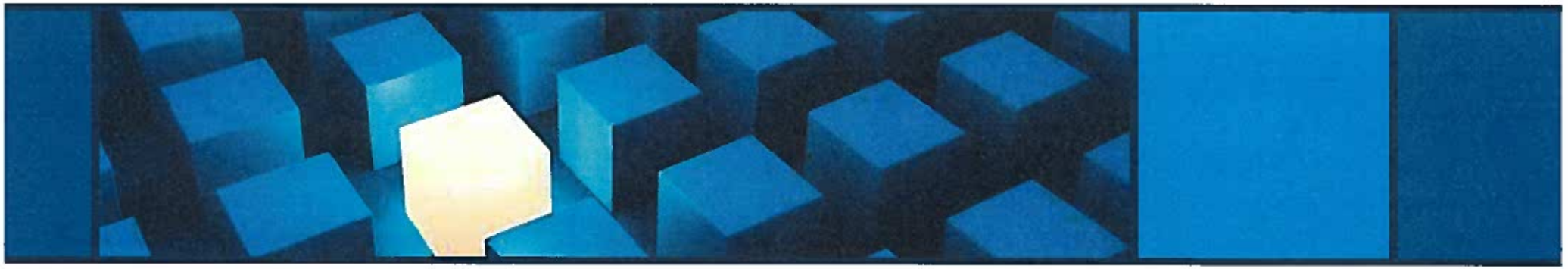
NERA
ECONOMIC CONSULTING



Testimony of Thomas R. McCarthy on Behalf of Aetna Inc.

Before the Missouri Department of Insurance

Thomas R. McCarthy, PhD

Jefferson City, MO
May 16th, 2016

Division of Insurance Company Regulation - Shares

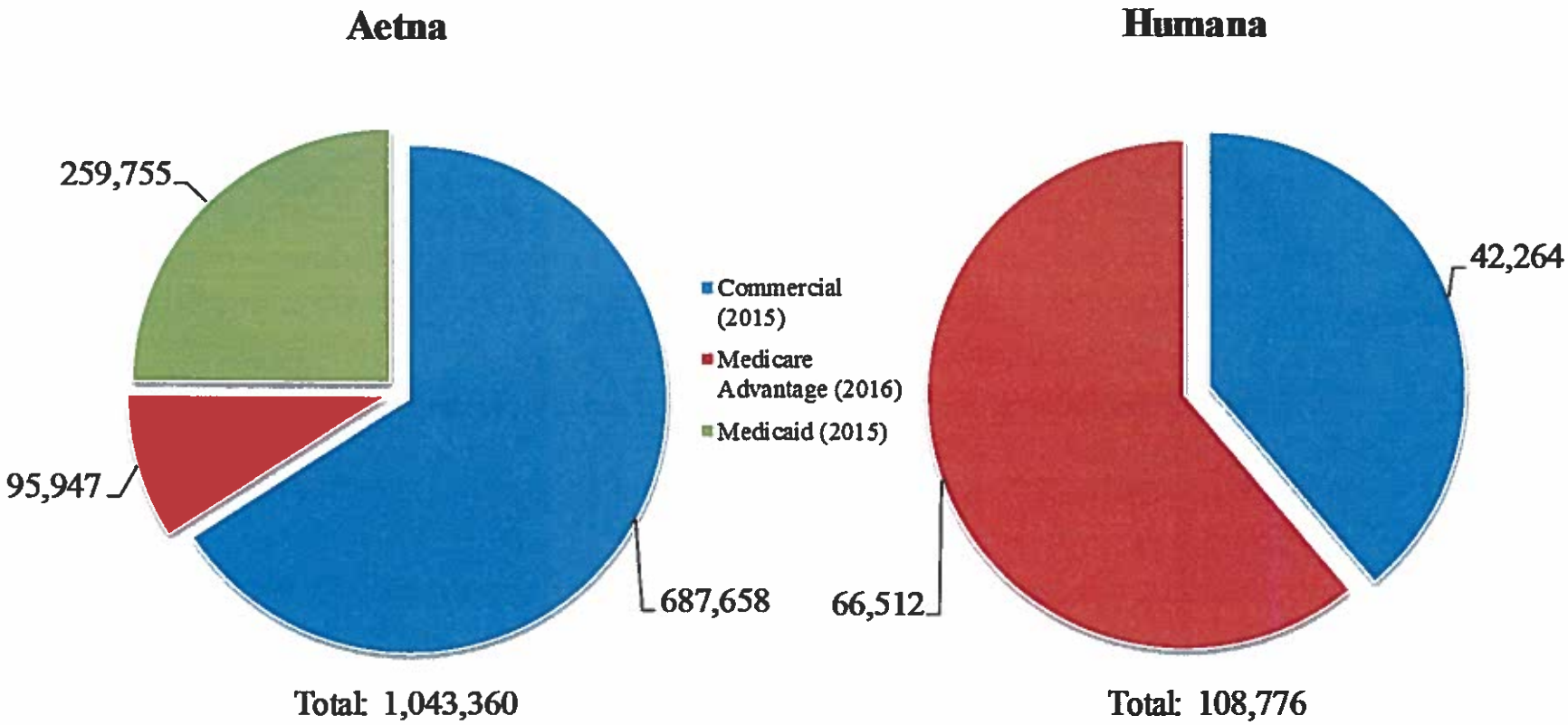
Line of Business	Aetna	Humana
Comprehensive Group	23.66%	3.33%
Comprehensive Individual	41.13%	0.91%
Title XVIII Medicare	33.97%	21.66%

Source: Hopper Letter, Division of Insurance Company Regulation, November 13th 2015.

Overview

Figure 1

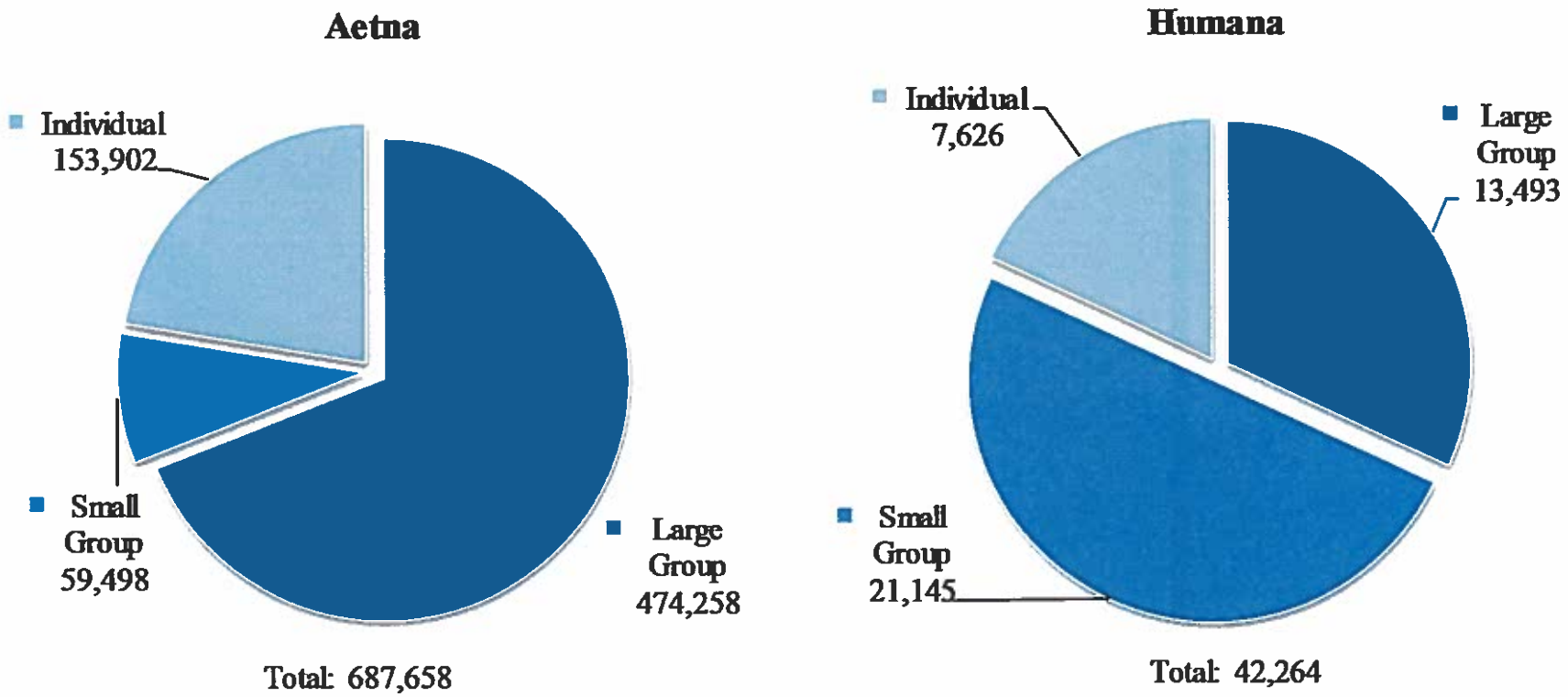
Distribution of Membership by Company
Missouri



