

Retiree Medical: The Evolving Medicare Advantage Marketplace

December 14, 2022

Speakers



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Moderator

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Coalitions



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Agenda for today's discussion

- Emerging trends in retiree healthcare
- The growth and evolution of Medicare Advantage
- The changing landscape of employer strategies
- UnitedHealthcare's experience
- How Mercer can assist

Emerging trends in Retiree Healthcare



Megatrends affecting Retiree Healthcare

- Economic: Inflation, high interest rates, recession concerns.
- People: Great Resignation, employees working later, HR stretched.
- Retiree healthcare general complexity: Medicare, COBRA, ACA including tax credits, employees working past 65.



Different but related challenges for private vs. public sector

- **Private sector** – few offer to new employees, however many have legacy populations. Erosion of value for retirees of capped subsidies. More time spent trying to help employees who are not eligible for retiree healthcare understand options/find resources.
- **Public sector** – higher prevalence, often benefits are protected, generally higher costs. How to drive savings while meeting grandfathered requirements? How to provide long term valuable and sustainable program?



Shift in employer strategies and new options

- Retiree exchanges emerged over a decade ago, key value prop and financials are essentially unchanged. Common in private sector, rare in public sector.
- Group Medicare Advantage has grown in popularity due to flexible design, increased ancillary benefits, carrier competition and declining premiums.
- National Access PPO Medicare Advantage plans with extremely limited network restrictions has further boosted the appeal of MA.
- Return from Exchange represents a **newly** viable solution for legacy retiree exchange clients looking to drive savings while protecting retirees.

Employer approaches to Medicare



Traditional + RDS



EGWP Rx¹



Group Medicare Advantage

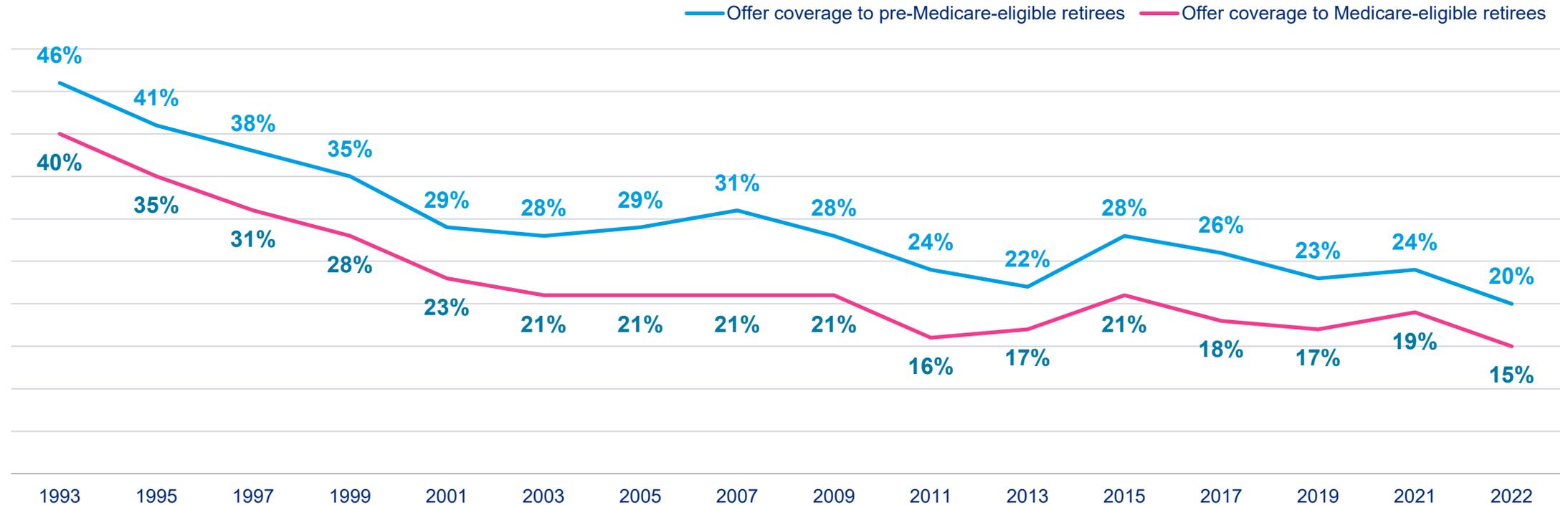


Individual Exchange

¹EGWP = Employer Group Waiver Plan

Offer retiree medical plans (including exchanges) on an ongoing basis¹

Percent of employers with 500 or more employees

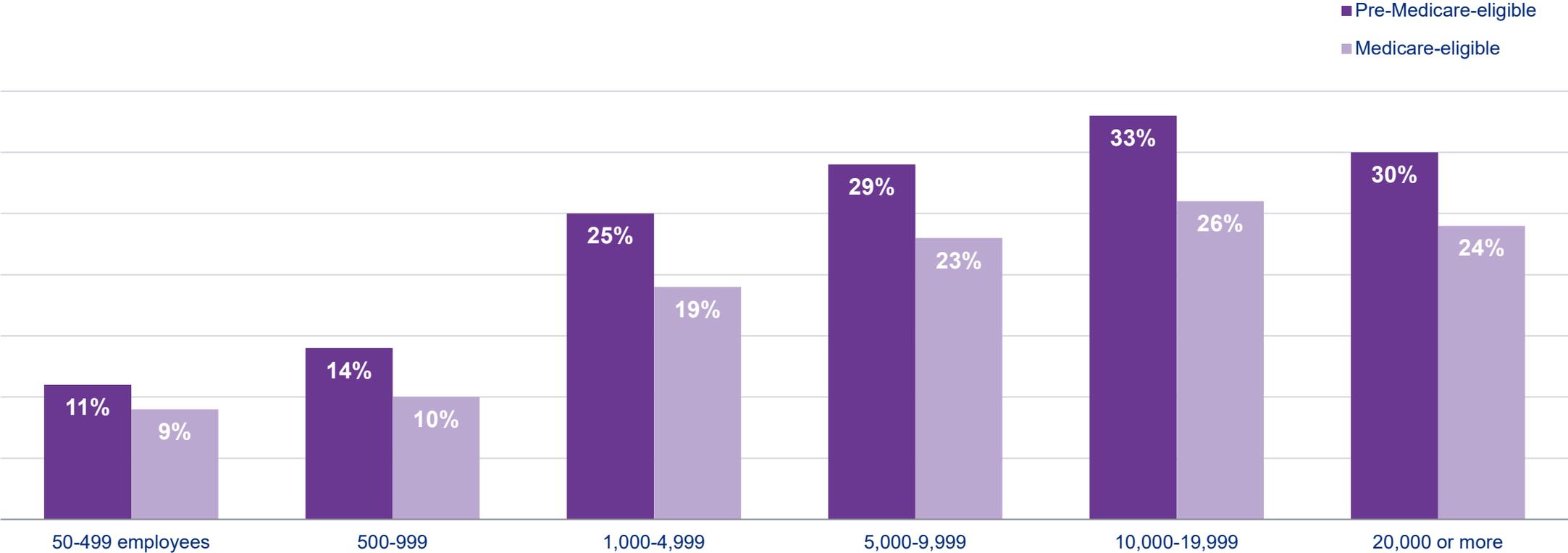


¹Plan must be offered on an ongoing basis (i.e., new hires are eligible). Includes plans with no employer contribution. Beginning in 2014, offerings include private exchanges.

The data includes both public and private sector employers. Looking at only public sector, the 2022 response was 43% offer coverage to pre-Medicare-eligible retirees and 28% offer coverage to Medicare-eligible retirees.

