

# San Francisco Health Service System Health Service Board

## Medicare Advantage Marketplace Overview

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**Prepared by:**  
Health & Benefits



# Medicare Advantage Marketplace Overview—Agenda

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- **Medicare Advantage (MA) Plans**

- Why Employers Offer MA Plans
- Sources of Savings Versus “Original Medicare”
- Cost and Quality Outcomes Study Results

- **San Francisco Health Service System (SFHSS) Medicare Plans**

- History of SFHSS Medicare Plans to Present
- MA Plan Care Models
- Star Rating System
- Linkage to Strategic Plan

- **Appendix**

- Medicare Program Overview

## MA Plans—Conclusions for SFHSS

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- **MA plans are continually growing market share among all Medicare-eligible Americans**—SFHSS was an early adopter in this trend, and all 10 counties in SFHSS’s annual survey also offer at least one MA plan.
- **Movement to exclusively MA plans in 2017 has generated significant savings for SFHSS**—Aon estimates \$10 million annually.
- **The federal government is driving advancements in rewarding providers for cost-effective, high-quality care**—MA plans are at the forefront of executing on these advancements.
  - Medicare payment reform accelerated via passage of MACRA in 2015.<sup>1</sup>
- **Demographic and cost increase trends require creative solutions to sustain government-sponsored health care for Senior Americans**—MA plans are an integral component in those solutions into the future.

<sup>1</sup> MACRA = Medicare Access and Children’s Health Insurance Program (CHIP) Reauthorization Act of 2015

## Why Employers Offer MA Plans

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- Medicare Parts A and B benefits<sup>2</sup> through the Federal Government are designed to cover the majority (about 80% to 85%) of eligible hospital and medical health care costs (rest is participant cost sharing via deductibles, coinsurance, and after plan limits)
- Thus, why would an employer offer Medicare plans over and above “Original Medicare”?
  - Fill in some or all remaining hospital and medical expenses
  - Offer coverage for prescription drug expenses that are not covered by “Original Medicare”
  - Sponsor plans that can be more cost effective than what Medicare-eligible individuals can buy on their own via the individual plan market

<sup>2</sup> See Appendix for background on types of Medicare coverages, including Part A (hospital insurance) and Part B (medical insurance)

## Why Employers Offer MA Plans

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- “Original Medicare” is an unmanaged indemnity plan characterized by a high degree of inefficiency
  - High emergency room usage
  - High hospital admission (and re-admission) rates
  - High costs for “end-of-life” support
  - Poor care coordination among primary care, institutional care, and pharmacy
- Medicare supplement plans (for instance, “Medigap”) are generally inefficient
  - They coordinate after the “Original Medicare” program—but do not provide effective care management to support retirees or manage costs
- Thus, employer-sponsored MA plans (first allowed by 1997 legislation) have steadily increased in prevalence

# Why Employers Offer MA Plans

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## MA Plans—Comprehensive and Cost-Effective

- The MA program was developed to specifically address the short-comings of the Original Medicare program and help solve Medicare’s long-term demographic and cost concerns
- With clinical and financial successes of the program over time, and continued enrollment growth, both political parties generally support the MA program—recent federal government policy actions include:
  - Rate stability
  - Beneficiary benefit flexibility
  - Enhanced MA education
  - Emerging value-based payment models in MA plans

# Why Employers Offer MA Plans

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## MA Plans—Comprehensive and Cost-Effective

- **Clinically**, the MA program is designed to support enrolled members by:
  - More effectively managing and coordinating overall care delivery;
  - Providing targeted and timely care/complex case management;
  - Managing inpatient hospitalization use and lengths of stay, including goal to reduce re-admission rates;
  - More cost-effectively supporting retiree “end-of-life” needs; and
  - Providing value-added benefits to enhance member experiences.

