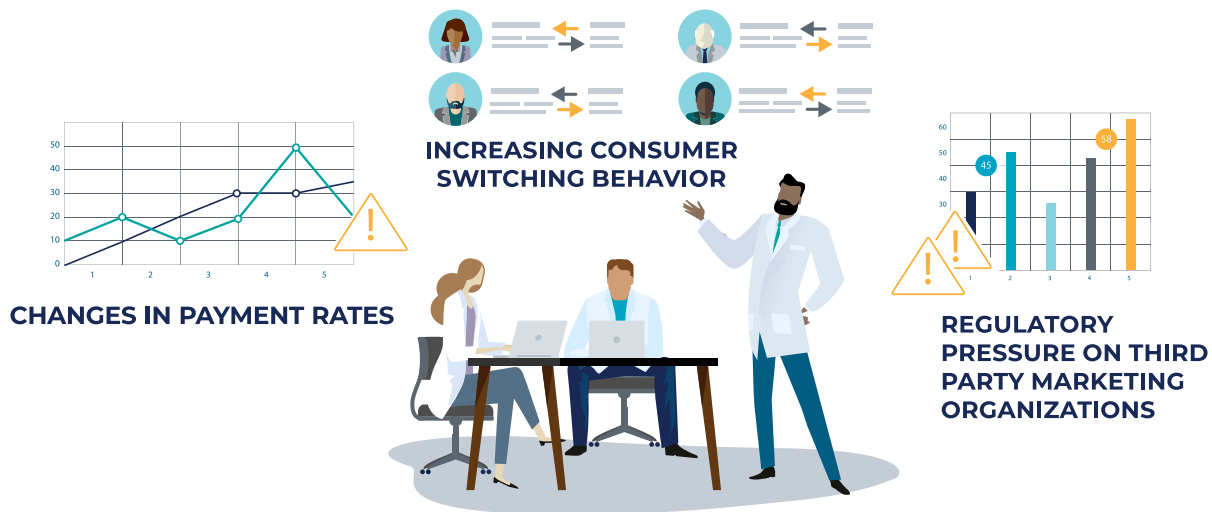


# 2024 AEP: The Most Competitive Marketing Season Ever



As Medicare Advantage Organizations (MAOs) get ready for the upcoming Annual Enrollment Period (AEP), they should proactively prepare for one of the most competitive marketing seasons to date. The cumulative impact from changes in payment rates; regulatory pressure on Third Party Marketing Organizations (TPMOs), with retention concerns from plan sponsors; and increasing consumer switching behavior signal a highly competitive AEP ahead. With these compounding factors at the forefront of the AEP season, it is increasingly important for MAOs to implement strategies that manage distribution channel mix and effectively retain & grow Medicare Advantage (MA) membership.



Factors of a highly competitive AEP season.

## MEDICARE ADVANTAGE MARKET CHALLENGES

### The Perfect Storm: Payment Rate Changes and Increased Shopping & Switching

The Centers for Medicare & Medicaid Services (CMS) [Final Payment notice](#) provided nominal changes to 2024 payment rates, with the average change in revenue for MAOs increasing by 3.3% for CY (Calendar Year) 2024, down from an 8.5% increase in CY 2023. In response to this lower growth rate compared to previous years, MAOs have placed increased scrutiny on benefit design, making difficult trade-offs between benefits offered, deferring benefit improvements, or reducing coverage. For example, [Humana](#) has communicated a line-by-line analysis of perceived value vs. actuarial value of each benefit included in MA plans and intends to adjust benefits that customers do not perceive as high value. Additional pressure from pent-up demand in outpatient surgeries and other procedures post-COVID has tightened margins and the ability to offer new supplemental benefits.