Source: Aetna and Humana enrollment data

Figure 2

Aetna-Humana Commercial Membership Breakdown
Missouri
2015

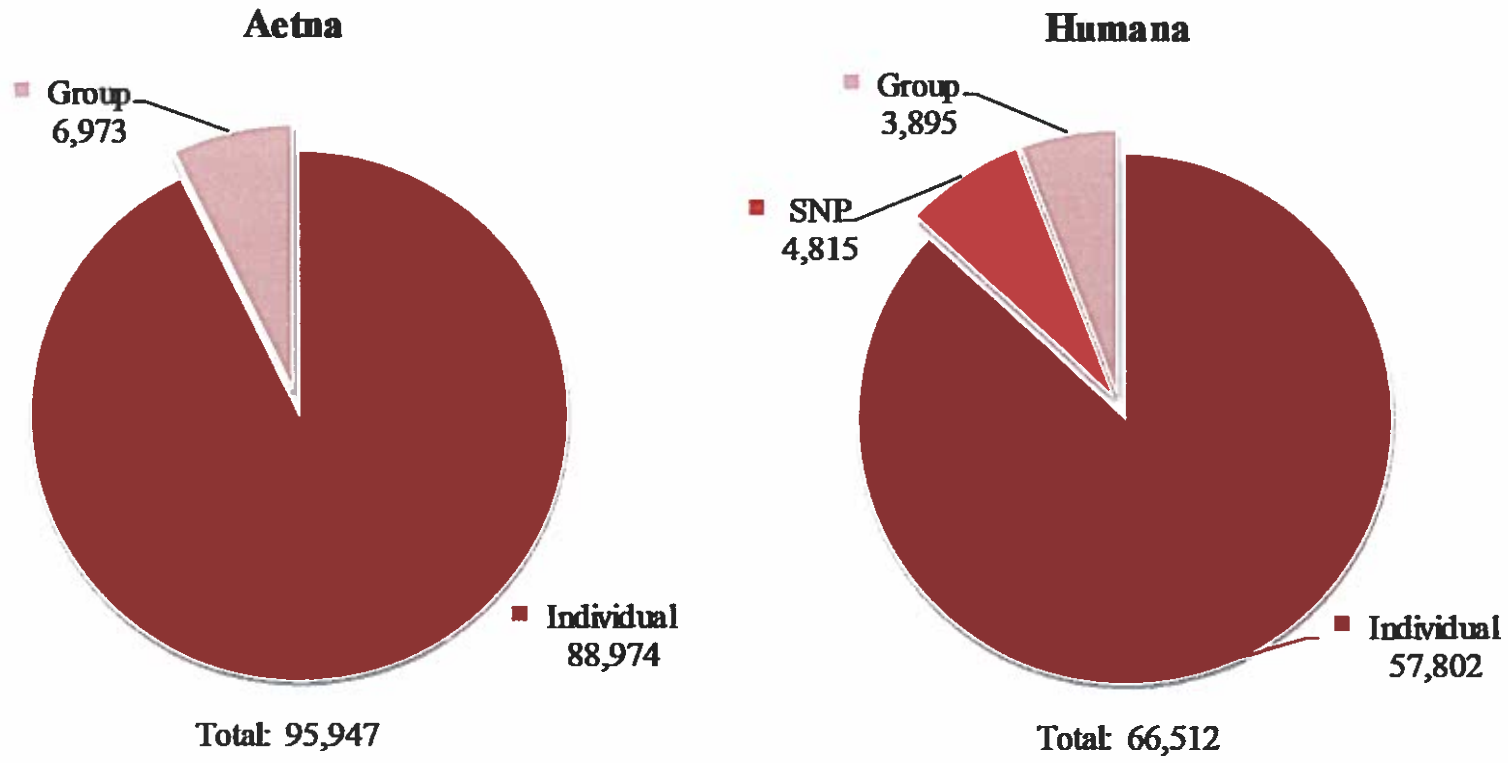


Note: 'Small Group' is defined as groups with 2-100 employees

Source: Aetna and Humana enrollment data

Figure 3

Aetna-Humana Medicare Membership Breakdown
Missouri
2016



Source: Aetna and Humana enrollment data

Commercial

Table 1

Commercial Insurance Enrollment and Shares
Missouri
2015

Company	Enrollment	Share
UnitedHealth Group	732,259	24.2%
Anthem	721,914	23.8%
Aetna	**687,658**	**22.7%**
BlueCross BlueShield Kansas City	358,827	11.9%
Cigna	259,913	8.6%
Health Care Service Corporation	117,163	3.9%
CoxHealth	43,447	1.4%
Humana	**42,264**	**1.4%**
Other[1]	63,604	2.1%
Total	**3,027,049**	**100.0%**
Aetna-Humana Combined	**729,922**	**24.1%**

[1] Includes 19 other companies in Missouri with a share of less than 1%.

Sources: Aetna Enrollment Data, May 2015.
Humana Enrollment Data, June 2015.
HealthLeaders-Interstudy Managed Market Surveyor, January 2015.

Table 2

Commercial Small Group (2-50 Employees)
Missouri
2014

Company	No. Insured	Share (No. of Insured)
Anthem	90,247	33.4%
UnitedHealth Group	73,871	27.4%
BCBS of Kansas City	38,625	14.3%
Aetna	**37,465**	**13.9%**
Humana	**15,914**	**5.9%**
Federated Mutual Insurance	8,714	3.2%
Cox Health Systems	3,290	1.2%
Other[1]	1,807	0.7%
Total	**269,933**	**100.0%**
Aetna-Humana Combined	**53,379**	**19.8%**

[1] Includes 7 other companies in Missouri with a share of less than 1%.

Source: Missouri Department of Insurance, Financial Institutions & Professional Registration, "Life, Accident and Health Supplement Report," April 2015.

Table 3

Commercial Large Groups 50+ Employees
Fully-Insured Only
Missouri
2014

Company	No. Insured	Share (No. of Insured)
Anthem	133,735	27.6%
United Healthcare Insurance	123,266	25.4%
Aetna	**103,461**	**21.3%**
BCBS of Kansas City	62,418	12.9%
Cox Health Systems Insurance	19,196	4.0%
Cigna	17,307	3.6%
Humana	**6,033**	**1.2%**
Metropolitan Life Insurance	5,977	1.2%
Other[1]	13,844	2.9%
Total	**485,237**	**100.0%**
Aetna-Humana Combined	**109,494**	**22.6%**

[1] Includes 16 other companies in Missouri with a share of less than 1%.