# Why Employers Offer MA Plans

## Comparison of “Original Medicare” and MA

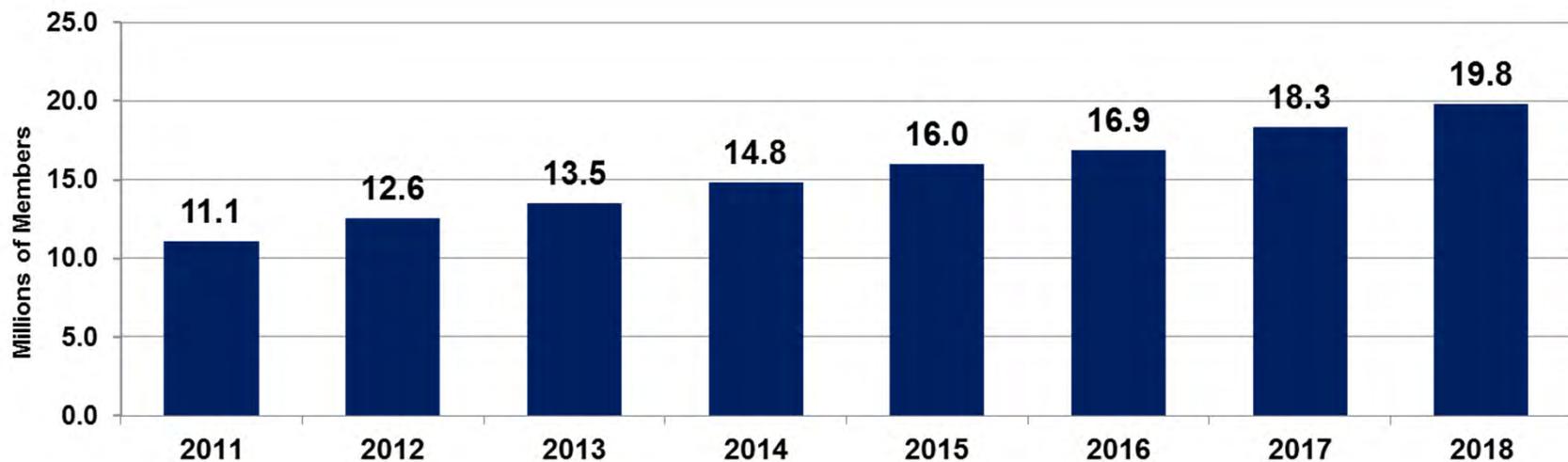
	“Original Medicare”	Medicare Advantage
<b>Costs</b>	<ul style="list-style-type: none"> <li>Member charged deductibles for Parts A and B costs, including monthly Part B premium.</li> <li>Member responsible for 20% Part B coinsurance for Medicare-covered services through participating providers and after meeting the Part B deductible.</li> </ul>	<ul style="list-style-type: none"> <li>Cost-sharing varies depending on plan.</li> <li>Usually there is a copayment for in-network care, and coinsurance for out-of-network care (PPO models).</li> <li>Plans may charge a monthly premium in addition to Part B premium.</li> </ul>
<b>Supplemental Insurance</b>	<ul style="list-style-type: none"> <li>Choice to pay an additional premium for Medigap to cover Medicare cost-sharing.</li> </ul>	<ul style="list-style-type: none"> <li>Cannot enroll in a Medigap plan.</li> </ul>
<b>Provider Access</b>	<ul style="list-style-type: none"> <li>Can see any provider that accepts Medicare (non-participating providers must collect directly from patient).</li> </ul>	<ul style="list-style-type: none"> <li>HMO models typically only in-network providers.</li> <li>PPO models can use any provider that accepts Medicare.</li> </ul>
<b>Referrals</b>	<ul style="list-style-type: none"> <li>Do not need referrals for specialists.</li> </ul>	<ul style="list-style-type: none"> <li>HMO models typically require referrals for specialists.</li> <li>PPO models typically require referred specialists to be in-network.</li> </ul>
<b>Drug Coverage</b>	<ul style="list-style-type: none"> <li>Must sign up for a stand-alone prescription drug plan.</li> </ul>	<ul style="list-style-type: none"> <li>In most cases, plan provides prescription drug coverage (higher premium may be required).</li> </ul>
<b>Other Benefits</b>	<ul style="list-style-type: none"> <li>Does not cover routine vision, hearing, or dental services.</li> </ul>	<ul style="list-style-type: none"> <li>May cover additional services such as vision, hearing, and/or dental (these may increase your premium and/or other out-of-pocket costs).</li> </ul>
<b>Out-of-Pocket Limit</b>	<ul style="list-style-type: none"> <li>No out-of-pocket limit.</li> </ul>	<ul style="list-style-type: none"> <li>Annual out-of-pocket limit.</li> <li>Plan pays the full cost of your care after you reach the limit.</li> </ul>

**Source:** Medicare Rights Center: [www.medicareinteractive.org](http://www.medicareinteractive.org)

# Why Employers Offer MA Plans

## MA Plan Growth In Recent Years

- There are about 20 million Medicare-eligible Americans now enrolled in MA plans (1/3 of the 60 million Medicare eligible Americans), across 200+ health insurers supporting the program
- MA plan membership (in millions, below) is on the verge of doubling since the start of the 2010s:



# Why Employers Offer MA Plans

## MA Plan Growth In Recent Years

- The Baby Boomer generation is aging into Medicare eligibility at a rapid rate (“Baby Boomers”—born between 1946 and 1964—so now age 54 to 72)
- And, the vast majority of this growth is presenting in MA plans versus other forms of Medicare coverage: <sup>3</sup>

	Population (in Millions)		
	2013	2017	4-Year Growth
Total Medicare Eligible Americans	52.4	58.5	6.1
MA Plan Enrollment	13.5	18.3	4.8
MA as Percentage of Total	26%	31%	79%

<sup>3</sup> Source: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Dashboard/Medicare-Enrollment/Enrollment%20Dashboard.html>

# Why Employers Offer MA Plans

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## MA Program Growth Today and Into the Future

- The Centers for Medicare and Medicaid Services (CMS), the Federal Government entity responsible for overseeing Medicare programs, projects continued significant program growth going forward—especially as overall premiums nationally are expected to decline between 2018 and 2019
  - Nearly **83%** of MA plan enrollees remaining in their current plan will have the same or lower premium in 2019
  - CMS is expecting about **600 new MA plans nationwide** in 2019—growing to about 3,700 total
  - In 2019, **99%** of Medicare beneficiaries will have access to an MA plan—and most of these (91%) will have access to 10+ MA options
  - CMS is projecting **12% enrollment growth** from 2018 to 2019 for MA plans nationally (to more than 22 million members)

# Why Employers Offer MA Plans

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## **New MA Plan Flexibilities**

- Expanded application of “Supplemental Benefits” to allow items that aren’t directly health-related if they are used to:
  - Diagnose, prevent, or treat an illness or injury
  - Compensate for physical impairments
  - Act to relieve the functional / psychological impact of injuries or health conditions
  - Reduce avoidable emergency and healthcare utilization
- Enabled Value-Based Insurance Design (VBID) features that allow MA plans to provide members with access to benefit designs that meet their individual, calibrated needs—with goal to improve health and treatment outcomes
- Examples of above are outlined on the next page—several of which are now included in SFHSS’s MA plan offerings

# Why Employers Offer MA Plans

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## Examples of Current-State MA Design Enhancements