Mercer National Survey of Employer-Sponsored Health Plans

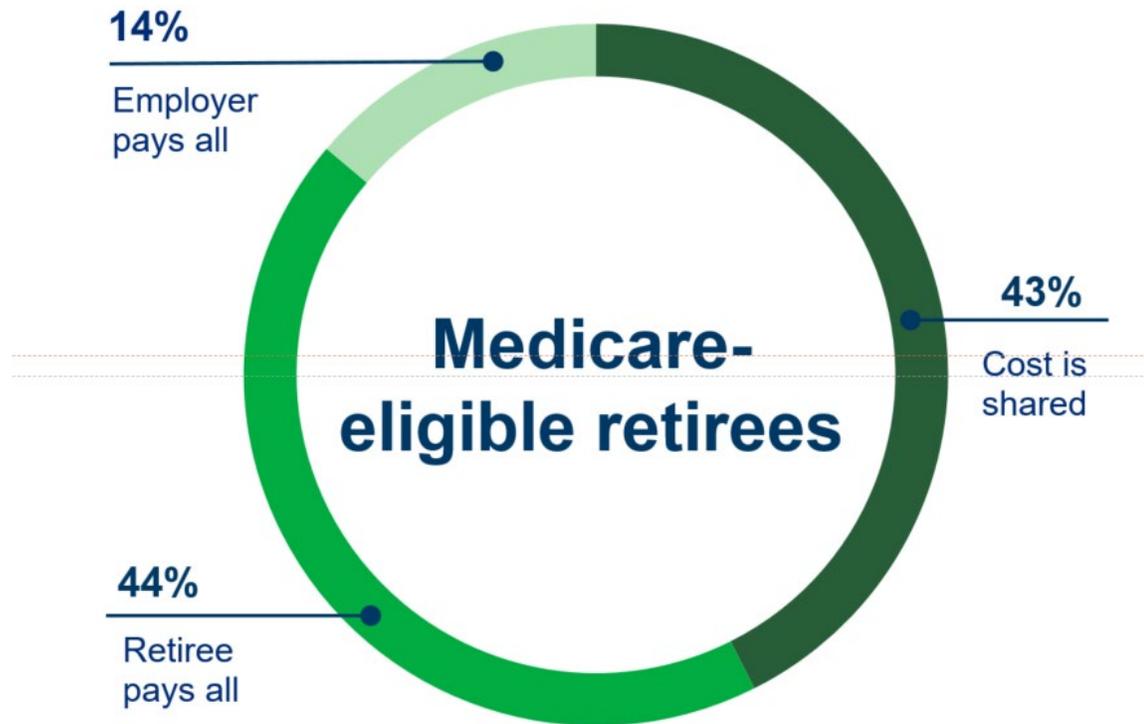
Offer retiree coverage in 2022 on an ongoing basis, by employer size¹



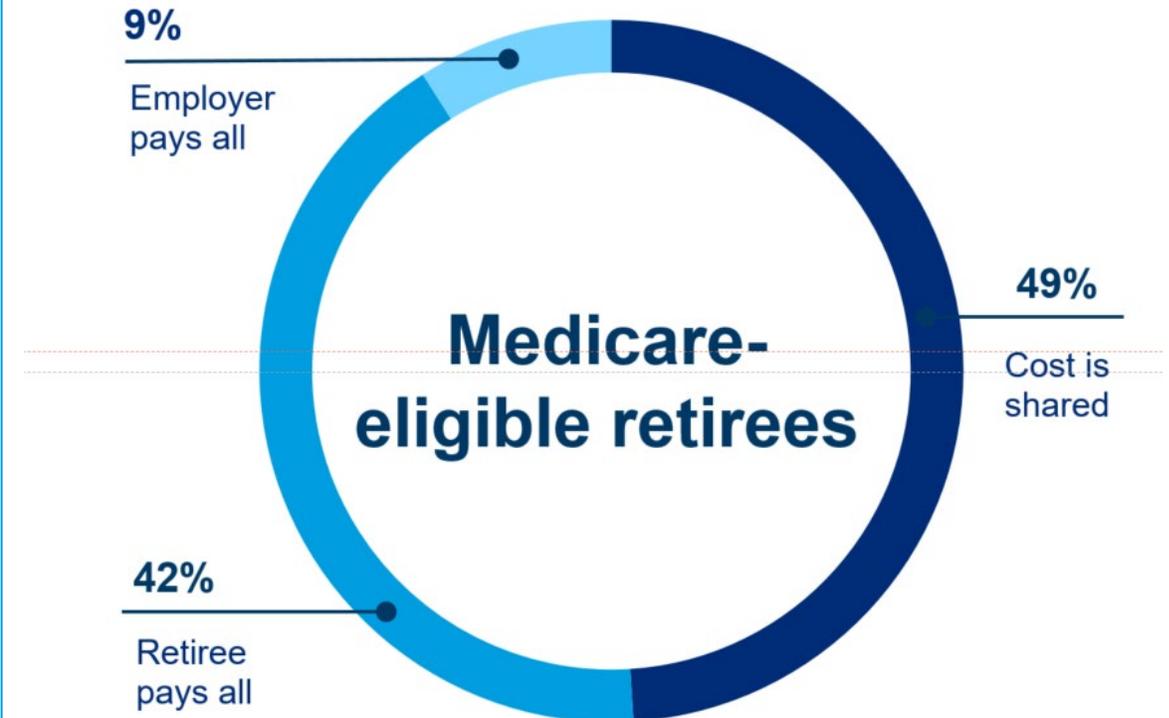
¹Traditional employer-sponsored plans and private exchanges offered on an ongoing basis i.e., new hires are eligible), including plans with no employer contribution.

Contribution strategies for retiree-only (left) and retiree/spouse (right) coverage

Retiree plan sponsors with 500 or more employees



Average retiree contribution as a percent of premium, when cost is shared: **38%**

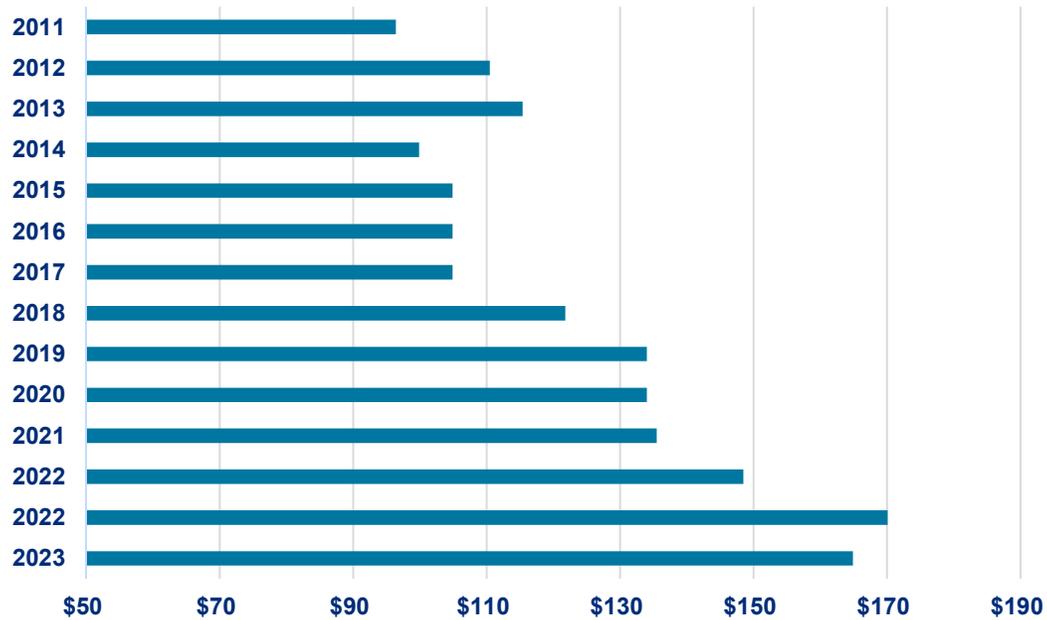


Average retiree contribution as a percent of premium, when cost is shared: **43%**

