

Insights on 2023 AEP Performance

This brief builds upon last year's analysis of Medicare's Annual Enrollment Period (AEP) and highlights results from the most recent enrollment data available¹ from the Centers for Medicare and Medicaid Services (CMS) that accounts for 2023 AEP. Where helpful, we'll compare these results to last year to highlight what's stayed the same, what is different and how health plans should respond.

Key Highlights of this Brief

In many respects, 2023 AEP was "groundhog day" with enrollment trends mirroring those of last year. Recent surveys report a 12% increase in switchers changing carriers as compared to the last two cycles. With expected headwinds in payment rates in 2024, this portends a more challenging AEP for many plans¹.

Note: HealthScape used February 2023 Medicare Advantage (MA) enrollment data as our initial analysis from January 2023 enrollment data identified that total enrollment appeared more incomplete than anticipated. We compare December 2022 enrollment to February 2023 enrollment as an approximation of changes resulting from AEP. We recognize that using February data may marginally overstate the impact of AEP given Open Enrollment Period (OEP), Special Enrollment Period (SEP), and age-in enrollment throughout the month of January.



National health plans (Nationals) captured the majority of new enrollees. UnitedHealthcare and Humana each added 462K and 422K new enrollees respectively, with Humana roaring back this AEP with over 8% enrollment growth vs. 1.3% the previous year.



With a few exceptions (e.g., HCSC, Devoted Health), Blue Cross Blue Shield Plans (Blues), Provider Sponsored Plans (PSPs) and Start-Ups under-performed the overall MA growth rate during AEP.



PPO products continue to see more growth than HMO products.



While MA remains a growth opportunity, reliance on AEP will be more challenging given greater propensity of switching during this period and expected premium headwinds that will make the funding of benefits more difficult.



Given this trend, it will be critical for plans to deploy a balanced strategy that evaluates different levers for growth while focusing on member retention and plan performance for long-term success and a better focus on efficient distribution strategies.

¹2023 Medicare Shopping and Switching Study; Deft Research



Our MA Enrollment Dashboard shown below allows users to view the data used for our analysis and filter across a number of dimensions, including geography, plan type and product. View the [interactive dashboard](#) on our website.

Figure 1: Medicare Advantage Enrollment Dashboard



The Big(est) Keep Getting Bigger

The MA market grew 3.7% from 29.3M enrollees in December 2022 to 31M enrollees in February 2023. Continuing previous AEP trends, of the roughly 1.1M net new enrollees from December 2022 to February 2023, 860K of these members (~80% of net new enrollment) selected a National plan. Blues and PSPs generally retained their overall market share position ending at 16.8% and 7.6%

of the market, respectively. Newer entrants to the MA market (“Start-ups”) generally saw increases in enrollment in terms of total market share with 1.4% of total MA enrollment. Collectively, the proportion of the MA market by plan type has remained consistent from 2022 to 2023. We will discuss the performance of each of these plan types in subsequent sections.

