



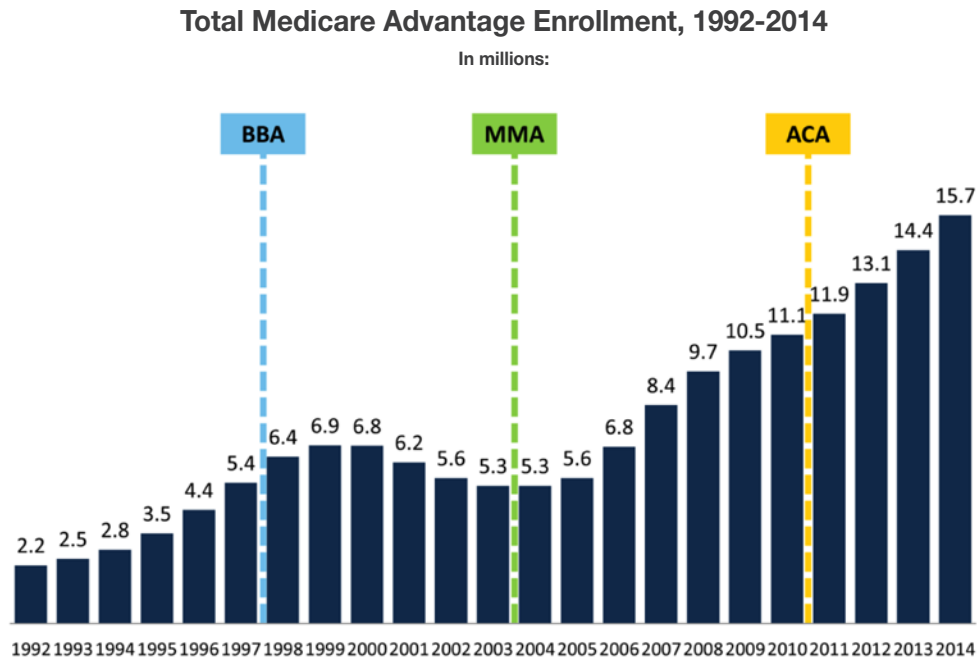
What's Fueling the Growth of Medicare Advantage Plans?

DMN3

Introduction

Medicare Advantage plans continue to flourish. As of January 1, 2016, which reflects applications accepted through December 4th, 2015, Medicare Advantage enrollments were up by nearly 900,000 participants compared to the same period a year earlier. If that trend holds up, enrollment will surpass 17.5 million beneficiaries in 2016. While numbers for 2015 are not final, initial 2015 data indicates that 31% of Medicare beneficiaries were enrolled in MA plans. That's up from 28% in 2013. Where this growth is coming from may surprise many marketers.

Where Are New Members Coming From?



NOTE: Includes cost and demonstration plans, and enrollees in Special Needs Plans as well as other Medicare Advantage plans.
SOURCE: MPR/Kaiser Family Foundation analysis of CMS Medicare Advantage enrollment files, 2008-2014, and MPR, "Tracking Medicare Health and Prescription Drug Plans Monthly Report," 2001-2007. Report of the Medicare Board of Trustees, 2002.



Aside from the 10,000 baby boomers turning 65 every day, the growth in Medicare Advantage Plan enrollments has also been the result of three factors:

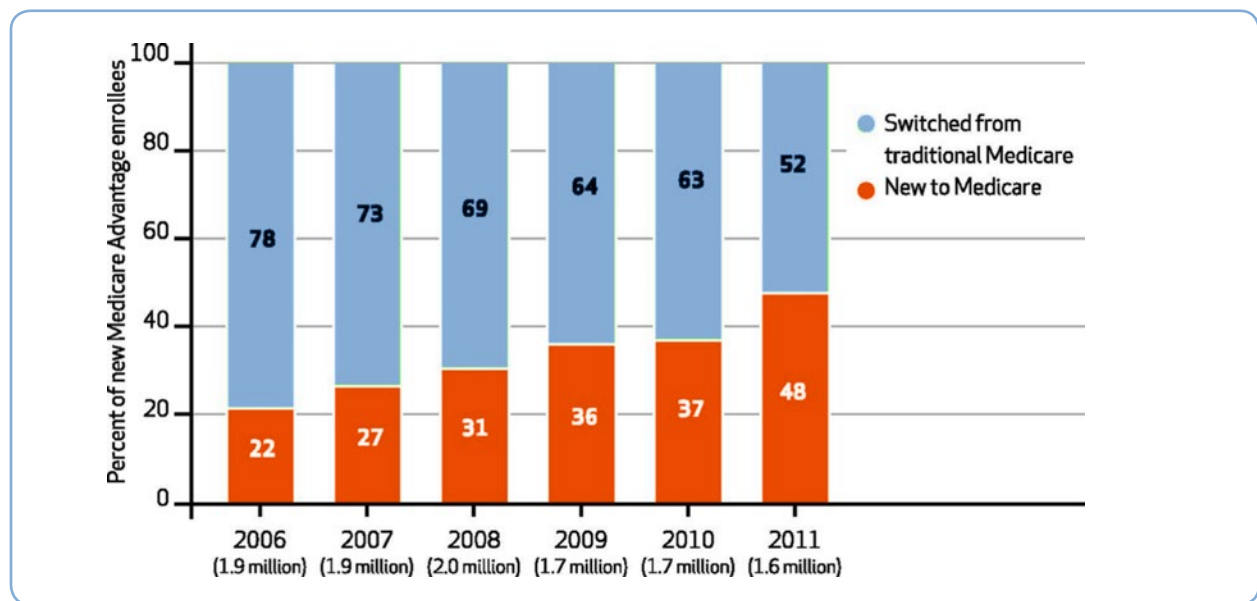
- 1 Medicare beneficiaries switching from traditional Medicare to Medicare Advantage plans.
- 2 The tendency of low-income seniors to select Medicare Advantage plans over other Medicare coverage options.
- 3 The tendency of minorities to select Medicare Advantage coverage over other forms of coverage.

It's an interesting caveat that the three factors occur in highly established MA service areas with high Medicare Advantage plan penetration and a high number of available MA plans in the market.

Three studies make the case for these assertions.

1 Health Affairs: At Least Half of New Medicare Advantage Enrollees Had Switched from Traditional Medicare During 2006 - 2011

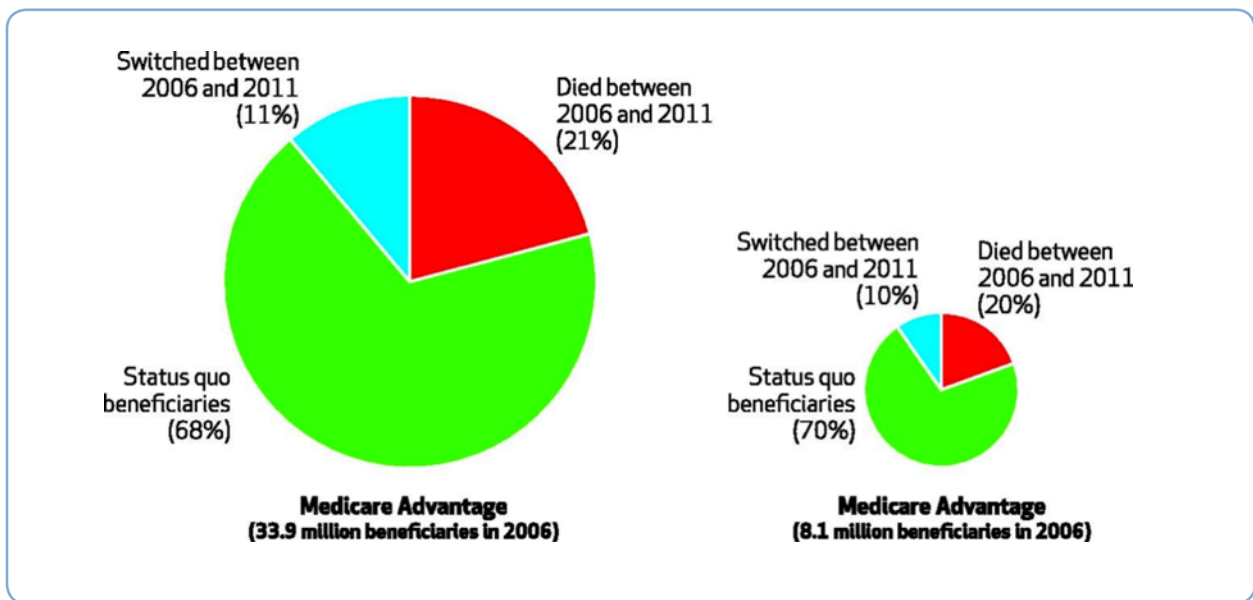
According to an article in *Health Affairs*, 22% of those new to Medicare, i.e., the first boomers eligible, chose Medicare Advantage over traditional Medicare in 2011. They made up 48% of new Medicare Advantage plan enrollees. As can be seen in the *Health Affairs* chart below, those new to Medicare made up a minority, although increasing, percentage of new Medicare Advantage plan members from 2006 through 2011. More than half of new Advantage plan enrollees still came from those that switched from traditional Medicare. Give customers something worth sharing and they'll reward your brand with some attention.