Medicare costs are rising

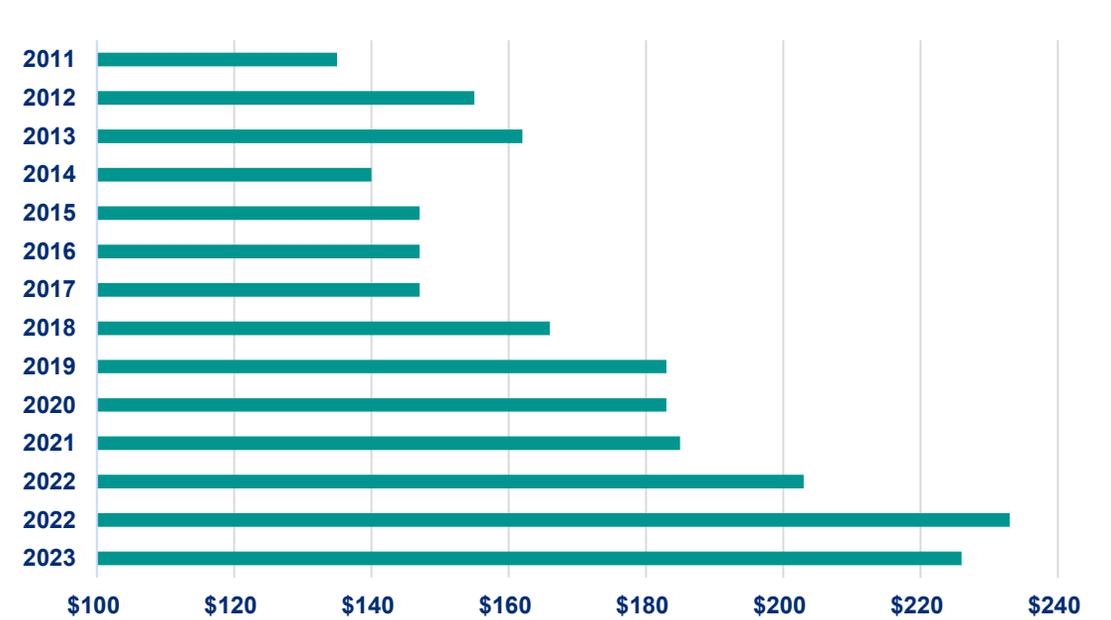
Base premium up 65% since 2014

Part B Premiums



Part B deductible up as well

Part B Deductible

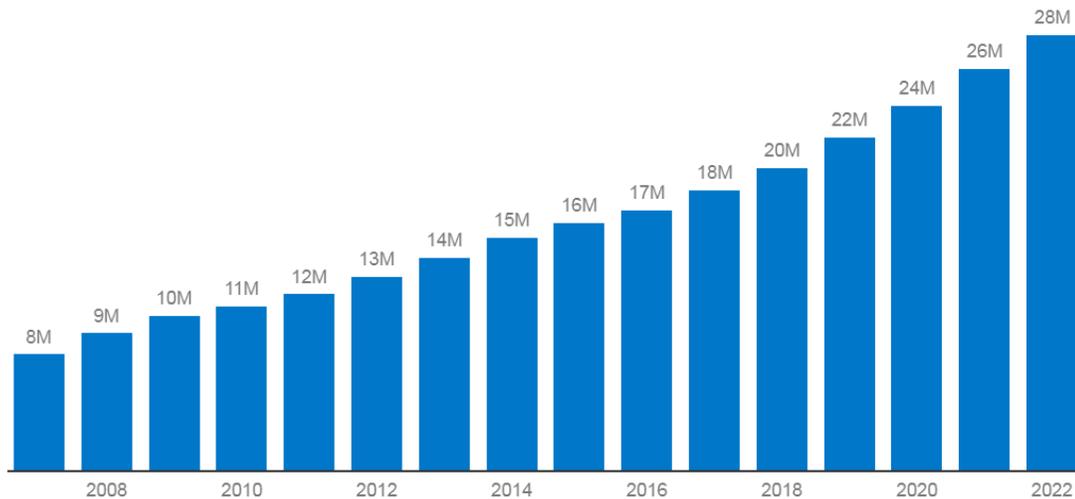


Medicare Advantage enrollment is growing

Doubled over 9 years to 28 million

Total Medicare Advantage Enrollment, 2007-2022

Medicare Advantage Penetration **Medicare Advantage Enrollment**



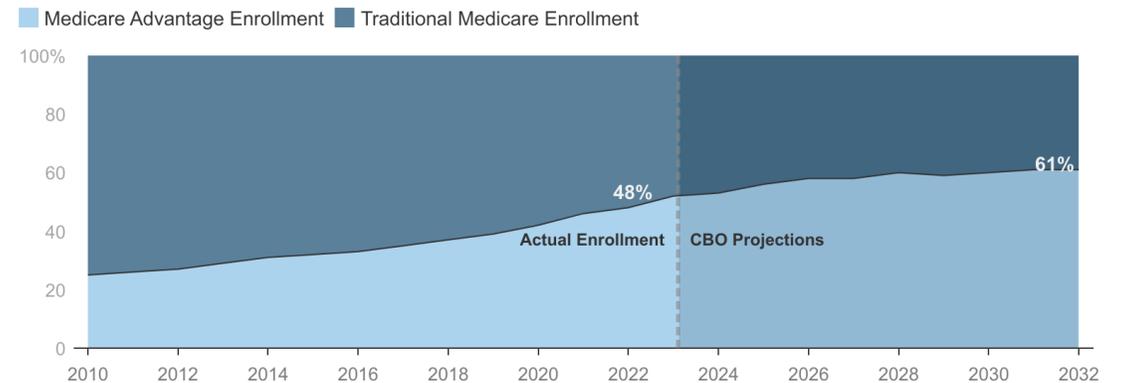
NOTE: Includes Medicare Advantage plans: HMOs, PPOs (local and regional), PFFS, and MSAs. About 58.6 million people are enrolled in Medicare Parts A and B in 2022.

SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files, 2010-2022; Medicare Chronic Conditions (CCW) Data Warehouse from 5 percent of beneficiaries, 2010-2017; CCW data from 20 percent of beneficiaries, 2018-2020; and Medicare Enrollment Dashboard 2021-2022. • PNG



Expected to be more than half of Medicare eligible by 2023

Medicare Advantage and Traditional Medicare Enrollment, Past and Projected



NOTE: Medicare enrollment is based on individuals who are enrolled in Part B, according to the CBO baseline. This is designed to include only individuals who are eligible for Medicare Advantage and exclude those who only have Part A only (~5 million people in 2023) and cannot enroll in Medicare Advantage. However, it may include some individuals who have Part B only and also are not eligible for Medicare Advantage.