Source: Missouri Department of Insurance, Financial Institutions & Professional Registration, "Life, Accident and Health Supplement Report," April 2015.

Table 4: MSA Commercial Share

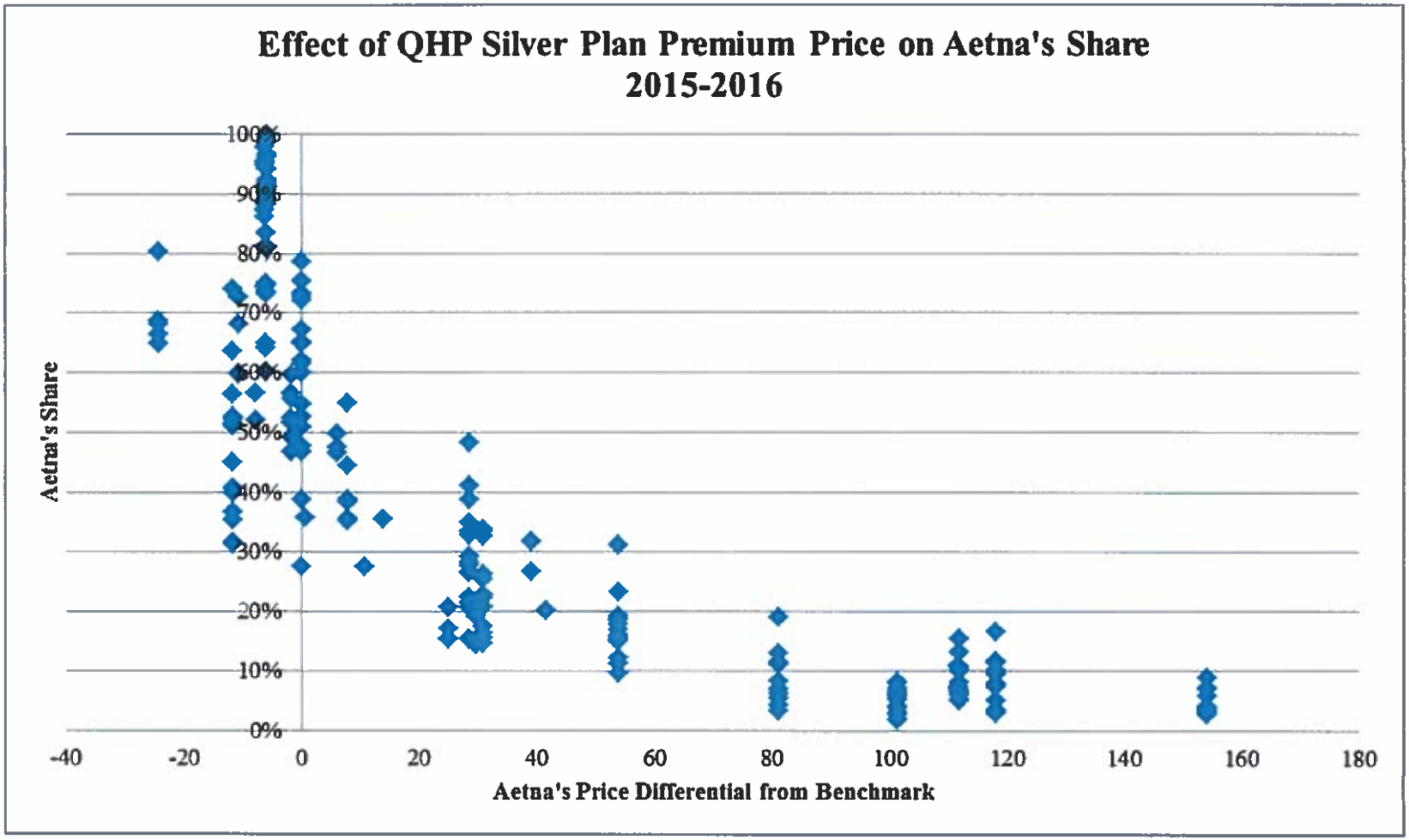
MSA	Company	Enrollment	Share
Branson, MO	**Aetna**	**9,298**	**32.1%**
Branson, MO	Anthem	8,026	27.7%
Branson, MO	UnitedHealth Group	3,888	13.4%
Branson, MO	CoxHealth	3,225	11.1%
Branson, MO	Cigna	1,864	6.4%
Branson, MO	**Humana**	**1,038**	**3.6%**
Branson, MO	Health Care Service Corporation	898	3.1%
Branson, MO	Assurant	308	1.1%
Branson, MO	Others	384	1.3%
Lebanon, MO	**Aetna**	**7,052**	**45.7%**
Lebanon, MO	Anthem	3,507	22.7%
Lebanon, MO	CoxHealth	1,500	9.7%
Lebanon, MO	UnitedHealth Group	1,386	9.0%
Lebanon, MO	**Humana**	**693**	**4.5%**
Lebanon, MO	Health Care Service Corporation	619	4.0%
Lebanon, MO	Cigna	412	2.7%
Lebanon, MO	Others	248	1.6%
Springfield, MO	**Aetna**	**64,197**	**37.8%**
Springfield, MO	UnitedHealth Group	31,023	18.3%
Springfield, MO	CoxHealth	21,485	12.7%
Springfield, MO	Anthem	20,682	12.2%
Springfield, MO	Cigna	16,361	9.6%
Springfield, MO	Health Care Service Corporation	7,327	4.3%
Springfield, MO	**Humana**	**3,538**	**2.1%**
Springfield, MO	Assurant	1,968	1.2%
Springfield, MO	Others	3,109	1.8%

Note: Includes other companies in Missouri with a share of less than 1%.

Sources: Aetna Enrollment Data, May 2015.
Humana Enrollment Data, June 2015.
HealthLeaders-Interstudy Managed Market Surveyor, January 2015.

