



Mark Farrah Associates™

*A Wave of Insight*



Medicare's Changing Landscape:  
*Targeting Growth Opportunities*

LuAnne Farrah, President  
October 13, 2010



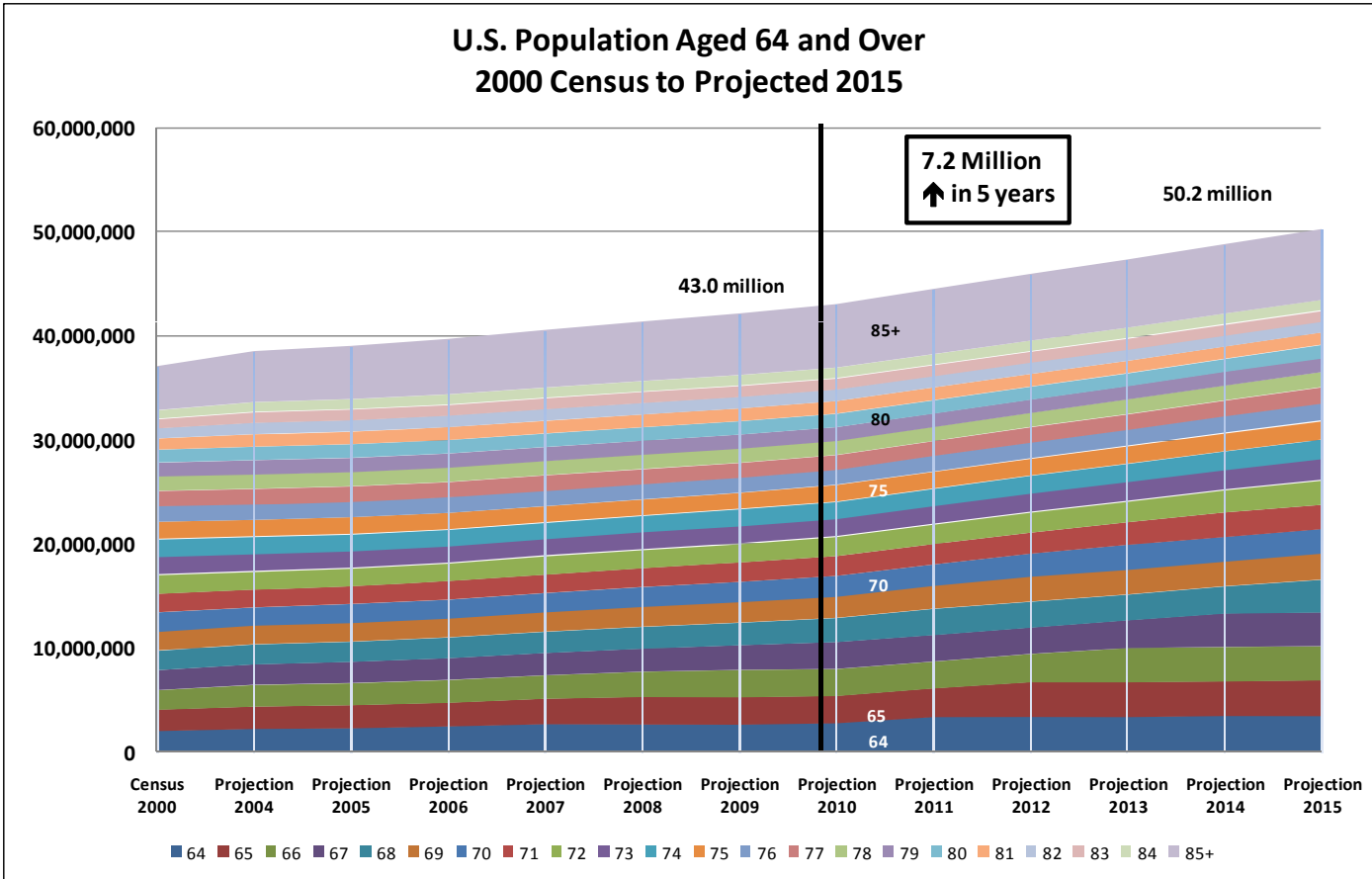