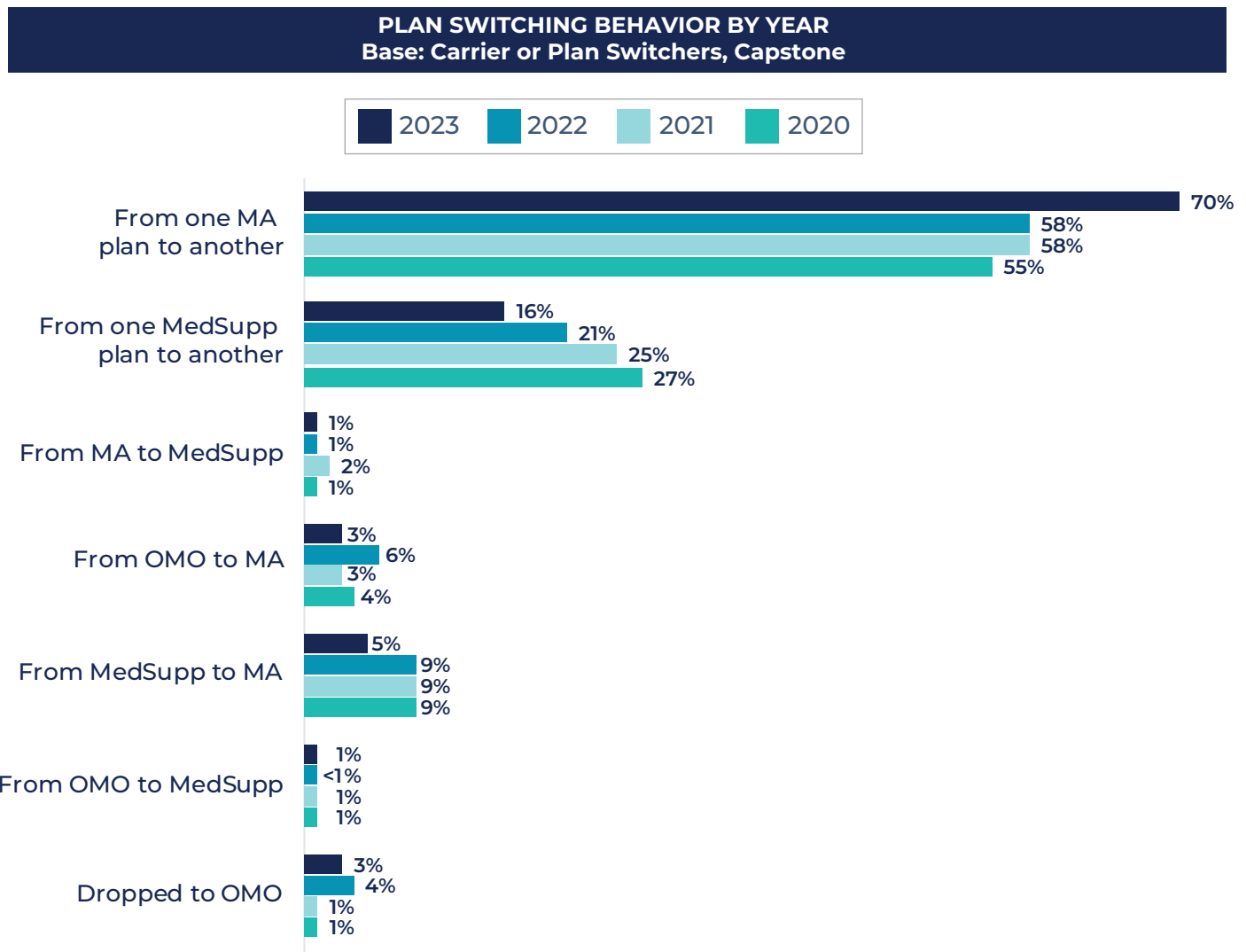
*“The largest Medicare Advantage insurers want to cut benefits, increase premiums, and make other structural changes to their plans next year to account for higher-than-anticipated medical expenses this year,”*

- [Modern Healthcare](#)



The Plan Annual Notice of Change (ANOC) reflecting benefit changes will not only accelerate plan switching but also impact an MAO’s ability to manage Star Ratings (e.g., CAHPS [Consumer Assessment of Healthcare Providers and Systems] survey results) and completely and accurately document member risk profiles. Members are often blindsided by formulary changes, benefit reductions, and changes to cost-shares & co-pays included in the ANOC, prompting them to investigate other carriers and/or airing dissatisfaction in CAHPS surveys, potentially negatively impacting plans’ Star ratings. According to Deft Research, only 65% of MA members found themselves “Loyal and Happy” in 2023, as compared to 71% in 2022. The total number of members in the “Buyer’s Remorse” category, which includes members who are very good candidates to switch plans, also increased from 2% in 2022 to 6% in 2023. These trends signal to the industry that members who stayed with their carrier throughout the Open Enrollment Period (OEP) are not guaranteed to remain with their carrier. See Figure 1 for additional detail on plan switching behavior from 2020-2023.

**Figure 1: Plan Switching Behavior from 2020-2023**



Source: [Deft Research's 2023 Medicare Shopping and Switching Study](#)



Based on the above-mentioned challenges, it is more critical than ever for MAOs to analyze their distribution channels and strategies for this upcoming AEP to not only ensure that MAOs are able to capture the greater volume of shoppers / switchers expected this year but also retain and protect members against these competitive threats.