- Expanded health-related supplemental benefits, such as:
  - Adult day care services
  - In-home support services
  - Caregiver support services
  - Acupuncture
  - Home-based palliative care and therapeutic massage
  - Care-related transportation services
  - Personal emergency alert system “help buttons”
- Reduced cost sharing and additional benefits for enrollees with certain conditions, such as diabetes and congestive heart failure, due to CMS’ reinterpretation of “uniformity”

# MA Plans—Sources of Savings Versus “Original Medicare”

## MA Plans are structured to reduce cost and improve quality of care

Source	Theme	Comments
1) <b>Optimizing Reimbursement</b>	<b>Federal Subsidies</b>	<ul style="list-style-type: none"> <li>■ Prior to 2018, Medicare Advantage plans are subsidized to a greater extent than the traditional Medicare program; parity is expected thereafter</li> <li>■ Plans invest these subsidies in efficient care delivery and member/provider outreach strategies to manage care, align incentives, reduce cost, and drive value</li> </ul>
	<b>Risk Adjustment</b>	<ul style="list-style-type: none"> <li>■ Federal subsidies are modified based on actual member health status to support payment equity among plans, which creates an incentive to serve all beneficiaries and accurately capture and report actual health claims data under the plan</li> </ul>
	<b>Star Program Bonuses</b>	<ul style="list-style-type: none"> <li>■ Plans with strong CMS quality ratings receive bonuses/additional reimbursements from Medicare, which creates an incentive toward quality care, and generates additional savings opportunities for plans that qualify</li> </ul>
2) <b>Building Provider Relationships</b>	<b>Provider Collaboration</b>	<ul style="list-style-type: none"> <li>■ Strategic arrangements between the plan and key providers are common</li> <li>■ Include performance incentives to drive appropriate retiree utilization and capture complete/accurate encounter data that supports risk adjustment opportunity</li> </ul>
3) <b>Improving Member Health</b>	<b>Care Management</b>	<ul style="list-style-type: none"> <li>■ Offer enhanced preventive benefits relative to Medicare</li> <li>■ Provide a coordinated, integrated approach to care and benefits                             <ul style="list-style-type: none"> <li>— Aims to reduce emergency room visits, hospital admissions, and lengths of stay</li> </ul> </li> <li>■ Offer enhanced case management for complex medical needs and “end-of-life” care</li> </ul>

**Employers committed to a group-based Medicare retiree benefits strategy should consider an MA approach; carriers indicate that such an approach can generate at least 10% savings relative to traditional plan offerings, due to superior care management**

## MA Plans—Cost and Quality Outcomes Study Results

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- A recent study<sup>4</sup> by Avalere Health, a consulting firm headquartered in Washington, D.C. specializing in strategy, policy, and data analysis in the health industry space, documents evidence regarding the value of MA plans relative to fee-for-service Medicare.
- The study found MA plans' focus on preventive services results in lower utilization of high-cost healthcare services, lower overall costs for high-need beneficiaries, and consistently better quality outcomes for similar groups of Medicare beneficiaries.
- MA plan members with chronic conditions experience better quality of care and quality of life than similar fee-for-service Medicare beneficiaries, and MA plans achieve this at lower cost for the most high-need beneficiaries including those who are clinically complex, have more clinical and social risk factors, and/or have dual eligible status.

<sup>4</sup> “Medicare Advantage Achieves Cost-Effective Care and Better Outcomes For Beneficiaries with Chronic Conditions Relative to Fee-for-Service Medicare”, Avalere Health, July 2018

## SFHSS Medicare Plans—MA Plan Offering Overview

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- SFHSS MA plans support range of retiree geographies:
  - Choice among two plans—**Kaiser Permanente Senior Advantage (KPSA)** and **UnitedHealthcare (UHC) MA PPO**—in Northern California where about 90% of SFHSS retirees reside
  - Comprehensive national MA plan (UHC MA PPO) for remaining 10% living elsewhere
- Per City Charter formulas for employer contributions:
  - Medicare retiree only coverage in both plans have no retiree contributions presently
  - Medicare retirees covering one or more dependents have some level of retiree contribution (varies by plan based on each plan's total cost rates)

