
Medicare Advantage: 2016 National Snapshot

Avalere Health LLC | May 2016



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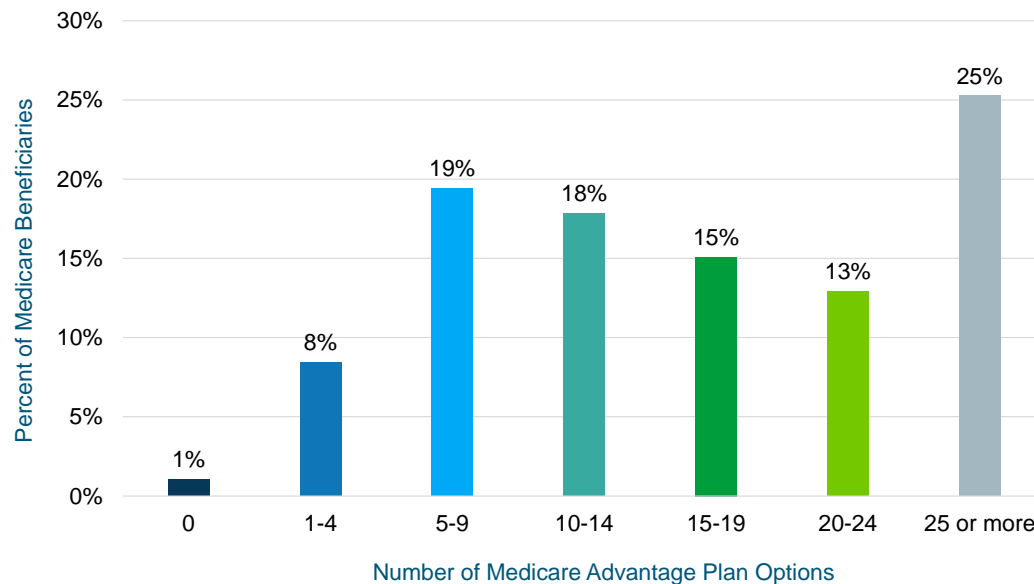
PROGRAM OVERVIEW

In 2016, more than 18 of 56 million Medicare beneficiaries receive their benefits from Medicare Advantage (MA) plans.¹ MA plans are private managed care organizations that contract with the federal government to coordinate care for Medicare beneficiaries.² MA options are available to beneficiaries in more than 3,200 counties throughout the nation.³ While MA enrollment has grown significantly in recent years, 38 million, or almost 70 percent of Medicare beneficiaries, still choose to receive their benefits from original Medicare, also known as Medicare fee-for-service (FFS).⁴

MOST MEDICARE BENEFICIARIES CAN CHOOSE FROM SEVERAL COMPETING MA PLANS

As shown in Figure 1, 91 percent of Medicare beneficiaries can choose from at least 5 MA plan options, 71 percent have a choice of more than 10 MA plans, and 53 percent can choose from at least 15 plans.⁵ As described further below, these plan options are offered by one of 178 parent Medicare Advantage organizations (MAOs) who currently participate in the MA program.⁶ Notably, 19 new MAOs entered the program in 2016. Eleven, or 58 percent, of these new entrants are sponsored by providers.⁷

Figure 1: MA Plan Options for Medicare Beneficiaries, 2016



Source: Avalere Analysis of 2016 Medicare Advantage Landscape File; February 2016 Medicare Advantage Penetration File.

Note: Options do not include employer-only (EGWP), special needs (SNP), Medicare-Medicaid Plan (MMP), or Program for the All Inclusive Care for the Elderly (PACE) plans.

Medicare beneficiaries have a wide range of plan choices. Indeed, the nearly 11 million Medicare beneficiaries who live in one of the 30 U.S. counties with the highest MA enrollment have an average of 28 plan options; Orange County alone has 40 plan options.⁸ The 10 counties with the highest MA enrollment are shown in Table 1.

