

Spotlight on

MEDICARE ADVANTAGE

September 24, 2018

Medicare Advantage Solidifies Its Staying Power

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A variety of traditional and non-traditional investors are starting to capitalize on the stability of the Medicare Advantage program and expansion of the Medicare Advantage health plan market. These companies are leveraging sophisticated technological interfaces, data, and telemedicine to help improve the patient experience and to maximize the Triple Aim.

Why Medicare Advantage?

Medicare Advantage plans (“MA Plans”) are offered by private insurance companies subject to certain standards established by the Centers for Medicare & Medicaid Services. While the Medicare Advantage health plans are responsible for meeting specified levels of benefits and service standards and receive premium funding from the government, they have a high degree of autonomy on how they administer the plans to cover enrolled Medicare beneficiaries. Medicare Advantage funding is risk adjusted for the health status of the enrollee; as a result, effective MA Plans are highly dependent upon real-time data sharing.

Disfavored No More

Recent developments show that Medicare Advantage has more bipartisan support than the Affordable Care Act marketplace and is less susceptible to political intrigues. However, this was not always the case. Not too long ago, Medicare Advantage was considered a “privatization of Medicare,” and insurance companies were accused of

making a profit off the Medicare program. In February 2013, federal officials announced a 2.2 percent cut to Medicare Advantage reimbursement. The political attacks on Medicare Advantage were not well received by the Medicare Advantage-enrolled seniors who vocally began to defend their beleaguered program. The patients began a campaign of communication to members of Congress, touting the benefits of engaged Medicare Advantage health care providers and health-related initiatives, such as fitness and nutrition counseling. This caught the skeptics between a rock and a hard place. Some members of Congress were torn because while they wanted to end the program, they could not do so because their senior constituents love it. After significant grassroots lobbying, coalition building, and industry efforts, the proposed 2.2 percent reduction was transformed into a minor increase by April 2013. This turnaround was primarily due to patient and provider advocacy with the campaign of communication resulting in letters from thousands of seniors to Congress, asking for protection of “their” Medicare Advantage program. Medicare Advantage went from a political pariah to a bipartisan tolerated program within a few years.

Medicare Advantage Is Here to Stay

Fast forward to 2018; Medicare Advantage is marketed as an innovative health care option that will provide more choices and lower premiums. The Trump administration is providing greater flexibility to companies offering benefits in MA Plans. Medicare Advantage is expanding beyond the retiree states of Florida, Arizona, and California with significant inroads in all 50 states. The growth has caught the eye of innovative health care investors, and market consolidation has produced larger plans with stronger infrastructure, including captive staff-model delivery systems. Medicare Advantage continues to grow with [33 percent of Medicare-eligible beneficiaries](#) currently enrolled in MA Plans.

Significant opportunities exist for companies that already possess sophisticated data analytics and coordinated care systems. Notably, one such player, Clover Health, announced on August 27, 2018, that it will also be launching MA Plans in six new markets in 2019. Clover Health is a San Francisco-based startup that uses data analytics and artificial intelligence to deliver health care. Currently, Clover Health provides services for [30,000 seniors and others eligible for Medicare in parts of Georgia, New Jersey, Pennsylvania, and Texas](#). Only time will tell how successful startups, such as Clover Health, will be in the Medicare Advantage marketplace. However, this investment is one indicator that, despite the rhetoric around health care in America, Medicare Advantage is here to stay.

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