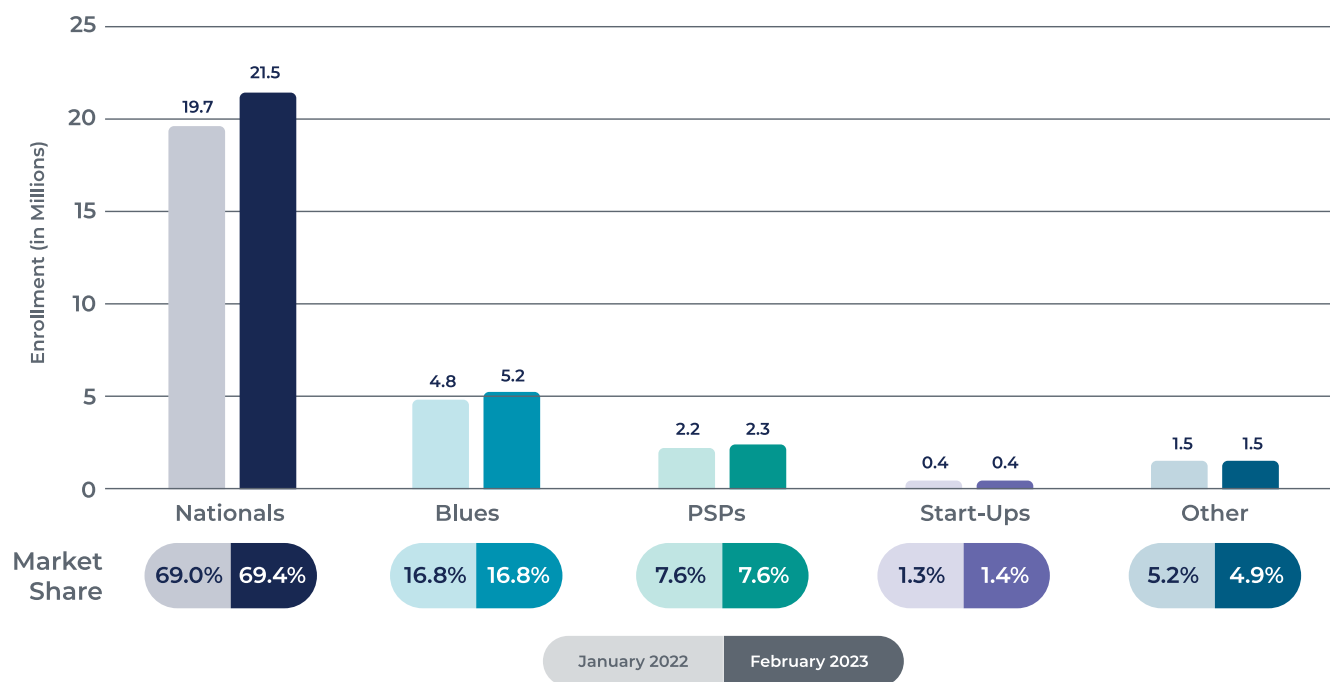


Figure 2: Top 10 Plans by Net Medicare Advantage Enrollment Growth Between December 2022 and February 2023²

PARENT ORGANIZATION	DECEMBER 2022 ENROLLMENT	FEBRUARY 2023 ENROLLMENT	ENROLLMENT CHANGE (DEC 2022 – FEB 2023)
UnitedHealthcare*	8.4M	8.8M	462K (5.5%)
Humana*	5.1M	5.5M	422K (8.3%)
CVS Health	3.2M	3.3M	101K (3.2%)
Elevance Health*	1.9M	2.0M	73K (3.7%)
Cigna	525K	569K	44K (8.4%)
Devoted Health*	82K	123K	41K (50.1%)
Health Care Service Corporation	124K	164K	39K (31.7%)
BCBS of MI*	634K	656K	22K (3.4%)
Braven Health	27K	40K	13K (47.7%)
BCBS of NC	94K	106K	12K (13.2%)

*Indicates plans on last year's Top 10 Net Enrollment Growth list.

Figure 3: MA Enrollment and Market Share by Plan Type



² Excludes enrollment growth due to acquisition (e.g., MHH Healthcare acquired Medical Card System in 2021, a Puerto Rico-based healthcare services organization).



Nationals Retain Dominance Though Some Fared Better Than Others

As of February 2023, the Nationals slightly increased their overall share of the MA market, accounting for 69% of MA membership.



Nationals account for 69% of MA membership

This year, UnitedHealthcare captured the most enrollment with nearly 462K new members. Humana increased its membership with 8.3% enrollment growth, adding nearly 422K new members which it partially attributes to the [\\$1B in cost savings reinvested](#) in benefits. Cigna also grew above market rate, adding over 44K members (8.4% growth), likely due to its [expanded geographic footprint](#) (22% growth in geographic footprint in 2023).

Not all Nationals fared as well. Centene lost over 182K members, representing a 12% decrease despite stating low-to-mid-single-digit growth expectations in the latest [earnings release](#) in October 2022. This decline could be attributed to Centene's lower Star rating performance, which resulted in the number of members enrolled in a 4.0+ Star plan dropping from 48% to 3% in 2022. Weaker Star performance would impact Centene's placement on medicare.gov's plan finder, though it is likely only one of a number of other local and competitive market factors.

For some Nationals, enrollment in products offering Part B givebacks fueled significant growth. For example, UnitedHealthcare and Cigna's enrollment in Part B giveback plans increased 14% and 47%, respectively, with enrollment in plans with a Part B giveback representing nearly half of Cigna's total AEP growth.

