



# Strategic Opportunities for Health Plans: 2020 and Beyond

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April 2019

# 2020 Challenge: Balance *Electoral Drivers* with Practical Imperatives Facing the Business

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## Affordability

*Pharmaceutical costs, benefit design, surprise billing, provider networks, quality, and competitiveness*

## Coverage

*Guaranteed access, progress to full coverage, fate of ACA, government program roles, market reforms*

## Quality / Operations

*Alignment to pay for value, consumer engagement, digital health, *opioids**



# Strategic Opportunities for Health Plans

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Growth and Flexibilities in Government Markets

Focus on Drug Pricing Solutions

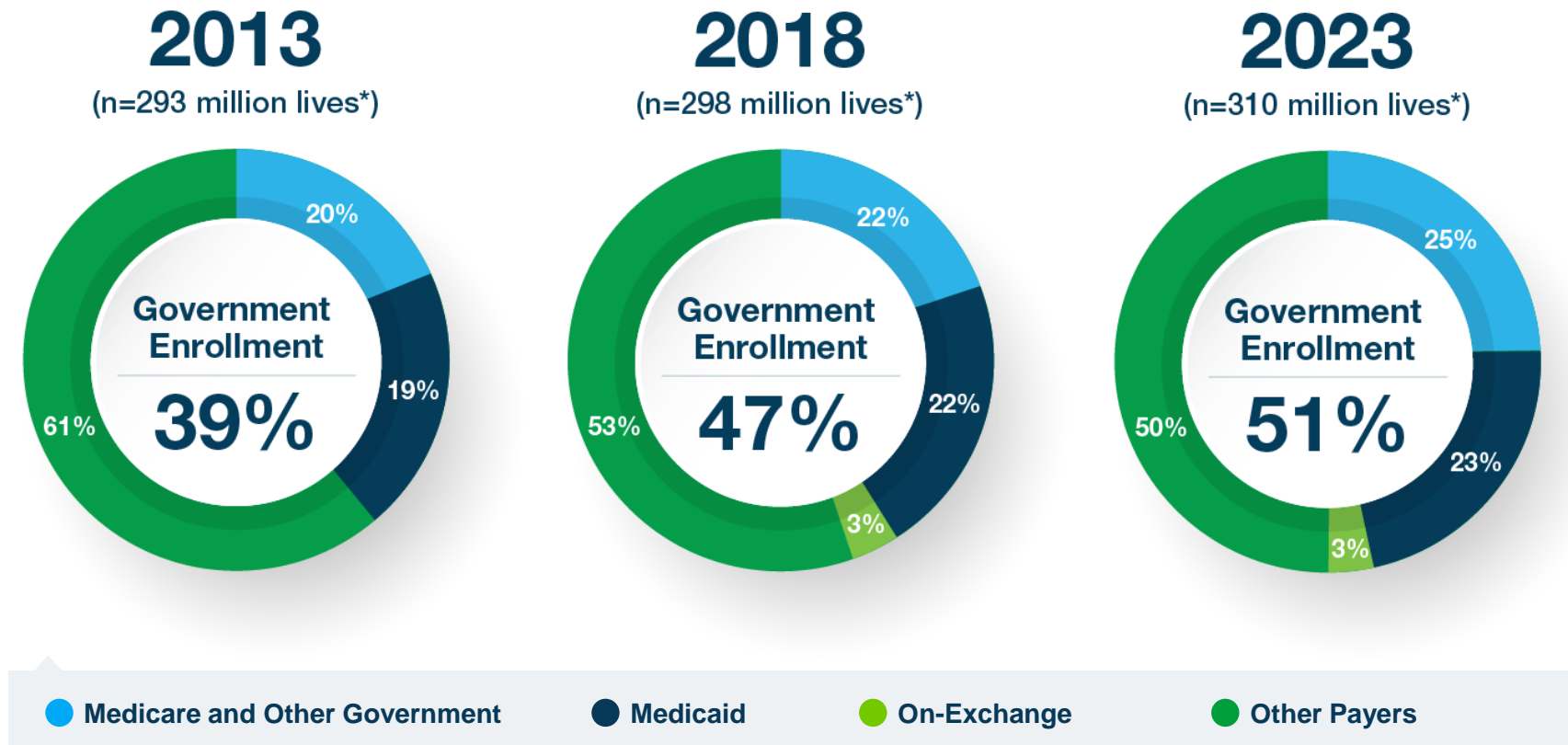
Alignment of Provider Incentives

Operational Improvement from Data Technology

Engagement in Social Determinants of Health