## *Presentation Overview*

- Changing Landscape
- Competitive Environment
- The Opportunity Ahead



# *Changing Landscape*

# Senior Market Outlook

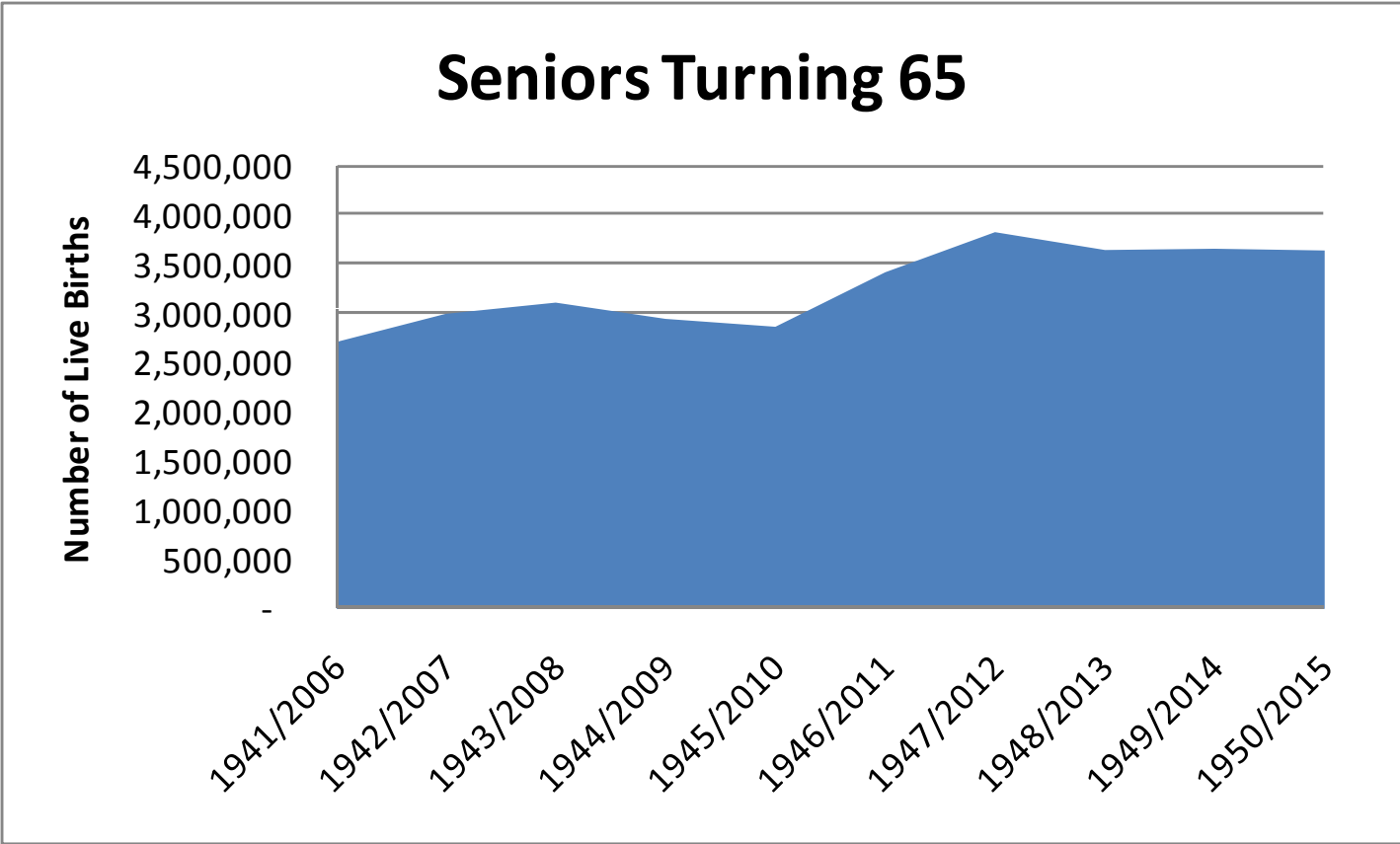


