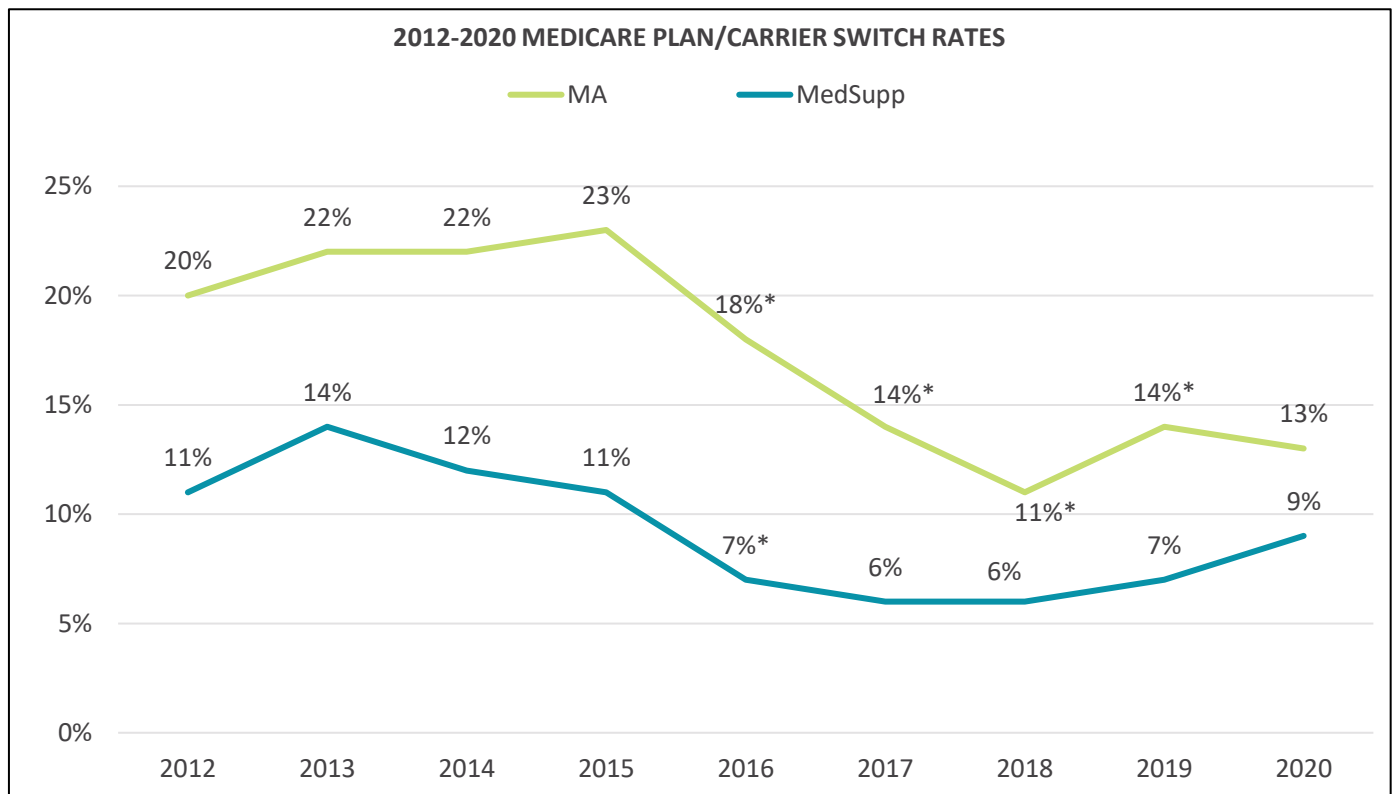


Two Powerful Forces Have Permanently Changed the Medicare Landscape: #1 \$0 PPOs and #2 Supplemental Benefits.

Medicare Shopping and Switching Brief #1—Focus on \$0 PPO. Usurping the king.

Deft Research recently published the *2020 Medicare Shopping and Switching Study*. This national market research report of over 3,200 seniors delves into the essence of the Medicare consumer—what prompts them to shop, what benefit changes lead them to switch, and which channels are more efficient at converting switchers. This Executive Research Brief will examine just one finding from the overall report: the growth of \$0 PPOs. For more information on the rest of the report, please contact your Deft Research associate or email info@deftresearch.com.