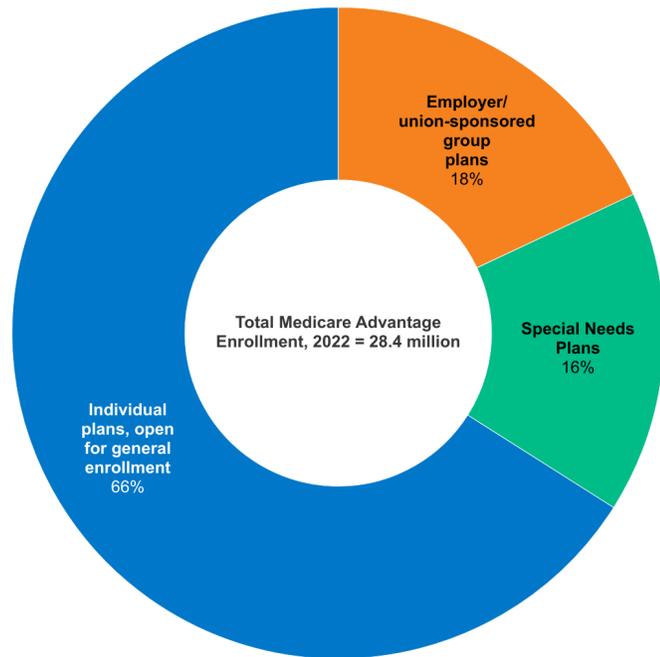
SOURCE: KFF analysis Medicare Chronic Conditions (CCW) Data Warehouse from 5 percent of beneficiaries, 2010-2017; CCW data from 20 percent of beneficiaries, 2018; and Medicare Enrollment Dashboard 2019-2022. Enrollment numbers from March of the respective year. Projections for 2023 to 2030 are from the May Congressional Budget Office (CBO) Medicare Baseline for 2022.



Medicare Advantage – employer sponsored plans increasing

While most enrollment is individual

Distribution of Medicare Advantage Enrollees by Plan Type, 2022



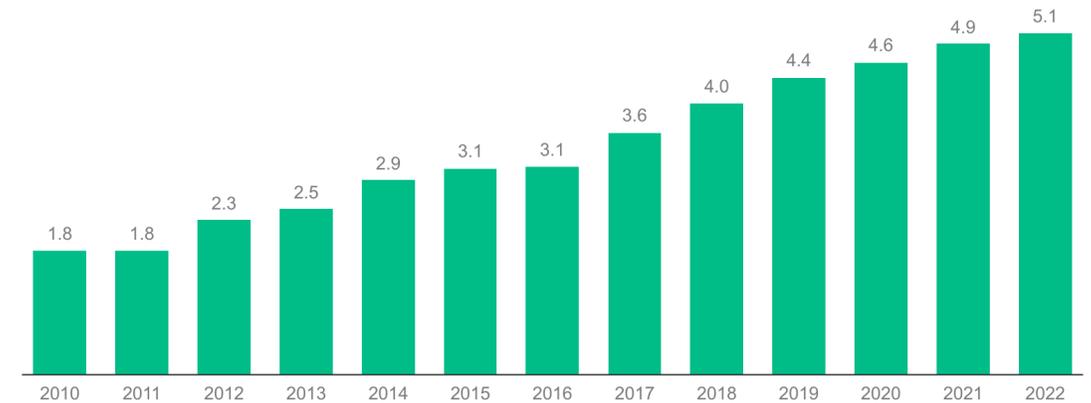
SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files, 2022.

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Group MA plans are growing

Number of Beneficiaries in Employer Group or Union-Sponsored Health Plans, 2010-2022

In millions

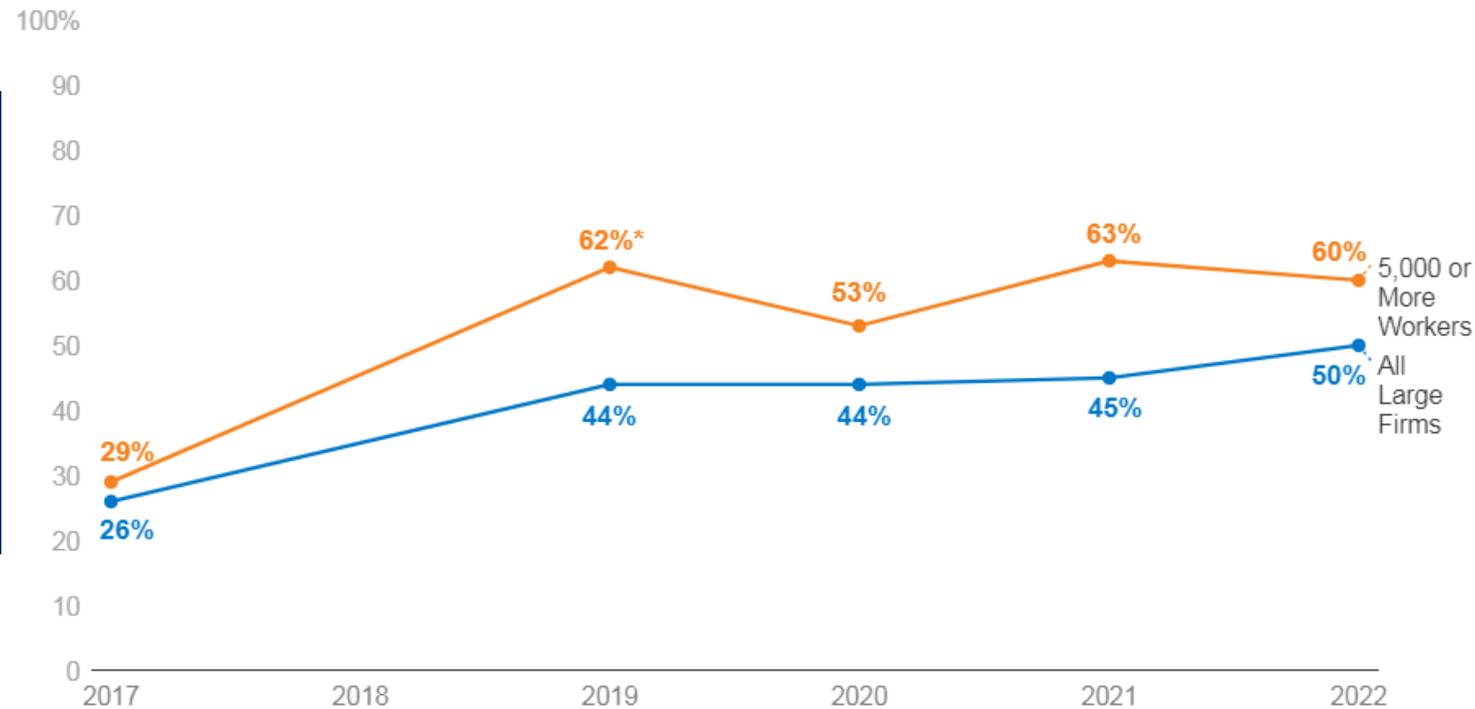


NOTE: Employer group or union-sponsored health plans do not reflect arrangements where the employer provides a subsidy for retirees to use toward premiums or cost sharing for a plan purchased on an individual Medicare Advantage marketplace.
SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files, 2010-2022.

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Medicare Advantage – employer sponsored plans increasing

Among large firms offering retiree health benefits to Medicare-age retirees, half (50%) provide these benefits through a contract with a Medicare Advantage plan in 2022, almost double the share in 2017 (26%)



Employer prevalence has nearly doubled in recent years

NOTE: *Estimate is statistically different from estimate for the previous year shown ($p < .05$). Large Firms have 200 or more workers.

