent of 2020 enrollment but only 6.3 percent of enrollment growth in 2021, causing a share decline of 0.4 points to 10.2 percent. This continued a streak of withering market position for this cohort as Blues have not been able to keep pace with their historic level of share. Despite this slipping position, all Blues plans gained membership between 2020 and 2021, except two: Horizon and Premiera, which lost 4,000 and 300 members, respectively. Horizon is nearly 50,000 members below its 2018 enrollment.

To analyze the source of this decline, we evaluated the plans’ share of 2020 enrollment and compared it to their share of 2021 growth. The data show that smaller Blues plans, such as BCBS of Louisiana and BCBS of Idaho, are accelerating their share capture. However, this growth is offset by meaningful share declines among the Blues’ two largest Medicare Advantage plans, BCBS of Michigan and Highmark (Western/Central Pennsylvania, Delaware, and West Virginia). BCBS of Michigan continues to grow, though at a slower pace than others. Highmark is still below its 2018 enrollment levels but has recently returned to growth. These trends persist both nationally and in the states in which these plans principally compete.

Blues Plan Enrollment Share Capture Gaps



Plan	2021 Share of Growth	2020 Share	Difference
Louisiana	0.96%	0.07%	+0.89%
Idaho	0.36%	0.16%	+0.20%
Nebraska	0.13%	0.01%	+0.12%
Minnesota	0.72%	0.62%	+0.10%
South Carolina	0.10%	0.05%	+0.05%

