

What Comes After Medicare Cost Plans for Minnesota Seniors?

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## Background

Medicare Advantage health plans have enjoyed steady enrollment growth in recent years, with more than 20 million Medicare beneficiaries electing plans in 2018. That year, 34% of Medicare beneficiaries nationally were enrolled in a private Medicare health plan, and penetration was above 41% in four states: Florida (43%), Hawaii (45%), Minnesota (56%) and Oregon (43%). Kaiser Family Foundation, “A Dozen Facts About Medicare Advantage,” November 2018. Accessed at: <https://www.kff.org/medicare/issue-brief/a-dozen-facts-about-medicare-advantage/> Companies with large market share, like UnitedHealthcare, projected 8% annual growth in enrollment. <https://seekingalpha.com/article/4163538-unitedhealth-groups-unh-ceo-david-wichmann-q1-2018-results-earnings-call-transcript?part=single>

(In 2018, UnitedHealthcare had 25% of the enrollees in Medicare Advantage plans.) The steady growth of enrollment in Medicare Advantage has attracted strong interest from national health plans, entrepreneurs funded by private equity as well as provider systems that seek to start their own health plans,

The high penetration rate for Minnesota includes beneficiaries enrolled in §1876 Medicare Cost plans in which the private health plan was not at risk for enrollees’ utilization of hospital care and other services covered by Medicare Part A. In January 2018, about 402,000 Minnesotans were enrolled in Medicare Cost plans, Under the Medicare Modernization Act of 2003, which created the current Medicare Advantage program of private health plans, Cost plans were supposed to go away in geographic areas where there was competition with Medicare Advantage plans. That change was pushed off for many years, but finally took effect for most counties in Minnesota in 2019.

Before 2019, Minnesota enrollees in Cost plans accounted for about 65% of the total enrollees in Cost plans in the country. Three companies – Blue Cross Blue Shield of Minnesota, HealthPartners and Medica Insurance Company – offered Cost plans in Minnesota, and they enjoyed strong profits on them. As reported in *Minnesota Health Market Review 2018*, the three Minnesota Cost plans had combined underwriting profits of \$141.4 million in 2017 and \$79.8 million in 2016. The average medical loss ratio for the Minnesota Cost plans was only 81.8% in 2017. Allan Baumgarten, *Minnesota Health Market Review 2018*, Part One. Summary and excerpts at: <https://allanbaumgarten.com/minnesota/> Only UCare Minnesota had a full-risk Medicare Advantage senior plan before 2018, which had grown to 78,400 lives by January 2018.

The high number of enrollees in Medicare Cost plans demonstrated how attractive the plans were to beneficiaries. While premiums were relatively high, enrollee cost-sharing through deductibles and co-payments was low. The

provider networks were generally broad, and an enrollee could buy a stand-alone Part D prescription drug plan from any of the insurers selling them. Enrollees in Medicare Advantage plans are generally restricted to their MA plan for Part D coverage.

Based on the competition rule, 75% of the Minnesotans in Medicare Cost plans had to find a new plan during the most recent open enrollment season. They could select a Medicare Advantage plan, or they could revert to traditional Medicare and, if they wanted, buy separate Medicare Supplement and Part D drug plans. As we will show below, a large number of those Medicare Cost plan enrollees did not select a Medicare Advantage plan but instead switched to traditional Medicare.

Each company offering Cost plans marketed new Medicare Advantage PPO plans. In addition, other companies also offered new Medicare PPO plans in Minnesota, including UnitedHealthcare, Humana and a new joint venture insurance company formed by the Allina Health System and Aetna. (Aetna has formed four other joint venture companies with hospital systems in Virginia, Texas, Arizona and California. Allan Baumgarten and Katherine Hempstead, “New Provider-Sponsored Health Plans: Joint Ventures Are Now the Preferred Strategy.” *Health Affairs* blog, posted February 23, 2018. <https://www.healthaffairs.org/doi/10.1377/hblog20180216.720494/full/>

With so many beneficiaries changing plans, this presented a unique opportunity to gain new enrollees and market share. The plans, both the incumbents and the new entrants, marketed heavily through media advertising, direct mail and educational meetings. This was a one-time event, unlikely to be repeated. Research shows that, in “normal” open enrollment periods, only about 5% of traditional Medicare beneficiaries elect a Medicare Advantage plan, and vice versa. Gretchen A. Jacobson, Patricia Neuman and Anthony Damico, “At Least Half of New Medicare Advantage Enrollees Had Switched from Traditional Medicare During 2006-2011,” <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2014.0218>