# SFHSS Medicare Plans—History of Offerings

## Milestone Dates of Significant Changes

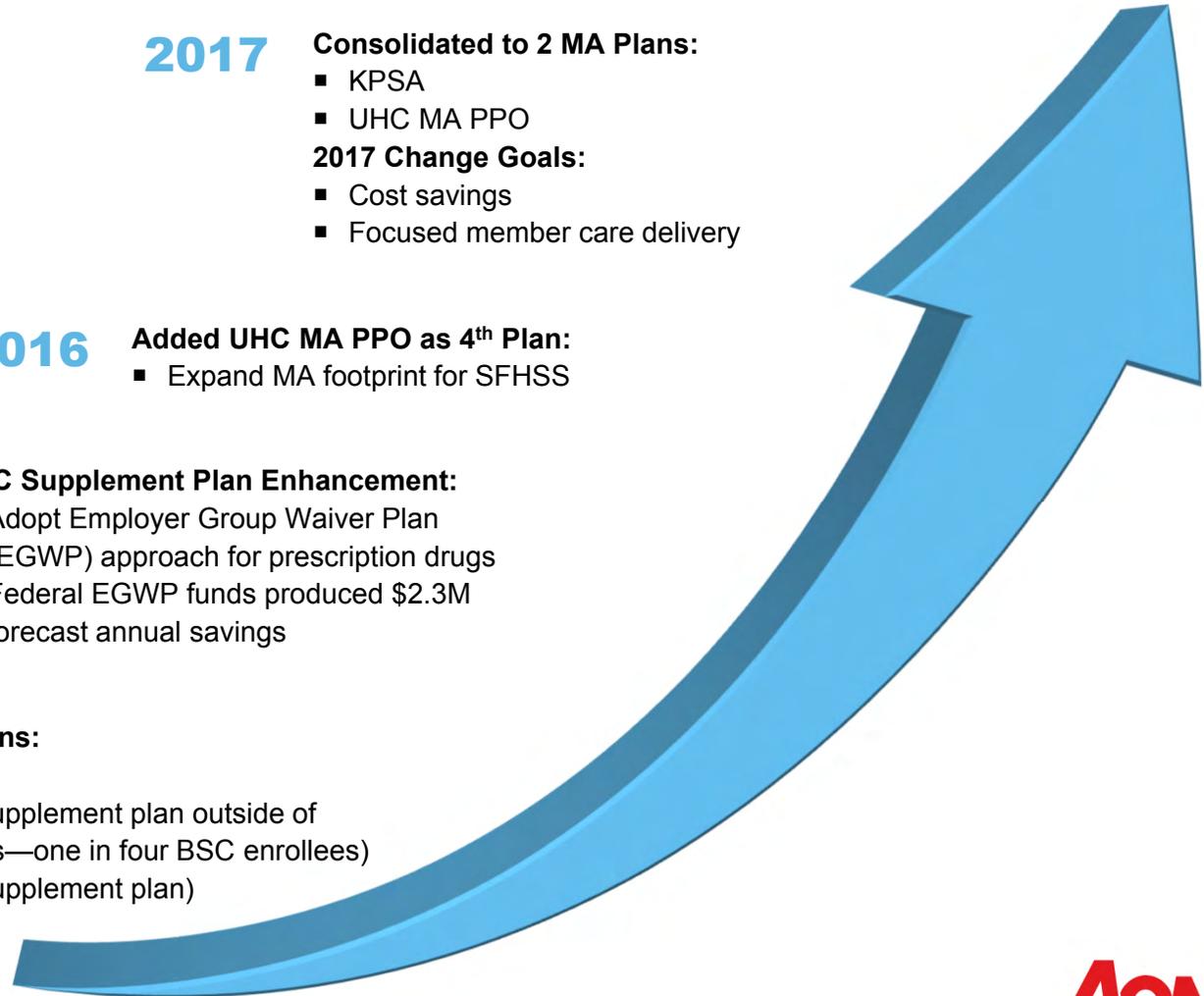
- 2017** Consolidated to 2 MA Plans:
- KPSA
  - UHC MA PPO
- 2017 Change Goals:**
- Cost savings
  - Focused member care delivery

- 2016** Added UHC MA PPO as 4<sup>th</sup> Plan:
- Expand MA footprint for SFHSS

- 2013** UHC Supplement Plan Enhancement:
- Adopt Employer Group Waiver Plan (EGWP) approach for prescription drugs
  - Federal EGWP funds produced \$2.3M forecast annual savings

**Early  
2010s  
and  
Prior**

- Three Medicare Plans:**
- KPSA
  - BSC MA HMO (supplement plan outside of HMO geographies—one in four BSC enrollees)
  - UHC City Plan (supplement plan)



## SFHSS Medicare Plans—2017 Changes Rationale

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- Consolidation to KPSA and UHC MA PPO plans occurred for 2017 plan year— as two other plans were eliminated
  - BSC MA/supplement plan eliminated after 2016
  - UHC supplement plan with EGWP (“City Plan” for Medicare retirees) eliminated after 2016
- UHC supplement plan elimination allowed for existing City Plan Rate Stabilization reserve amounts dedicated to Medicare retiree rating to be re-directed for the benefit of City Plan active employees and early retirees
- Thus, 2017 plan changes generated overall significant plan savings on SFHSS Medicare retiree health plan spend (see next page), **AND** allowed for higher rate stabilization rating offsets in 2017 and 2018 for City Plan active employees and early retirees

## SFHSS Medicare Plans—Savings From 2017 Changes

- Aon’s retrospective analysis of subsequent UHC MA PPO rating actions, relative to best-estimate rating actions had other plans been maintained<sup>5</sup>, validates the original savings estimate—and continued projected growth
- Aon’s total premium estimate for SFHSS Medicare plans, 2017-2019:

	2017	2018	2019	3-Year Summary
Actuals Based on Premiums and Enrollment—UHC MA PPO and KPSA	\$106,438,000	\$125,864,000	\$118,281,000	\$350,583,000
Best Actuarial Estimate, if All 2016 Plans Offered into 2017-2019	\$116,419,000	\$135,392,000	\$129,459,000	\$381,270,000
Savings—Actual Rate-Based Cost vs. "What If" No-Changes Estimate	\$9,981,000	\$9,528,000	\$11,178,000	\$30,687,000

<sup>5</sup> Leveraging actual 2017 renewals for these eliminated plans as well as consistent trend assumptions for “no change” and “actual change” scenarios

## SFHSS Medicare Plans—2017 Changes Rationale

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- Further rationale for 2017 SFHSS Medicare plan actions included:
  - Plan design improvements relative to UHC supplemental plan, including coinsurance elimination
  - Focused medical management programs as part of the MA plan that close gaps in care with goal of improving health outcomes
  - Additional programs tailored to meet specific needs of Medicare-eligible population (such as Silver Sneakers, House Calls, Rewards for Health)
  - Strong UHC MA PPO plan geographic availability—highest market share (26%) of any health plan in national MA plan market