Health Exchanges

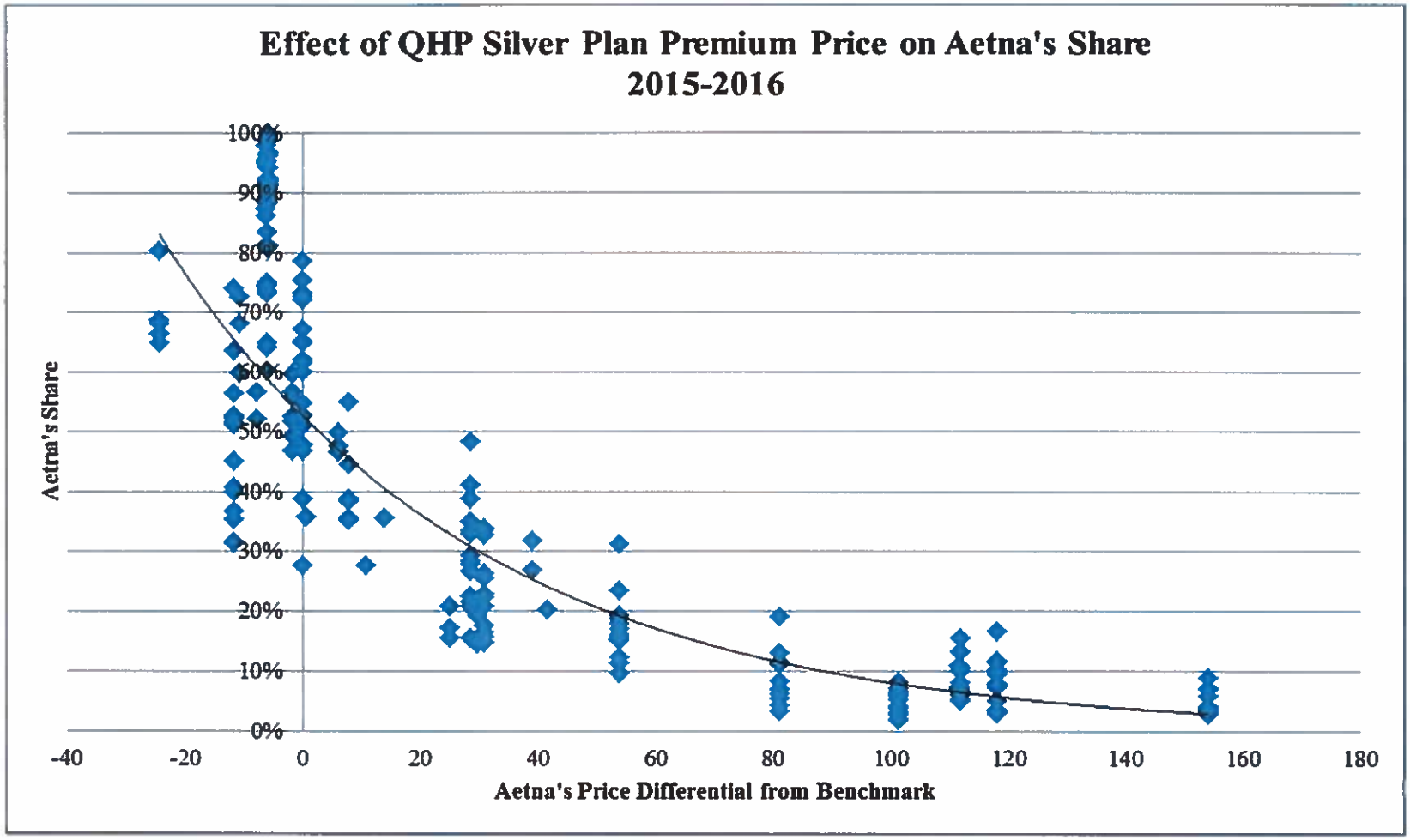
Figure 4



Sources: Aetna Enrollment Data 2015-2016.

ASPE and CMS data reports 2015-2016

Figure 4



Sources: Aetna Enrollment Data 2015-2016.

ASPE and CMS data reports 2015-2016

Table 5

Individual ACA Public Exchange Enrollment and Shares
Missouri
2015-2016

	Effectuated Enrollment			Share		
Company	**Final 2014**	**Final 2015**	**March 2016**	**2014**	**2015**	**2016**
Aetna	85,642	126,745	89,620	72.0%	59.7%	32.3%
Humana	0	5,008	16,385	0.0%	2.4%	5.9%
A-H Combined	**85,642**	**131,753**	**106,005**	**72.0%**	**62.1%**	**38.3%**
Missouri Total	**118,988**	**212,256**	**277,053**	**100.0%**	**100.0%**	**100.0%**

Sources: Aetna Enrollment Data 2014-2016.
ASPE and CMS data reports 2014-2016.
Humana Enrollment Data 2014-2016.

Table 6

Health Exchange Silver Plan Rankings
Missouri
2015-2016

Issuer	2015 Rank 1	2015 Rank 2	2016 Rank 1	2016 Rank 2
	# of counties			
UnitedHealth Group	30	28	46	53
Anthem	28	29	28	30
Aetna	**49**	**51**	**26**	**16**
Cigna	0	2	10	10
Humana	**3**	**3**	**5**	**0**
BCBS of Kansas City	5	2	0	6
Total	**115**	**115**	**115**	**115**
Aetna-Humana Combined[1]	**52**	**54**	**31**	**16**

[1] In 2015 there were 3 counties in which Aetna and Humana have the top 2 ranks. However, in 2016 there are 0 counties in which Aetna and Humana have the top 2 ranks.

Note: UnitedHealth Group is listed as "All Savers Insurance Company" in 2016.

Source: "2016 Health Plan Information for Individuals and Families." *Health Plan Data.* HealthCare.gov, n.d. Web. Nov. 2016. <https://www.healthcare.gov/health-plan-information-2016/>.

Table 7

Health Exchange Insurers in a County
Missouri
2014-2016

Number of Insurers in a County	Number of Counties		
	2014	2015	2016
0	0	0	0
1	2	2	0
2	113	67	2
3	0	40	96
4	0	6	17

Sources: Health Plan Data 2014-2016.

Table 8

Health Insurance Exchange Enollment & Shares
Aetna-Humana Overlap Counties
2014-2016

	2014				2015				2016			
	Enrollment		Share		Enrollment		Share		Enrollment		Share	
Counties	Aetna	Humana	Aetna	Humana	Aetna	Humana	Aetna	Humana	Aetna	Humana	Aetna	Humana
Cass	1,800	0	100%	0%	2,550	534	73%	15%	1,615	1,317	36%	29%
Clay	3,061	0	74%	0%	3,608	692	50%	10%	2,000	1,684	21%	17%
Jackson	9,965	0	72%	0%	11,303	2,508	47%	10%	5,546	7,279	17%	23%
Platte	1,155	0	77%	0%	1,393	317	47%	11%	626	864	15%	21%
Jasper	1,509	0	100%	0%	2,390	437	75%	14%	2,208	474	53%	11%
Newton	800	0	77%	0%	1,360	201	79%	12%	635	250	28%	11%
Greene	7,739	0	100%	0%	10,844	319	88%	3%	6,024	4,517	38%	29%

Sources: Aetna Enrollment Data 2014-2016.
ASPE and CMS data reports 2014-2016.
Humana Enrollment Data 2014-2016.

Table 8a

Aetna's Health Insurance Exchange Enollment & Shares
Aetna-Humana Overlap Counties
2014-2016

	2014			2015			2016		
Counties	Enrollment	Share	% Price Above Benchmark	Enrollment	Share	% Price Above Benchmark	Enrollment	Share	% Price Above Benchmark
Cass	1,800	100%	BB	2,550	73%	B	1,615	36%	0.2%
Clay	3,061	74%	BB	3,608	50%	2.4%	2,000	21%	8.5%
Jackson	9,965	72%	BB	11,303	47%	2.4%	5,546	17%	8.5%
Platte	1,155	77%	BB	1,393	47%	2.4%	626	15%	8.5%
Jasper	1,509	100%	BB	2,390	75%	B	2,208	53%	B
Newton	800	77%	BB	1,360	79%	B	635	28%	B
Greene	7,739	100%	BB	10,844	88%	BB	6,024	38%	2.4%

Notes: 'BB' = "Below Benchmark"; 'B' = "Benchmark".

Sources: Aetna Enrollment Data 2014-2016.
ASPE and CMS data reports 2014-2016.
Health Plan Data 2014-2016.
Humana Enrollment Data 2014-2016.

Table 8b

Humana's Health Insurance Exchange Enollment & Shares
Aetna-Humana Overlap Counties
2014-2016

	2014			2015			2016		
Counties	Enrollment	Share	% Price Above Benchmark	Enrollment	Share	% Price Above Benchmark	Enrollment	Share	% Price Above Benchmark
Cass	0	0%	---	534	15%	BB	1,317	29%	BB
Clay	0	0%	---	692	10%	B	1,684	17%	BB
Jackson	0	0%	---	2,508	10%	B	7,279	23%	BB
Platte	0	0%	---	317	11%	B	864	21%	BB
Jasper	0	0%	---	437	14%	BB	474	11%	5.2%
Newton	0	0%	---	201	12%	BB	250	11%	5.2%
Greene	0	0%	---	319	3%	9.6%	4,517	29%	BB

Notes: 'BB' = "Below Benchmark"; 'B' = "Benchmark"; '---' means that the information is not applicable.

Sources: Aetna Enrollment Data 2014-2016.
ASPE and CMS data reports 2014-2016.
Health Plan Data 2014-2016.
Humana Enrollment Data 2014-2016.