Blues Continue Their Mixed Performance

Enrollment in Blues grew by almost 177K during AEP with the Blues' overall MA market share holding constant from 2022 at ~17%. Within these results, it is important to remember the diversity of the size of Blue's MA books and geographic coverage (over 31 plans covering all 50 states plus D.C. and Puerto Rico).



Multi-State Blues experienced significant gains during AEP

Some Blues, notably larger, multi-state Blues, experienced significant gains during AEP. Health Care Service Corporation (HCSC) gained ~39K members, partially attributable to its considerable service area expansion to include 150 new counties in Illinois, Montana, New Mexico, Oklahoma, and Texas in time for 2023 AEP. Elevance Health added almost 73K members (primarily in markets with Employer Group Waiver Plans [EGWP] and Special Needs Plans [SNP]) to reach 2M in total enrollment. Some single-state Blues, notably Blue Cross Blue Shield of Michigan and BlueCross BlueShield of North Carolina, also saw notable enrollment gains of almost 22K and 12K respectively. Excellus BlueCross BlueShield (Excellus) performed above the market growth rate recovering from membership losses in the prior year's AEP. Other large percentage increases were based off of smaller membership bases.

Other Blues did not fare as well. Blue Shield of California, GuideWell (Florida Blue) and Horizon Blue Cross Blue Shield (Horizon) experienced significant enrollment declines, though Horizon's membership loss is more than offset by the growth in its Braven Health product (see PSP section below).



Figure 4: Blues with the Most Enrollment Growth³ (>75K Members)

PARENT ORGANIZATION	SERVICE AREA	DECEMBER 2022 ENROLLMENT	FEBRUARY 2023 ENROLLMENT	GROWTH RATE (DEC 2022 – FEB 2023)
HCSC*	Multi-State (IL, MT, OK, NM, TX)	124K	164K	31.7%
BlueCross BlueShield of North Carolina	Single State (NC)	94K	106K	13.2%
Blue Cross Blue Shield of Massachusetts	Single State (MA)	73K	78K	5.9%
Excellus BlueCross BlueShield	Single State (NY)	159K	166K	4.5%
Elevance Health	Multi-State (Various)	1.9M	2.0M	3.7%
BlueCross BlueShield of Tennessee	Single State (TN)	159K	165K	3.6%
Blue Cross Blue Shield of Michigan	Single State (MI)	634K	656K	3.4%
Highmark Health	Single State (PA)	370K	381K	2.9%

*Indicates Blue plans with Most Enrollment Growth from 2022 AEP results

Few Provider-Sponsored Plans (PSPs) Experience Significant Growth

Enrollment in PSPs grew by roughly 61K members during AEP with their collective share of the MA market remaining relatively constant at 7.6%. Kaiser is the largest PSP by enrollment (though it is classified as a National for purposes of this analysis) and its enrollment was flat during AEP at 1.8M members.

Of note, Braven Health which is a strategic partnership between Horizon, Hackensack Meridian Health and RWJBarnabas Health grew by over 13K members (47.7%) during AEP. Other large enrollment gains were experienced by Banner Health (~7K members and 37% growth).

For many PSPs, AEP is a less important growth period as many capture the strategic value of their health system relationship and year-round age-in growth opportunity.

Figure 5: PSPs with the Most Enrollment Growth (>50K Members)

PARENT ORGANIZATION*	DECEMBER 2022 ENROLLMENT	FEBRUARY 2023 ENROLLMENT	GROWTH RATE (DEC 2022 – FEB 2023)
Presbyterian Healthcare Services	56K	58K	4.0%
Corewell Health	225K	233K	3.6%
Geisinger Health System	96K	99K	3.3%
UPMC Health System	201K	205K	2.2%
Martin's Point Health Care	68K	69K	2.0%

*Indicates PSP with Most Enrollment Growth from 2022 AEP results

³ “Most Enrollment Growth” defined as those health plans with the highest growth rate from December 2022 and February 2023 CMS enrollment files.

The Start-Up Boom Has Officially Fizzled



While Start-Ups made front page news in 2021 for their tech-enabled platforms and public offerings, this story was quickly replaced in 2022 by the rapid decline in shareholder value and operational and financial performance challenges facing these plans. For example, at the time this brief was released, Bright HealthCare announced an exit from Individual and Family Plans and MA products outside of California, shedding 9.6% of total MA membership. Despite these headlines, only 1.4% of total MA enrollment is held by Start-Ups.