## SFHSS Medicare Plans—Care Models

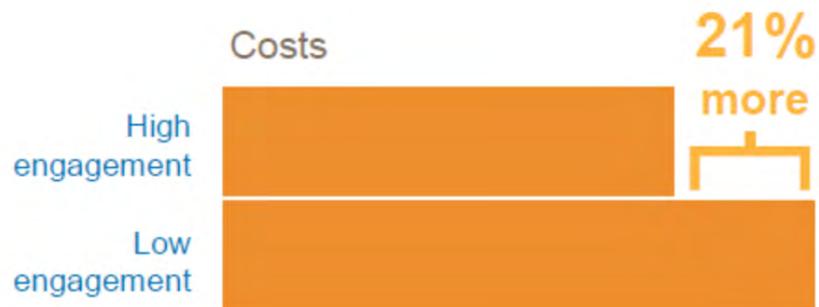
- The KPSA and UHC MA PPO plans for SFHSS deliver member care in different ways, based on their models:

	<b>KPSA ("Local")</b>	<b>UHC MA PPO ("National")</b>
Provider access	In-Network providers only (except emergency room)	Any provider that accepts Medicare
Out-of-network care covered?	No, except in case of emergency	Yes, if provider accepts Medicare
Primary Care Physician (PCP) selection required?	Yes	No
PCP referral to specialists required?	Yes	No

- KPSA plan, by its nature, is able to guide member care through its “patient centered medical home” approach via a member’s PCP
- UHC’s MA PPO plan must rely on innovative touchpoints with members to enhance its ability to support members with their care needs

## SFHSS Medicare Plans—KPSA Care Model

- Integrated care delivery combined with advanced electronic health record technology make it easier for KPSA members to actively participate in and manage their care
- Engaged patients experience better health outcomes at lower costs



\* Hibbard and Greene, *Health Affairs*, February 2013.

# SFHSS Medicare Plans—KPSA Care Model

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## Telehealth



### **Save a trip to the doctor's office with a phone call**

You can schedule phone appointments or use our call center for on-demand urgent care.



### **Schedule face-to-face video appointments with a doctor**

You can meet with specialists, and get on-demand video visits with on-call physicians.



### **Connect with a care team anytime via email**

You can expect responses from their doctor's office within 24 hours.



### **Stay on top of health concerns 24/7 on [kp.org](http://kp.org)**

By registering at [kp.org](http://kp.org), you can choose a doctor, schedule routine appointments, view most lab results, and more.

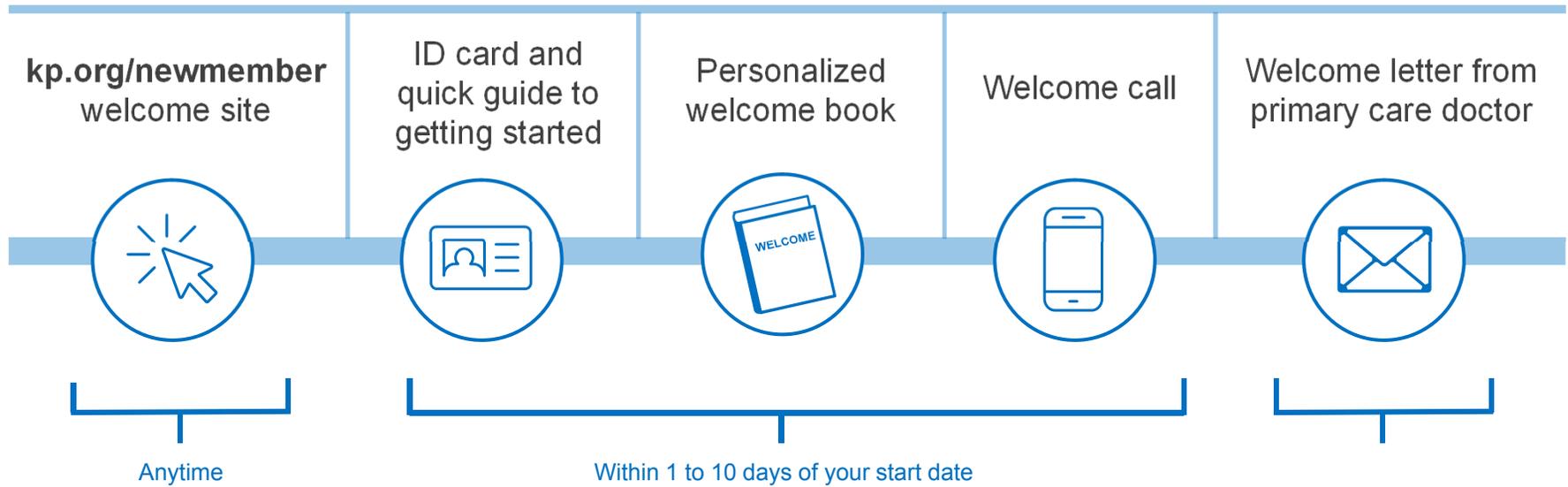


### **Bring a remote specialist into the room**

During primary care or Emergency Department visits, doctors can consult with specialists to save crucial time.

