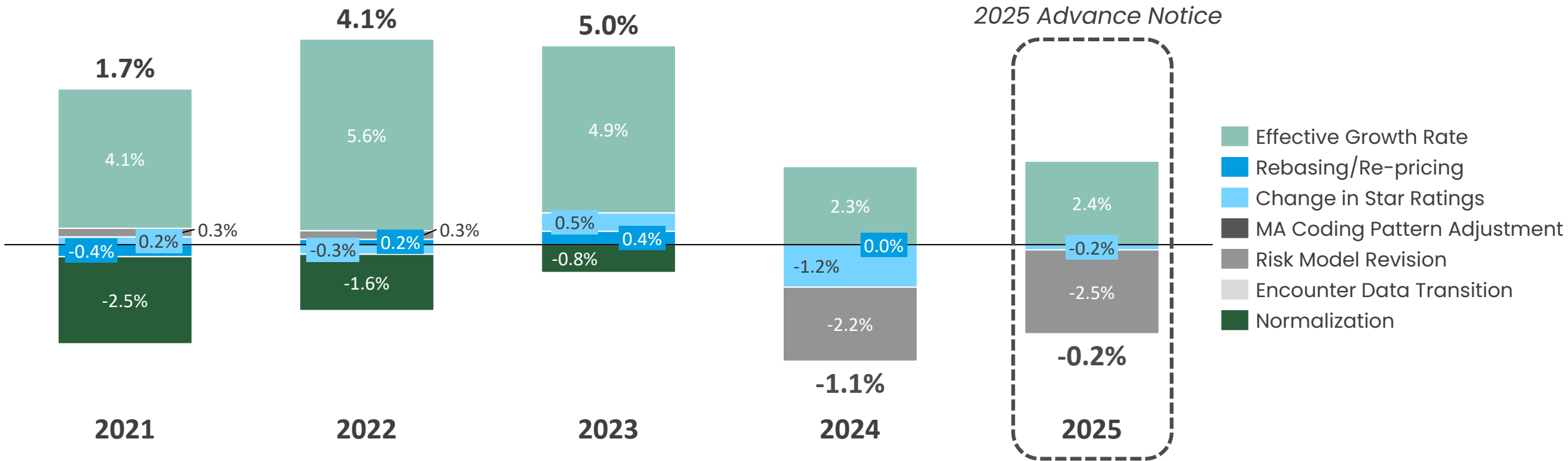




# CMS Reimbursement Plan Year 2025

# Historical MA Revenue Changes



Revenue change from CMS is lower than historical trends

# CMS Medicare Payment Impacts

Revenue is not increasing enough to offset costs and Part D benefit changes

1

## Lower Revenue Trend In Last 2 Years

Effective growth rates for plans in '24 and '25 are less than 2.5%, lower than inflationary trend in costs compared to industry averages at 4%+

2

## Risk Score Model Changes

CMS is implementing a new risk score model in 2024 through 2026 that has a negative impact on MA plan revenue on average

3

## Accurate Risk Adjustment Will Help

Plans can help offset revenue headwinds with efforts to ensure population is accurately coded with conditions, but opportunity is limited



### **What's an effective growth rate?**

An estimate of the growth in benchmarks used to determine payment for MA plans

# Net Impact for Part D Plans



## Part D payments will not increase sufficiently

Part D revenue will increase due to plan changes for 2025, but revenue will not be sufficient to cover increased plan liability.



## Most plans will face meaningful revenue pressure

Part D revenue will increase due to plan changes for 2025, but revenue will not be sufficient to cover increased plan liability.

**Net impact for plans in 2025 is total revenue will not increase in step with increased plan costs.**

Headwinds will affect all plan types and payers (with some plans more impacted than others).

Operational impacts can offset some of the cost increases, but not all.





# How Plans Will Adapt

What does this mean for members?

# What are the options?

**Because plans have margin requirements from CMS to ensure financial solvency, Part D plans may need to...**

1. Use strategic initiatives to mitigate impact
2. Lean out select Medical benefits to offset increased costs from Part D (MAPD only), or increase Part D cost sharing or deductibles
3. Refine formulary design
4. Increase premiums – *to keep member premiums flat, MA-PD plans will be required to move value to Part D vs. supplemental benefits or other cost sharing reductions*



# MAPD vs. PDP Plan Impacts

## MAPD vs. PDP Considerations

- MAPD and PDP plans will see **similar cost** increases
- However, **revenue increases in PDP will be smaller** due to lower coding accuracy
  - CMS increased risk scores for PDP members to adjust for this, but not sufficient to offset revenue
- MAPD plans have a **broader set of benefits** to adjust if needed to maintain CMS compliance

