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Driving Meaningful Growth

HOW COMMUNITY HEALTH PLANS CAN THRIVE IN A NEW ERA OF MARKET COMPETITION

JUNE 7, 2023

Questions

- If you should have any questions during the presentation, **please submit them through the Questions box on your screen** at any time and we will address them at the end of the presentation.

- For more information, **please email us at** kbickford@chartis.com

Today's Speakers

ANNA DUNN

President, Health Services for Children with Special Needs (HSCSN), a Subsidiary of Children's National

16+ YEARS of consulting and healthcare experience, distinguished by her ability to identify opportunities for business growth and development, leverage talent, and deliver high-quality results.

PRAVITH NAMBIAR

Director, Chartis

15+ YEARS of consulting and healthcare experience in payer advisory with expertise in growth strategy, cost containment, and business architecture for new and existing products.

KIRSTEN BICKFORD

Associate Principal, Chartis

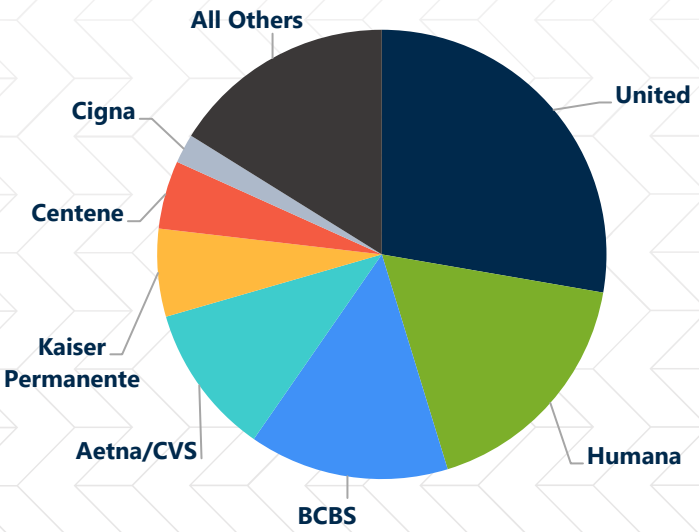
10+ YEARS of consulting and healthcare experience in payer and provider advisory with expertise in health plan operations, product implementation, regulatory compliance, and M&A integration.

Large Players Are Dominating the Market

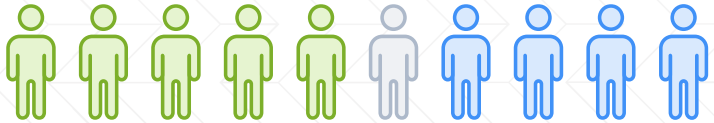
A small number of large payers continue to expand their extensive hold on the market.

United and Humana continue to control the **Medicare Advantage** market with 46% of the covered population

Medicare Advantage Enrollment in 2022



Large payers are expanding their footprint in **Medicaid MCO** states



50%

Of the Medicaid MCO population is covered by the 5 largest payers (United, Centene, Elevance, CVS/Aetna, and Molina)

12%

Of the population is covered by 9 other multi-state payers

38%

Of the population is split across 133 Local and Regional MCOs

Aetna/CVS is making big strides in the **Commercial** space, picking up high-profile employers as their new insurer

Large Payers Have Diversified Their Offerings

Alongside member care, these payers have built out different offerings, expanding their objectives and priorities. In turn, drawing comparisons with large payers can leave community health plans with a **misguided sense of direction**.

THEIR FOCUS

PROVIDERS

- United employs **over 70,000 providers** across more than 2,200 locations
- United's care delivery division, Optum Health, acquired multiple regional practices in 2022. Further, Optum Health is expected to **add 30,000 staff** when it acquires LHC Group later this year

PHARMACY BENEFIT MANAGERS

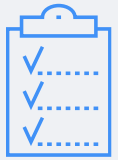
- United, Elevance, Cigna, and CVS operate the **4 largest PBMs** in the country (OptumRx, Carelon, Express Scripts, and CVScaremark)
- These four PBMs cover **90% of Americans**

RETAIL PHARMACY

- CVS operates more than **6,000 retail pharmacies**
- **85% of Americans** live within 10 miles of a CVS pharmacy

Community Plans Face Nuanced Challenges

In addition to national payers making incredible strides in the market, there are several challenges facing community health plans. Some stem from macro-economic conditions, and others may be attributable to the unique operating model that community health plans employ.