## *The Baby Boom Wave...*



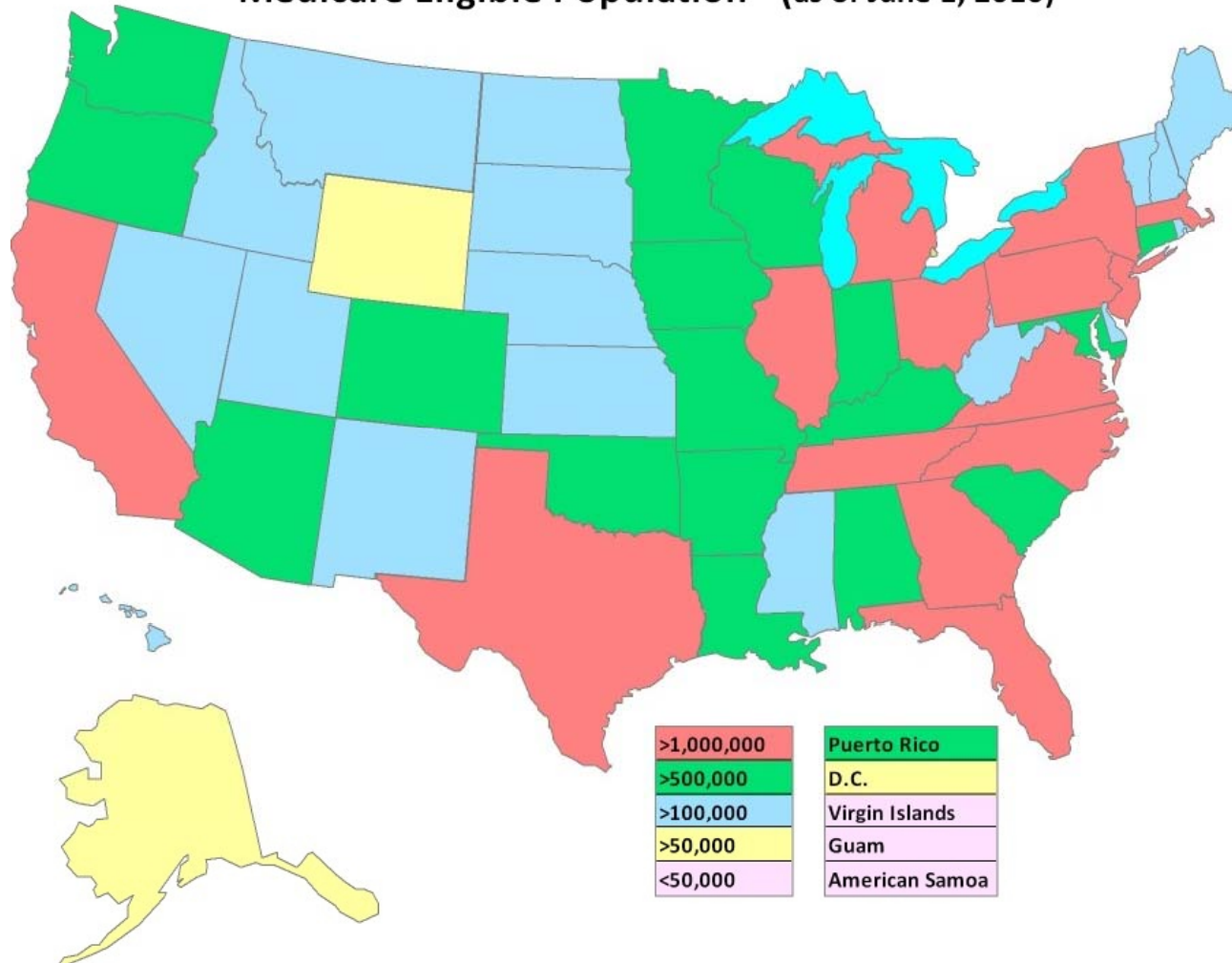
- Critical “over 65” population spike in 2011 & 2012
- Almost a million new Medicare prospects
  - Roughly 950,000 more Medicare eligibles over and above 2010 experience

