Consolidation, Innovation, Flexibility Will Shape Year for MAOs

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From a loosening of Medicare Advantage uniformity requirements and telehealth restrictions to an expanded definition of supplemental benefits that MA plans may incorporate into bids, 2018 was the year of flexibility as CMS repeatedly rolled out rulemaking and subregulatory guidance. But 2019 is when plans will begin testing some of those flexibilities, which may help as the value of MA is challenged by political messaging about "Medicare for All" and other progressive health care reforms, suggest sources interviewed for AIS Health's annual Outlook Survey. Other potential challenges identified by sources include CMS's plans to finalize the use of an extrapolation methodology when collecting overpayments through ongoing risk adjustment data validation (RADV) audits and the increased use of encounter data in determining risk scores.

Here, industry experts share their predictions for 2019 on several key themes, including benefit design, industry consolidation and payment reform.

Michael Adelberg, principal, Faegre Baker Daniels Consulting: "It looks like 2019 will be the year that CMS implements RADV extrapolation, but the agency took a hard line in the proposed MA regulation [issued in October] and might make important concessions in the final rule. The 2019 bids (for Plan Year 2020) will dramatically expand the use of new supplemental and condition-specific benefits. Moreover, 2019 will be another good year for MA enrollment and plan expansions. And we will likely see new provider-insurer collaborations receiving new MA contracts."

Mark Hamelburg, senior vice president of federal programs, America's Health Insurance Plans (AHIP): Last year, "more than 360 members of Congress signed letters expressing bipartisan support for the MA program and recently 90% of seniors with MA reported they were satisfied with their coverage. These beneficiaries are sending a strong message: Medicare Advantage works and should be protected. Our focus is continuing to preserve and maintain stable funding for the MA program. Year over year enrollment continues to grow, and MA plans now offer coverage to more than 20 million beneficiaries because they consistently deliver better benefits, better results, and better value. We look forward to the opportunity to continue our work with both the Administration and Congress to strengthen and enhance the MA program.

"MA plans are very supportive and engaged when it comes to the new flexibility to offer more supplemental benefits, provided by CMS beginning in 2019….This expansion of more choice, more benefits, and more access is a testament to the ongoing value Medicare Advantage provides to seniors across the country. That's why Medicare Advantage plans continue to outperform traditional Medicare on key quality measures and why we continue to see increased enrollment year over year.

"As the Medicare Advantage program continues to grow, it's clear changes need to be made to ensure stable funding. We have consistently advocated for CMS to fix the incorrect funding formula

it uses to calculate county benchmark rates. This issue has been raised by MedPAC and other stakeholders because it leads to inaccurate MA payment rates and, in particular, lower program funding in certain counties. We strongly believe CMS should update its county benchmark calculation in the 2020 Call Letter.

"We also continue to advocate that CMS offer additional transparency and engage with insurance providers on a range of issues, including changes to the risk adjustment model and ensuring encounter data be accurate and complete before increasing its use."

Lindsay Resnick, executive vice president, Wunderman Health: "2019 will be all about differentiation. With the average Medicare beneficiary having access to over 20 MA plans, and MA competition getting tougher — the top eight MA plans have 75% market share — how does a plan stand out? Differentiating on core product or price isn't easy, so expect add-on or supplemental benefits to get creative around healthy living, transportation, in-home services, and others addressing components of social determinants of health.

"Differentiating around customer service excellence will also gain traction in 2019. Making sure the MA customer journey is personalized will set winners apart from the pack. By leveraging data-driven insights to better understand MA beneficiaries, plans will tailor 'know me and keep winning me' experiences across the customer life cycle — from brand awareness to direct-to-consumer marketing to customer onboarding to member retention. We'll see a new respect not only for customer satisfaction as part of Star Ratings, but as part of MA plans' renewed focus on 'lifetime value.'

"Lastly, expect new market entrants and partnerships to reshape the MA landscape in 2019. Whether 'disruptor' insurance plans or hospitals taking full risk on an MA plan, the potential revenue is too attractive for these players to stay away. Add to the mix market 'disintermediators' partnering with MA plans such as national pharmacy chains, big box retailers or mega-primary care networks, and you'll see markets shift and consumer loyalties challenged."

Kevin Palamara, managing director, Provident Healthcare Partners: In terms of consolidation, "I think we'll see a lot of similarities to what we saw in 2018. Within the MA landscape as you think about traditional mergers and acquisitions and who those consolidators are in the marketplace, by and large it will continue to be a market that is dominated by the strategy acquirers. And by that I mean really the large payer groups, whereas in other markets within health care we tend to see a lot more private equity investment. When you think about the larger scale deals that occurred in 2018, that would include the transaction we worked on, which was People's Health in Louisiana [being sold to] UnitedHealthcare….The large national payer groups are much more competitive when it comes to valuation on these types of transactions, obviously, because of the synergies that they bring to the table and the economies of scale.

"I think Anthem was the most active consolidator in the MA space in terms of the transactions they completed in Florida and South Carolina, trying to grow that piece in their business. And while you do see organic growth, with groups moving into new states and kind of planting a flag and setting

up from scratch, where opportunities do come up like People's Health [they will be seized by those] large-scale publicly traded payer groups."

Jon Brown, analyst, Provident: "On the venture capital side, we're seeing MA startups [e.g., Clover Health, Devoted Health]. They're different plans that are coming up with innovative ways that incorporate analytics and data capabilities to enhance their service offerings and also to help manage their members."

Palamara: "It will be interesting to see how the disruptive startups make inroads against the more traditional providers as they move into new states."

Sandeep Wadhwa, chief health officer, Solera Health, and former Colorado Medicaid director: "I've been so excited and impressed with the MA plans really leaning into new flexibility [around supplemental benefits] and I think they're looking very creatively at meals, fall prevention, transportation….It feels like there's a lot of interest in teeing that up for 2020, to bring in social determinants in a way that…there wasn't enough time to get them into [bid proposals for 2019].

"I also see a lot of energy around the chronic care supplemental benefits. I think we're certainly looking at a demo like our Diabetes Prevention Program where we have faith-based [and other organizations acting as community partners]. We have the community infrastructure that hasn't been woven into that MA payment paradigm and I'm hopeful that plans will look to those existing community assets and wrap around digital solutions for folks who can't readily access community-based solutions. I'm hoping to see that hybrid model of social determinants in the 2020 proposals."

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