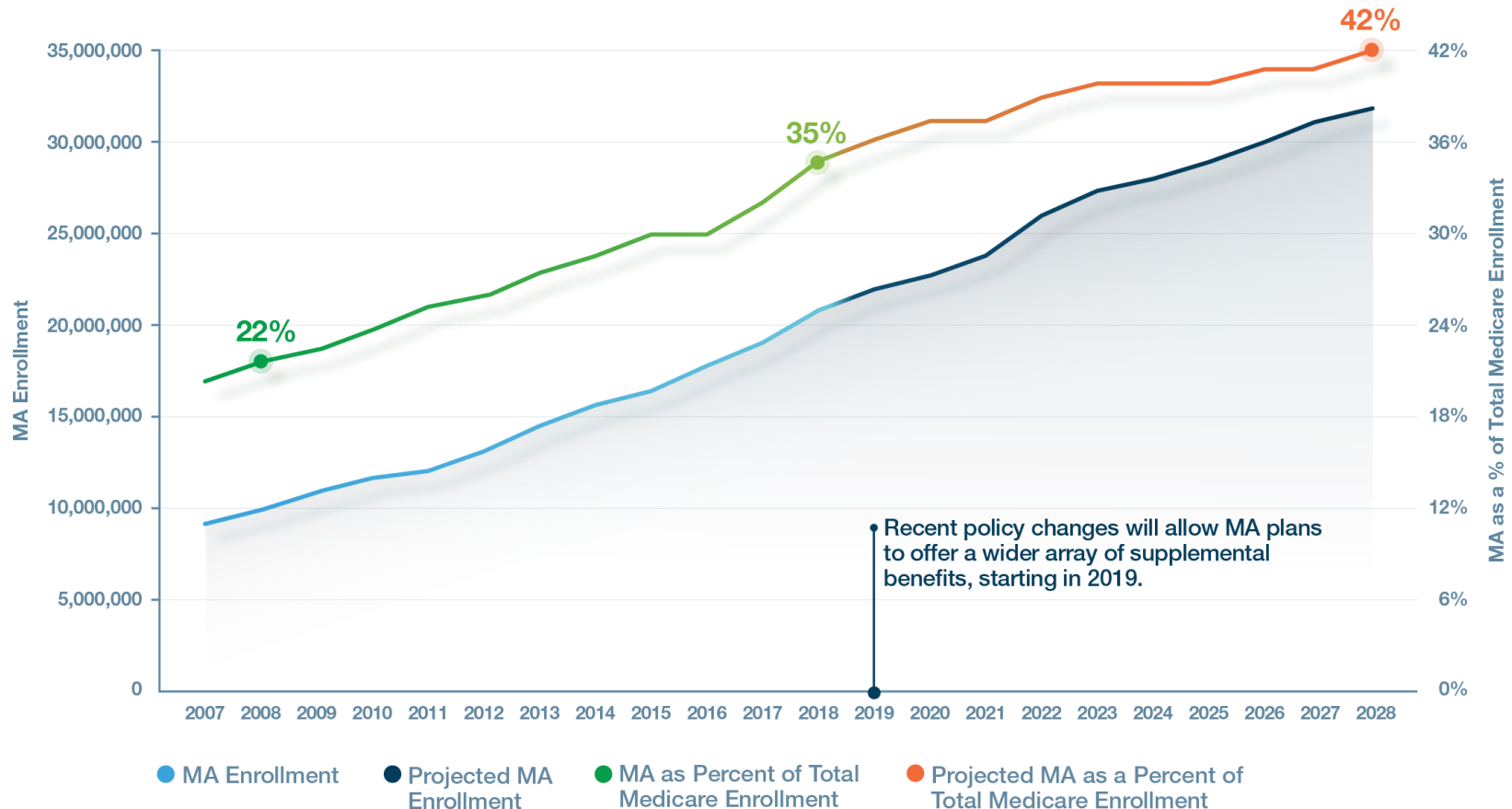
# Growth Comes from Government Programs



\*Number of insured lives in the given year. Uninsured are excluded from the total.  
Source: Avalere Proprietary All-Payer Enrollment Model. September 2018.

# Advantage is Becoming the Dominant Form of Medicare

## CBO Projections of Medicare Advantage Enrollment /



# New Flexibilities Enable Evolution Away from a Traditional Insurance Product

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## Key Changes to Medicare Advantage in the 2019 Final Rate Announcement

### **Flexibility #1: Disease-Specific Plans**

MA plans may create disease specific plan designs that offer cost sharing or coverage tied to a specific disease state

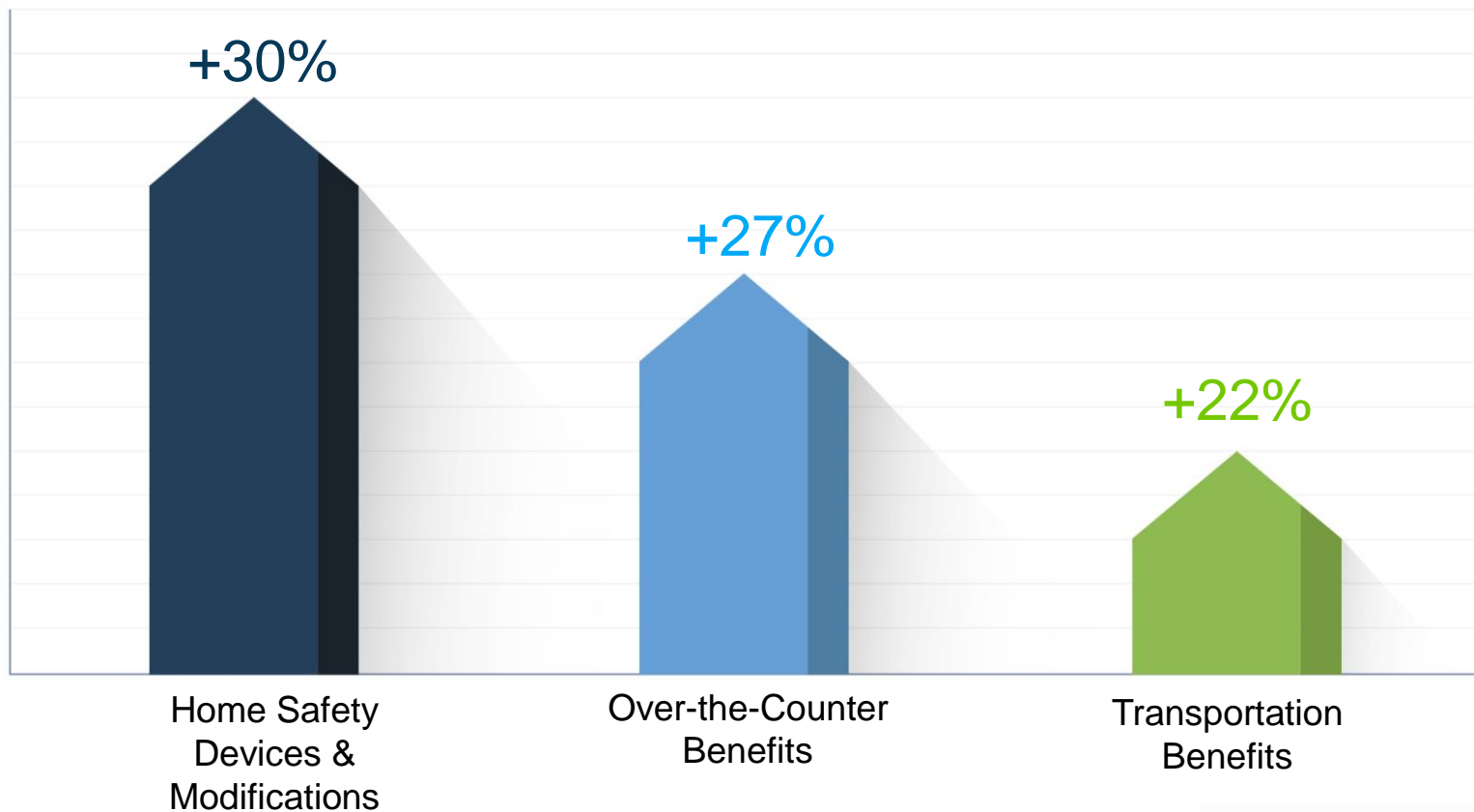
### **Flexibility #2: Expanded Service Offerings**

Expanded interpretation of supplemental benefits now allows MA plans to cover more supportive services aimed at prevention