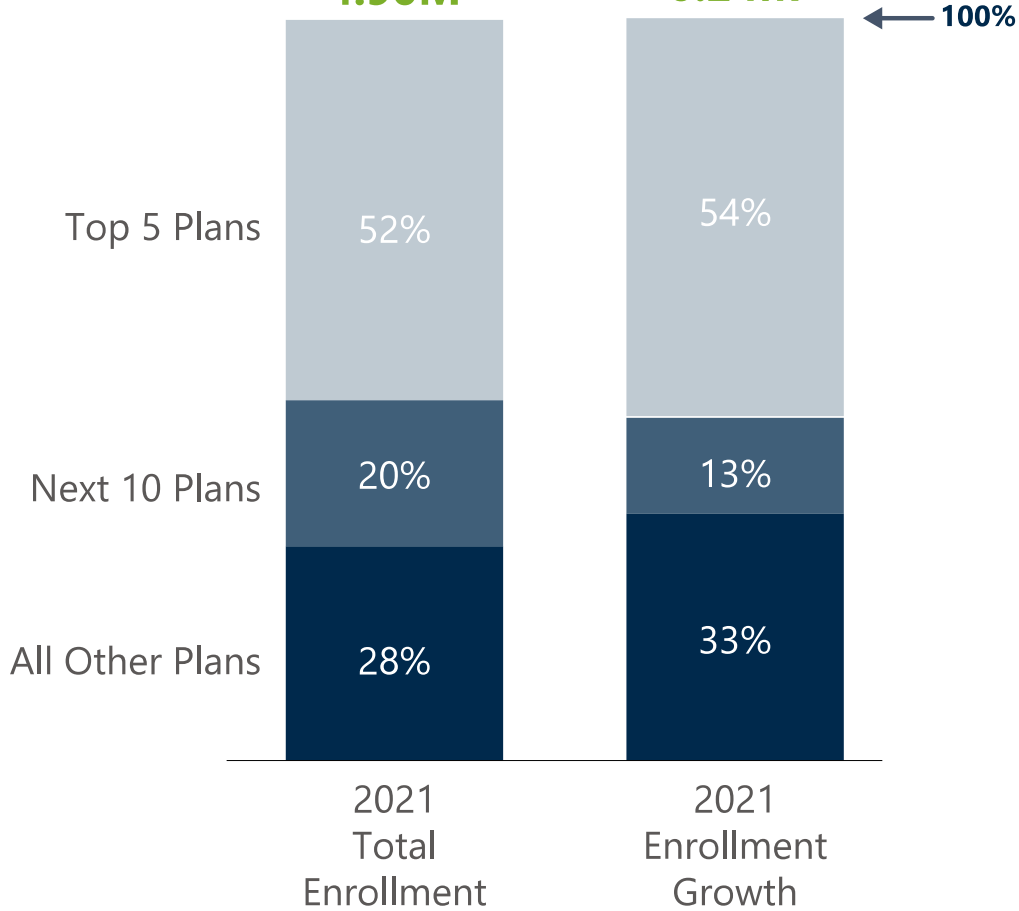


Plan	2021 Share of Growth	2020 Share	Difference
Michigan	0.79%	2.47%	-1.68%
Highmark	0.16%	0.99%	-0.83%
Excellus	0.07%	0.66%	-0.59%
Blue California	0.15%	0.63%	-0.48%
Independence	0.07%	0.51%	-0.44%

Non-profit health plans had mixed results but show encouraging signs of growth.

The non-profit plan cohort continues to lag behind the broader industry. Growth within this non-profit plan space appears to be coming from historically smaller plans. Overall, the cohort accounted for 20.1 percent of enrollment in 2020 but made up only 8.3 percent of new members in 2021, causing share declines of 1 percentage point overall and continuing the ongoing annual share losses. This cohort added approximately 240,000 net-new enrollees for the 2021 plan year. The top five plans roughly maintained their share of cohort growth.

Non-Profit Plan Enrollment and Growth Distribution



The top five non-profit plans by overall growth this year were Kaiser, Spectrum, CommunityCare, Healthfirst, and UCare. Kaiser leads the nation in independent non-profit plan enrollment, with 1.7 million lives. While the plan has continued to grow, adding 59,000 lives (+3.5 percent) this year, it lags behind market growth and has seen share declines both nationally (7.8 percent in 2018 down to 6.7 percent in 2021) and in its home state of California (44.5 percent in 2018 down to 42.1 percent in 2021). By contrast, leading provider-owned health plans Spectrum (Michigan), CommunityCare (Oklahoma), Healthfirst (New York), and UCare (Minnesota) saw both membership growth and share expansion compared to both national and local benchmarks.

Despite broad share losses, there may be a silver lining for non-profit health plans. The fragmented space below the top plans has outpaced growth within the cohort. This is encouraging as many new entrants and health system-owned plans operate in this space. These plans may be seeing traction that could help to stem the enrollment losses non-profit plans have seen over the past few years.

