

EXECUTIVE BRIEFING

2022 outlook: MAOs face payment-related unknowns, increased competition

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For the Medicare Advantage industry, change wasn't a major outcome of the Biden administration's first year in office. But for 2022, MA organizations face a host of unknowns — such as potential risk adjustment and star ratings changes that could impact plan revenue — and challenges that include staying competitive in an increasingly rich benefits landscape. For AIS Health's annual roundup of perspectives on the year ahead, industry experts weigh in on how doing business in 2022 might differ from previous years.

AIS Health: What do you view as some of the biggest challenges or uncertainties facing MAOs in 2022?

Mike Adelberg, principal, Faegre Drinker Consulting: In November, CMS delayed issuing the much-discussed risk adjustment reg. Whether and how CMS seeks to extrapolate risk adjustment audits remains the single biggest unknown in MA. Other uncertainties include: (1) Will the Biden admin[istration] ratchet back the increased star ratings in Plan Year 2023? (2) Will annual MA payment updates return to the modest growth rates of the Obama years? (3) Will CMS get tougher on MAOs via program audits and targeted oversight activities such as provider directory audits? **Alexis Seeder Levy, managing director, HealthScape Advisors LLC:** We've seen a lot of articles questioning risk adjustment and whether it is doing the things it was intended to do or just becoming an opportunity to gamify the system. We expect there is going to be increased scrutiny on risk adjustment and making sure plans are focused on accurate, complete coding of risk so that the health risk of a plan's membership is commensurate with payment. Plans are looking at that and making sure they have the policies and procedures in place so if they do get scrutinized by a regulatory agency, they're prepared. **Cary Badger, principal, HealthScape:** From a compliance perspective, risk adjustment is still top of the radar for CMS, and there's been a lot of oversight activity including the HHS Office of Inspector General. The other side of that is, the industry has long known that fee-for-service Medicare risk adjustment is not as accurate as Medicare Advantage and right now, MA plans get paid more because they can accurately depict the relative risk of their populations. But policymakers are looking very closely at this, and plans might need to be prepared for policy changes to the

risk adjustment formula going forward and be ready to bid and to perform at increasingly competitive levels. **Mary Beth Donahue, president and CEO, Better Medicare Alliance:** Medicare Advantage needs stability and certainty from Washington in order to build on the successes we've already seen — lower cost-sharing for seniors, greater benefit offerings, fewer avoidable hospitalizations compared to FFS Medicare, to name a few — while serving an increasingly diverse, at-risk population that the Biden administration expects will swell to 29.5 million beneficiaries in 2022. We are closely watching CMS's 2023 rate and policy-setting process and the potential impact on seniors' coverage and costs. It is critical that Medicare Advantage remain equipped with the tools to offer world-class care to seniors and individuals with disabilities who depend on this coverage lifeline. Tom Kornfield, senior consultant, Avalere: Aside from the uncertainty of COVID, which is on everyone's minds, uncertainty also exists with the 2023 MA and Part D rule, which [at press time had been reviewed by the White House Office of Management and Budget and] could be released in January, and the 2023 Advance Notice, expected towards the end of January or early February. Both documents — the regulation and the Advance Notice — will comprise the first major policy vehicles for the administration on MA and Part D. The contents of these documents will inform how plans will need to react to changes or new requirements that could be proposed by the new administration around risk adjustment or supplemental benefits, among other items. In addition, plans will be interested in knowing the fate of Part D reform. **Lindsay Resnick, executive vice president, Wunderman Thompson Health: (1) Competitive differentiation:** With customers having more MA plan choices every year, breaking out of the "sea of sameness" is the only way to a sustainable market advantage. Add to the mix MA plan aggregators using aggressive direct-to-consumer marketing and sales tactics, and the landscape can only be described as cutthroat. (2) Keeping up with and leveraging "AgeTech." From caregiving to socialization to fall prevention to personalized health monitoring, digital health solutions such as wearables and sensors are improving care and reducing costs. AgeTech is closing the generational digital divide and Medicare Advantage plans need to adapt. (3) Competing with or partnering with MA retailers (Walmart, Walgreens, Amazon). Retailers are in the game, either directly underwriting MA plans, selling plans through in-house agencies, or engaging MA customers through their branded primary care clinics or low-cost, convenience-driven pharmacy services. If you can't beat 'em, join 'em through collaborative partnerships or joint ventures.