# Medicare Terrain 2006 - 2015





## Medicare Eligible Population - (as of June 1, 2010)



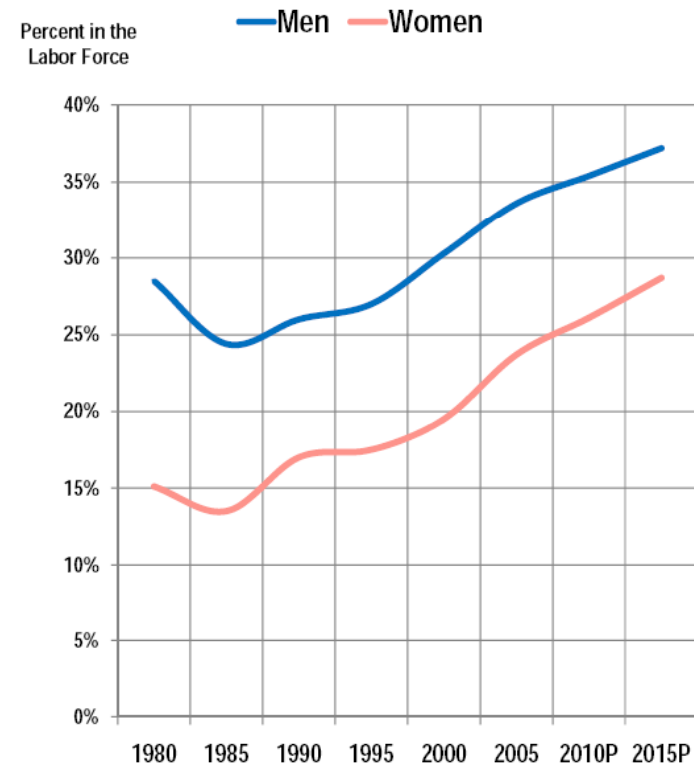
Source: MFA Analysis,  
CMS MA State/County  
Penetration 6/1/2010

# Anticipating Number of Seniors in Work Force

## Labor Force Participation Rates for persons aged 65-69

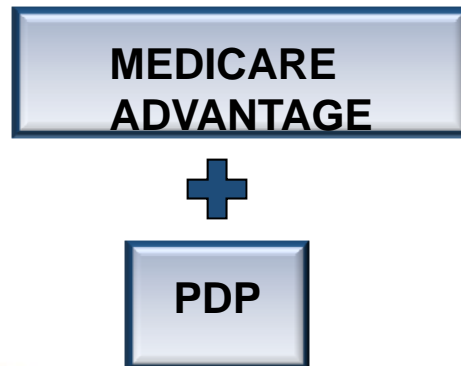
- More boomers planning to defer retirement past age 65
- Economic considerations
- Senior health status improving
- Social Security has raised age of full retirement
- Erosion of retiree health benefits

Observations courtesy of Deft Research, LLC





## *Lots of Product Choices Fuel Competition*



- Spotlight on sub-products
- Original Medicare
    - ACOs & Medical Homes
  - Medicare Advantage
    - Dual-eligible SNPs
  - Med Supp
    - Modernized Plans
  - Specialty Lines
    - Dental & Vision