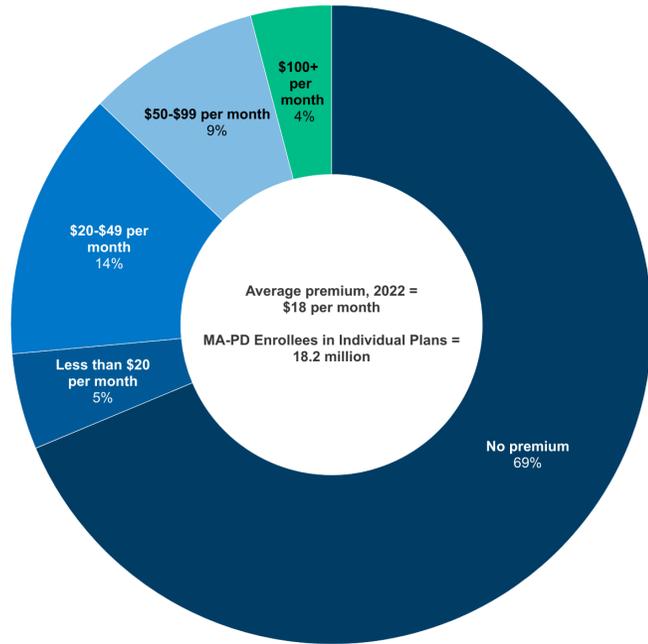
SOURCE: KFF Employer Health Benefits Survey, 2019-2022; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2017. • PNG

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Medicare Advantage premiums are declining

Nearly 2/3rds pay \$0 premium

Distribution of Medicare Advantage Prescription Drug Plan (MA-PD) Enrollees, by Premium, 2022

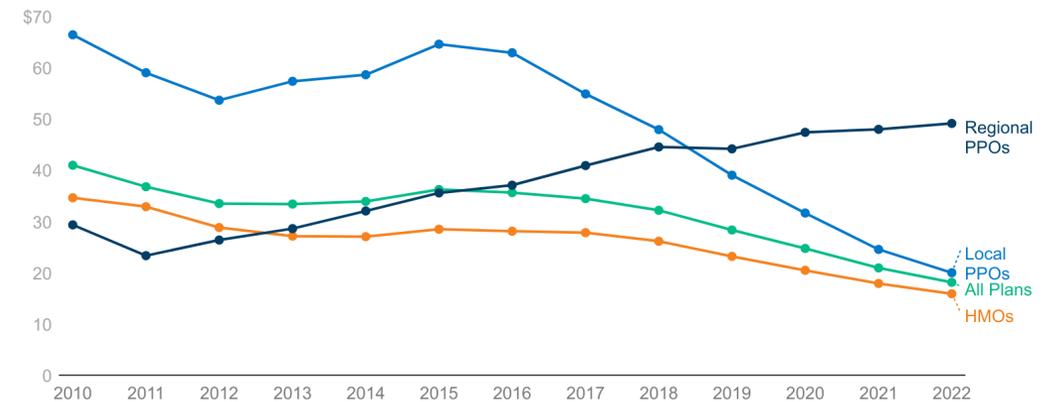


NOTE: The MA-PD premium is in addition to the Part B premium. Excludes SNPs, employer group health plans, cost plans, HCPPs, PACE plans, MMPs, and plans for special populations, and Medicare Advantage plans that do not provide prescription drug coverage. Premiums were missing for less than 1% of enrollees. Percentages may not sum to 100% due to rounding.
SOURCE: KFF analysis of CMS Medicare Advantage Landscape and Enrollment Files, 2022.



PPO premiums dropping

Average Monthly Medicare Advantage Prescription Drug Plan Premiums, Weighted by Plan Enrollment, 2010-2022



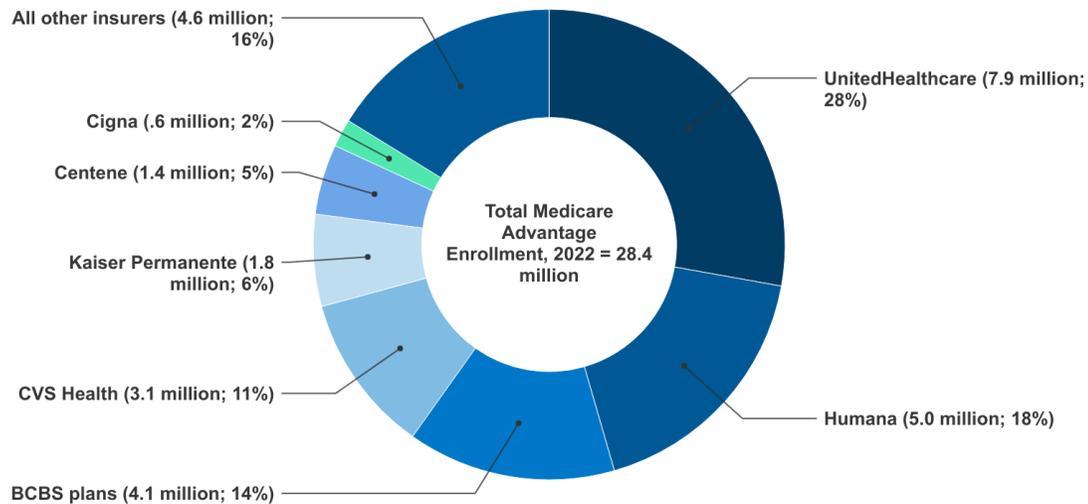
NOTE: Includes only Medicare Advantage plans that offer Part D benefits (MA-PDs) as they comprise the majority of Medicare Advantage plans. Excludes SNPs, employer group health plans, cost plans, HCPPs, PACE plans, MMPs, and plans for special populations. The total includes plans with zero premiums. The premiums for a subset of sanctioned plans were not available in 2011, and were excluded from this analysis.
SOURCE: KFF analysis of CMS Medicare Advantage Landscape and Enrollment Files, 2010-2022.



Medicare Advantage carrier landscape

Four insurers have 71% of market

Medicare Advantage Enrollment by Firm or Affiliate, 2022

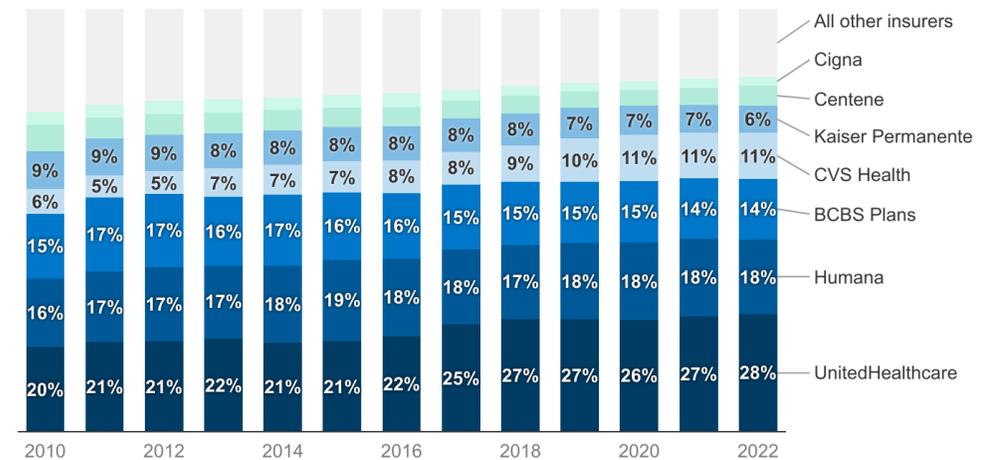


NOTE: All other insurers includes firms with less than 2% of total enrollment. BCBS are BlueCross and BlueShield affiliates and includes Anthem BCBS plans. Anthem non-BCBS plans are about 2% of total enrollment.
SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files, 2022.