AIS Health: What do you view as MA insurers' "keys to success" in 2022?

Adelberg: MAOs must continue to focus on (1) delivering high value care and correctly coding and documenting that care, and (2) innovating their benefits and services in increasingly competitive markets. As MAOs are largely focused on the same things, continuous improvement is necessary in order to remain viable in markets where new incumbents raise their performance and new entrants look to pick-off age-ins and existing members. **Mark Kriscunas, executive vice president, business operations and finance, Cavulus:** Changes to risk adjustment methodologies and resulting payments are the hot button issues. The plans who've best prepared for the transition to 100% EDS [encounter data system] for risk score calculation will fare better in 2022. With the industry just completing another AEP, we see so many opportunities to maximize marketing spend, increase lead conversion, and minimize avoidable rejections to bolster revenue on the front end; but there are opportunities in most areas of operations. **Resnick:** Three things: (1)

Capturing fair share of the new-to-Medicare market: people turning 65 choosing a Medicare plan for the first time, and late market entrants (generally between ages 66 and 70) coming off an employer plan; (2) Time to deliver on high performance customer experience performance (removing points of friction); and (3) Digital: Plans must invest in adapting to a more sophisticated, Web savvy connected Medicare consumer.

AIS Health: What critical investments do you expect MA insurers to make this year and why?

Adelberg: An arms race is underway in benefits. Benefits that were uncommon five years ago — meals, transportation, comprehensive dental — are now table stakes or trending toward table stakes. Other benefits like in-home support and super-charged OTCs are effective marketing tools and good for CAHPS. Plans that do not offer these newer benefits, and do not integrate them into the care management strategies so that they improve utilization and raise stars, will be left behind. **Badger:** We've done some research on how plans can leverage their supplemental benefits differently, looking at the correlation of the health status of an individual and the utilization of a supplemental benefit, such as OTC coverage, and there was a strong correlation. Supplemental benefits have traditionally been looked at by health plans as a real marketing feature by the plan, something that's not offered in Original Medicare, but now they're starting to look at how this can inform and help the plan manage the health status of the member in addition to attracting members, and then it's worth a lot more. **Donahue:** Medicare Advantage health plans and community partner organizations across [BMA] are focused on further improving care and the beneficiary experience with greater investment in in-home care, expanded supplemental benefits that meaningfully address social determinants of health, and care management programs that coordinate services to help seniors stay on the path to wellness. All of these trends will continue to be an area of focus in 2022 and beyond. **Kornfield:** Plans will continue to look to invest in ways to move providers towards risk bearing arrangements, and in some cases could continue to pursue efforts to become more integrated by purchasing providers. **Levy:** If there are changes to the risk adjustment methodology that cause plans to have less money to spend on supplemental benefits, plans will focus on picking the benefits that matter the most, [as well as] really being informed about supplemental benefits with respect to how they could help manage medical costs and engage members. [Also,] whether it's employer-based products, Dual Eligible Special Needs Plans or Chronic Condition SNPs, we are seeing plans thinking about [expanding] their product portfolio beyond the individual market because those [markets] are a bit more untapped and competitive.

AIS Health: In terms of mergers, acquisitions, or joint ventures, what types of transactions are likely to take place that will impact MA competition?

Badger: We're seeing a lot of new provider-insurer relationships in the marketplace now and we think that will continue. There are a number across the country, [including recent examples] Experience Health in North Carolina [which is jointly owned by Duke University Health System and BlueCross BlueShield of North Carolina] and Braven Health in New Jersey [created in partnership with] Hackensack Meridian Health, Horizon Blue Cross Blue Shield of New Jersey and RWJBarnabas Health, and these plans are doing reasonably well. They share the risk through different arrangements, but they often share the [clinical] programs to get a closer relationship [with the patient]. **Kriscunas:** There's been substantial market

consolidation over the past decade with the largest insurers purchasing regional plans. While that may continue, we also expect to see relatively new entrants acquire existing Medicare Advantage organizations. This is a trend to watch particularly among tech-backed start-ups. *By Lauren Flynn Kelly*