## Medicare Lives by Coverage

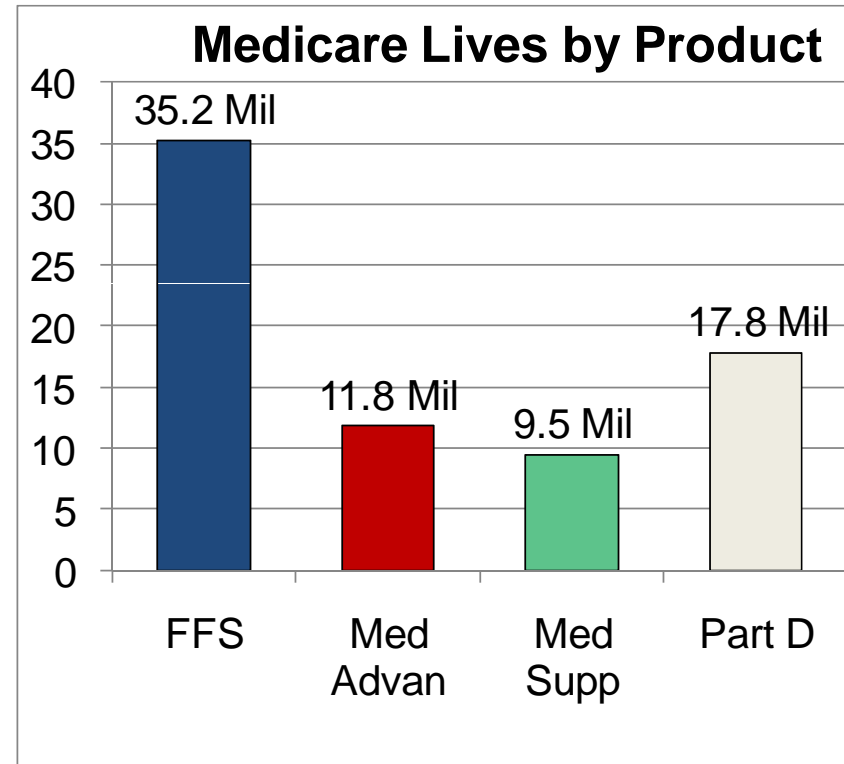
### Key Observations

*Approximately 47 million eligible  
(includes @ 7.6 million disabled)*

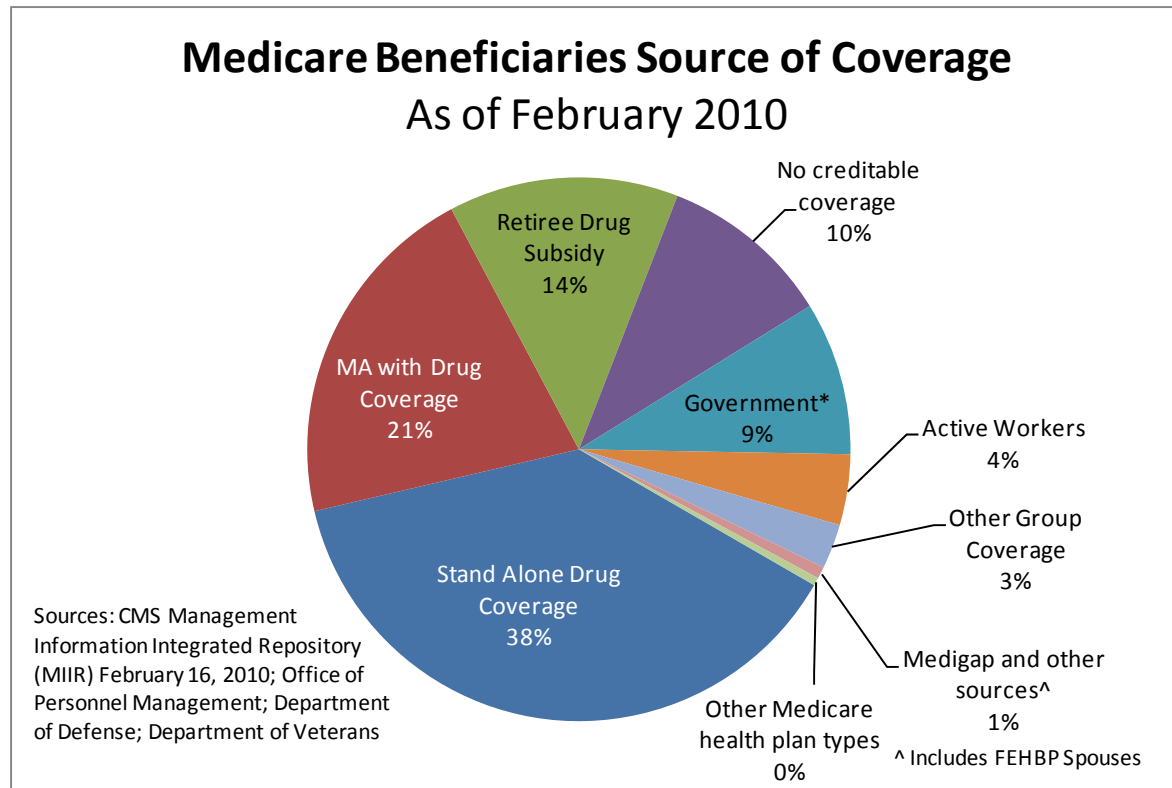
*75% enrolled in original FFS Medicare  
25% in Medicare Advantage*