Market consolidation even with growth in new players

Medicare Advantage Enrollment by Firm or Affiliate, 2010-2022



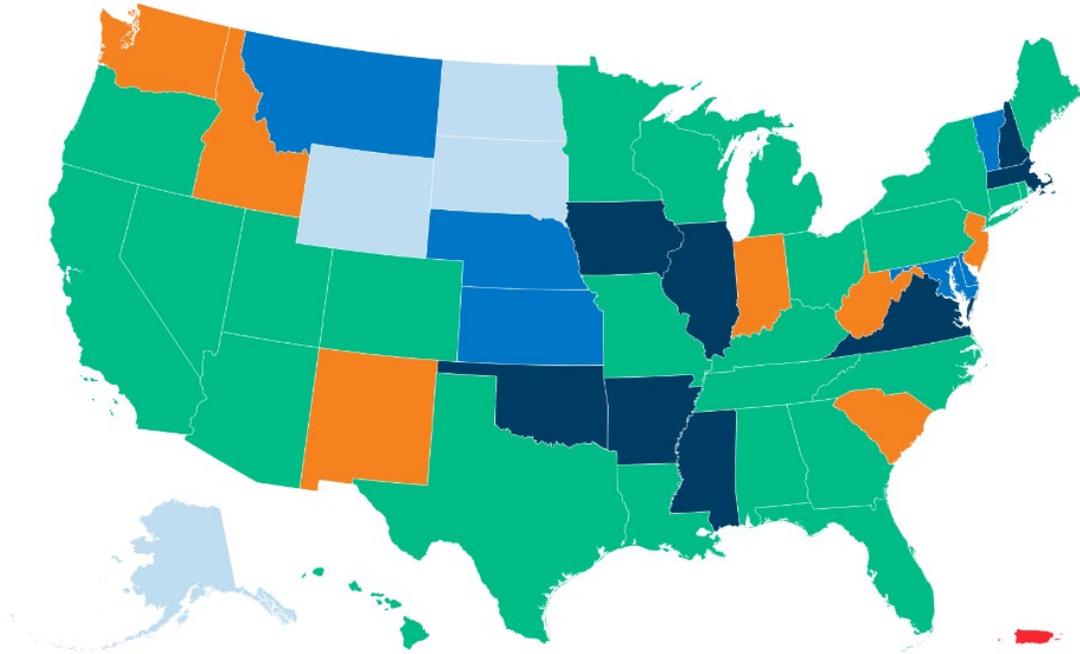
NOTE: All other insurers includes firms with less than 2% of total enrollment. BCBS are BlueCross and BlueShield affiliates and includes Anthem BCBS plans. Anthem non-BCBS plans are about 2% of total enrollment. Percentages may not sum to 100% due to rounding.
SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files, 2010-2022.



Medicare Advantage prevalence by location

Share of Beneficiaries Enrolled in Medicare Advantage in 2022, by State

Legend: < 20% (light blue), 20%–30% (blue), 30%–40% (dark blue), 40%–50% (orange), 50%–60% (green), ≥ 60% (red)

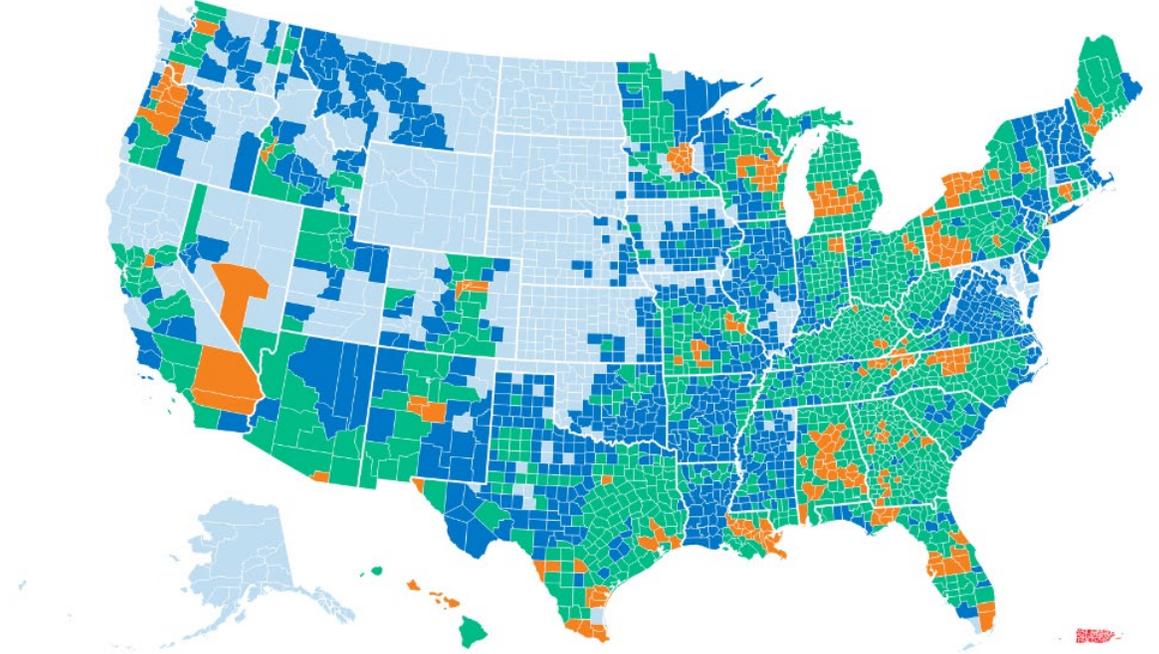


NOTE: Includes only Medicare beneficiaries with Part A and B coverage.
SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files, 2022 and March Medicare Enrollment Dashboard, 2022

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Medicare Advantage Penetration, by County, 2022

Legend: < 20% (light blue), 20%–40% (blue), 40%–60% (green), 60%–80% (orange), ≥ 80% (red)



NOTE: Includes only Medicare beneficiaries with Part A and B coverage.
SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files, 2022 and March Medicare Enrollment Dashboard, 2022.

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Why Group Medicare Advantage?

Customizable, fully insured, employer-sponsored group plans offered by private insurance carriers

Potential to generate significant premium savings

Minimize retiree disruption

Ancillary benefits increasingly included

Why Group Medicare Advantage?

Emergence of National Access PPO MA plans has further strengthened overall attractiveness

Key features

- National product available throughout the US
- Passive PPO network with national provider access results in same cost sharing for in or out-of-network
- Increasingly lower premiums
- Employer ability to design program for both medical and Rx
- Low retiree disruption including potential ability to auto-enroll retirees