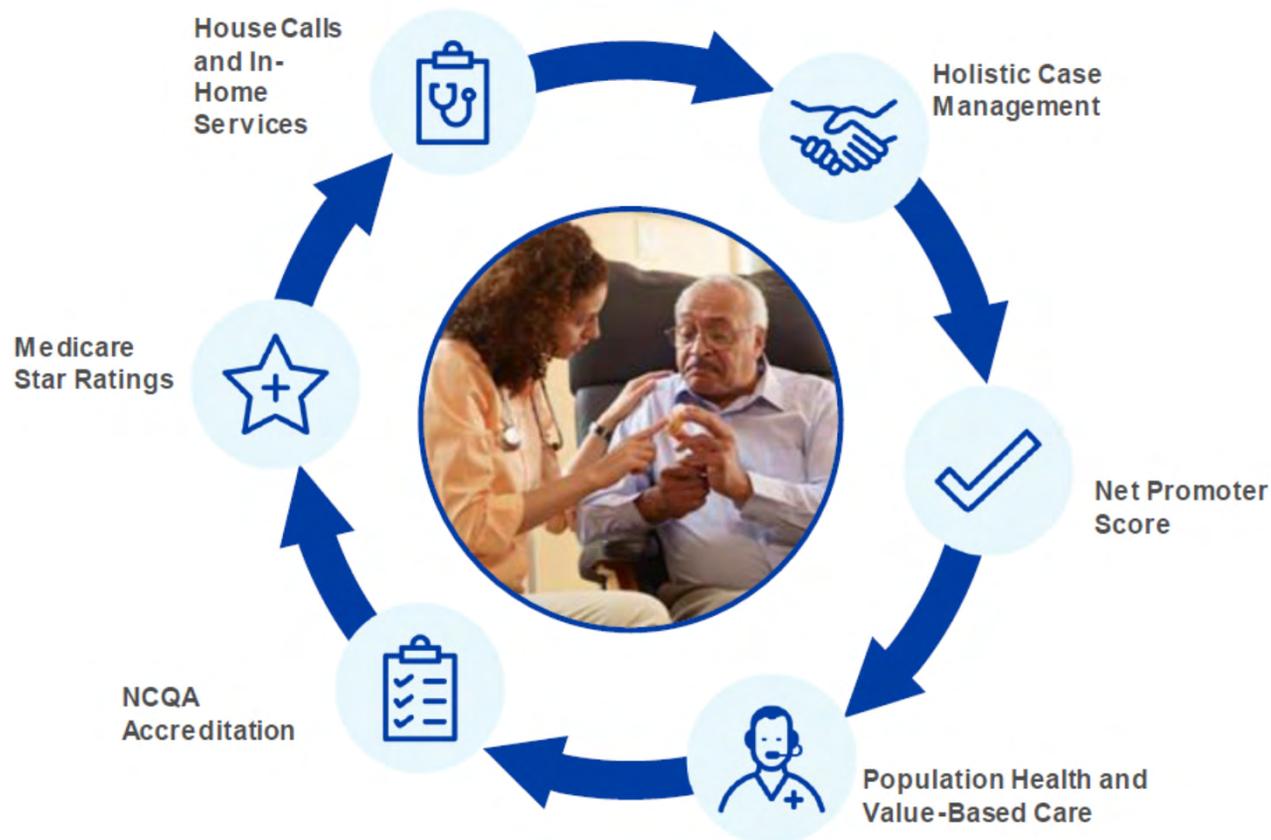
# SFHSS Medicare Plans—KPSA Care Model

## ▶ What new members can expect



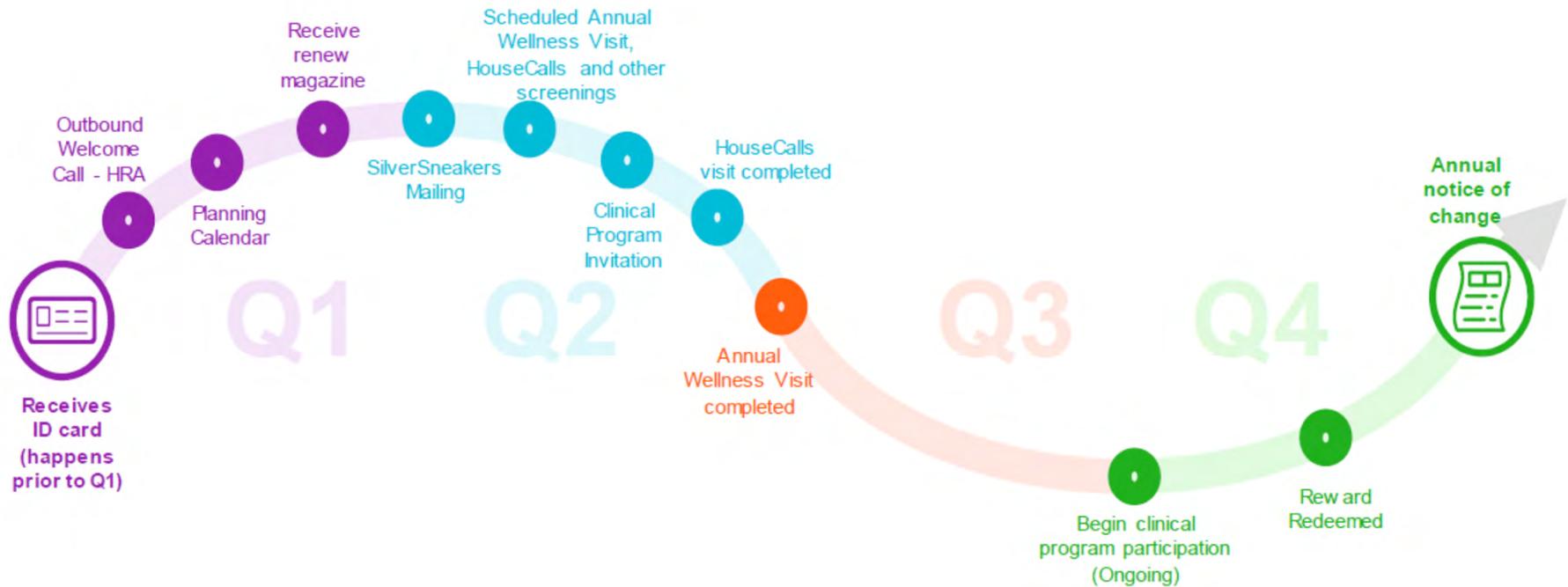
# SFHSS Medicare Plans—UHC Care Model

- UHC’s MA PPO plan must rely on innovative touchpoints with members and a comprehensive approach to care delivery to enhance its ability to support members with their care needs