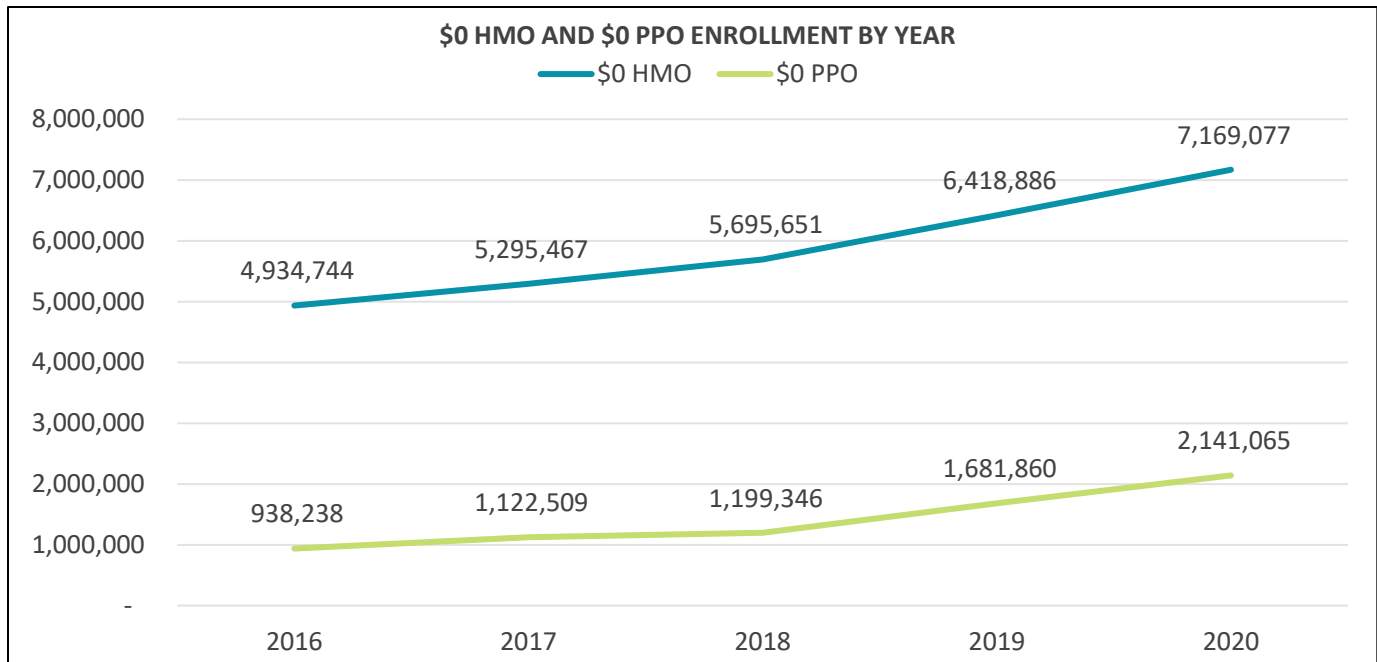
2019’s sharp increase in switching (from the lows of 2018) inched up even further for the combined MA and MedSupp markets, with MA flat and MedSupp up two points.



* Asterisks indicate significant differences from the previous year.

With 2019’s 14% and 2020’s 13% MA switch rate being statistically similar, it’s time to pull the covers back and examine what has happened these last two years to reverse the previous three-year’s swoon, and to see if this trend is positioned to hold going forward. Two factors are coming together to boost the MA switching market: \$0 PPOs and supplemental benefits.

\$0 PPOs may not be anything new, but their prominence and growth certainly is. According to Deft’s 2020 *Medicare Shopping and Switching Study*, \$0 PPO plans are now available to more than 57MM seniors across more than 86% of all US counties; they are quickly becoming ubiquitous.