Geographic Expansion Creates a Platform for Future Growth

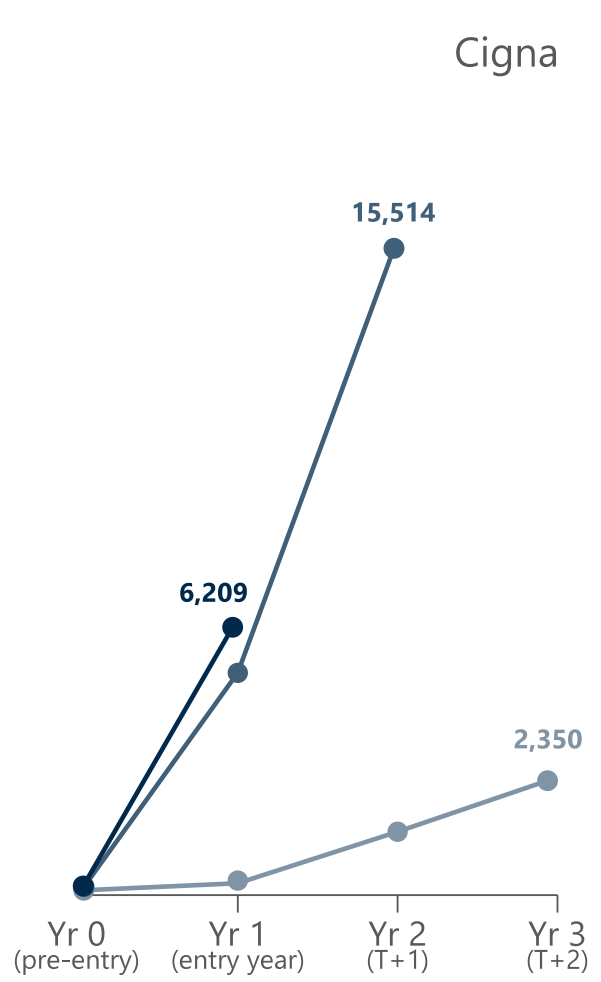
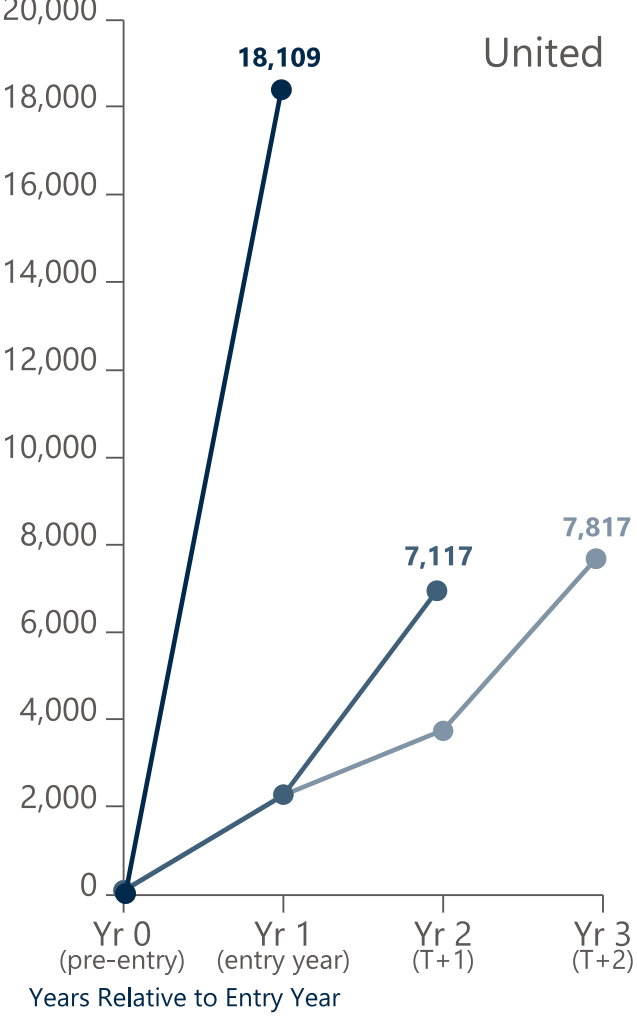
In our report last year, we highlighted new market announcements for large national and venture-backed plans. We wanted to explore how planned market expansion was contributing to share gains this year. To understand this, we studied the net-new geographies for these plans to see how new market expansion translates to enrollment growth in the first year and beyond.