# MA Flexibilities Will Continue to Drive Adoption

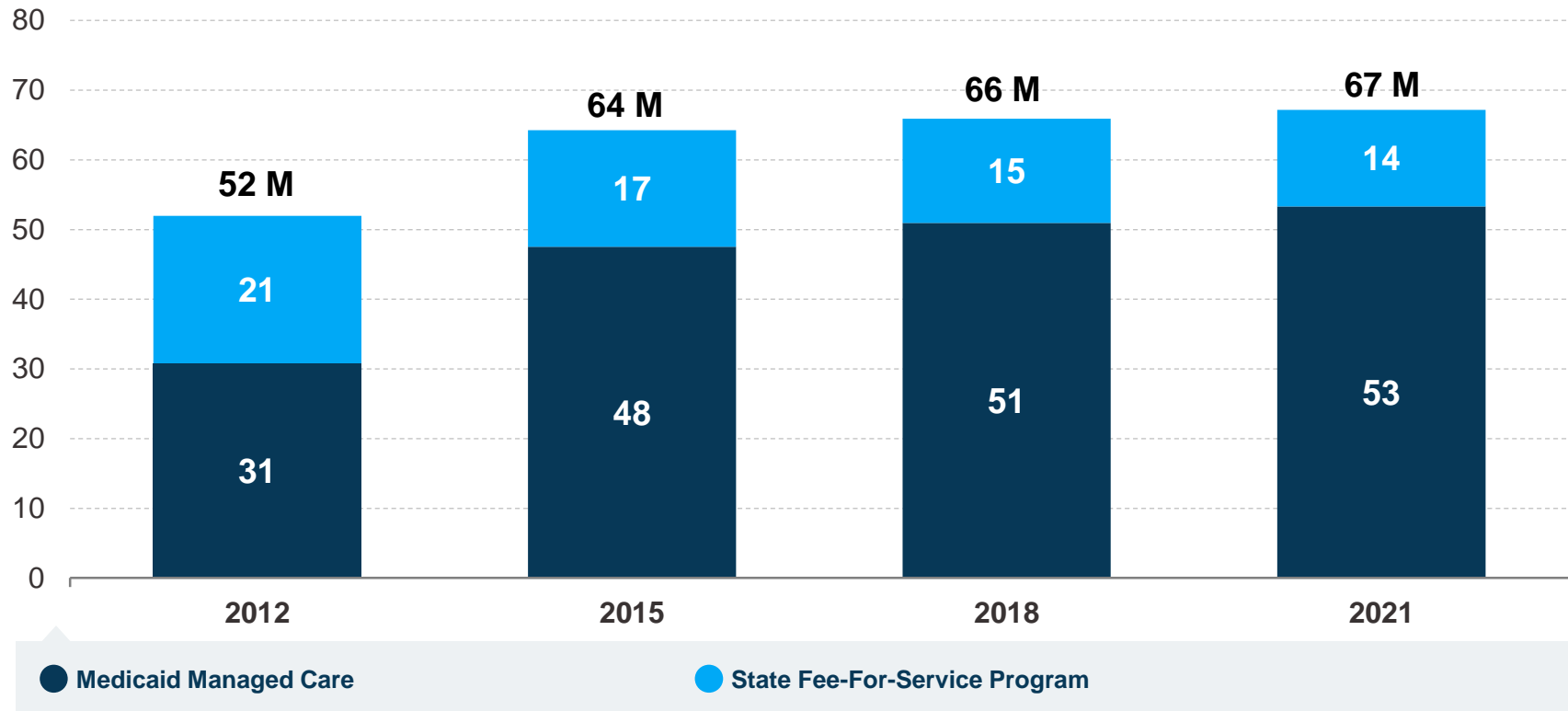
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Plans Offering Supplemental Benefit Categories, Year-over-Year Growth (2019 vs. 2018)



# States Increasingly Rely on Managed Care

## Projected Medicaid and CHIP Non-Dual Enrollment (In Millions), 2012-2021



Source: Avalere Medicaid Managed Care Enrollment Model, updated January 31, 2018. Totals may not sum to 100% due to rounding. Enrollment for MMCO with State Formulary Control includes MMCO enrollment in states that carve out the drug benefit from MMCO contracts or that require MMCOs to follow a state-generated drug list.

Note: MMCO projections are based solely on Avalere's tracking of finalized state policy changes and overall program growth. The percentage of MMCO enrollment is likely to continue to increase further over time, but this is not assumed aside from specific state changes.

CHIP: Children's Health Insurance Program; FFS: Fee-for-Service; MMCO: Medicaid Managed Care Organization





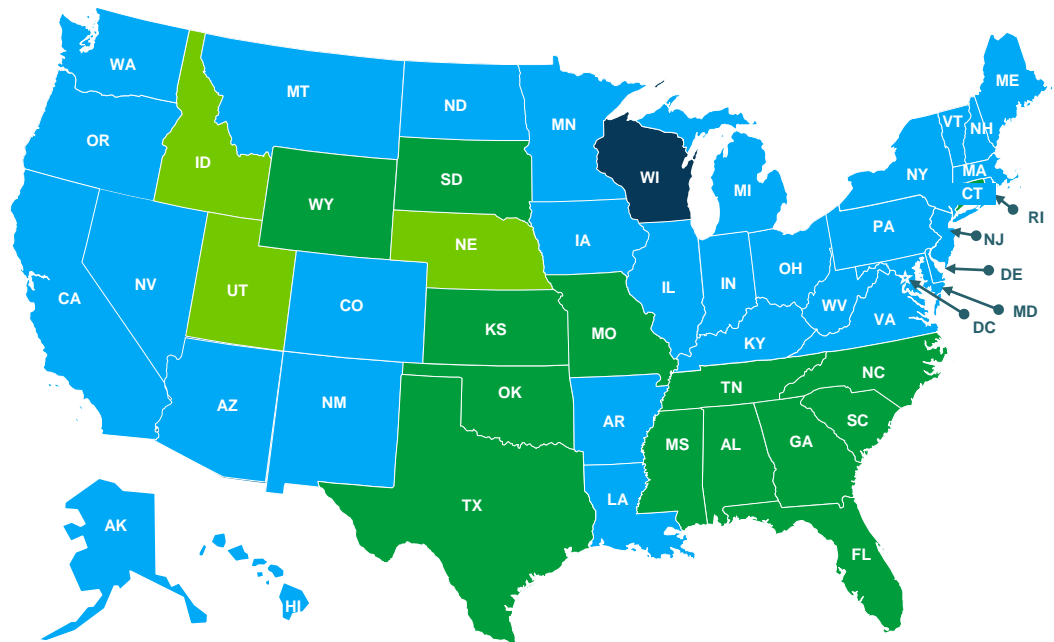
# Medicaid Growth Potential

With the passage of Medicaid expansion ballot referenda in 3 states (ID, NE, UT), 36 states + DC will soon have expanded Medicaid under the ACA