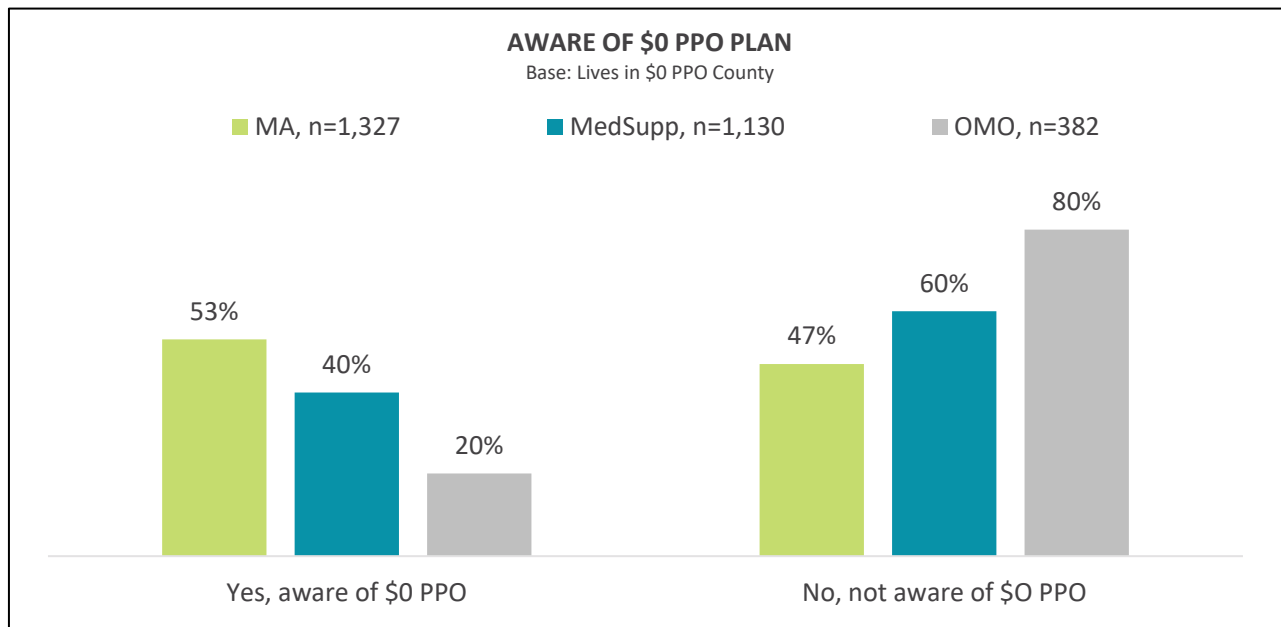


As the chart above demonstrates, this is still a \$0 HMO dominated world, with HMO holding a firm grip on its \$0 crown, but the growth in \$0 PPO is real. Just over the last two cycles nearly one-million Medicare eligibles made the move to \$0 PPO, much to the chagrin of local plans that may not be configured to play that hand. What plans did these new \$0 PPO members migrate to? Some transitioned into long-standing contracts; others moved into designs that were unveiled last AEP. But more than 300,000 seniors moved into \$0 PPO options that were newly availed for 2020.

Plan Type	Number of Jan. 2020 New Plan Enrollees	% of Jan. 2020 New Plan Enrollees
HMO, \$0 premium	270,915	35.3%
HMO, >\$0 premium	73,317	9.6%
PPO, \$0 premium	327,755	42.8%
PPO, >\$0 premium	91,885	12.0%
"Other" (Cost, PFFS, MSA)	2,757	0.4%

In fact, examining the movement into all newly designed plans shows that \$0 PPO was the big winner. A plurality of seniors (43%) in new MA options picked \$0 PPO, with \$0 HMO a not-so-close second (36%). Of these 327,000 new \$0 PPO lives, only 14% of them went to carriers not named CVS/ Aetna, United, or Humana.

Looking forward, where will 2021’s \$0 PPO growth come from aside from boomers aging in? Clearly, most seniors who switch into any sort of MA product come from an MA product the year before (see the last four years of Deft Medicare shopping studies). So, logic tells us that the \$0 HMOs and premium-based MA products will lose some members to \$0 PPO in due time. But the 2020 version of the *Medicare Shopping and Switching Study* also tells us that many of tomorrow’s \$0 PPO members may not even be in MA today. 6% of Original Medicare Only members, who live in a \$0 PPO market and know the product exists, did, in fact, move to \$0 PPO for 2020. (*You heard right. Original Medicare Only consumers can be swayed into a managed product.*) And 2% of a similar cohort of MedSupp members also took the plunge. \$0 PPO is sourcing its growth from all Medicare segments, not just those already in the “penetration calculation”. And while these numbers (6% and 2%) are smallish today, they portend of even bigger enrollment numbers in the future.



According to the chart above, the majority of eligibles who live in a county with a \$0 PPO offering aren’t even aware of it today, with the numbers being 60% and 80% for MedSupp and OMO respectively. In other words, there is plenty of room to grow once the word gets out. And as the \$0 PPO base grows, it will eventually hit a critical mass where its commonality will lead to both greater awareness and consumer confidence. And once consumers are aware, there is a measurable impact on switching. MedSupp members in \$0 PPO counties who are aware of the product switched at rates nearly **twice** as high as those unaware or in non-\$0 PPO counties. Similarly, OMO beneficiaries aware of \$0 PPO offerings in their areas switched at rates about **four** times higher than those unaware or in non-\$0 PPO counties.

We are quickly approaching the day when uttering the phrase “\$0 premium plan” will require an HMO or PPO reference to be added for clarity. The days of assuming “HMO” is the sole, rightful heir to the \$0 throne are over.

About the Research

The *Medicare Shopping and Switching Study* is the first study in the 5-part **Senior Market Insights Service** for 2020. This study surveyed over 3,200 consumers in an attempt to provide a comprehensive look into the causes for senior shopping activity. Carriers, agencies, and consultants alike can gain form understanding the nuances of today's boomer senior, and what makes them decide to switch coverage.

Deft Research's **Senior Market Insights Service** includes four other main reports that will publish later in the year. In March, *Dual Eligibles* will provide insights into how seniors with Medicaid eligibility (D-SNP or otherwise) shop and consider new coverage; in late April we will publish the results of our *OEP Study* that focuses on year two of the newly-reinstated shopping period; in May Deft's *Age-in Study* will chronical how consumers progress from Individual Under 65 coverage or Group into Medicare; and Deft's *Medicare Member Experience Study* will show what causes attrition, switching intention, and lower CAHPS scores when it publishes in late August.

The 2020 **Senior Market Insights Service** reports include:

- *Medicare Shopping and Switching* (PUBLISHED)
- *Dual Eligible* (March 2020)
- *OEP Shopping and Switching Supplement* (April 2020)
- *Age-in* (June 2020)
- *Medicare Member Experience and Engagement Study* (August 2020)

For more information on the full results of the *2020 Medicare Shopping and Switching Study*, email info@deftresearch.com with the subject line "2020 Medicare S & S Study."