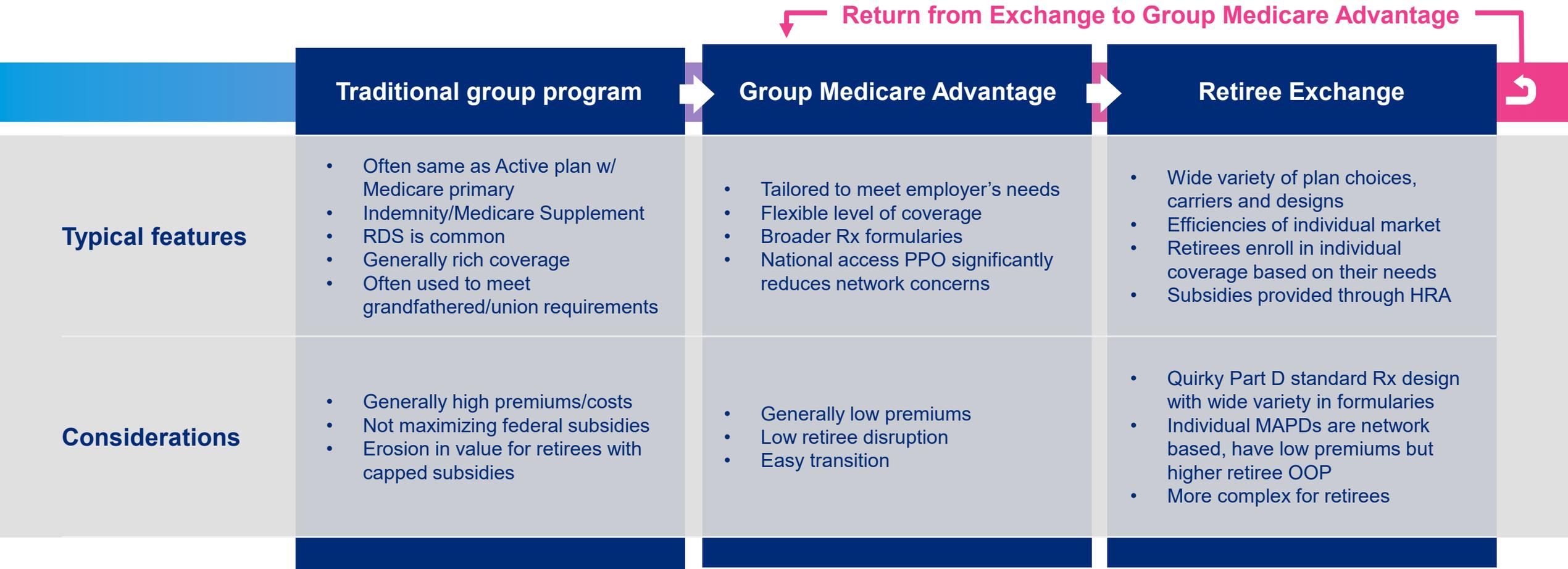
Opportunities for employers

- Drive savings while protecting retirees
- Retain control over benefits design
- Provide enhanced Rx coverage vs. individual market
- Carrier competition has led to low premiums, multi-year rate guarantees and other employer friendly features

Other considerations

- A group plan has a one-size-fits-all approach, which may or may not meet each retiree's specific needs
- Requires ongoing carrier management, retiree contribution updates and general group retiree plan administration
- May need to revisit strategy in the future including carrier RFP, a retiree exchange solution, or dropping subsidized coverage altogether

The changing landscape of employer strategies

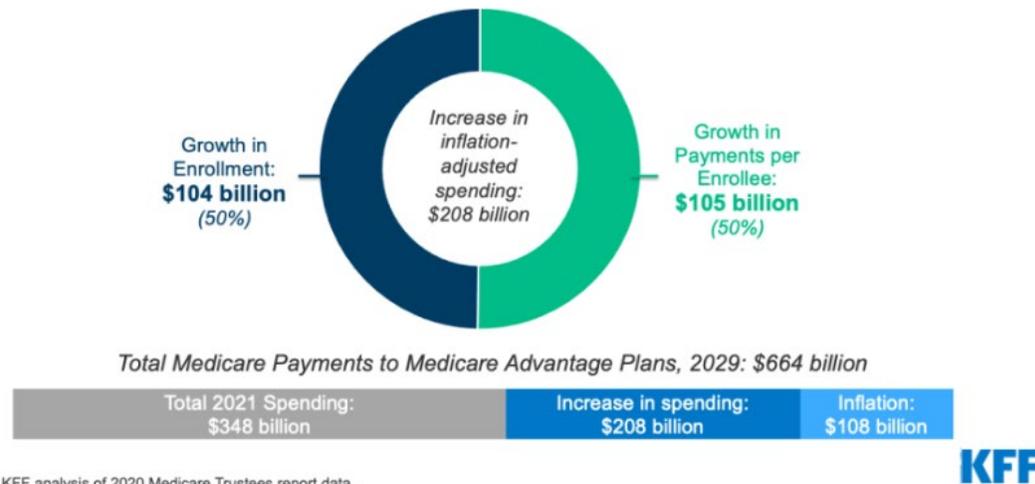


Medicare Advantage headwinds

Recent news articles have highlighted some concerns about Medicare Advantage

- Medicare Advantage costs more to the federal government than traditional Medicare¹.
- Lack of transparency in the Group Medicare Advantage space. Could we see increasing regulations?
- A small subset of providers who accept Medicare do not accept certain National Access PPO MA plans – varies by provider and carrier.
- What happens if 'Medicare For All' comes to be?

Growth in Medicare Advantage Enrollment Explains Half of the Projected Increase in Medicare Advantage Spending through 2029



SOURCE: KFF analysis of 2020 Medicare Trustees report data.

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However, we need to understand ...

- Some of these concerns are specific to Individual Medicare Advantage and do not impact Group sponsored arrangements:
 - Individual plans tend to be more network based (HMOs and regional PPOs) and have higher retiree out-of-pocket costs
 - Employer plans are designed specifically to meet the needs of an employer and its retirees
- Given popularity of the Medicare Advantage program, it's possible that any future impacts are limited

¹Higher and Faster Growing Spending Per Medicare Advantage Enrollee Adds to Medicare's Solvency and Affordability Challenge, KFF, August 2021

The demonstrated value of Medicare Advantage



“Medicare Advantage saves seniors nearly \$2,000 compared to FFS”

- Strong results for historically disadvantaged populations
- \$3,524 in OOP costs in MA vs. \$5,489 in traditional Medicare

[Study: Medicare Advantage saves seniors nearly \\$2K a year compared to fee-for-service | Fierce Healthcare](#)



“Beneficiaries prefer Medicare Advantage over Medigap”

- 90% surveyed expressed satisfaction
- 86% would recommend to friends and family

[Report: Beneficiaries choose Medicare Advantage over Medigap for affordability, comprehensiveness – MedCity News](#)



Average healthy 65 year old man or woman will save significantly with MAPD vs. Medigap and Part D

- Average healthy 65 year old male saves over \$125k in lifetime expenses with MAPD
- Average healthy 65 year old female saves over \$140k in lifetime expenses with MAPD

[Retirement planning: How much money will you need to cover your healthcare expenses? | Milliman](#)



“Medicare Advantage delivers better care and saves money”

- MA team care has brought down the number of congestive heart failure events
- 33% fewer emergency department admissions in MA
- 23% fewer standard hospital admissions in MA

[Medicare Advantage Delivers Better Care And Saves Money: A Response To Gilfillan And Berwick | Health Affairs](#)



“Medicare Advantage plans fill dental benefits cavity”

- 94% of MA enrollees now have access to preventative dental benefits
- 69% have gum care benefits
- 77% of MA plans provide at least \$1,000 in dental benefits per year

[Firm Finds Rapid Growth in Medicare Advantage Plan Dental Benefits | ThinkAdvisor](#)



“Seniors on Medicare Advantage less likely to have issues paying medical bills: CDC study”

- 8.3% of adults 65 or older with MA had problems paying medical bills
- Compared to 12.4% of those with traditional Medicare and 12.3% of those with Medicare and Medicaid

[Seniors on Medicare Advantage less likely to have issues paying medical bills: CDC study | Fierce Healthcare](#)

The evolving retiree marketplace



Group Medicare Advantage plans were not a viable option prior to 2014, when the majority of exchange transitions occurred.