Table 1: Top 10 Counties by MA Enrollment

| County, State | MA Enrollment | Number of Plan Options |
|-----------------|---------------|------------------------|
| Los Angeles, CA | 654,000 | 37 |
| Miami-Dade, FL | 276,000 | 29 |
| Maricopa, AZ | 258,000 | 21 |
| Orange, CA | 226,000 | 40 |
| San Diego, CA | 222,000 | 25 |
| Harris, TX | 201,000 | 36 |
| Riverside, CA | 188,000 | 33 |
| Cook, IL | 179,000 | 26 |
| Broward, FL | 159,000 | 28 |
| Allegheny, PA | 156,000 | 27 |

Source: Avalere analysis of 2016 Medicare Advantage Landscape File and February 2016 Medicare Advantage Enrollment File. Options do not include employer-only (EGWP), special needs (SNP), MMP, or PACE plans. Enrollment includes all types of plans. Note: Avalere rounded data to the nearest thousand.

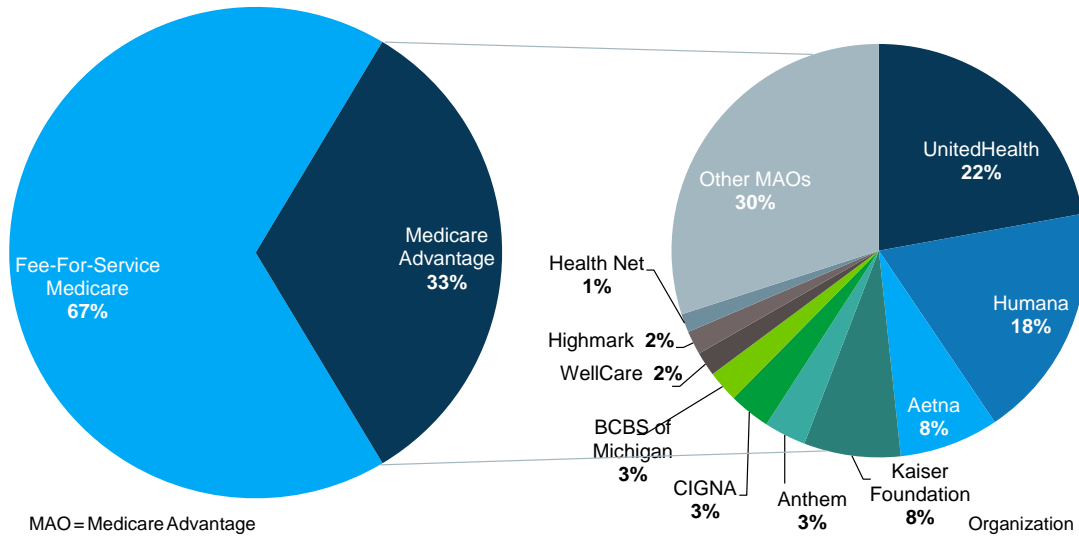
MA PLANS COMPETE WITH EACH OTHER AS WELL AS FFS MEDICARE

MA plans submit bids to provide Medicare benefits that are then compared to benchmarks based on local, county-level FFS costs. Plans that bid below the fixed FFS benchmark receive a percentage of the difference as a rebate, which they must use to provide extra benefits (like dental or vision coverage and cost sharing reductions) to enrollees. Plans that bid above the benchmark do not receive rebates. To enroll in a plan that bids above the benchmark, beneficiaries must pay a premium equal to the difference between the MA plan bid and the FFS benchmark amount. As a result, plans have an incentive to bid below the benchmark and “beat” FFS. Each year during the Annual Enrollment Period, Medicare beneficiaries can choose to enroll in an MA plan, renew enrollment in their current plan, switch plans, or disenroll and return to FFS Medicare.

MA Competitive Landscape

One hundred seventy-eight parent MAOs currently participate in the MA program.⁹ As shown in Figure 2, United Healthcare has the largest share of nationwide MA enrollment at 22 percent, followed by Humana at 18 percent.

Figure 2: 2016 Medicare Enrollment—Fee-For-Service and MA Enrollment by Parent Organization



MAO = Medicare Advantage Organization

*Includes Blue Cross Blue Shield Association Members

Source: Avalere analysis of the February 2016 Medicare Advantage Enrollment File

Note: Data includes employer plans and special needs plans (SNPs). Enrollment in Cost, MSA, PACE, and MMP plans is included in aggregate Medicare Advantage enrollment but excluded from Parent Organization share.