*27% of FFS enrollees take Med Supp*

*38% of eligibles purchase stand-alone  
PDPs*



# Medicare Coverage Beyond FFS Mix





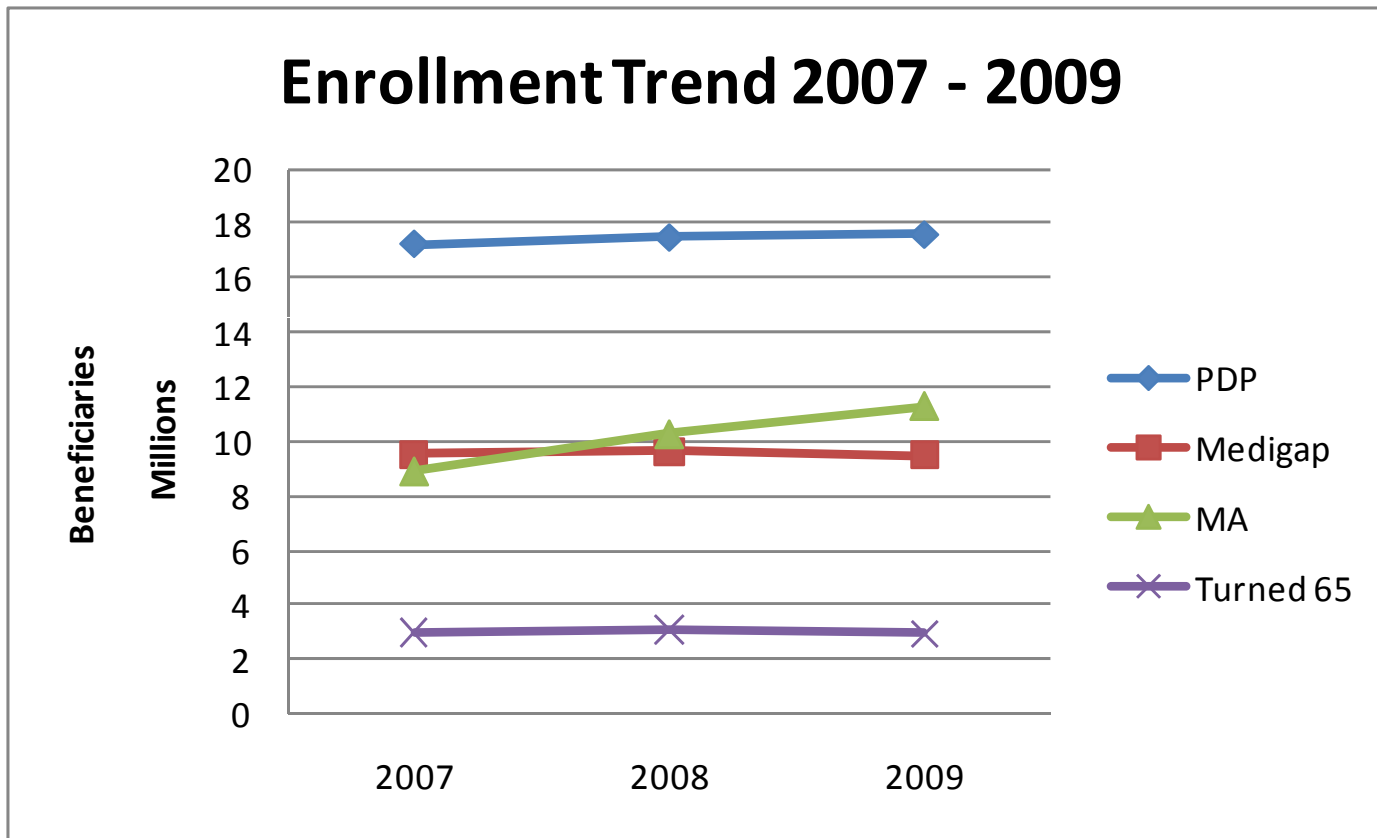
# *Competitive Environment*

## *What Can Medicare Plan Data Tell Us?*

- Competitive positioning: leaders; laggards; gainers; losers
- Market share
- Market leaders by revenue & margins
- Medical expense ratios also know as MLRs (medical loss ratios)
- Benefit attributes and comparisons
- Star Quality ratings
- Carve outs for dental, behavioral health, transportation and other ancillary benefits

Market & Competitive Intelligence

## Managed Care Membership On the Rise



Source: MFA analysis of CMS and NAIC data



## *Top Medicare Advantage Plans by Membership*

	<b>Dec '09 Members</b>	<b>June '10 Members</b>	<b>Change</b>
UnitedHealth	1,847,077	2,045,555	11%
Humana	1,510,248	1,763,660	17%
Kaiser	946,271	976,988	3%
Coventry	516,151	191,585	-63%
Aetna	433,363	442,184	2%
WellPoint	420,866	477,274	13%
BCBSMI	313,233	107,413	-66%

Source: MFA analysis of CMS data

## *Top PDP Plans by Membership*

	<b>Dec '09 Members</b>	<b>June '10 Members</b>	<b>Change</b>
UnitedHealth	4,304,516	4,526,486	5%
Universal American	1,707,173	1,881,959	10%
Humana	1,937,721	1,716,588	-11%
Coventry	1,681,027	1,623,377	-3%
CVS/Caremark	1,584,702	1,158,095	-27%
WellPoint	1,124,447	758,595	-33%
WellCare	747,352	741,282	-1%