More than 2 million people could gain coverage if other key states (FL, GA, KS) were to expand

Meanwhile, states like NM are considering a Medicaid “buy in” program to allow broader enrollment into Medicaid

Medicaid Expansion Decisions /



- Expanded Eligibility (33 + DC)
- Eligibility Adjustment (1)
- Planned Expansion (3)
- Not Expanding (13)

# Plans Have Opportunity to Lead on Drug Pricing Issues

Enhanced Competition, Management, & Negotiation		Transparency	Value-Driven Incentives
Generic & Biosimilar development and adoption	PBM & rebate system incentives	List prices in direct-to-consumer advertising	Value-based payment models
Part B benefit management (e.g., movement from Part B to Part D)	Formulary flexibility for Part D plans	Transparency into Medicare/Medicaid prices, international price disparities	Indication-based pricing
Third-party management and pricing controls in Part B (e.g., CAP, IPI)		Part D pharmacist disclosure	Long-term financing approaches



# Stakes are Growing for Plans (Cell/Gene Therapies)

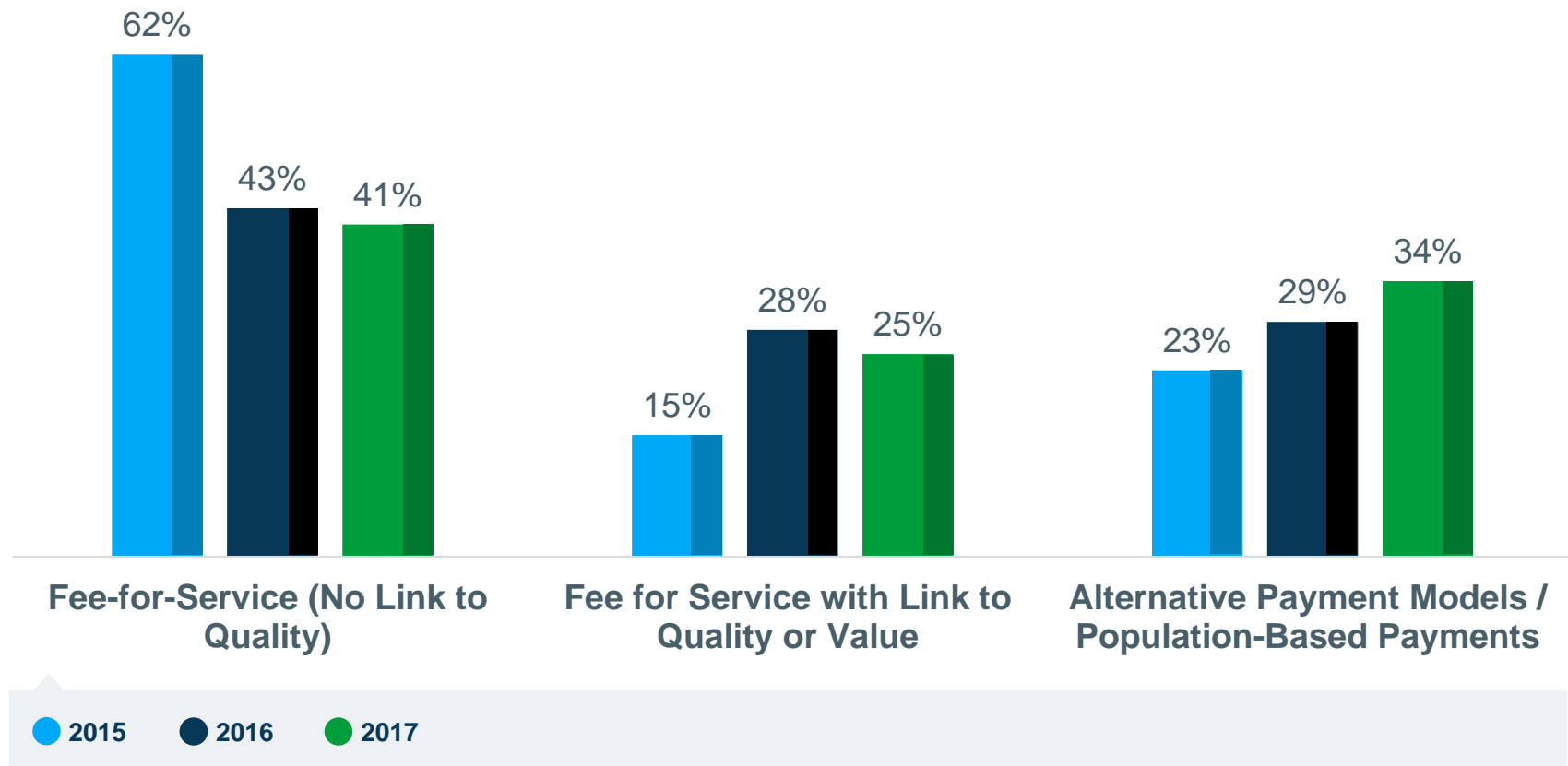
Manufacturer	Name – Indication	Annual WAC	Approval Date
Bluebird Bio	<b>LentiGlobin</b> – TDT inherited blood disorder	Proposed Price - \$1.2M*	TBD - 2019
BioMarin	<b>Valrox</b> – hemophilia A	-	TBD - 2019
Spark Therapeutics	<b>Luxturna</b> – Leber’s congenital amaurosis (inherited blindness)	\$425,000 per eye	Dec. 2017
Kite Pharma, Inc.	<b>Yescarta</b> – large B-cell lymphoma ( <i>CAR-T therapy</i> )	\$373,000	Oct., 2017
Novartis AG	<b>Kymriah</b> – personalized oncology treatment ( <i>CAR-T therapy</i> )	\$475,000	Aug. 2017
Biogen Inc.	<b>Spinraza</b> – spinal muscular atrophy	\$750,000	Dec. 2016
Vericel Corp.	<b>Maci</b> – knee cartilage defects	\$40,000	Dec. 2016
GlaxoSmithKline	<b>Strimvelis</b> – ADA-SCID, “bubble boy” disease	\$669,000	May, 2016
BioVex/Amgen	<b>Imlygic</b> (T-Vec) – melanoma lesions	\$65,000	Oct. 2015
Organogenesis Inc.	<b>Gintuit</b> – oral soft tissue repair	-	2012
Dendreon Corp.	<b>Provenge</b> – prostate cancer ( <i>immunotherapy</i> )	\$158,134.86	Apr. 2010