One reason for the low rate of switching is that, once enrolled in Medicare, a beneficiary wanting to buy a Medicare Supplement plan would have to go through medical underwriting and could be rejected. Because these Minnesotans were losing their Medicare Cost plans, they had a one-time opportunity to buy a Medicare Supplement with guaranteed issue and no medical screening. They also got an extended open enrollment period to select their plans and also an extended period in which they could change their minds and switch to traditional Medicare with a supplement.

### **Open Enrollment Results**

Based on an analysis of CMS monthly enrollment reports, about 109,000 Medicare beneficiaries that had been in Cost plans elected not to buy a Medicare Advantage plan but rather to revert to traditional Medicare. *Exhibit 1*

shows that between January 2018 and May 2019 the number of enrollees in Medicare health plans decreased by about 109,000. Enrollment in Cost plans dropped by 341,000 to 61,300, meaning that about 41,000 persons elected different Medicare coverage even though they lived in counties where Cost plans were still offered.

A large number did move into Medicare Advantage, mostly PPO plans, which added more than 200,000 enrollees. Medicare Advantage HMO plans, mostly UCare, added almost 29,000 new members. (Note that about 40,000 of the total Medicare HMO enrollees in Minnesota are dual eligibles receiving both Medicare and Medicaid benefits.) However, with the large number of beneficiaries returning to traditional Medicare, we estimate that Minnesota's penetration rate dropped to 47.6% in 2019 – still among the highest in the country.

*Exhibit 2* summarizes how each health plan company fared in the recent open enrollment. All three large Cost plan companies suffered large enrollment losses across their senior plan offerings. Blue Cross Blue Shield, while still the largest Medicare plan in the state, lost 125,000 enrollees or almost half of its Medicare health plan enrollment. Similarly, HealthPartners/Group Health lost almost 33,000 enrollees, and Medica Health Plan and Insurance Company lost 46,000.

Two plans posted impressive enrollment gains: Humana Insurance gained about 58,000 enrollees in its Medicare PPO plans, while UCare Minnesota added 27,000 total lives in its Medicare HMO plans. In its first year, Allina-Aetna enrolled 6,000 in its Medicare PPO plans, which is a good but not great result. UnitedHealthcare Insurance Company and its affiliates added almost 5,000. (Note that UnitedHealthcare sold PPO plans through three affiliated companies: UnitedHealthcare Insurance, Sierra Health and Life and PacifiCare Life Assurance.)

This large-scale return of beneficiaries to traditional Medicare did not surprise the health plan companies, whose representatives were quoted during open enrollment as predicting that many beneficiaries would move to traditional Medicare. Why didn't more Medicare Cost plan enrollees move to Medicare Advantage? First, while the Medicare Advantage offerings had lower premiums, they also came with significant enrollee deductibles and co-payments, such as a \$1,000 co-payment for a 5-day hospital stay, or less coverage for an extended stay in a skilled nursing facility. Many in this population apparently valued lower and more certain out-of-pocket costs if they expected to use more care than a lower monthly premium.

Second, some beneficiaries were concerned that they would lose access to some of their providers if they selected a Medicare Advantage plan with a limited network. For example, the Blue Cross Blue Shield Medicare PPO plan did not include Allina Health providers in some parts of the state. It has been reported that some of the health plans will add key providers to their networks before the next open enrollment season.

### **Role of Medicare Supplement Plans**

Of the 109,000 Medicare enrollees who apparently moved back to traditional Medicare, how many purchased a Medicare Supplement plan? Nationally, about 24% of traditional Medicare enrollees also buy a Medicare Supplement plan. In 2018, 1.018 million Minnesotans were enrolled in Medicare, of which 448,000 were in traditional Medicare. According to an NAIC report, 113,195 Medicare beneficiaries in Minnesota had a Medicare Supplement policy at the end of 2017. Blue Cross Blue Shield of Minnesota had 79,596 enrollees in Medicare Supplement plans in 2017, the largest number of lives in Minnesota. UnitedHealthcare Insurance Company, whose plans are co-branded with AARP, was the largest issuer of Medicare Supplement policies nationally in 2017, with more than 1 million policies. In Minnesota, it was the second largest Medicare Supplement insurer, with about 15,400 policies.