# SFHSS Medicare Plans—UHC Care Model

## UHC's MA Approach Promotes Health Connections With Members



# SFHSS Medicare Plans—UHC’s House Calls Program

An innovative home assessment program available to over ~90% of retirees

## Our Best in Class Solution



Our Nurse Practitioners are full time UnitedHealthcare employees



We are the largest private sector employer of Nurse Practitioners in the country with ~1,600



Most real time and holistic member view through the utilized tablet during the visit



All data is fully integrated with all other clinical programs

## Benefits

Increases collaboration with member's PCP

Prevents complications

Identifies gaps in care

Enhanced care coordination

Increased adherence to care plan

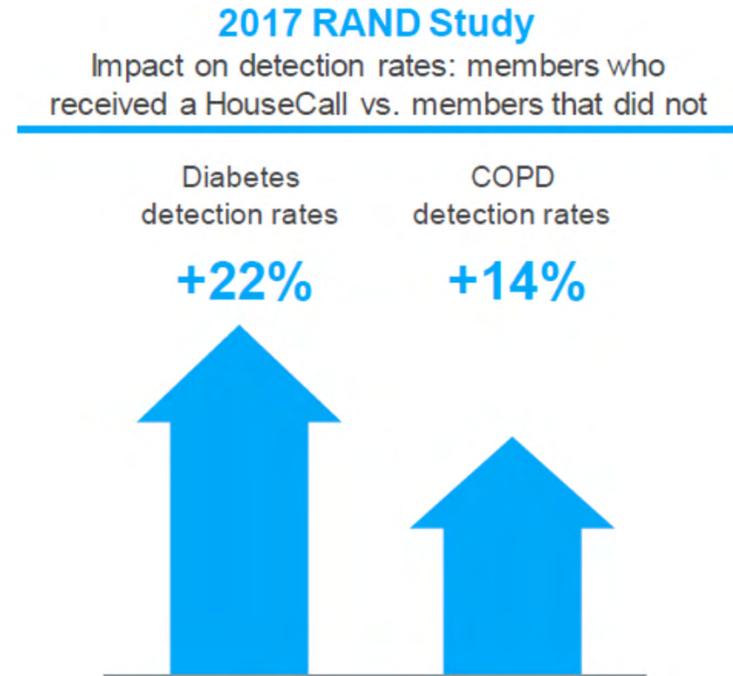
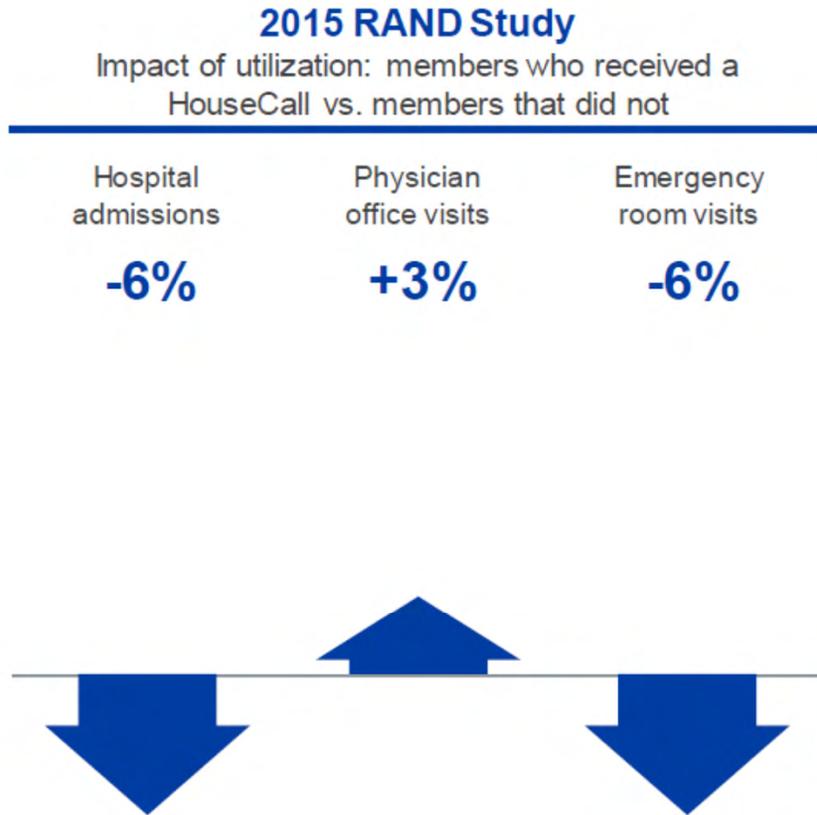
**Nearly 50% of visits result in a program referral**

**Over 2,800,000 visits completed with a retiree satisfaction rate of 98%<sup>1</sup>**

**NOTE:** Similar home-based evaluation programs are typically provided by national MA PPO carriers

# SFHSS Medicare Plans—UHC’s House Calls Program

## Demonstrated Value of UHC’s House Calls Program



Sources: Soeren, M. et al. Medicare Home Visit Program Associated With Fewer Hospital And Nursing Home Admissions, Increased Office Visits. Health Affairs. 2015;34: 2138-2146; Han D et al. Detection of Undiagnosed Disease in Medicare Beneficiaries After a Clinical Home Visit. Population Health Management. 2017;20:41-47.