Alternatively, enrollment in MA plans can be considered as a percentage of total Medicare enrollment. As shown in Table 2, the parent MAOs with the highest enrollment – United and Humana – represent 6.8 and 5.7 percent of total Medicare enrollment respectively.

Table 2: Enrollment by Parent MAO as a Percentage of MA and Total Medicare Enrollment

| Parent MAO | MA Enrollment | Percent of Total MA Enrollment | Percent of Total Medicare Enrollment |
|------------------------------|---------------|--------------------------------|--------------------------------------|
| UnitedHealth | 3,795,000 | 22.1% | 6.8% |
| Humana | 3,158,000 | 18.4% | 5.7% |
| Aetna | 1,328,000 | 7.7% | 2.4% |
| Kaiser Foundation | 1,294,000 | 7.5% | 2.3% |
| Anthem | 562,000 | 3.3% | 1.0% |
| CIGNA | 554,000 | 3.2% | <1% |
| BCBS of Michigan | 420,000 | 2.4% | <1% |
| WellCare | 326,000 | 1.9% | <1% |
| Highmark | 318,000 | 1.9% | <1% |
| Health Net | 248,000 | 1.4% | <1% |
| Other MAOs (168 MAOs) | 5,140,000 | 30.0% | 9.2% |

MAO = Medicare Advantage Organization

Source: Avalere analysis of the June 2015 Medicare Advantage Enrollment File

Note: MA enrollment includes employer-only (EGWPs) and special needs plans (SNPs) but does not include enrollment in Cost, MSA, PACE, or MMP plans. Avalere rounded data to the nearest thousand.

Provider-Sponsored Plans in Medicare Advantage

Providers are continuing to leverage integrated delivery networks and build on their experience bearing risk to offer insurance to consumers across the country. Previous Avalere analyses found 70 provider parent organizations offer MA plans in 41 states in 2016.¹⁰ Specifically, 3.4 million, or 6.2 percent of all Medicare beneficiaries, are enrolled in a provider-sponsored MA plan. Nearly one in every five MA enrollees is in a provider-sponsored MA plan in 2016.

While provider-sponsored plans have a significant presence in MA nationally, they often maintain an even larger enrollment share in specific geographies. As shown below in Table 3, in the service areas where the 10 largest provider-sponsored MA plans serve beneficiaries in 2016, their share of MA enrollment ranges from 8 percent for America's 1st Choice Holdings of Florida to 33 percent for Kaiser Foundation.¹¹

Table 3: Percent of Total MA and Medicare Enrollment in Plan Service Areas for Top 10 Provider-Sponsored MA Plans by MA Enrollment¹²