However, since 2014, the Group plans have matured and grown in membership, becoming the primary strategy and now offers a viable alternative to the exchange solution

National Group Medicare Advantage – Primary Marketplace Solution

Individual exchange is the primary solution

Group MA is the primary solution

Beginning of Return from Exchange solution

Return from Exchange growing solution

2008

2014

2021

2024



Return from Exchange value proposition

 Group Market Evolution	Since 2014 Group Medicare Advantage (MA) has been the primary market solution . Beginning in 2021, employers with exchange populations began leveraging Group MA as an alternative to the robust individual market.
 Unique Product Solution	Product combination of low premium, national non-differential plan design with customizable benefits combines the best features of the individual market plans
 Benefit to Retirees	Majority to all of retirees in equal to better position financially and clinically
 Employer Savings	Initial savings of > 50% against current subsidy which increases over time, and long-term liability reductions
 Administration	Return to plan sponsorship highly comparable to exchange administration

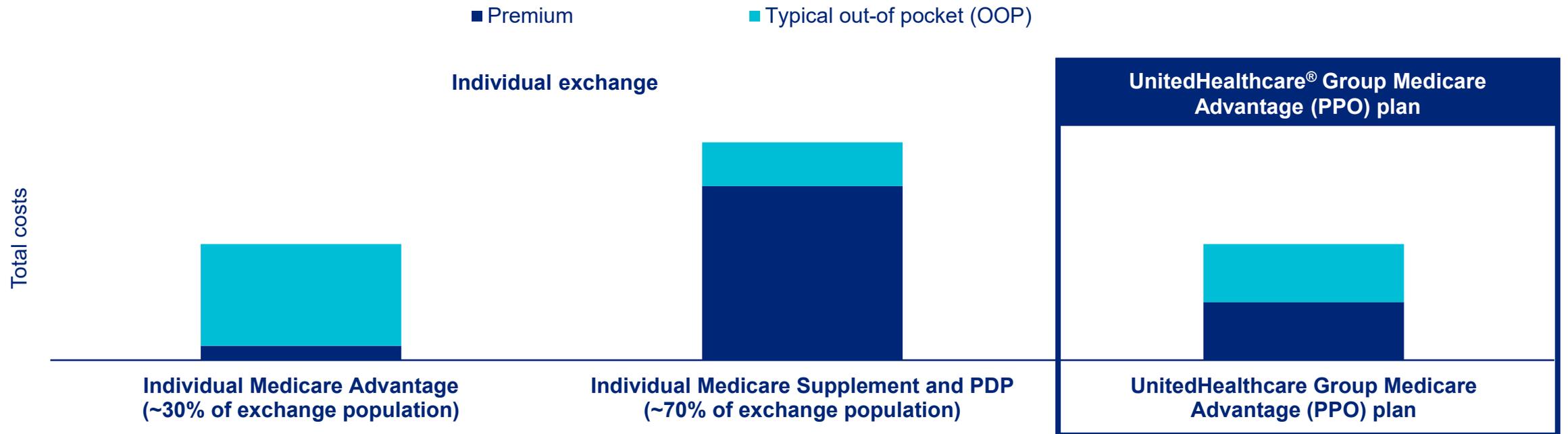


By 1/1/2024, UnitedHealthcare will have transitioned ~350,000 retirees in this strategy, while saving our clients \$3 billion dollars with most to all retirees better off financially and clinically



Tangible savings, without a catch

The Group Medicare Advantage PPO uniquely offers a combination of low premiums and out-of-pocket expenses, allowing employers to **reduce their subsidies by ~50%+** while **most to all retirees are better off**



The value of Group Medicare Advantage increases over time with multi-year premium commitments



A solution not available on the individual market

The Group MA PPO uniquely offers a combination of rich benefits, national provider access and low premium costs that combined the best features of individual market plans

	Individual Medicare Supplement with a prescription drug plan (PDP)	Individual Medicare Advantage plan	UnitedHealthcare Group Medicare Advantage (PPO) plan
Lower out-of-pocket costs	✓		✓
National access in all counties and States	✓		✓
See any willing Medicare provider	✓		✓
Includes prescription drug coverage	✓	✓	✓
Lower monthly premiums		✓	✓
Voluntary clinical and wellness programs		✓	✓
Full suite of value-added benefits not included with Original Medicare / Medicare Supplement		✓	✓
Custom benefits and dedicated customer service			✓

Benefits, features and/or devices vary by plan/area. Limitations and exclusions apply.



Additional value-added benefits

Benefit	Individual Supplement (Market Average)	Individual MAPD (Market Average)	Group MAPD Plan Design	
			Standard	Add On
% w/ Fitness	NA	98%		
% w/ Vision Exam w/ Eyewear	NA	93%		
% w/ Hearing Exams w/ Aids	NA	90%		
% w/ Over the Counter (OTC)	NA	84%		
% w/ Comprehensive Dental	NA	82%		
% w/ Meals	NA	71%		
% w/ Acupuncture	NA	44%		
% w/ Transportation	NA	39%		
% w/ Personal Emergency Response System	NA	22%		
% w/ Chiropractic	NA	20%		
% w/ In-home Support Services	NA	12%		

Benefits, features and/or devices vary by plan/area. Limitations and exclusions apply.



UnitedHealthcare transitions through 2024

We helped 5 clients transition their retirees from individual market exchange plans to Group Medicare Advantage National PPO plans with UnitedHealthcare

- By 1/1/2024, we will have transitioned ~350,000 retirees via this strategy
- All clients have different strategic goals, including:
 - **Maximize savings** with majority of retirees better off
 - **Substantial savings** with vast majority of retirees better off
 - **Strong savings** with all retirees better off
- Each client pursues different offering strategies as well, including slice and full replacement, and single vs. dual plan offerings

In total, these transitions will save our clients ~\$3 billion over the course of our offers



The AT&T experience



Matt Phillips
AT&T Asst Vice President Benefits

“When we introduced UnitedHealthcare’s (UHC) Group MAPD to our retirees on a private Exchange in 2021, UHC did a great job of educating not just our members, but also their providers about how this plan is unique and different than the individual MA plans on the market. It was a hugely successful effort, and in 2024 will be the only AT&T company-sponsored option for our retirees.”

AT&T announced they will be moving all their ~250,000 retirees on the exchange to UnitedHealthcare's Group MAPD NPPO plan on 1/1/2024



Considerations

While there is a strong value proposition with evaluating the Return from Exchange strategy, there are some key items for consideration as well

Considerations
Not all retirees will be better off – some percentage of low utilizing retirees on individual MA plans not “better off” financially initially, especially those in rich MA markets (i.e. South Florida)
Retirees on Medicare Supplement plans are not automatically disenrolled upon enrolling in the Group MA PPO plan and need to disenroll from their current plan
Return to plan sponsorship – consideration with how the initial exchange transition was communicated
Retirees have 12-months to try Group MA and still be able to return to individual Medicare Supplement plans on a guaranteed issue basis with no underwriting
Retirees on individual Medicare Supplement plans can be “concerned” over prior authorizations, medical management and provider access with Medicare Advantage plans



UnitedHealthcare client and member satisfaction

Satisfaction



NPS





Mercer Marketplace 365+ Retiree

Consultative. Comprehensive. Proven.



For employers

A consultative approach to discover your challenges, goals and requirements to design the right strategy and deliver the best solution to your retiree populations



For retirees

High-touch, superior service focused on education and retiree satisfaction that builds confidence in healthcare coverage decisions and helps find ways to reduce costs



Personalized contact center



Enrollment



Eligibility



Communications



Web and mobile support



HRA administration



Retiree group billing



Ongoing retiree advocacy

Discover, design and deliver to:

Optimize budgets, achieve savings

Preserve benefits

Provide a better retiree experience

Minimize risk

Simplify administration

Individual Exchange and Group Retiree Administration solutions for pre-Medicare and Medicare-eligible retirees

Medical	Rx	Dental	Vision	Group Retiree Life
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Discussion



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Upcoming Webinars and Meetings

Fiduciary Oversight in Light of Mental Health Access Challenges

(Leapfrog Group CAA Compliance Webinar Series)

December 16, 2022, noon-1 p.m.

Fiduciary Check-in: A Case Study in Fiduciary Activation

January 12, 2023, noon-12:30 p.m.

All times are ET