During the study period, the authors found that the rate at which beneficiaries switched between traditional Medicare and Medicare Advantage Plans (3.1 – 4.5%) and vice versa (3.8 – 4.8%) were comparable. The study found that 11% of those in traditional Medicare in 2006 had switched to a Medicare Advantage plan by 2011 while 10% of beneficiaries in a Medicare Advantage plan in 2006 had switched to traditional Medicare by 2011.

If that's the case, shouldn't they cancel each other out? Sounds like a reasonable question. The difference is in the starting numbers.

Traditional Medicare had over four times the number of enrollees in 2006 compared to Medicare Advantage plans. The result was that 3.6 million beneficiaries switched to Medicare Advantage plans, while nearly 800,000 beneficiaries switched in the other direction. The difference is graphically depicted on this chart from the article.



Switching Characteristics:

The largest rate of switching between traditional Medicare and Medicare Advantage plans occurred:

- in the 65 – 69 age group; the odds were 18% higher than for the 70 -74 age group.
- in counties with Medicare Advantage plan penetration rates of 10% or more.

The largest rate of switching between Medicare plans and traditional Medicare occurred:

- in beneficiaries less than 65 years of age
- in Dually Eligible beneficiaries
- in counties with MA plan penetration rates of less than 5%

2 The Medicare Payment Advisory Commission (MedPAC) Report: Medicare Advantage Demographics and Enrollment Patterns

This report examined Medicare Advantage plan participation rates in 2012.

For all beneficiaries, the participation rate was 28% for that year. Their findings:

- MA participation rates were above average with the 65 to 79 age groups with the highest rate (32%) in the 70 – 74 age group.
- Minorities have much higher MA participation rates while Non-Hispanic Whites have an average participation rate.
- Hispanics had the highest participation rates among race/ethnic groups at 39% in 2012.
- Populations less likely to enroll in MA are the same as shown for switching from MA plans: beneficiaries under 65 and dually eligible beneficiaries.
- Hispanics have high participation rates when MA plans have high penetration. They have low participation where MA penetration is low.
- Eighty percent of those who switched moved from one MA plan to another with 20% switching from MA to traditional Medicare.
- When beneficiaries switched MA plans, in most cases they selected a plan with a lower premium.

3 **America's Health Insurance Plans, Center for Policy and Research Report: Low-Income & Minority Beneficiaries in Medicare Advantage Plans, 2011.**

The report's findings include the following relative to MA plans participation rates.

- Nationwide average participation was 28%.
- Above average participation rates for MA plans among African-Americans (31%) and Hispanics (38%).
- Above average participation for beneficiaries with incomes between \$10,001 and \$20,000 (33%); and \$20,001 and \$30,000 (31%).
- Higher income beneficiaries were more likely to have employer-based coverage: 44 % of those with income between \$40,001 and \$50,000; and 51% of those with incomes over \$50,000.
- When you factor both income and minority status, the participation rate increases even further. Sixty-one percent of minority beneficiaries enrolled in Medicare Advantage plans had incomes of \$20,000 or less.

Key Takeaways

This may sound counterintuitive but the greatest opportunities for Medicare Advantage plan marketers are in service areas that have high MA penetration rates and with a large number of MA plans. That's especially true where you have high minority populations and a lot of low-income beneficiaries in a metro area. Hispanics are a very appealing target audience with the highest participation rates of any race/ethnic group.

The greatest Medicare Advantage marketing opportunities include beneficiaries enrolled in traditional Medicare and newly eligible minority and low-income beneficiaries. If you don't have them already, focus on getting more minorities with incomes of less than \$30,000.



If you'd like to talk about how DMN3 could help you generate more revenue from your marketing, please contact Pam Lockard at **pam.lockard@dmn3.com** or **832-844-2645**.