# Large Plans Moving Towards PBM Services In-House

	PBM Relationship	PBM Name
UnitedHealth Group	In-house	OptumRx
Anthem	Contract; launching in-house PBM in 2020	Express Scripts; launching IngenioRx in 2020
Aetna	Contract; CVS is completing its merger agreement with Aetna in 2019	CVS/Caremark
Cigna	In-house; Cigna is completing its acquisition of Express Scripts in 2019	Cigna Pharmacy Management; acquiring Express Scripts in 2019
Humana	In-house	Humana Pharmacy Solutions
Blues Plans	In-house	Prime Therapeutics

# Provider Alignment and Quality Links are Key

## Payments Tied to Quality and Value HCP LAN Survey\*, 2015-2017



\*Data reflects survey of select plans and states. 2015 data reflects approximately 67% of US covered population, 2016 data reflects approximately 84% of US covered population and 2017 reflects approximately 77% of US covered population.  
Source: Health Care Payment Learning & Action Network. APM Measurement.  
<http://hcp-lan.org/workproducts/apm-discussion-2018.pdf>

# Health Plan Operations Powered by Patient Data

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## **Cohort Evaluation**

Identify patients with gaps in care

## **Predictive Analytics**

Stratify patients into risk levels

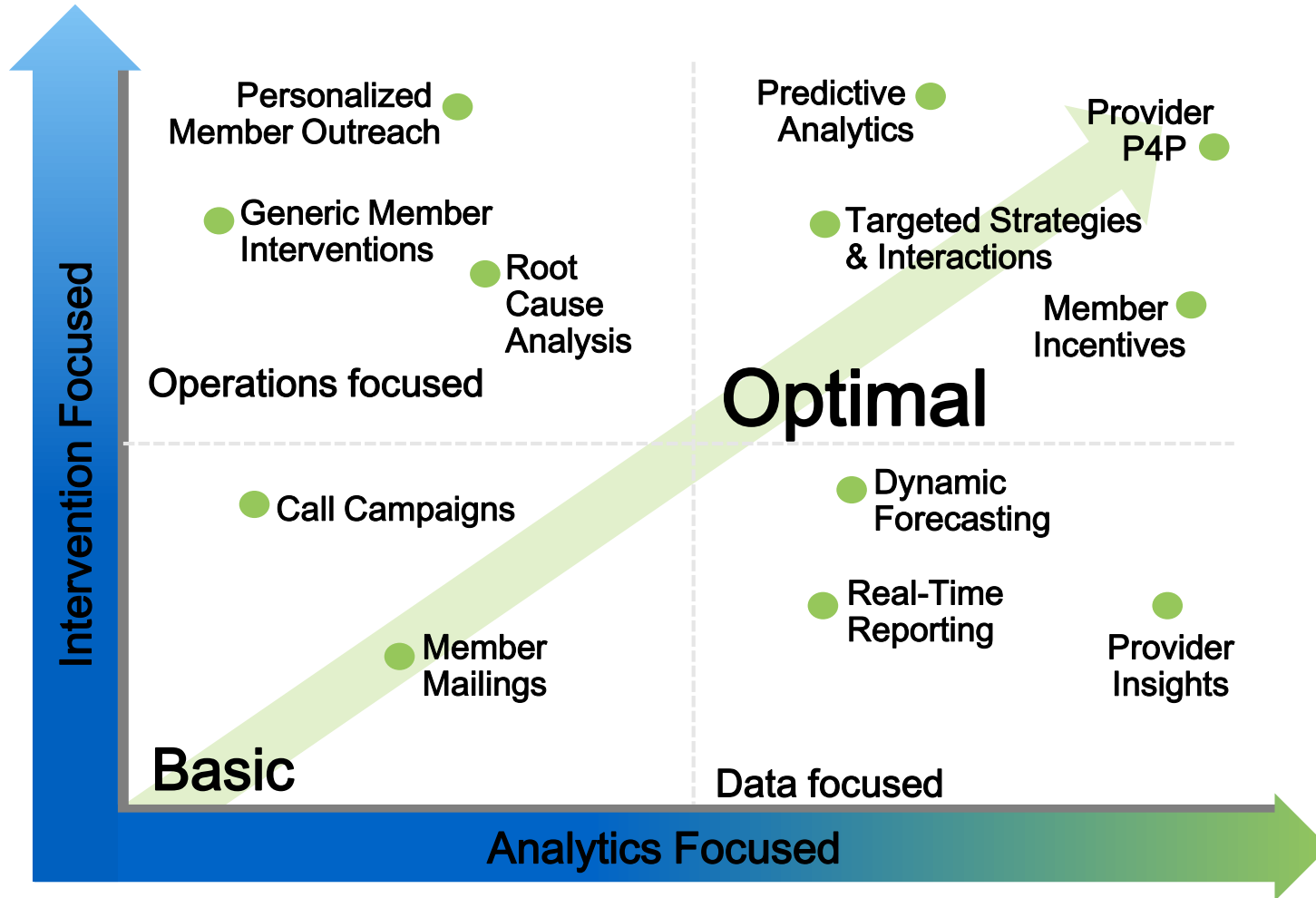
## **Targeted Intervention**

Leverage risk profile to develop interventions

## **Impact Assessment & Process Improvement**

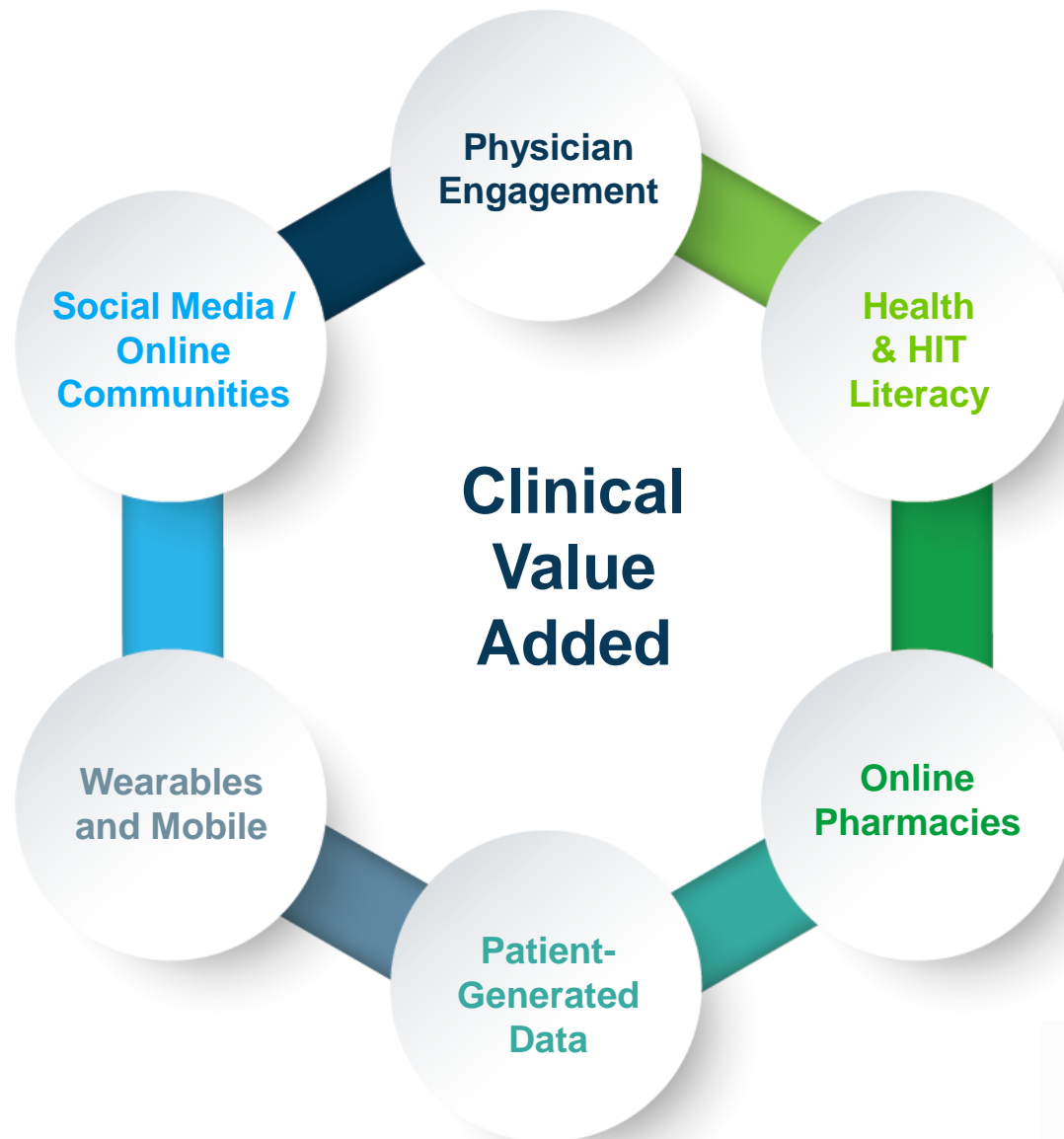
Evaluate return on investment on programs

# Analytics Increasingly Drives Current Performance



## ... And Positions for Next Decade

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# Accelerated Payer Interest in Value Based Contracts

## Value-Based Contracts' Advantages Reported by Payers /

**74%**

Cost savings

**44%**

Patient outcomes improvements

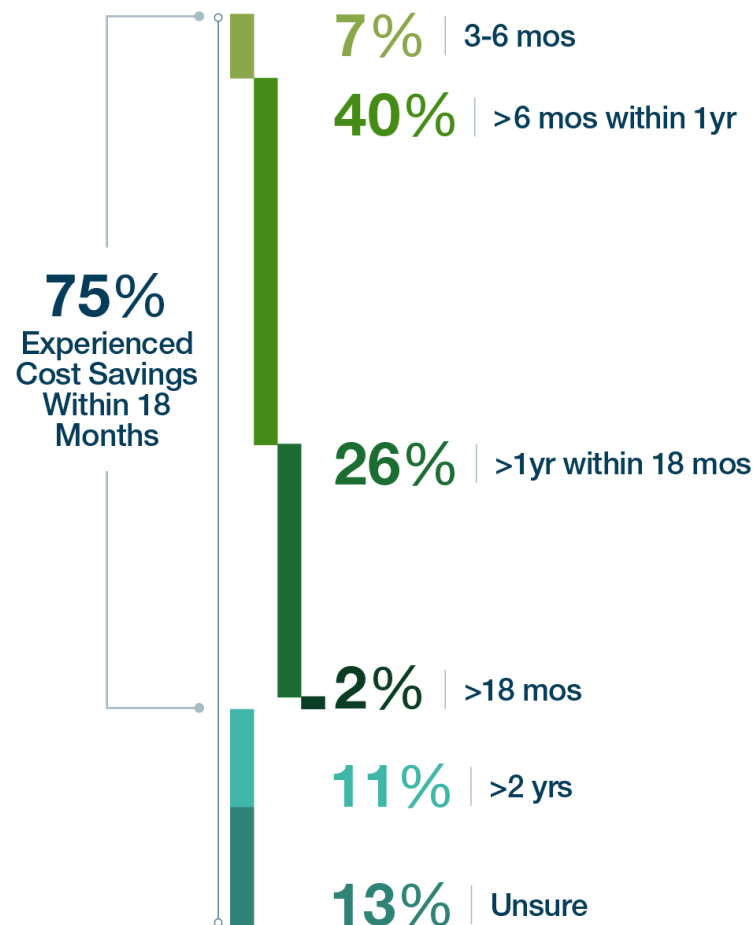
**41%**

Assurance that products perform 'as advertised' and the plan receives value for its expenditure

**24%**

Patient management improvements  
Capture of real-world information  
Improved relations between payers and manufacturers

