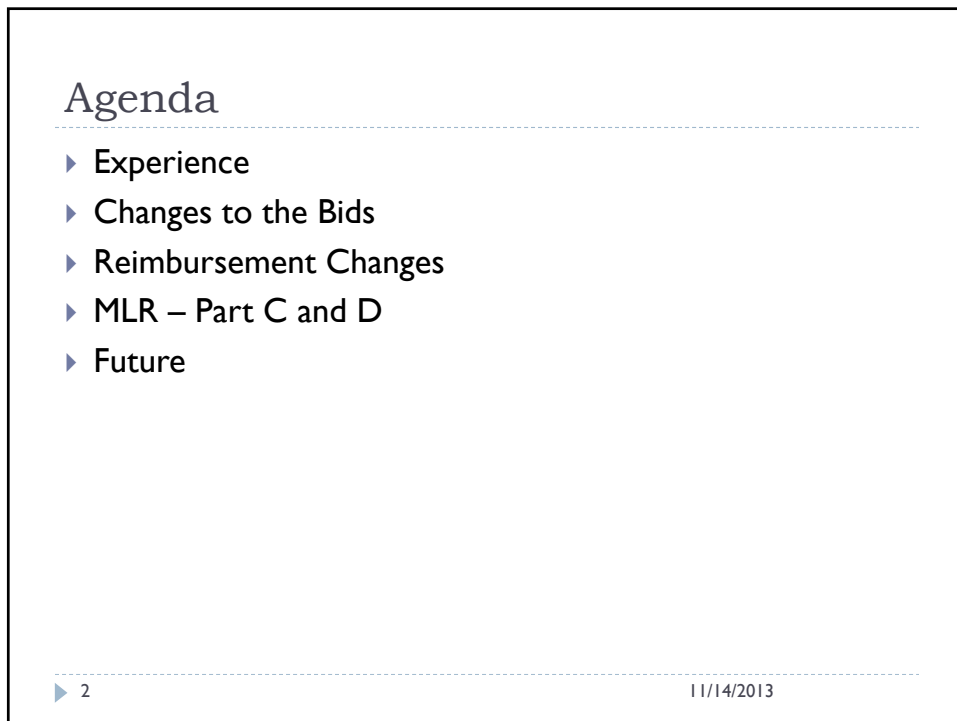


The slide features a dark blue vertical bar on the left side. The main title 'Medicare Advantage' is centered in a white box with a thin border. Below it, the name 'Paul Erickson' is displayed in a smaller white box, also with a thin border. At the bottom left, there is a small vertical bar with a white '1' next to it. At the bottom right, the date '11/14/2013' is printed.

# Medicare Advantage

Paul Erickson

1 11/14/2013



The slide has a dashed horizontal line below the title 'Agenda'. Below the line is a bulleted list of five items. At the bottom left, there is a small blue triangle followed by the number '2'. At the bottom right, the date '11/14/2013' is printed.

## Agenda

- ▶ Experience
- ▶ Changes to the Bids
- ▶ Reimbursement Changes
- ▶ MLR – Part C and D
- ▶ Future

▶ 2 11/14/2013

## 2013 Q3 Earnings Release Headlines

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- ▶ Although 3Q:2013 results were in-line with expectations, and there is no significant change in guidance (although management was more specific about the outlook than in the past), we see little upside in the stock, given uncertainty about reform, costs and utilization.

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▶ 3

11/14/2013

## 2013 Q3 Earnings Release Headlines

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- ▶ Missed analysts' expectations for third-quarter profit and stated 2014 would be challenging because of the uncertain costs of the health reform law and cuts in government funding for private Medicare plans

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11/14/2013

## 2013 Q3 Earnings Release Headlines

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### **Top U.S. insurers fall off healthcare sector rally wagon**

Technical glitches that have hampered enrollment under the Affordable Care Act, uncertainty over the tax implications associated with plan premiums and cuts in government funding for private Medicare plans have clouded the outlook for the five managed care providers in the Standard & Poor's 500 Index .They are UnitedHealth Group Inc, Cigna Corp ,Aetna Inc, Humana Inc and WellPoint Inc .

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▶ 5

11/14/2013

## Medicare Advantage

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- ▶ Plan Impact of ACA
  - ▶ Moving Benchmarks to FFS Equivalentents
  - ▶ Stars Quality Incentives
    - ▶ Socio-Economic/Geographic variances - out of scope
    - ▶ What people will and are doing
      - In one word “anything”
    - ▶ Probably the Single Biggest Bid Impact for Part C

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▶ 6

11/14/2013

## 2014 Medicare Advantage Bids

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- ▶ “Horrible, Rotten, No-Good Bad Day”
  - ▶ Sequestration
  - ▶ Health Industry Fees
  - ▶ Reduction in Benefits
  - ▶ Reduction in Providers Reimbursement
  - ▶ Reduction in Gain/Loss or Profit (MLR Pressure)
- Are We All in the Same Boat?

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▶ 7

11/14/2013

## Medicare Advantage

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Old Motto: “The Wind was Strong Enough That Even Turkeys Could Fly”

New Motto: “The Beatings Will Continue Until Morale Improves”

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▶ 8

11/14/2013

## Medicare Advantage – The Future

- ▶ Private health plans are complaining about proposed cuts to Medicare Advantage plans, yet more insurance companies are entering the government health program to offer more products and services to seniors
  - ▶ More plans (applications up in 2014)
  - ▶ More growth (members moving to MA)
  - ▶ Still a good future?

▶ 9

11/14/2013

## Medicare Advantage Discussion

- ▶ Part D – Smart or Dumb?
  - ▶ Cost increases for Non-LI versus LI
  - ▶ Plans Splitting LI/Non-LI
  - ▶ Multi-year Strategies Emerging
  - ▶ Preferred Networks Resolution?
- ▶ Part C
  - ▶ Medical 85/15 – Focus Changing?
  - ▶ Medical Leveraging Different Product/LOBs
  - ▶ Stars
  - ▶ MLR
  - ▶ Analytics
    - ▶ Checkbooks
    - ▶ Re-pricing Claims
    - ▶ Forecast Models
    - ▶ Budget Improvements

▶ 10

11/14/2013