## 2025 Plan Impacts

- **MAPD plans** will do everything possible operationally to hold \$0 premiums and maintain stable benefits for members – though we will likely see some benefit / formulary changes
- **PDP Plans are more likely to raise premiums** in 2025, given fewer alternatives
- **MAPD value proposition** may become more favorable for some (but not all) members

1

# Strategic Initiatives to Maintain MA Stability

MAPD plans have a variety of options to **retain plan value for members** (for example, administrative efficiency, strong quality to increase Stars)

Market differentiation will occur for those that can **limit adverse changes** needed while maintaining compliance with CMS margin requirements

Variability in the strength of operational strategies across MAPD plans will mean **member shopping / switching** will likely be higher for 2025



## 2

# MAPD Benefit Changes

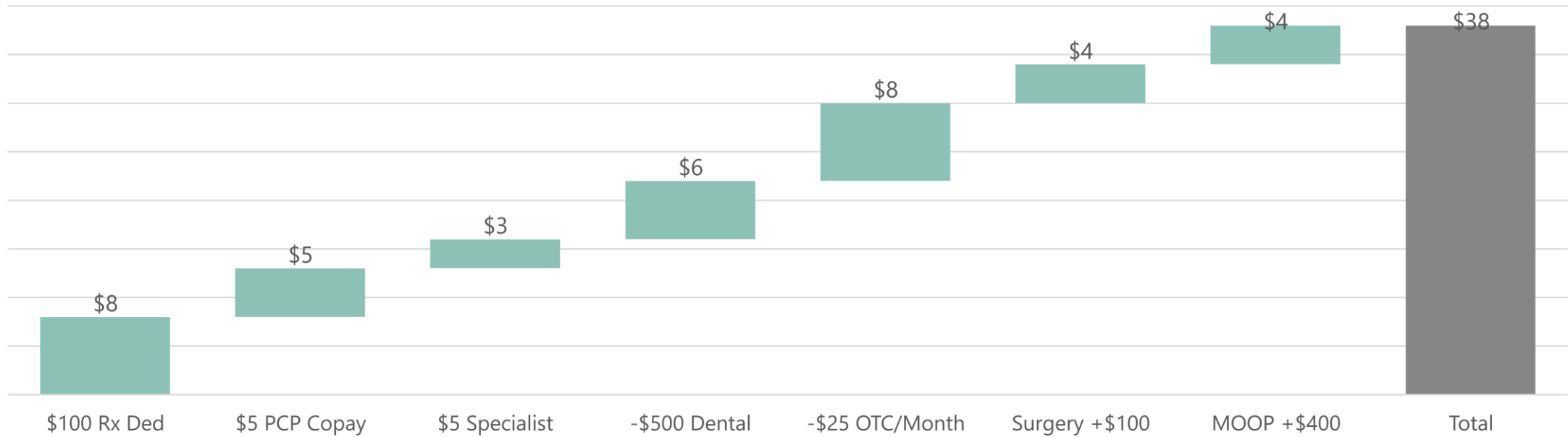
Expect to see *significant variance* in the level and types of changes plans make

- **Plan by plan and carrier by carrier** variance will be higher than usual for 2025
- **We do not expect all plans to go to TBC limits, but many will** (\$38 PMPM of value), while some plans will remove poor performing counties or terminate entirely based on plan level margins & headwinds
- **Benefit reduction may be most likely to come from:**
  - “Non-core” supplementals (dental, vision and hearing will be less impacted)
  - Higher copays / coinsurance on brand drug tiers – and some plans may add Part D deductibles
  - Increased cost sharing for less “shoppable” Medicare covered benefits
- **Higher magnitude of changes** may occur during CMS bid review in August