## Cost-Savings Timeline /

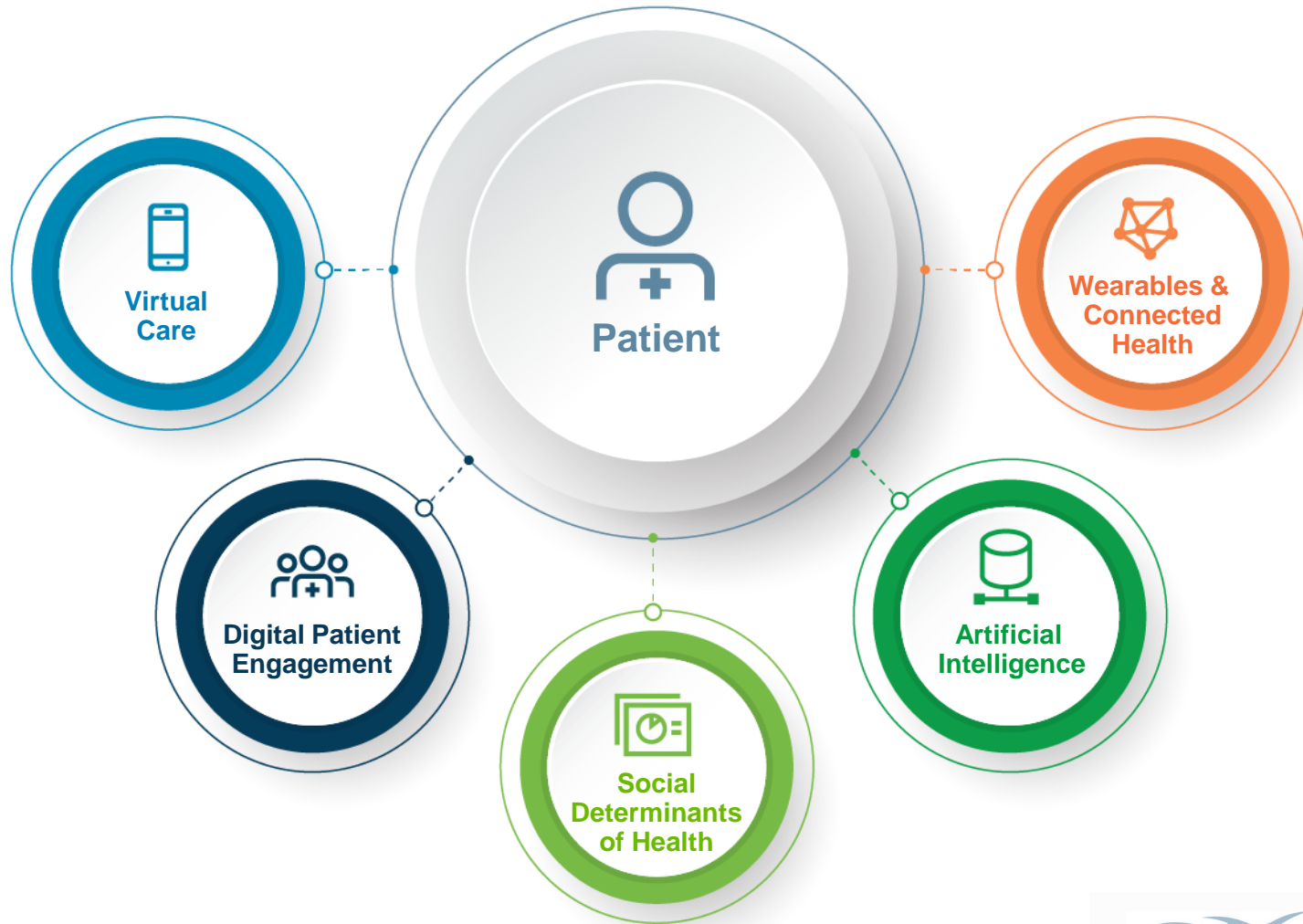


# Tech Companies Seeking Ways to Engage

	Amazon	Apple	Google	Microsoft
Major Strategic Focus	<ul style="list-style-type: none"> <li>• Consumer retail data and AI</li> <li>• Improving healthcare supply chain, increasing delivery efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Patient-generated data</li> <li>• Disease detection and prevention and patient-facing solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Structured data and AI</li> <li>• Disease detection, data interoperability, and health insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Cloud-based platforms and AI</li> <li>• Health data security, AI-powered health technology development</li> </ul>
Activities	<ul style="list-style-type: none"> <li>• Acquiring supply-chain entities</li> </ul>	<ul style="list-style-type: none"> <li>• Partnering with insurers to improve payment</li> </ul>	<ul style="list-style-type: none"> <li>• Partnering with insurers to take on risk</li> </ul>	<ul style="list-style-type: none"> <li>• Partnering directly with providers to implement initiatives</li> </ul>
Market Disruption	Healthcare Supply-Chain and Pharmacy	Consumer Informatics and Mobile Health	Health Insurance	Healthcare Delivery

# Social Determinants of Health Drive Patient Centricity

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# Social Risk Factors Increasingly Drive MA Costs

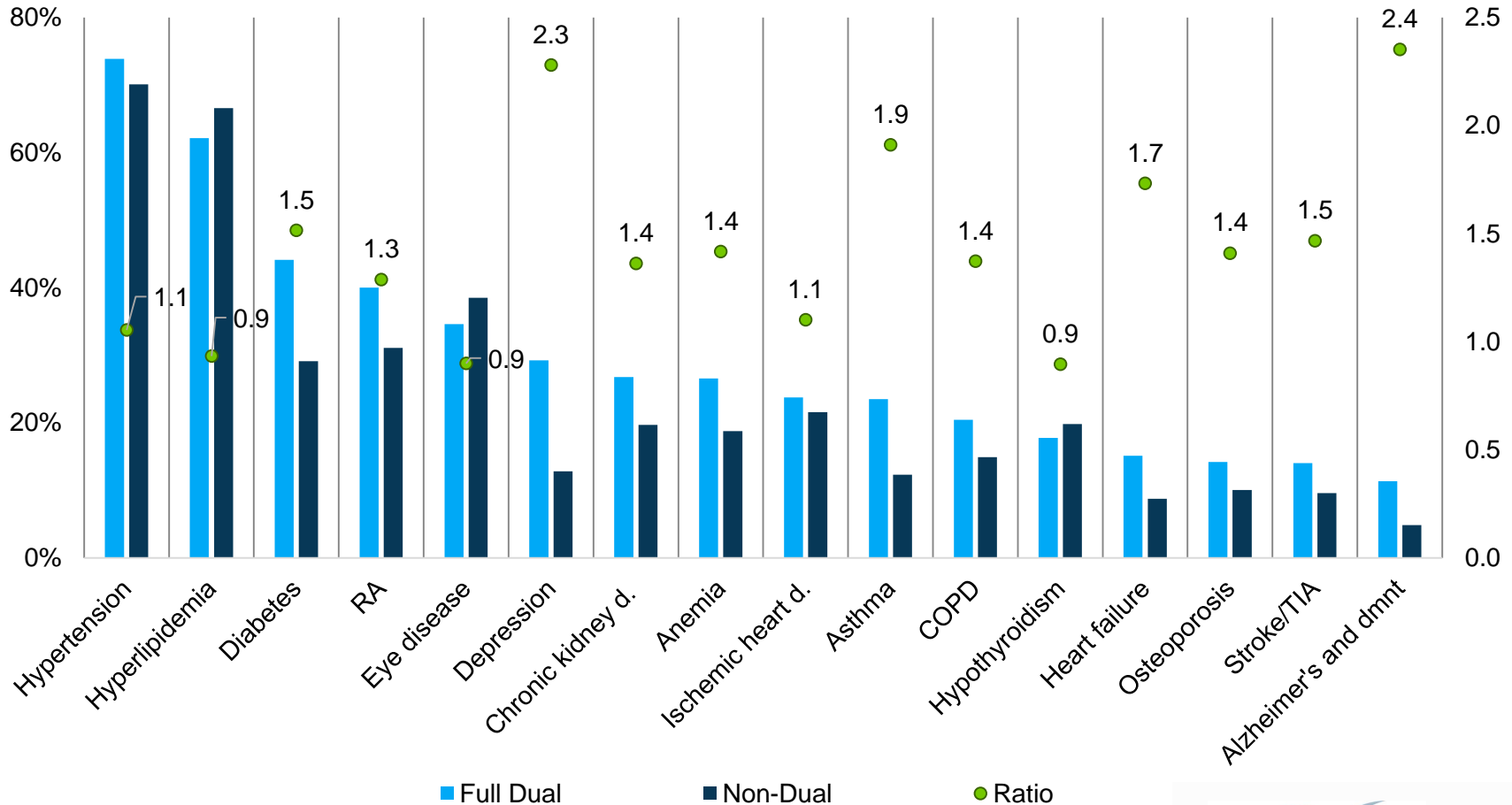
## SOCIAL DETERMINANTS OF HEALTH IN MA BENEFICIARIES, 2015