Alignment Healthcare lost about 5% of its members (over 5K members), despite expanding to 14 new counties and two new states. Clover Health lost almost 5K members (5.3%), though commented at the 2023 J.P. Morgan Healthcare Conference that this loss was due to strategic pricing that focused on margin vs. growth.

The sole bright spot in this category was Devoted Health, which grew by 50.1% to over 123K members continuing its focus on growth through provider partnerships and strong clinical performance. Other Start-Ups such as Zing Health and Troy Medicare grew by above market rates though off a smaller total membership base growing to 6.4K members and 2.6K members, respectively.

Other Notable Mentions

In the “Other Plans” category, SCAN Health Plan has the largest enrollment and experienced the most growth during AEP, growing by over 10K members to reach 284K. While SCAN grew at a rate of 3.6%, it is a significant decline from its 18% growth during 2022 AEP.



Other Market Trends

Outside of the analyses by plan type above, we have noted a few additional AEP trends:

SNP Market Enrollment Outpaces Individual Market Enrollment

The individual MA market, which represents nearly 65% of the overall MA market, grew at a rate of 2.1%. Enrollment in SNPs increased by almost 434K enrollees during AEP, with 18% of all MA enrollees enrolled in a SNP. The SNP market grew nearly four times faster than the individual (non-SNP) MA market, at a rate of 8.5%. Nationals, such as Humana, Kaiser, and CVS Health, saw significant enrollment growth driven by SNP product enrollment, each increasing their SNP enrollment by over 10%. Humana saw nearly 20% of its total MA growth (85K members) from SNP enrollment during 2023 AEP.

Within SNPs, roughly 90% all enrollees selected a dually eligible plan for Medicare and Medicaid (D-SNP). After experiencing an enrollment decline of 2.6% during 2022 AEP, enrollment in Chronic Condition Special Needs Plans (C-SNP) rose 7.7% during 2023 AEP. Institutional Special Needs Plan (I-SNP) enrollment remained relatively flat with less than 1% enrollment growth.

The 5% increase in EGWP enrollment between December 2022 and February 2023 is not surprising given the increased flexibility in enrollment time periods in the EGWP market.





Figure 6: AEP Enrollment Trends by Product Type

PRODUCT TYPE	DECEMBER 2022 ENROLLMENT	FEBRUARY 2023 ENROLLMENT	% OF TOTAL MARKET (FEB 2023)	GROWTH RATE (DEC 2022 – FEB 2023)
Individual	19.7M	20.1M	64.8%	2.1%
SNP	5.1M	5.5M	17.8% ³	8.5%
D-SNP	4.6M	5.0M	16.0%	8.8%
C-SNP	0.4M	0.5M	1.5%	7.7%
I-SNP	0.1M	0.1M	0.3%	0.3%
EGWP	5.1M	5.4M	17.8%	5.0%

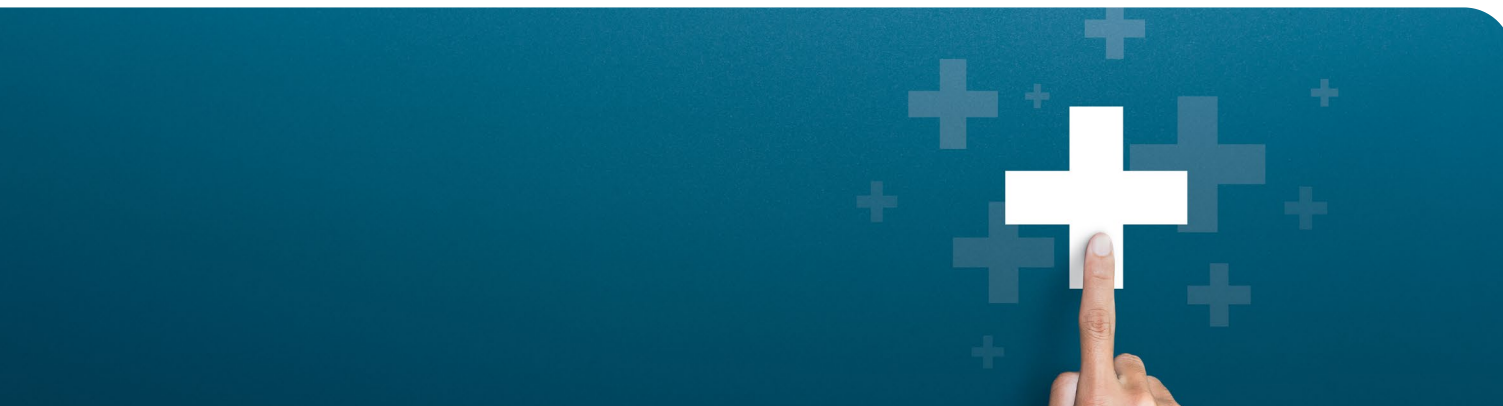
PPO Plans Continue Grow Faster Than HMO Plans