## SFHSS Medicare Plans—Star Ratings

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- CMS Star Ratings impact the amount of Federal Government bonus funding that an MA plan receives—and the higher the funding, the lower the plan's premium to employers/individual members
- Medicare scores how well plans perform in several categories, culminating in a rating from one star (worst) to five stars (best)—MA criteria include:
  - Staying healthy—screenings, tests, and vaccines
  - Managing chronic (long-term) conditions
  - Plan responsiveness and care
  - Member complaints, problems getting services, and choosing to leave the plan
  - Health plan customer service

## SFHSS Medicare Plans—Star Ratings

- High Star Ratings are difficult to achieve—less than half earn 4 or higher

Overall Star Rating	2019 Number of Contracts	2019 Percentage of Rated Contracts	2019 Rated Weighted by Enrollment
5 Stars	14	3.7%	8.9%
4.5 Stars	63	16.8%	26.4%
4 Stars	93	24.7%	38.6%
3.5 Stars	124	33.0%	18.9%
3 Stars	66	17.6%	6.9%
2.5 Stars	16	4.3%	0.3%
2 Stars	0	0.0%	0.0%
Total Rated Contracts	376	100.0%	100.0%
Not Enough Data Available	94		
Plan Too New to be Measured	116		
Average Star Rating (weighted by enrollment)	4.05		

- Even so, the KPSA (maximum 5 rating) and UHC MA PPO (4.5 rating) plans are delivering high Star Ratings
- High Star Ratings benefit SFHSS and its members as they help in maintaining affordable premiums for SFHSS MA plans

# SFHSS Medicare Plans—Linkage to Strategic Plan



## Affordable and Sustainable

*We aspire to transform health care purchasing and care delivery to provide quality, affordable and sustainable health care for our current and future members through value driven decisions, programs, designs, and services.*

- ▶ **Medicare Advantage plans offer the greatest ability for SFHSS to sustain affordable plans for Medicare retirees and dependents.**



## Reduce Complexity and Fragmentation

*We believe in moving toward an integrated delivery system, focusing on primary care and prevention, and targeting and personalizing care.*

- ▶ **SFHSS Medicare Advantage plans guide members in partnership with patient advocates within the KPSA and UHC MA PPO models to encourage preventive care, and seek appropriate care alternatives when needs arise.**



## Engage and Support

*We aim to activate programs, services, and resources that address the entire cycle of health, elevating engagement, and strengthening member knowledge and confidence in accessing and using health and benefit plans.*

- ▶ **Medicare Advantage plans allow for “value-added” benefits that go beyond core health plan coverage—such as enhanced nutritional counseling, post-discharge meal services, care-related transportation services, fitness programs, and more.**

# SFHSS Medicare Plans—Linkage to Strategic Plan

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## Choice and Flexibility

*We believe in offering a spectrum of designs, costs and services and collaborating with our stakeholder organizations, agencies, and departments to deliver on the whole person perspective.*

- ▶ **SFHSS Medicare Advantage plans offer two high-value choices for most of our Medicare retirees—KPSA’s local HMO model in Northern California, and UHC MA PPO’s national PPO model. Even for those living outside of KPSA service areas, the UHC MA PPO model meets retiree plan needs as a geographically comprehensive plan.**



## Whole Person Health and Well-being

*We believe an organization that values and holistically supports members and their families’ lives holistically and that fosters an environment and culture of well-being will have a happier, healthier, and more engaged population.*

- ▶ **Medicare Advantage plans are designed to support members across their spectrum of health needs—from preventive care emphasis all the way through coordinated care across multiple touchpoints when needing care.**

# Appendix—Medicare Program Overview

## Appendix—Medicare Program Overview

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**Medicare is a federally administered health insurance program that was signed into law in 1965—Medicare covers three population segments:**

- Those age 65 and older;
- Those under age 65 with certain disabilities; and
- Those of any age with End-Stage Renal Disease (permanent kidney failure requiring dialysis or kidney transplant).

**“Original Medicare” consist of two parts:**

- **Part A, Hospital Insurance**—automatic enrollment (generally), funded through Medicare payroll taxes on employers and employees.
- **Part B, Medical Insurance**—voluntary enrollment that requires a Part B premium from participants (premium covers about 25% of program costs; remaining 75% is funded through general tax revenue).

## Appendix—Medicare Program Overview

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### Subsequent developments in Medicare programs to address “Original Medicare” shortcomings:

#### ■ Part C, Medicare Advantage Program

- Administered by Medicare-approved private insurance companies with a variety of available plans (e.g., HMO, PPO, fee-for-service, etc.)
- Must provide Medicare Parts A and B benefits at minimum, but typically provide more (prescription drugs and other benefits)
- Voluntary enrollment which requires a Part B premium, and may require an additional premium
- Medicare contributes funding to these private insurance plans directly through an annual bid process to support Medicare A and B benefits

## Appendix—Medicare Program Overview

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### Subsequent developments in Medicare programs to address “Original Medicare” shortcomings (continued):

#### ■ Part D, Prescription Drug Coverage

- Introduced by the Medicare Prescription Drug Improvement and Modernization Act of 2003
- Administered by Medicare-approved private insurance companies
- Must provide at least the minimum level of Medicare Part D benefits, with some plans providing additional prescription drug benefits
- Voluntary enrollment which requires a Part D premium, and may require an additional premium
- Premium targeted to cover 25.5% of program costs; 74.5% funded through general tax revenue
- Medicare contributes funding to these private plans directly through an annual bid process to support Medicare D benefits