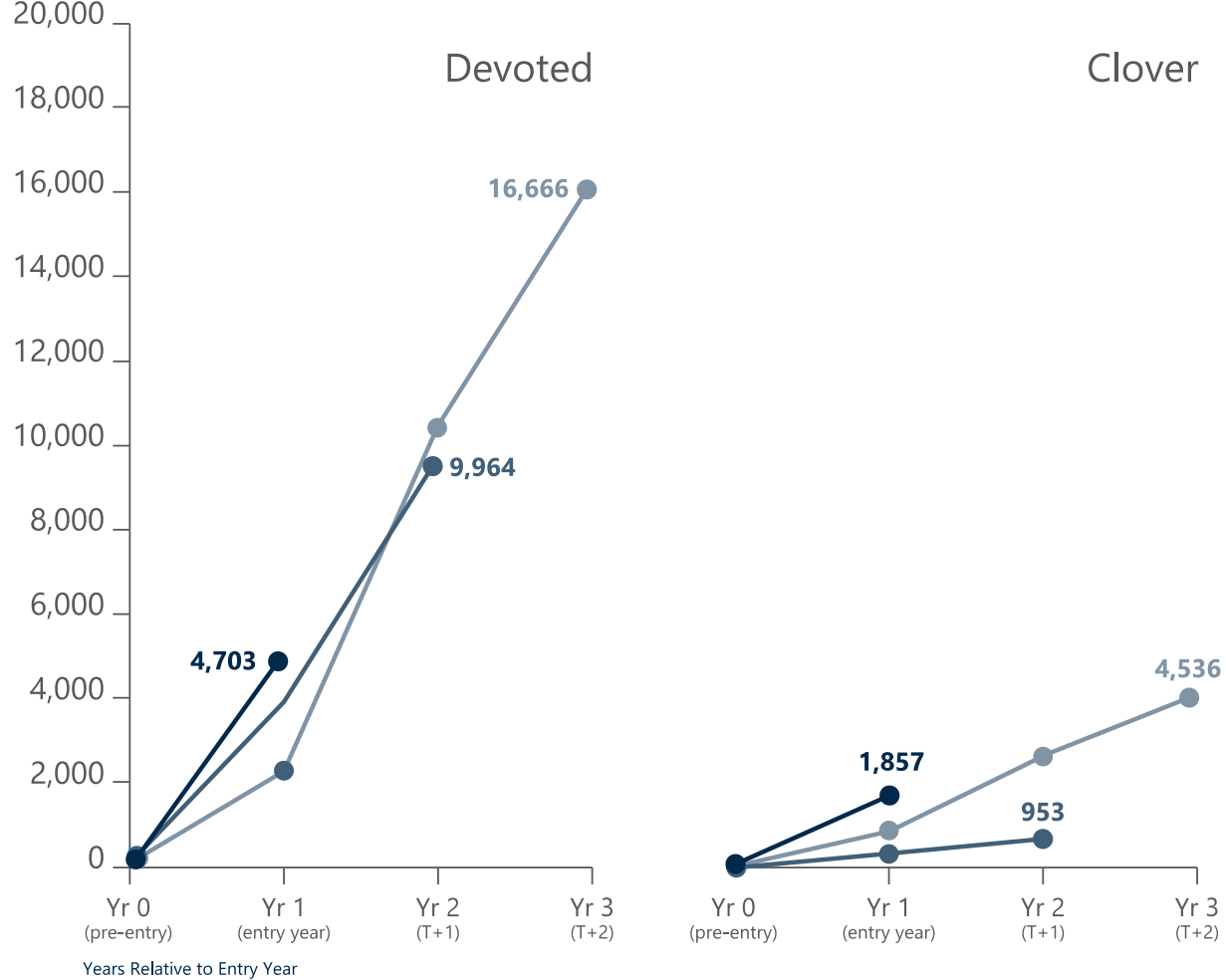
The nine health plans that shared geographic growth expectations for last year added a combined 68,000 individuals across a total of 47 states in counties that they previously had not sold into. These plans saw varied successes in new geographies, contributing to anywhere from 1 percent to 29 percent of total plan growth for the year.

Health Plan	# New Counties and States for 2021 Plan Year	# New Enrollment in Counties	% of Total Enrollment Growth
UnitedHealth	220 counties in 24 states	18,109	2.2%
Cigna	58 counties in 13 states	6,209	9.2%
Anthem	197 counties in 27 states	11,729	5.6%
Humana	113 counties in 37 states	22,864	6.2%
Aetna (CVS)	55 counties in 22 states	2,243	1.1%
Clover Health	32 counties in 5 states	1,857	16.2%
Bright Health	6 counties in 3 states	268	28.1%
Devoted Health	26 counties in 4 states	4,703	28.7%
Oscar Health	1 county in 1 state	237	13.0%

While it may not be an impressive statistic on its own, looking toward the future, we can see how plans with experience in growing geographically have scaled net-new markets over time. We profiled four select plans, two large national and two venture-backed plans, to understand how their net-new markets have performed over the same analysis period.