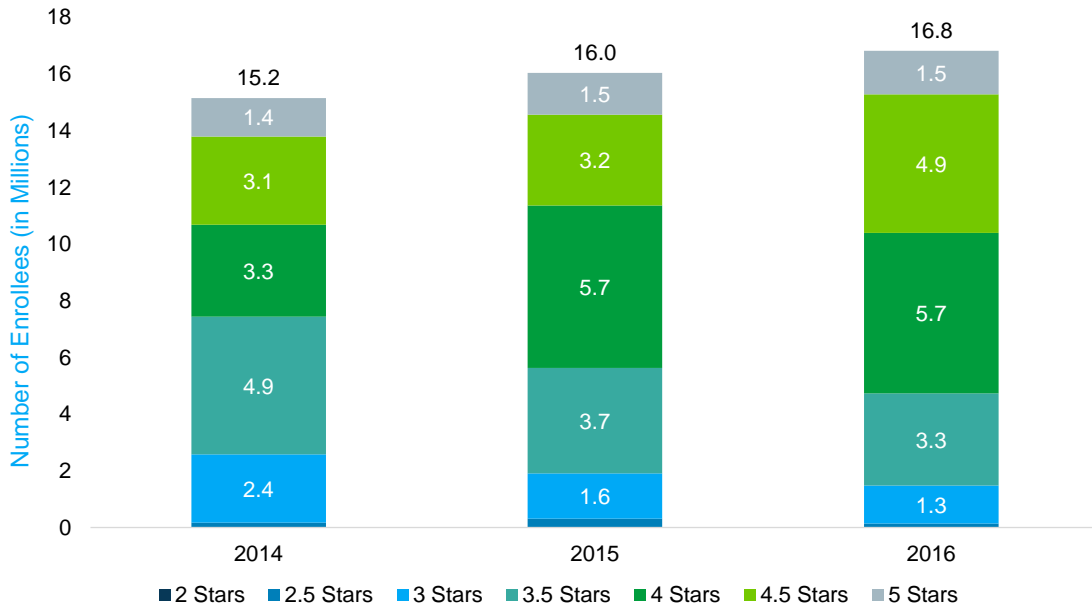
| Parent MAO | States | MA Plan Enrollment | Percent of Total Area MA Enrollment | Percent of Total Area Medicare Enrollment |
|--|------------------------|--------------------|-------------------------------------|---|
| Kaiser Foundation | CA, CO, GA, HI, OR, WA | 1,350,00 | 33% | 13% |
| InnovaCare | PR | 190,000 | 30% | 21% |
| UPMC Health System | PA | 154,000 | 29% | 16% |
| America's 1st Choice Holdings of Florida | FL | 113,000 | 8% | 3% |
| Spectrum Health System/Priority Health | MI | 108,000 | 17% | 6% |
| Group Health Cooperative | WA | 89,000 | 31% | 10% |
| Geisinger Health System | NJ, PA | 87,000 | 20% | 7% |
| Ministry Health Care | WI | 64,000 | 16% | 6% |
| Trinity Health | OH | 58,000 | 11% | 4% |
| Peoples Health | LA | 55,000 | 22% | 7% |

MORE THAN 70 PERCENT OF MEDICARE ADVANTAGE ENROLLEES IN PLANS WITH FOUR OR MORE STARS

The MA Star Ratings program grades plans based on a series of quality measures designed to assess plan performance. Plans receiving 4, 4.5, or 5 stars (on a 1 to 5 scale) receive bonus payments and rebates that are used to provide extra benefits to beneficiaries such as dental or vision care.

In 2016, 72 percent of MA enrollees are in a plan with four or more stars -- an increase from 65 percent in 2015 and 51 percent in 2014.¹³ This change is a result of two factors: plans improving their star ratings performance and individuals choosing higher rated plans. Specifically, the number of individuals picking 4.5 star plans increased by 30 percent during the 2016 Medicare Advantage open enrollment period. Meanwhile, enrollment in low-performing 2.5 and 3 star plans decreased by 8 percent respectively. While 38 percent of total MA enrollees are in plan with at least 4.5 stars, two-thirds of provider-sponsored MA plan enrollees are members of a plan with at least 4.5 stars.

Figure 3: Distribution of MA Enrollees by Star Plan Rating, 2014 - 2016



*Does not include Medicare-Medicaid dual-eligible demonstration plans, Cost, PACE, or plans without star ratings. Source: Avalere Health analysis using enrollment data released by CMS reflecting February 2014 - February 2016. Figures are rounded and may not add to totals.

REFERENCES

1. Avalere analysis of February 2016 Medicare Advantage Enrollment File. Enrollment includes Cost, MSA, demos, PACE plans.
2. "Medicare Advantage Plans," Medicare.gov. Available at <http://www.medicare.gov/sign-up-change-plans/medicare-health-plans/medicare-advantage-plans/medicare-advantage-plans.html>
3. Avalere analysis of 2016 Medicare Advantage Landscape File. There are 3,220 counties with participating MA plans.
4. Avalere Health analysis using enrollment data released by CMS reflecting February 2016.
5. Avalere analysis of 2016 Medicare Advantage Landscape File and February 2016 Medicare Advantage Enrollment File.
6. *ibid*
7. *ibid*
8. *ibid*
9. Avalere Health analysis using enrollment data released by CMS reflecting February 2016.
10. Avalere analysis of 2016 Medicare Advantage Landscape File and February 2016 Medicare Advantage Enrollment File. Percent Area MA and Percent Area Medicare rounded to nearest whole percent.
11. *ibid*
12. *ibid*
13. Avalere analysis of 2016 Medicare Advantage Landscape File.

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