Medicare

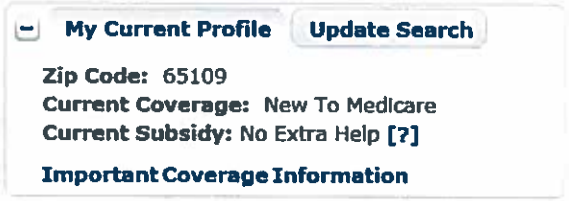
Traditional Medicare and Medicare Advantage Compete

- Point 1: Consumer Experience
  - The shopping process puts Traditional Medicare and Medicare Advantage side-by-side, which facilitates competition

Figure 5

Step 4 of 4: Refine Your Plan Results

This is a summary of the types of plans available in your area. Use the checkboxes to select the types of plans you'd like to view. You may also use the filters on the left to narrow your search. Using filters may eliminate some options, including plans with the lowest estimated annual costs. You should also consider other factors, such as provider network and Part B premium amount which may be reduced for some plans.



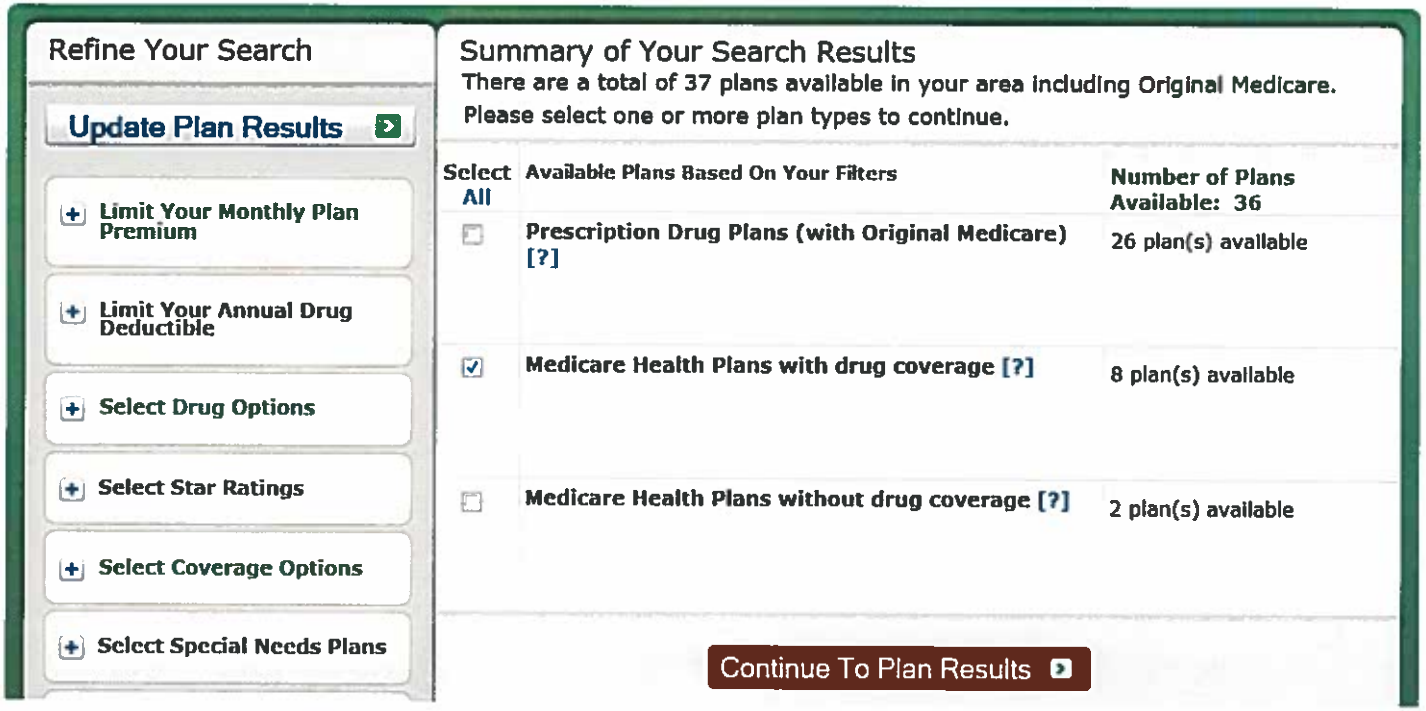
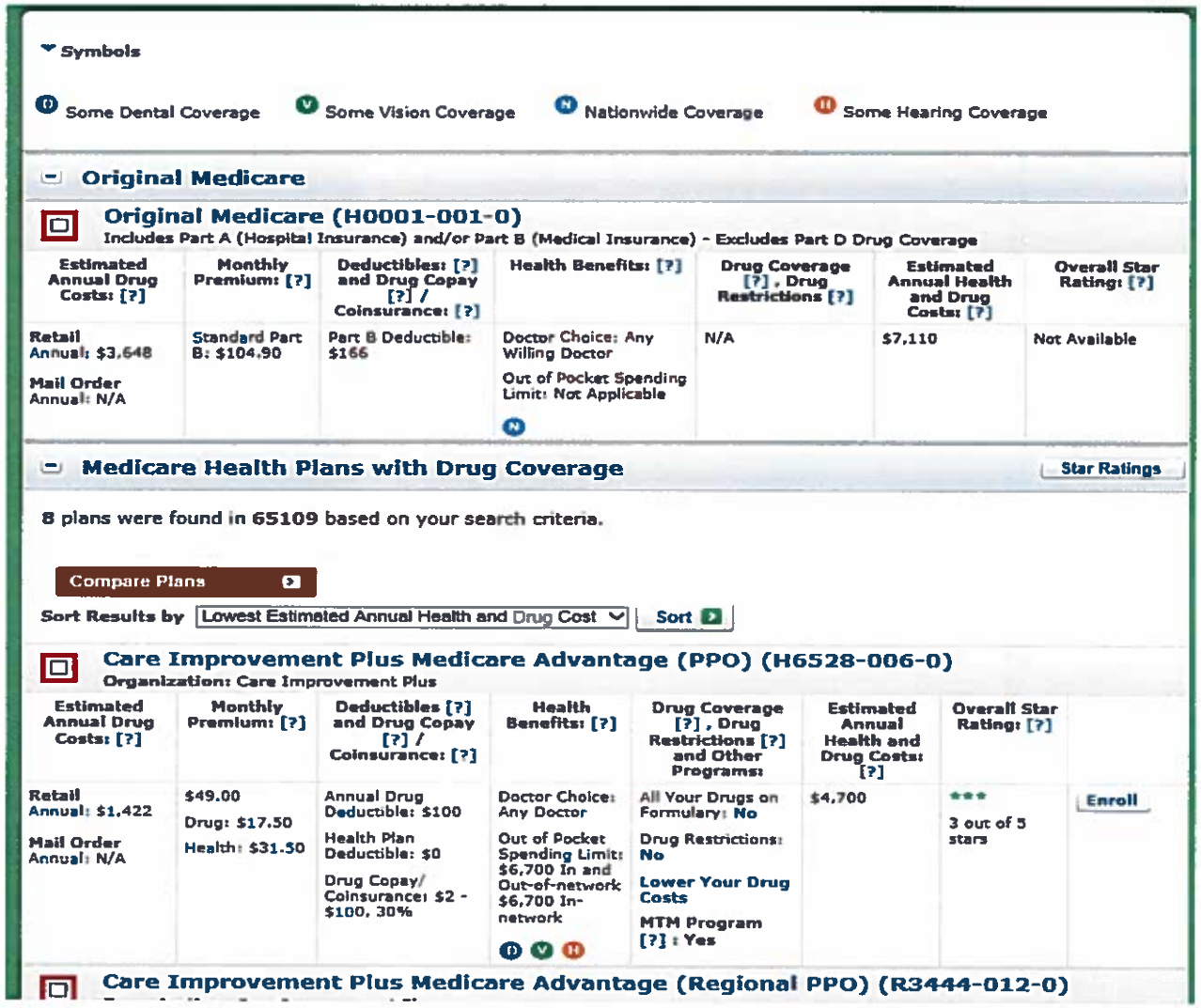