Enrollment Growth for Net-New Markets for Select Plans by Year of Entry



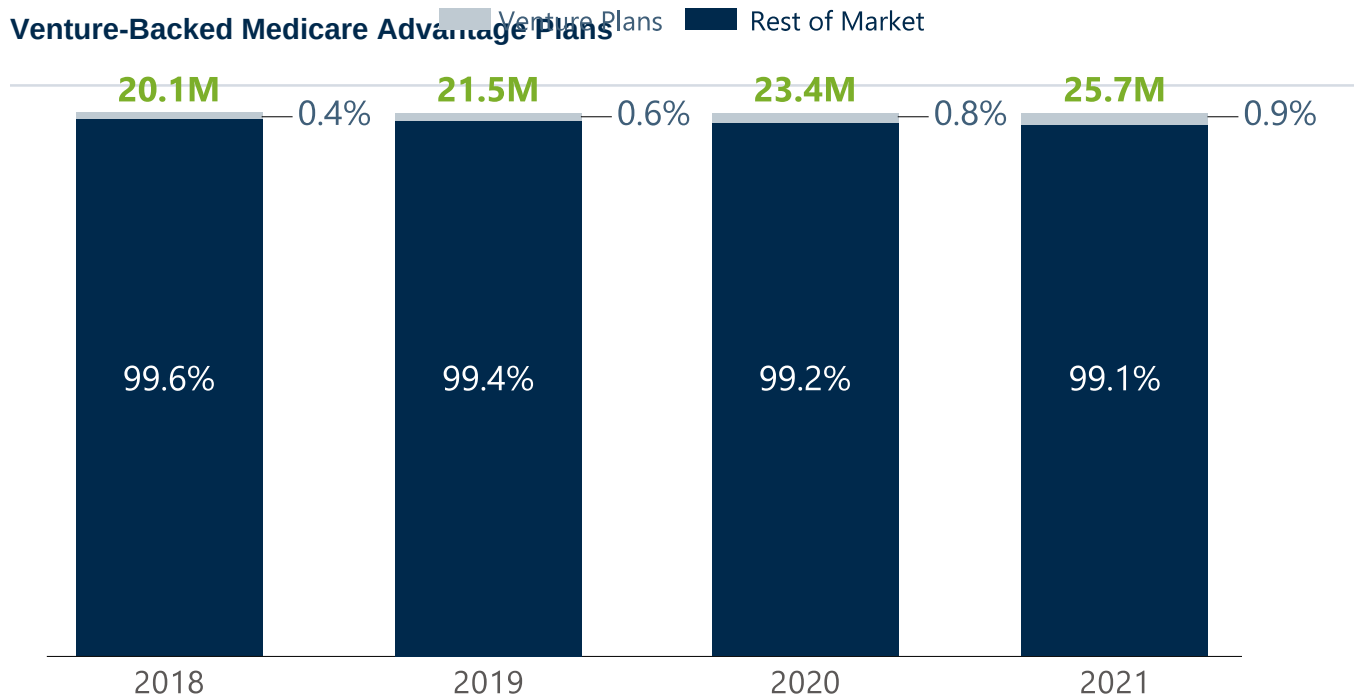


The experience that these select plans have had in scaling membership in new markets illustrates the broad successes in expanding market apertures and has contributed meaningfully to their ability to scale up at a national level. United has successfully doubled or tripled its membership annually in the years following new market entry. Other plans, both national and venture-backed, show similar aptitudes in the years following market entry. Given the plans' successes this year in expanding new market enrollment so meaningfully, we anticipate their enrollment gains in the next few years to persist and further compound.

Venture-Backed Plans Are Gaining Momentum But Still Are Small Players

The past few years have seen accelerated interest from private capital in the health plan space. Oscar was the pioneer disruptor, originally focused on the individual and family plan (IFP) market, but has since been joined by a cadre of other venture- or private-equity-backed plans seeking to disrupt the established players in the healthcare financing space in Medicare Advantage. To be sure, the cohort is small, but it is growing

quickly and gaining traction in key markets. Today, venture-backed plans make up only 0.9 percent of total enrollment, up from 0.4 percent just three years prior. In 2021 we saw three new venture-backed plans: Troy, Zing, and Clever Care, up from two new entrants in 2020: Longevity and Welbe.