The national network requirements for the commercial market are **demanding**, and a growing share of ASO arrangements with EBITDA opportunities **are more limited**

Many community health plans are **driven by government programs**, where the premium rates are not as profitable as commercial premiums

Frequent policy changes impact government programs, leaving health plans with shifting targets

Smaller membership for community health plans require a unique operating model to ensure financial sustainability

Traditional ways to measure plan performance such as revenue, MLR, and quality scores don't adequately account for the **unique operating models of community health plans**

Reevaluating How We Assess Community Health Plans

Traditional ways to measure plan performance don't adequately account for the unique aspects of community health plan business. Conventional methods of assessing performance are not able to factor in the nuances that community health plans must contend with.

Serving Communities With Higher Prevalence of Social Needs

Community affiliated plans offer coverage for populations that have more complex social needs than traditional commercial populations, which require more investment in order to ensure positive health outcomes

Strong Alignment With Local Providers

Local and regional plans are intimately familiar with the services offered by medical and non-medical providers and resources in their communities, empowering them to connect their members to the care they need, when they need it

Deep Belief In the Mission

Community affiliated plans share a common mission to improve the health of the communities that they serve by addressing health inequities and providing care for the most vulnerable members of our population

Panel Questions

PANEL QUESTION

How do community health plans scale, considering their unique characteristics such as geography, competition, access to capital, and more?

PANEL QUESTION

How can community health plans scale and grow without overhauling their existing infrastructure?

PANEL QUESTION

What about government relations? How can community health plans better advocate for their market position?

PANEL QUESTION

What about community partnerships?

1) What types of community organizations should health plans look to work with?
2) How might they partner to enable growth and reinforce value differentiating factors for community health plans?

Key Takeaways

Below is a recap on the topics discussed today and the key takeaways that can help benefit community health plans.

MARKET OVERVIEW

- Large national plans dominate MA market and expanding Medicaid share.
- Large plans also operate the largest PBMs.
- Community plans struggle meeting national network requirements.
- ASO arrangements limit EBITDA opportunities for health plans.
- Gov. programs have less attractive premium rates
- Traditional measures don't account for unique aspects of community health plans.

HOW DO COMMUNITY HEALTH PLANS SCALE?

- Grow membership by considering product types across the consumer life journey.
- Encourage employers to offer health plan products to their employees.
- Explore partnerships with ICHRA offerings and consider the duals market.
- Articulate value proposition around continuity of care to local employers.
- Diversify revenue sources beyond premium dollars.

SCALING AND GROWTH WITHOUT OVERHAULING INFRASTRUCTURE

- Partner with local, regional, and national entities to keep premium dollars within the partnership ecosystem.
- Consider growth opportunities by partnering with other providers.
- Encourage providers to use health plan products for their employees.
- Develop multi-state models or collaborate nationally like the Blues.

ENGAGING WITH GOVERNMENT FOR MARKET ADVOCACY

- Double down on government relations and advocate for unique value propositions.
- Shape policy development in collaboration with state, CMS, and other stakeholders.

COMMUNITY PARTNERSHIP AND REINFORCING VALUE

- Embrace the community role and build brand value around it.
- Develop product offerings that account for social and non-medical factors in specific communities.
- Partner with public schools, churches, and local employers who share the same values.

Wondering What to Do Next?

- **Develop partnership models aligned with community plan goals**
- **Develop efficient operating models**
- **Build integrated economic models with provider partners**
- **Design scalable clinical models**
- **Invest in data assets and leverage insights**
- **Assess maturity level**

Questions

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