Figure 6



Symbols

D Some Dental Coverage V Some Vision Coverage N Nationwide Coverage H Some Hearing Coverage

Original Medicare

Original Medicare (H0001-001-0)
Includes Part A (Hospital Insurance) and/or Part B (Medical Insurance) - Excludes Part D Drug Coverage

Estimated Annual Drug Costs: [?]	Monthly Premium: [?]	Deductibles: [?] and Drug Copay [?] / Coinsurance: [?]	Health Benefits: [?]	Drug Coverage [?], Drug Restrictions [?]	Estimated Annual Health and Drug Costs: [?]	Overall Star Rating: [?]
Retail Annual: $3,648 Mail Order Annual: N/A	Standard Part B: $104.90	Part B Deductible: $166	Doctor Choice: Any Willing Doctor Out of Pocket Spending Limit: Not Applicable N	N/A	$7,110	Not Available

Medicare Health Plans with Drug Coverage — Star Ratings

8 plans were found in 65109 based on your search criteria.

Compare Plans

Sort Results by: Lowest Estimated Annual Health and Drug Cost — Sort

Care Improvement Plus Medicare Advantage (PPO) (H6528-006-0)
Organization: Care Improvement Plus

Estimated Annual Drug Costs: [?]	Monthly Premium: [?]	Deductibles [?] and Drug Copay [?] / Coinsurance: [?]	Health Benefits: [?]	Drug Coverage [?], Drug Restrictions [?] and Other Programs:	Estimated Annual Health and Drug Costs: [?]	Overall Star Rating: [?]	
Retail Annual: $1,422 Mail Order Annual: N/A	$49.00 Drug: $17.50 Health: $31.50	Annual Drug Deductible: $100 Health Plan Deductible: $0 Drug Copay/ Coinsurance: $2 - $100, 30%	Doctor Choice: Any Doctor Out of Pocket Spending Limit: $6,700 In and Out-of-network $6,700 In-network D V H	All Your Drugs on Formulary: No Drug Restrictions: No Lower Your Drug Costs MTM Program [?]: Yes	$4,700	*** 3 out of 5 stars	Enroll

Care Improvement Plus Medicare Advantage (Regional PPO) (R3444-012-0)

Traditional Medicare and Medicare Advantage Compete

- Point 2: Future of Medicare
  - As laws push Traditional Medicare and Medicare Advantage closer in design, the products becomes closer substitutes

Figure 7

Payment Taxonomy Framework				
	Category 1: *Fee for Service—No Link to Quality*	Category 2: *Fee for Service—Link to Quality*	Category 3: *Alternative Payment Models Built on Fee-for-Service Architecture*	Category 4: *Population-Based Payment*
Description	***Payments are based on volume of services and not linked to quality or efficiency***	***At least a portion of payments vary based on the quality or efficiency of health care delivery***	***Some payment is linked to the effective management of a population or an episode of care. Payments still triggered by delivery of services, but opportunities for shared savings or 2-sided risk***	***Payment is not directly triggered by service delivery so volume is not linked to payment. Clinicians and organizations are paid and responsible for the care of a beneficiary for a long period (e.g. ≥1 yr)***
Medicare FFS	• Limited in Medicare fee-for-service • Majority of Medicare payments now are linked to quality	• Hospital value-based purchasing • Physician Value-Based Modifier • Readmissions/Hospital Acquired Condition Reduction Program	• Accountable care organizations • Medical homes • Bundled payments • Comprehensive primary care initiative • Comprehensive ESRD • Medicare-Medicaid Financial Alignment Initiative Fee-For-Service Model	• Eligible Pioneer accountable care organizations in years 3-5

Source : https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2015-Fact-sheets-items/2015-01-26-3.html

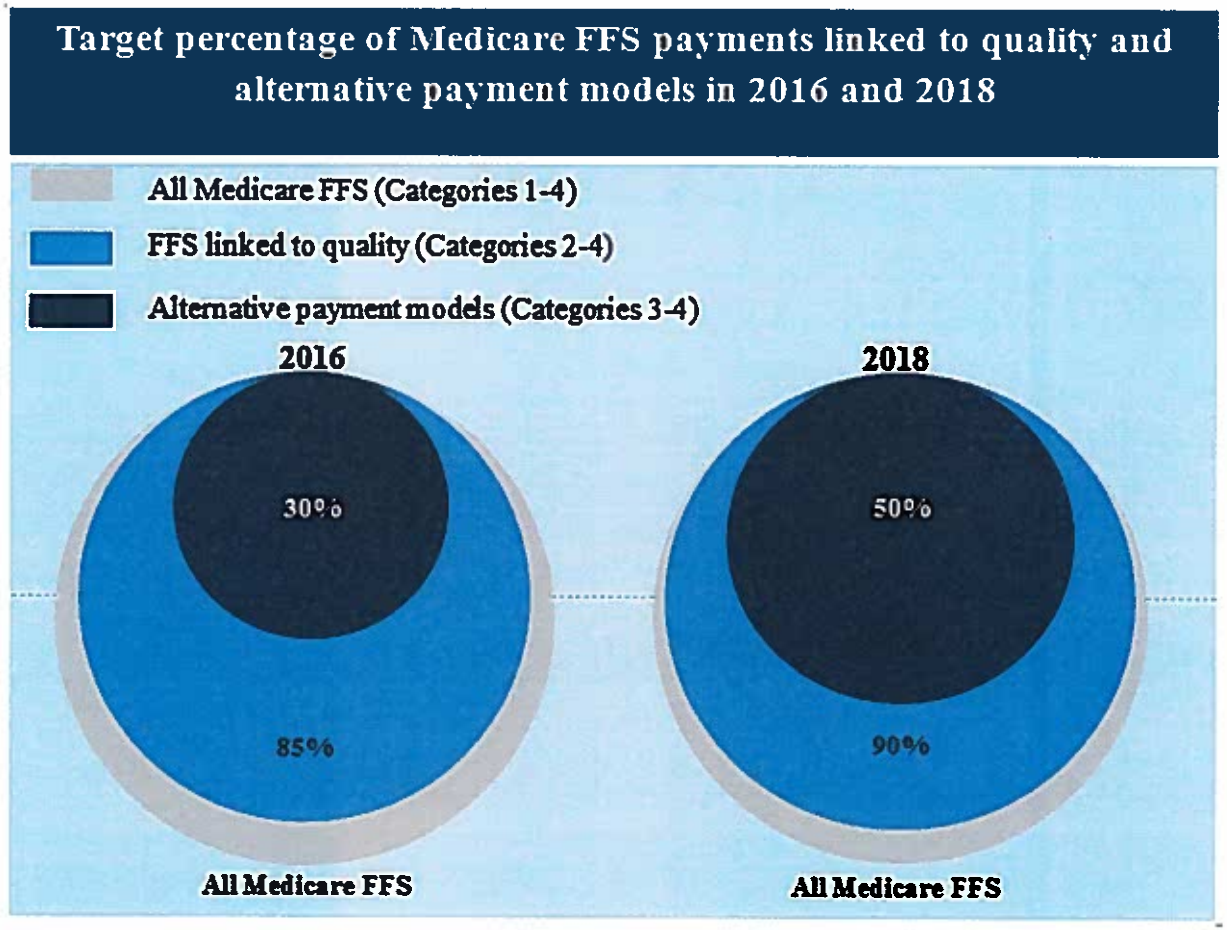
ACO Incentives

ACOs and MAOs have similar incentives and profit drivers

Medicare ACOs	MAOs
Network of doctors and hospitals with financial and clinical responsibility for a set of patients	An insurer with financial responsibility for a set of patients, and shared clinical responsibility
Receive payments for managing care and reducing spending below a benchmark based on FFS Medicare spending levels	Submit bids relative to a benchmark based on FFS Medicare spending levels
Must perform on quality metrics in order to receive additional payments	Receive higher payments for achieving higher star quality ratings
ACO providers manage costs by maximizing care rendered within the ACO[1]	Most plans offered by MAOs use networks to encourage use of preferred providers
Under two-sided risk models, lose money when medical costs are high	Lose money when medical costs are high
Beneficiaries are assigned to an ACO and are covered by FFS Medicare; if dissatisfied, they can seek care outside the ACO[2]	Beneficiaries must actively select an MA plan; if dissatisfied, can switch annually to another MAO or to FFS Medicare
Primarily provider-led	Commonly insurer-led, but often provider-led