Venture-Backed Plan	2018	2019	2020	2021	CAGR
Alignment Healthcare	37,193	44,263	59,179	76,780	27%
Clover Health	30,341	37,957	52,270	63,740	28%
Bright Health	21,908	36,331	48,019	62,125	42%
Devoted Health		2,096	14,964	31,333	287%
Oscar Health			1,348	3,170	135%
Longevity Health		32	801	2,103	711%
Troy Medicare				564	N/A
Friday Health Plans		642	650	563	-6%
Zing Health				430	N/A
WelbeHealth			131	300	129%
Clever Care Health Plan				270	N/A

Venture-Backed Plan	2018	2019	2020	2021	CAGR
Total	89,442	121,321	177,362	241,378	39%

Particularly noteworthy is Devoted Health's organic growth in Medicare Advantage. Despite entering the market in 2019, the plan has grown to 31,000 lives in the current plan year, doubling in size over last year. By contrast, Oscar Health, with considerable direct-to-consumer sales and health system partnership experience in the exchanges, is not seeing the same trajectory. After positioning its Medicare Advantage book in three large states (Florida, Texas, and New York), Oscar Health has just has 3,200 enrollees in Medicare Advantage products.

With these entries into the market has come interesting merger and acquisition activity. Clover Health in the third quarter of 2020 announced a merger with a blank-check company that valued their 57,000 Medicare Advantage lives (at announcement) at nearly \$3.7 billion. In the second quarter of 2020, Bright Health acquired Universal Care. This brought their approximately 5,000 Medicare Advantage lives up to 48,000. This year, the merged company has grown to 62,000 at a combined annual growth rate of +28 percent per year. Finally, Oscar Health's long-anticipated IPO expected in the first quarter of 2021 values the firm at \$6.3 billion to \$6.9 billion, up from \$3.2 billion in a private fundraising round three years earlier.

Predictions for the Future

The 2021 plan year marked a noticeable acceleration of prior years' trends. Medicare Advantage enrollment growth accelerated at the expense of Original Medicare; for-profit plan growth continues to rapidly erode Blue and non-profit market positions; and nationwide growth activities, both geographic reach and startup plans, continue to shift the competitive landscape. Accordingly, the following market trends are essential to healthcare organizations and payors' planning activities:

- **Half of all Medicare beneficiaries will be enrolled in a Medicare Advantage plan by 2025.** Our analysis suggests that we will achieve this important milestone sooner than many anticipate. There has been an explosion of interest in this space that has propelled new enrollment up considerably. We anticipate this trend to continue and for industry tailwinds to benefit Medicare Advantage enrollment, absent regulatory shifts.
- **Provider-owned non-profit plans will see better enrollment gains, which will cause a leveling-off of share losses for the non-profit plan cohort.** We are encouraged by the membership gains from the smaller non-profit plans, specifically provider-owned plans. Industry themes around managing risk and partnering will continue to drive an interest in Medicare Advantage plans by provider organizations.

- **Venture-backed plans will continue to both enter the market and accumulate membership.** Recent growth of venture-backed plans has been noteworthy. Collectively, they account for a small fraction of the market (approximately 1 percent), but the hyper-focus by private capital will continue to fuel membership gains in plans backed by them. M&A activities may prevent this cadre of plans from outright challenging the positions of existing for-profit plans, but their impact will be felt regardless.

Medicare Advantage is leading a perceptible transformation in the healthcare industry, shifting the competitive and financial dynamics for health plans and provider organizations alike. As these trends continue to play out, successfully serving this consumer segment is a strategic imperative for all organizations (health plans, health systems, financial sponsors, technology companies, and health services organizations). The next decade of healthcare will be led by organizations that succeed in doing so.

Analytic Methodology

Medicare Advantage enrollment, plan, and pricing data from CMS, January 2018–January 2021. Medicare FFS enrollment data from CMS, January 2018–January 2021. Includes all Medicare Part C Plans, including Regional PPO and Medicare Cost; limited to 50 states, and DC. Plans categorized as for-profits, Blues, and non-profit based on Chartis analysis. For market-level 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.

Source

1 Blues plans referenced include only those that are non-profit. Anthem and subsidiary plans are classified as for-profit. Non-profit plans referenced exclude non-profit Blue-branded plans and subsidiaries.

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