## MEDICARE ADVANTAGE DISTRIBUTION CHANNEL MANAGEMENT CONSIDERATIONS

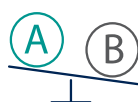
### “Where is My Channel Performance Data?”

Data is often scattered throughout different systems and not well defined by MAOs, making it difficult to analyze the end-to-end customer journey and channel performance. MAOs should take a data-driven approach that not only analyzes sales channel performance, but also creates a common fact-base to define and compare critical performance across channels and to industry benchmarks. In this way, MAOs can more directly manage performance across all distribution channels. See Figure 2 for an illustrative sales channel performance scorecard.



#### Where is my Channel Management Data Dictionary?

A common problem for MAOs is the lack of a comparable set of definitions and comparable channel performance data across both direct and brokerage channels. Not having this data in a consolidated view across the MAO leads to a channel mix dictated more by the market than the channel management strategy across the sales and marketing organization.



#### How do I know what my Optimal Channel Mix is?

To determine the needed changes in channel mix, different scenarios must be tested to evaluate the performance impacts of each shift in mix (e.g., Cost per Sale, Lifetime Value, Channel Capacity). This allows the MAO to best define the optimal mix to meet short-term and long-term Medicare strategies and objectives.



#### How do I change my Channel Mix?

Without specific action plans to implement channel mix objectives and performance levels, a proper glidepath to the optimal channel mix may be fleeting.



**Figure 2: Scorecard of Performance Metrics (Illustrative)**

Performance by Channel						
Bottom Quartile     Top Quartile	Direct	EMO	Broker	Telesales	Field Sales	Other
Total Leads Volume	Teal	Teal	Light Blue	Orange	Red	Red
Total Sales Volume	Teal	Teal	Light Blue	Light Blue	Red	Red
Percent of Total Sales	Light Blue	Teal	Teal	Light Blue	Red	Red
Close Ratio	Light Blue	Teal	Teal	Light Blue	Red	Red
Sales CAGR	Teal	Teal	Light Blue	Light Blue	Orange	Red
Average Cost per Sale	Red	Teal	Red	Teal	Orange	Light Blue
Member Lifetime Value	Orange	Light Blue	Teal	Teal	Red	Red
Retention Rate	Light Blue	Teal	Teal	Teal	Orange	Red
CTMs per 1K	Light Blue	Teal	Teal	Teal	Orange	Red

## Flanking the Competition: Reducing the ‘Glare’ of Medicare Enrollment Decisions for Beneficiaries

Most MAOs know that beneficiaries are faced with a multitude of new rules and decisions when choosing Medicare coverage, but these beneficiaries may receive less than optimal support during Initial, Special, or other regulated Open Enrollment opportunities.

For example, it is often a missed opportunity when an existing commercial member must navigate the full spectrum of options in the individual market and manage a broad array of advisors and plan information during a Special Enrollment Period. MAOs that can analyze and tailor their channel engagement strategies to these individuals may be rewarded with higher loyalty, lower acquisition costs and enrollment beyond AEP.

### STRATEGIES TO MANAGE DISTRIBUTION MIX: RETAIN & GROW MEMBERSHIP

These challenges and trends highlight several strategic implications for MAOs. MAOs that translate these trends into actionable strategies to prepare for the upcoming AEP will be best positioned for membership growth and retention. Actionable strategies that should be used to guide discrete areas of focus to prepare for 2024 AEP include the following:

- 1 Move beyond Cost Per Sale (CPS) to Long Term Value (LTV):** Focus on performance metrics that incorporate member retention (e.g., LTV) and allow for comparative sales channel performance management.



- 2 Compare Channel Performance:** Build a 'moat' around current members and exert more direct influence over new member acquisition across Direct to Consumer and TPMOs.
- 3 Focus on Beneficiary Product Transitions:** Consider member transition market segments that will allow the MAO to flank competition every month during Initial and Special Enrollment Periods (IEP and SEP) which offers a continuous stream of sales opportunities and conversions (e.g., Commercial Group to MA coverage, MedSupp to MA).

### HEALTHSCAPE CAN HELP

HealthScape provides a data-driven approach to member acquisition and retention that includes a diligent analysis of sales channel performance, with the right balance of the following:

**Data Management  
and Analytics**

**Channel Scorecard  
Development**

**Strategic Advice and  
Benchmarking on  
Sales Channel  
Management**

**Execution Support**

We understand the criticality of balancing growth and performance such that MAOs can 'Control Their Destiny' in otherwise challenging Annual and Open Enrollment Periods.

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