[1] Athena Health, "Succeeding as an ACO", July 2013, http://www.athenahealth.com/whitepapers/aco
[2] https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/Financial-and-Assignment-Specifications.html

Figure 8



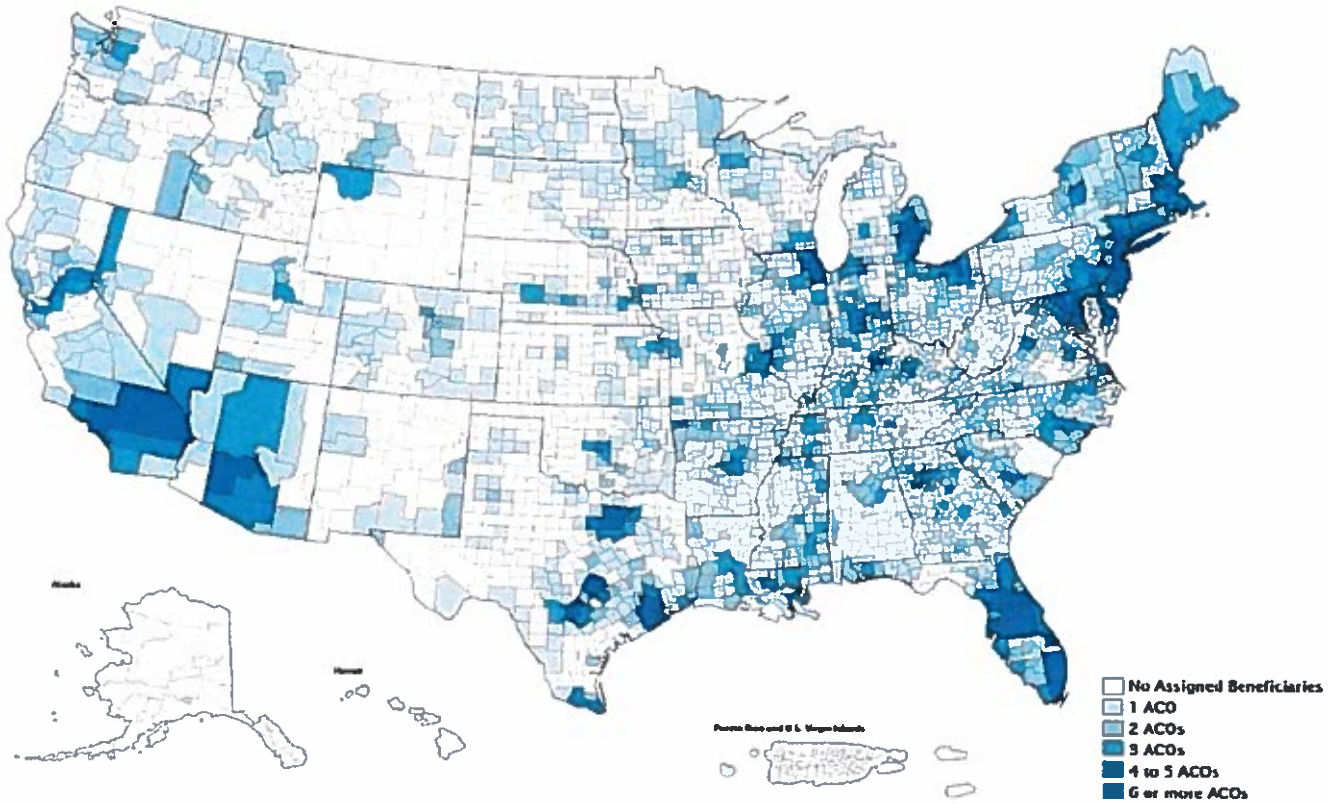
Source : https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2015-Fact-sheets-items/2015-01-26-3.html

Map 1

April 2016

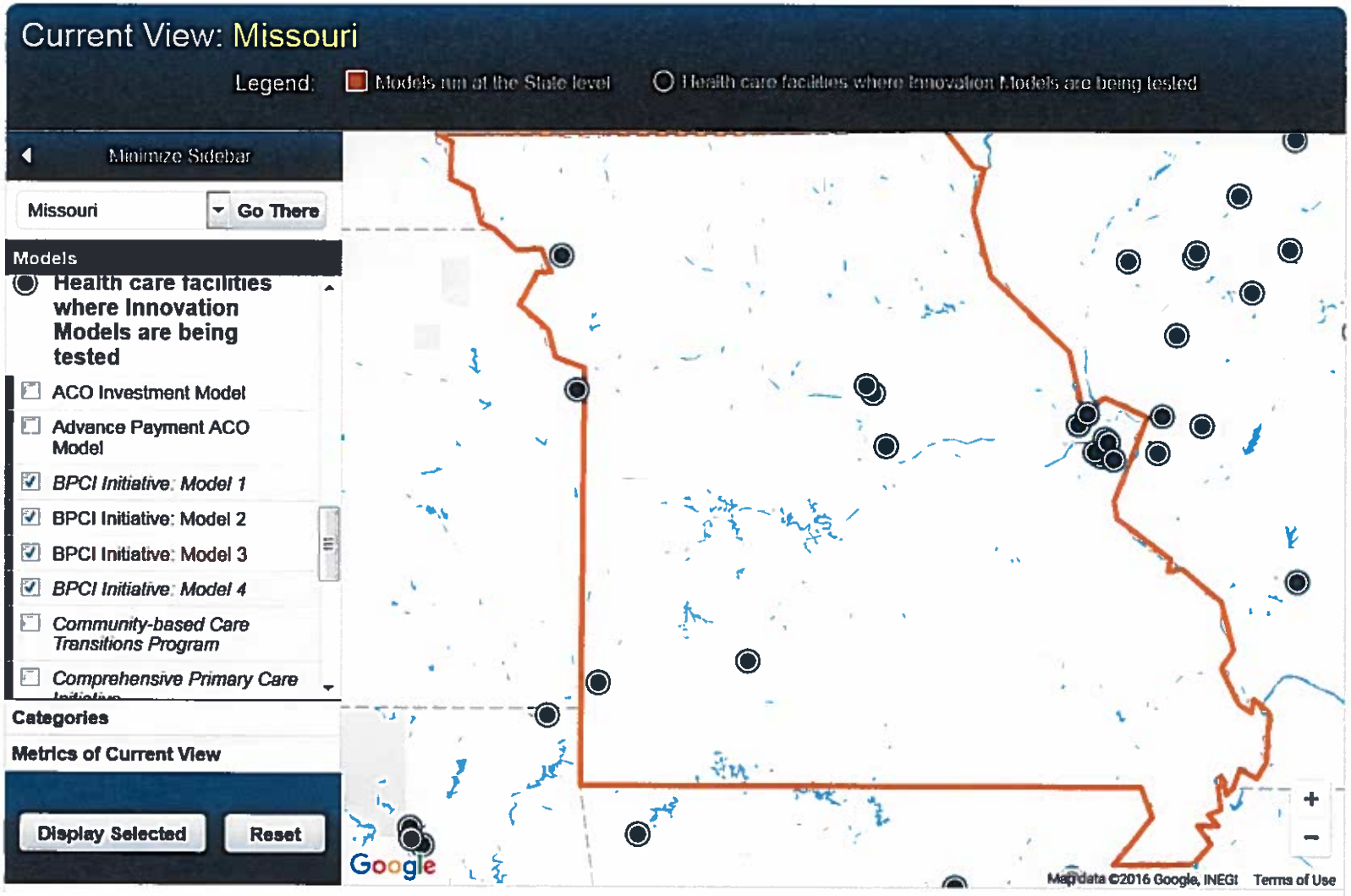
Fast Facts—All Medicare Shared Savings Program ACOs