# 2 MAPD Benefit Changes

## What Does \$38 PMPM Look Like?

### Hypothetical plan valuation of benefit changes



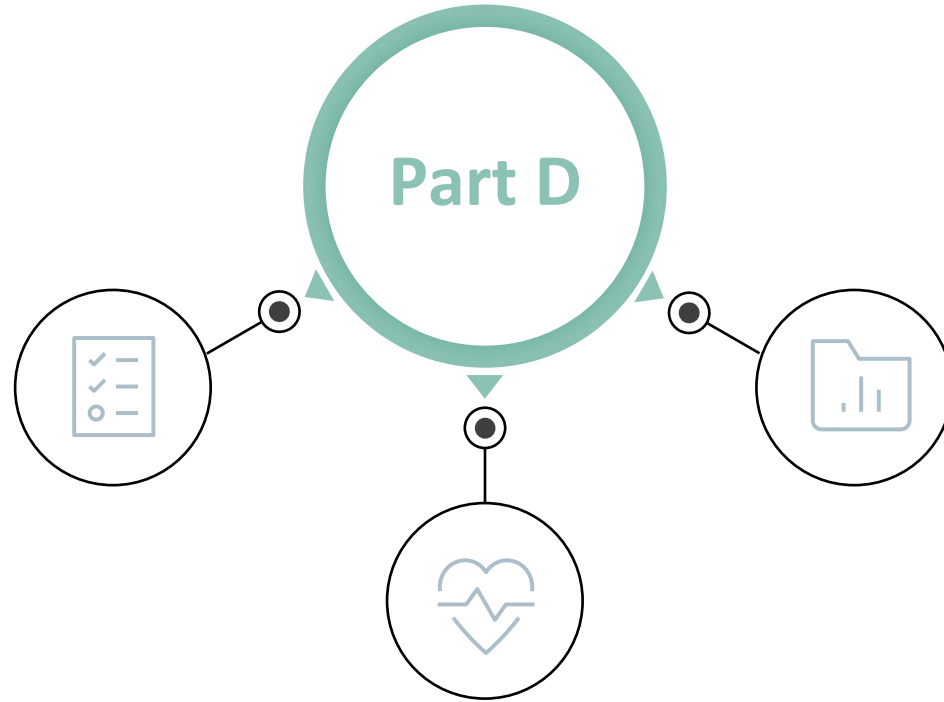
## 2 PDP Benefit Changes

Enhanced value in Defined Standard benefit *may lead to refined plan designs & streamlined portfolios*

- **Increase in PDP plan offerings using defined standard benefits** is expected, or with very limited enhancements moving forward (given enhanced value following the benefit redesign)
- **Plans may be challenged with creating meaningful differences in enhanced products**, resulting in a more streamlined portfolio (given the defined standard benefit is the “floor” on overall richness)
- **Value plans** are more likely to shift to defined standard or limited copays on T1/T2/T3 enhancements only
- **High coinsurance may not be as impactful** given member cost sharing smoothing implementation

# 3

# Formulary and Other Pharmacy Changes



### Formulary design changes

Some plans may adjust which drugs are included on the formulary, or what tiers they fall on. Plans must be aware of member disruption and impact on rebates / net cost of care

### Risk Adjustment

Changes in Part D program dramatically increase the value of accurate coding to mitigate the need for any product changes

### Clinical pharmacy programs

Changes to UM programs or other clinical pharmacy programs may occur to ensure members have the best outcomes and highest quality / cost effective treatments

# 4 Premiums

## Expectations on 2025 Premium Impacts



**\$0 MAPD plans will still be achievable** and likely to persist but with lower benefits as value moves to PD



Any premium increases would likely occur predominantly on MAPD products that **already have a premium**



Some plans may **reduce Part B Premium Givebacks** though it is less likely they will be removed all together