While more than half of MA enrollees (58%) are in HMO plans, PPO plans grew at a rate five times faster than HMO plans. About 2% of the market

remains enrolled other plan types, such as Private Fee-For-Service (PFFS) plans, Medicare Cost plans, Program of All-Inclusive Care for the Elderly (PACE) plans and Medicare Medical Savings Accounts (MSAs) though enrollment in these plan types is decreasing.

Figure 7: AEP HMO and PPO Enrollment Trends

PLAN	DECEMBER 2022	FEBRUARY 2023	GROWTH RATE
HMO	17.7M	17.9M	1.4%
PPO	11.9M	12.8M	6.7%





IMPLICATIONS

These results highlight several strategic and operational implications for health plans that should guide their priorities and areas of focus as plans continue into CY 2023 and begin planning for CY 2024:

1 Distribution channels matter

While plans have experienced rapid growth through channels such as Field Marketing and Electronic Marketing Organizations, this growth came with challenges such as lower retention and associated impacts on financial performance. Several Nationals credited their success due to strategic focus on certain channels such as direct sales and captive agents. Other plans noted intentional enrollment decline due to channel mix switches but that they hope will result in better financial performance.

2 Shift from growth to margin

Aligned with the above-mentioned trend, many plans are intentionally shifting their strategic focus from hyper-growth at all costs to more moderated growth that focuses on margin / financial performance while retaining certain membership growth levels. This financial focus or reset may enable future growth as plans are able to use this improved performance to invest in future growth strategies such as distribution or product.

3 Focus on niche markets

Given the continued hyper-competitive nature of Individual MA, plans are searching for flanking strategies through markets that may be less crowded. While D-SNP may have once represented one of these opportunities, it is becoming increasingly saturated and is the growth focus for many Nationals. As a result, plans may need to search into new product frontiers such as other SNP products (i.e., C-SNP or I-SNP) or other niche markets (e.g., Military).

4 Funding benefits will be a challenge and plans will need to take a longer view

Plans will face multiple challenges to the funding of competitive benefits this upcoming plan year, including lower premium adjustments, higher Part D cost requirements, lower Star Ratings and potential impact of changes to the risk adjustment model. These headwinds will require plans to be strategic in their selection of [supplemental benefits](#), incorporating an approach that looks not only at what the market is doing but also examines the Return on Investment (ROI) of these benefits with respect to cost of care, member experience and other measures.

5 Part B Givebacks are popular but sustainability will be challenging

The prevalence of Part B Giveback plans continues to grow with giveback amounts increasing. MA beneficiaries find significant value in this benefit, especially during an inflationary period. It is typically more difficult to take back or reduce a benefit once offered and this benefit may be difficult for plans to maintain given the financial headwinds expected to impact 2024 bids, making it even more important to weigh the risks and benefits of offering this feature.

6 Long term strategic focus

Winners in 2022 were not always the winners in 2023. While it is important to have competitive benefits / market parity, a one-year view might result with a plan getting it right one year but not the next. This highlights the need to have a longer-term product strategy that is focused on core competencies and that is aligned with other plan strategic initiatives such as clinical care management and member experience.



HealthScape Can Help

Given the criticality of the senior population to plan viability and sustainability, we partner with MAOs to position them for success in a highly competitive market.

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¹Note on Data Used: HealthScape Advisors analyzed Center for Medicare & Medicaid Services (CMS) Monthly Enrollment by Contract/Plan/State/County (CPSC) files from Report Periods 2021-12, 2022-01, 2022-12, and 2023-02 for this perspective (available here). The report provides monthly enrollment at the contract, plan, state, county level for all organization types. CMS suppresses enrollment figures in counties where the enrollment for a specific Contract-Plan ID in a particular county is less than 10. Our analysis excludes Medicare Prescription Drug Plan Enrollment.