Characteristic	Full Dual	Non-Dual
<b>Median Household Income</b>		
< \$15,000 - \$29,999	56.2%	16.3%
\$30,000 - \$49,999	23.2%	25.4%
\$50,000 - \$74,999	13.6%	28.9%
\$75,000 - ≥ \$125,000	7.0%	29.4%
<b>Percent of Households Below Federal Poverty Level</b>		
0% - 19%	44.6%	81.0%
20% - 100%	55.4%	19.0%
<b>Percent of Household with Bachelor Degree or Higher</b>		
0% - 19%	63.8%	37.0%
20% - 100%	36.2%	63.0%
<b>Percent of Households with Married Individuals</b>		
0% - 19%	32.6%	17.7%
20% - 100%	67.4%	82.3%

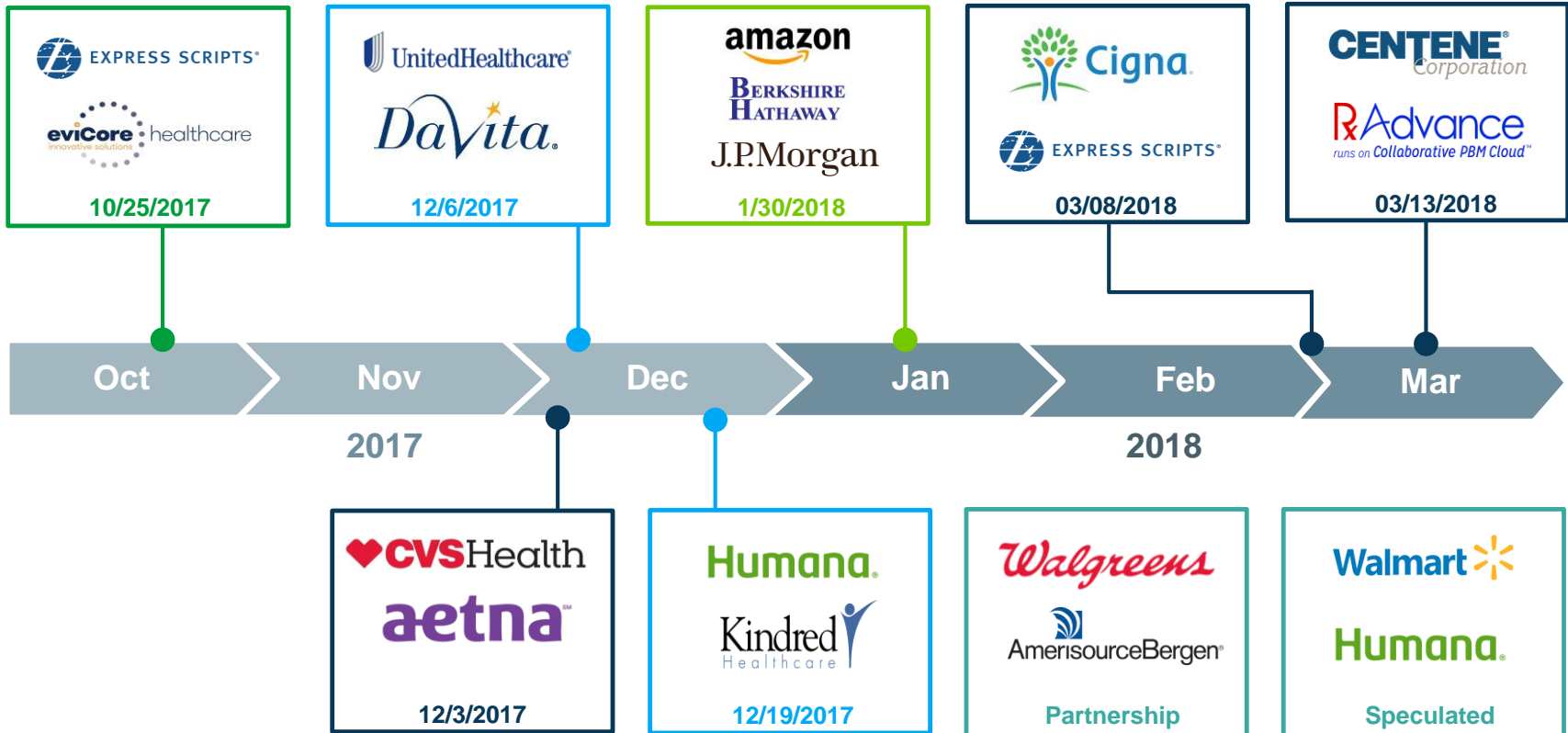
- >56% of duals lived in a low income neighborhood (<\$30,000) compared to 16% of non-duals
- >55% of duals lived in a high poverty neighborhood compared to 19% of non-duals
- 64% of duals lived in a neighborhood where <20% had a bachelor degree or higher compared to 37% of non-duals
- 33% of duals lived in a neighborhood where fewer than 20% of households had married individuals

# MA Duals Have Higher Prevalence of Chronic Conditions

COMMON CHRONIC CONDITIONS, DUAL VERSUS NON-DUAL MA BENEFICIARIES, 2015



# Recent M&A Reflects Strategic Trends



## Merger/Partnership Type

  Payer-Provider
   Payer-PBM
   New Players
   Med. Management
   Drug Supply Chain



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Growth and Flexibilities in Government Markets

Focus on Drug Pricing Solutions

Alignment of Provider Interests

Operational Improvement from Data Technology

Engagement in Social Determinants of Health