**PDP plans have fewer alternatives** to premium increases – overall more likely in PDP vs. MAPD



# MAPD Outlook is Still Good

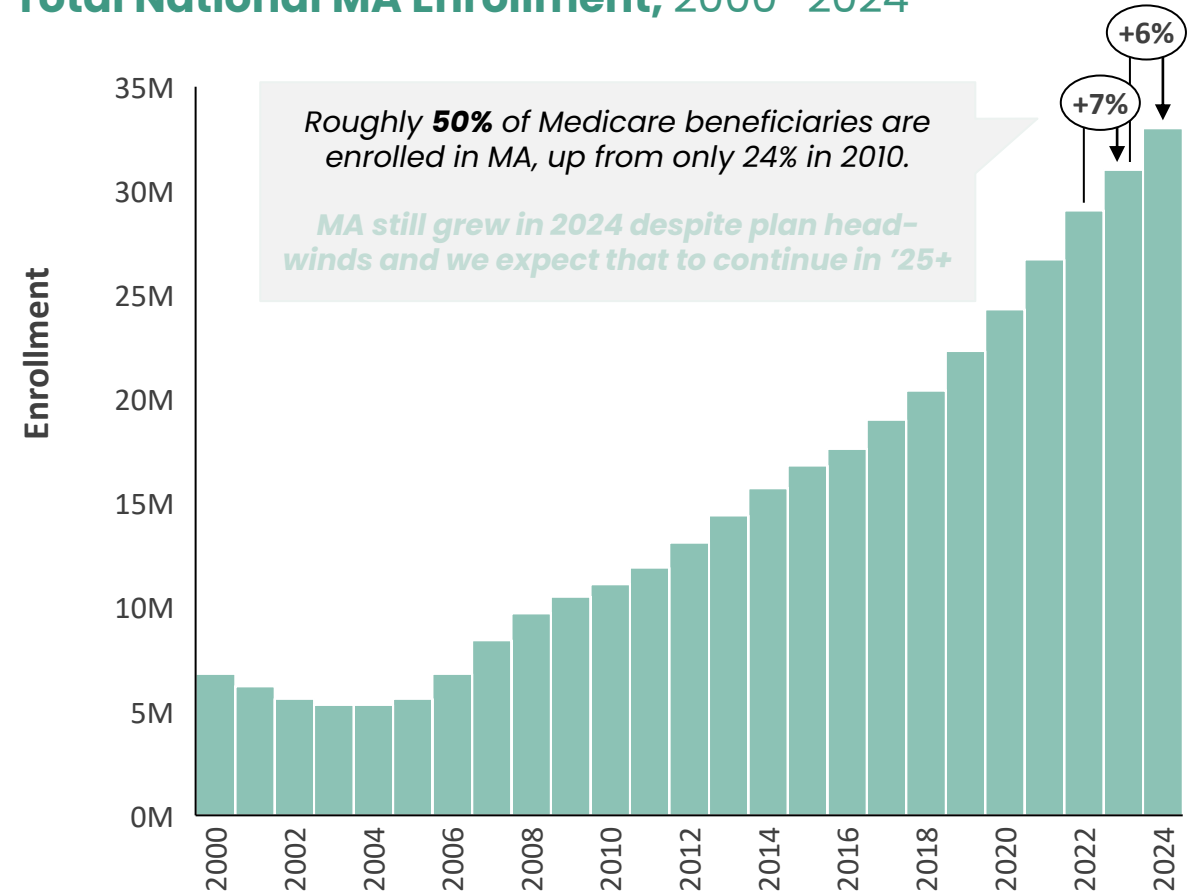


MAPD will still offer immense value for Medicare beneficiaries

- **Rich** benefits, **predictable** costs
- **Simplicity** with a single plan / card
- **Guaranteed access** to in-network providers
- **Support programs** help members better utilize and navigate benefits
- **Care management programs and value-add services / benefits** to support better outcomes



## Total National MA Enrollment, 2000–2024<sup>1</sup>



# PDP Value Proposition

IRA Enhancements make PDP benefits better, though premiums may increase



- Each PDP sponsor can lessen premium impacts with formulary updates or cost management, but without Part C medical revenue, premiums may be more likely to increase than in MAPD – **expect to see significant variance by carrier and plan**
- **MOOP and smoothing will limit member cost sharing**, and could make PDP plans attractive for some high-acuity members
- PDP will remain **more attractive than discount program** alternatives for most members given lower costs and mitigation of future risk
- Price conscious populations may **consider MAPD** plans in 2025

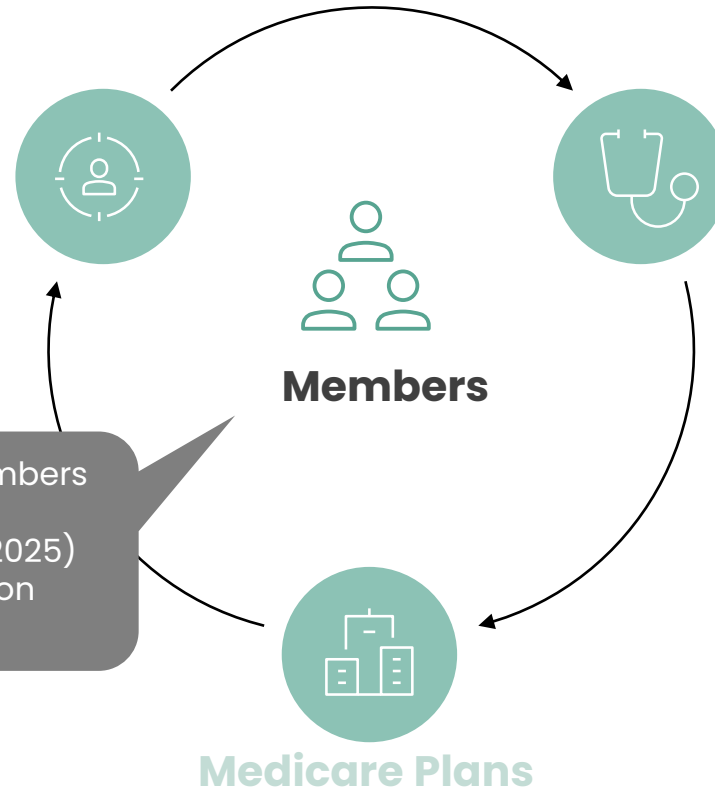
# Relationships & Education

*All parties working together will be critical to drive positive outcomes, limit member abrasion, and ensure best outcomes for all*

## Agents and Brokers

**You will all be the key** to ensuring member disruption is limited and to assist with member experience and education

Critical for all parties to educate members on key changes and how they are impacted (e.g., MOOP provisions for 2025) to avoid confusion, support medication adherence, etc.



## Providers

Risk bearing providers will need to understand IRA changes and work together with plans and members to drive positive health outcomes, a good experience, and accurate coding

Plans will value your help immensely in supporting members, and the best will continue to support you, too (like today!)