Medicare Shared Savings Program ACO Assigned Beneficiary Population by ACO by County



Source: https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/Downloads/All-Starts-MSSP-ACO.pdf

Map 2



Source :https://innovation.cms.gov/initiatives/map/index.html#state=MO&model=bpci-initiative-model-1+bpci-initiative-model-2+bpci-initiative-model-3+bpci-initiative-model-4

Traditional Medicare and Medicare Advantage Compete

- Point 3: Market Fluidity
  - Switching between Traditional Medicare and Medicare Advantage demonstrates competition

Traditional Medicare and Medicare Advantage Compete

- Point 4: Market Dynamics
  - Benefit design changes as premiums change

Traditional Medicare and Medicare Advantage Compete

- Point 5: Value Proposition
  - Medicare Advantage penetration changes as benefit design changes

Table 9

Medicare Enrollment and Shares
Missouri
February 2016

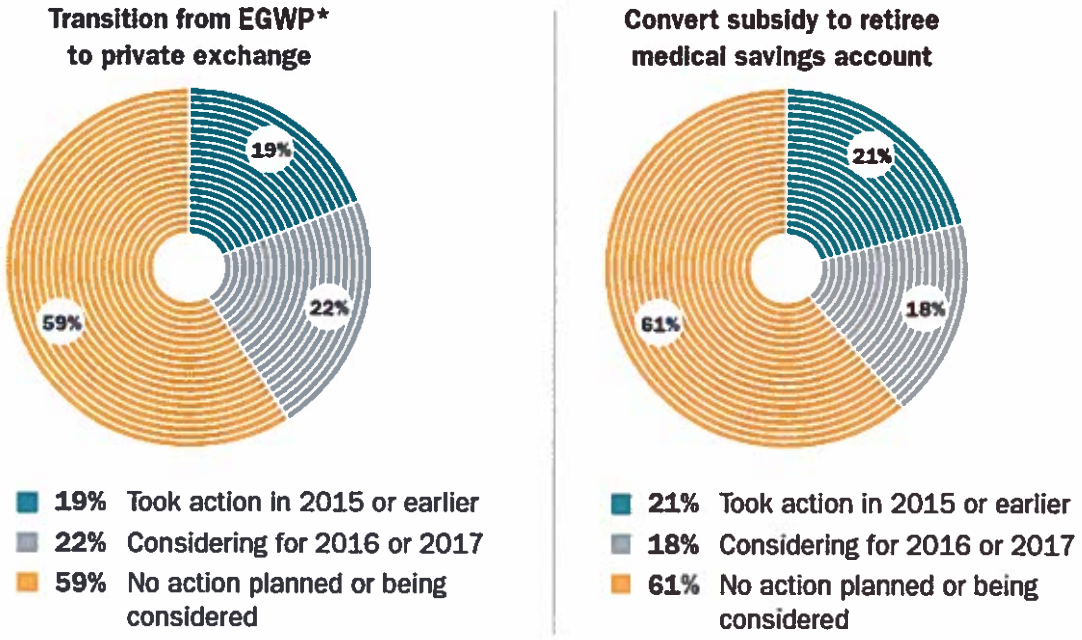
Company	Enrollment	Share
Traditional Medicare	808,294	72.3%
Aetna	**95,947**	**8.6%**
UnitedHealth Group	85,206	7.6%
Humana	**61,697**	**5.5%**
Essence Group Holdings Corporation	48,839	4.4%
BCBS of Michigan	7,233	0.6%
Anthem	6,168	0.6%
Blue Cross and Blue Shield of Kansas City	2,416	0.2%
Cigna	1,406	0.1%
Highmark Health	214	0.0%
Total	**1,117,420**	**100.0%**
Aetna-Humana Combined	**157,644**	**14.1%**

Note: This table includes those Medicare Advantage plans defined by CMS as "HMO/HMOPOS", "Local PPO", "PFFS", "Regional PPO", and excludes Special Needs Plans, Dual Eligible Plans, and Prescription Drug Plans.

Sources: Centers for Medicare and Medicaid Services (CMS), "Monthly Enrollment by Contract/Plan/State/County for Medicare Advantage," February 2016.
CMS, "Plan Directory for Medicare Advantage, Cost, PACE, and Demonstration Organizations," February 2016.
CMS, "State County Penetration Data for Medicare Advantage," February 2016.
U.S. Census, "Core Based statistical areas (CBSAs) and combined statistical areas (CSAs)," March 2014.

Figure 9

Figure 9. Employers are actively considering alternatives



"Of those employers that have implemented an Employer Group Waiver Plan (EGWP), our research shows that 19% have already transitioned from an EGWP to a private exchange, and another 22% are considering doing so by 2017."

– Towers Watson 'Insights from the 2015 Survey on Retiree Health Care Strategies'

Source: Towers Watson, "Emerging Opportunities for Retirees Health Care Programs – Insights from the 2015 Survey on Retiree Health Care Strategies," February 2015.

Table 10

Medicare Enrollment & Shares
2016

County	CBSA	Company	Enrollment	Medicare Share
Dallas	Springfield, MO	Traditional Medicare	2,185	58.0%
Dallas	**Springfield, MO**	**Aetna**	**796**	**21.1%**
Dallas	**Springfield, MO**	**Humana**	**457**	**12.1%**
Dallas	Springfield, MO	UnitedHealth Group	209	5.5%
Dallas	Springfield, MO	Anthem	103	2.7%
Dallas	Springfield, MO	BCBS of Michigan	18	0.5%
Polk	Springfield, MO	Traditional Medicare	3,451	59.1%
Polk	**Springfield, MO**	**Aetna**	**1,298**	**22.2%**
Polk	**Springfield, MO**	**Humana**	**757**	**13.0%**
Polk	Springfield, MO	UnitedHealth Group	168	2.9%
Polk	Springfield, MO	Anthem	140	2.4%
Polk	Springfield, MO	BCBS of Michigan	28	0.5%
Webster	Springfield, MO	Traditional Medicare	3,733	53.5%
Webster	**Springfield, MO**	**Aetna**	**1,526**	**21.9%**
Webster	Springfield, MO	UnitedHealth Group	697	10.0%
Webster	**Springfield, MO**	**Humana**	**673**	**9.6%**
Webster	Springfield, MO	Anthem	307	4.4%
Webster	Springfield, MO	Essence Group Holdings Corporation	43	0.6%
Laclede	Lebanon, MO	Traditional Medicare	4,599	60.4%
Laclede	**Lebanon, MO**	**Aetna**	**1,512**	**19.9%**
Laclede	**Lebanon, MO**	**Humana**	**1,210**	**15.9%**
Laclede	Lebanon, MO	UnitedHealth Group	288	3.8%

Sources: Centers for Medicare and Medicaid Services (CMS), "Monthly Enrollment by Contract/Plan/State/County for Medicare Advantage," February 2016.
CMS, "Plan Directory for Medicare Advantage, Cost, PACE, and Demonstration Organizations," February 2016.
CMS, "State County Penetration Data for Medicare Advantage," February 2016.
U.S. Census, "Core Based statistical areas (CBSAs) and combined statistical areas (CSAs)," March 2014.