Source: MFA analysis of CMS data

## *Top Med Supp Competitors by Membership*

	<b>Dec '08 Members</b>	<b>Dec '09 Members</b>	<b>Change</b>
UnitedHealth	2,836,024	2,927,729	3%
Mutual of Omaha	621,325	780,510	26%
WellPoint	787,508	612,564	-22%
HCSC	478,623	475,389	-1%
Conseco	350,986	343,860	-2%
BCBSMI	207,111	209,339	1%
Highmark	234,860	204,128	-13%

Source: MFA analysis of NAIC data

## Leading Health Plans – 2009 Medicare Revenue

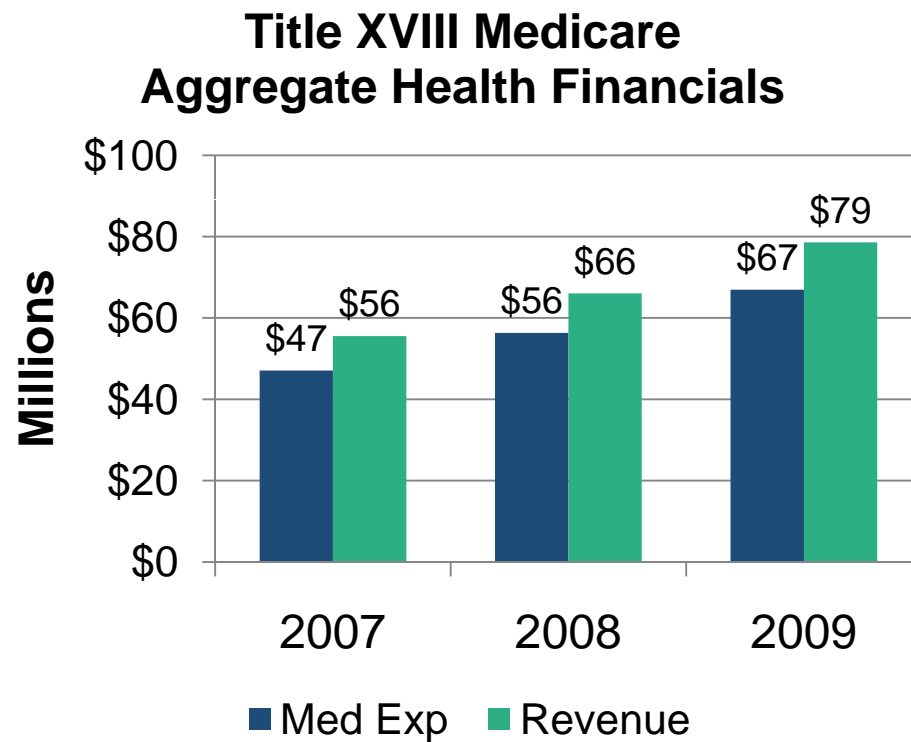
Medicare Advantage	Revenue (Billions)	Medicare Supplement	Revenue (Billions)
UnitedHealth	\$11.359	WellPoint	\$1.318
Humana	\$7.928	HCSC	\$1.059
Highmark	\$3.654	BCBSMA	\$0.430
WellPoint	\$3.488	Highmark	\$0.382
Coventry	\$3.205	WellMark	\$0.362
Wellcare	\$2.430	BCBSFL	\$0.360

Source: MFA analysis of NAIC data

## Aggregate Health MLR Hovering at 85%

- Medicare plans must have 85% MLR beginning 2014
- Penalties will apply to plans that run MLRs of LT 85% for multiple years
- Exact criteria CMS will apply for MLR calc still uncertain

Source: MFA analysis of NAIC data



## *MA & PDP Benefit and Pricing Comparisons*

- Medicare.gov Plan Finder tools provide rich stream for benefit & price comparisons
  - Health Plan Benefits & Cost Estimates
  - Drug Costs & Coverage
  - Star Quality Ratings