National Association of Insurance Commissioners, “2017 Medicare Supplement Loss Ratios.”

[https://www.naic.org/prod\\_serv/MED-BB-18.pdf](https://www.naic.org/prod_serv/MED-BB-18.pdf)

Some of the former Cost plan enrollees chose a Medicare Supplement plan offered by the Minnesota companies, offsetting some of the loss of revenues and membership in the Cost plans. The NAIC statements for the three Cost plan companies show they gained almost 111,000 Medicare Supplement enrollees in the first quarter of 2019, growing from about 81,400 to 192,200. Blue Cross Blue Shield of Minnesota reported that it more than doubled its Medicare Supplement enrollment, growing from 80,000 to 169,600. Medica Health Plans grew from 1,245 to 16,701, although that may include some enrollees from North Dakota. HealthPartners added 5,800 Medicare Supplement enrollees. UnitedHealthcare Insurance Company marketed its AARP Medicare Supplement plans widely and priced them below some of the Minnesota companies, and it likely gained new enrollees this year. However, there are no public filings that would show Medicare Supplement enrollment gains for the company in the first quarter of 2019.

## **Conclusions**

While the national trend of growing enrollment in Medicare Advantage plans continues for now, Minnesota’s experience in this most recent open enrollment sounds a cautionary note. Medicare beneficiaries, especially those that use significant amounts of care, value predictable expenses and easy access to their providers. If Medicare Advantage plans, whether offered by new entrants or established companies, don’t offer those features, many of those beneficiaries will not choose Medicare Advantage plans. Instead, they will revert to or remain in traditional Medicare, allowing access to their providers. To limit their exposure to Medicare’s co-payments and deductibles, many will buy a Medicare Supplement plan. Note also that these Minnesota beneficiaries had a special option to enroll in a Medicare Supplement plan without medical underwriting. If they had elected a Medicare Advantage plan and then, a few years later, decided to switch back to traditional Medicare, they might have been out of luck. Like most states, Minnesota does not have a guaranteed issue requirement for Medicare Supplement plans.

Medicare Cost plans will continue in parts of Minnesota and may even grow in some states. Medica Insurance Company already had almost 19,000 enrollees in its Medicare Cost plan in North Dakota. HealthPartners entered into a partnership with Sanford Health to market its Medicare Cost plans in parts of North Dakota and South Dakota, where the competition rule does not apply yet.

### Exhibit 1

#### Minnesota Enrollment in Medicare Health Plans, January 2018 Compared to May 2019

	HMO	Local PPO	\$1876 Cost	Private Fee-for-Service	TOTAL
December 2018	120,127	48,744	402,408	375	571,654
May 2019	148,658	252,763	61,304	318	463,043
Change	28,531	204,019	-341,104	-57	-108,611
% Change	23.8%	418.6%	-84.8%	-15.2%	-19.0%

Source: Author's analysis of CMS enrollment reports, January 2018 and May 2019.

### Exhibit 2

#### Enrollment in Medicare Health Plans by Company, January 2018 Compared to May 2019

Health Plan	January 2018	May 2019	Change
Aetna Life	3,383	3,929	16.1%
Allina-Aetna	0	6,030	NA
Blue Cross Blue Shield/Blue Plus	267,954	142,313	-46.9%
Gundersen Health	785	1,713	118.2%
HealthPartners/Group Health	60,633	28,013	-53.8%
Humana Insurance	38,828	96,598	148.8%
Medica Health Plan/Insurance	96,661	50,217	-48.0%
Prime West	2,101	2,080	-1.0%
South Country	2,362	2,391	1.2%
UCare Minnesota	92,927	119,022	28.1%
UnitedHealthcare*	5,355	10,012	87.0%
Other (less than 500)	665	725	9.0%
TOTAL	571,654	463,043	-19.0%

Source: Author's analysis of CMS enrollment reports, January 2018 and May 2019.

\* UnitedHealthcare sells Medicare plans through its UnitedHealthcare Insurance, Pacificare Life Assurance and Sierra Life and Health Insurance companies