Source: MFA analysis of NAIC data



# MA & PDP Benefit and Co-pay Comparisons

Premiums	PCP Copay(In)	Specialist Copay (In)	SNF Copay(In)	Outpatient Surgery (In)	Ambulance Copay(In)
\$25.00	\$10	\$35	Day 1 - 20: \$0 Copay Day 21 - 100: \$75 Copay		\$150
\$24.80	0% or 20%	0% or 20%	Day 1 - 20: \$0 Copay Day 21 - 100: \$137.50 Copay		0% or 20%
\$17.20	0% or 0% to 20%	0% or 0% to 20%	Day 1 - 20: \$0 Copay Day 21 - 100: \$137.50 Copay		0% or 0% to 20%
\$17.20	0% or 0% to 20%	0% or 0% to 20%	Day 1 - 20: \$0 Copay Day 21 - 100: \$137.50 Copay		0% or 0% to 20%

Medicare  
Benefits  
Analyzer

Annual Cost Est.	Premiums	Rx Deductible	Retail Rx	MailOrder Rx
\$1,900.00	\$82.00	\$0	Generic: \$7 Copay (30 days) Preferred: \$42 Copay (30 days) Non-Preferred: \$90 Copay (30 days) Specialty: 33% Coinsurance (30 days)	Generic: \$4 Copay (90 days) Preferred: \$111 Copay (90 days) Non-Preferred: \$255 Copay (90 days) Specialty: 33% Coinsurance (90 days)
\$1,800.00	\$76.50	\$0	Generic: \$7 Copay (30 days) Preferred: \$42 Copay (30 days) Non-Preferred: \$90 Copay (30 days) Specialty: 33% Coinsurance (30 days)	Generic: \$4 Copay (90 days) Preferred: \$111 Copay (90 days) Non-Preferred: \$255 Copay (90 days) Specialty: 33% Coinsurance (90 days)



## *Quality Stars Afford Competitive Advantage*

- CMS awards quality “Stars” based on member satisfaction, clinical outcomes & operational efficiencies
- MA plans with 4 and 5 Stars receive bonuses of up to 5% of plan payments
- Bonuses phased in from 2012 to 2014

# Quality Stars Afford Competitive Advantage

Plan ID	State	Health Plan Quality	Staying Healthy	Chronic Conditions	Plan Responsiveness	Complaints
H5985-001	AZ	2.5	2.0	2.0	2.0	3.0
H5985-002	AZ	2.5	2.0	2.0	2.0	3.0

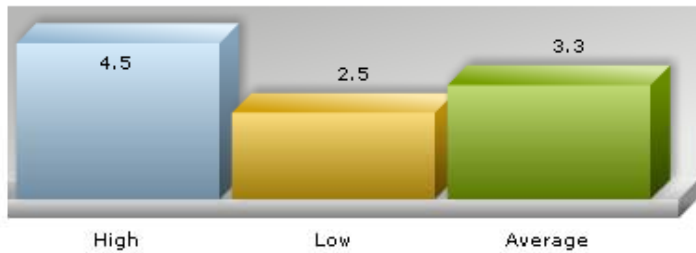
State	Drug Plan Quality	Customer Svc	Complaints	Experience	Price
AL	3.5	3.0	3.0	4.0	3.0
AR	3.5	3.0	3.0	4.0	3.0
AZ	3.5	3.0	3.0	4.0	3.0

Medicare  
Benefits  
Analyzer

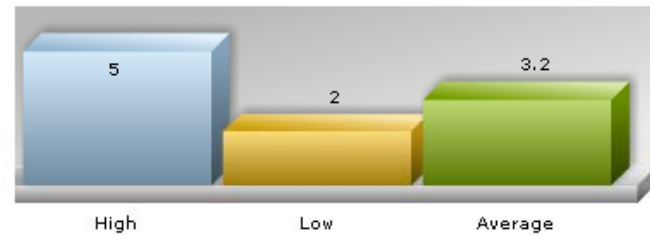
## Quality Stars Afford Competitive Advantage

- Average PDP Overall Quality Rating 3.3 in 2010
- Average MA Overall Quality Rating 3.2 in 2010

PDP Quality Ratings  
Snapshot for Year: 2010



Medicare Advantage Quality Ratings  
Snapshot for Year: 2010





*The Opportunity Ahead*



## *The Opportunity Ahead*

- Market growth with ongoing stream of opportunity
- Managed care bonuses and rebates
- SNP expansion
- ACOs and Medical Homes
- Med Supp modernization
- Continued PDP expansion & refinement
- Carve outs for specialty benefits
- More reform and without a doubt regulatory changes

Innovation – Operational Efficiencies – Medical Management  
Evidence-based Medicine



*May you successfully ride the wave... and not do a belly flop.*





*Thanks for Joining Me Today!*

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