

Milliman Medicare Webinar Series

A year of change:
State of the 2025 Medicare Advantage industry

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Presenters



Mark Franklin

ASA, MAAA

Associate Actuary

mark.franklin@milliman.com



Julia Friedman

FSA, MAAA

Principal & Consulting Actuary

julia.friedman@milliman.com

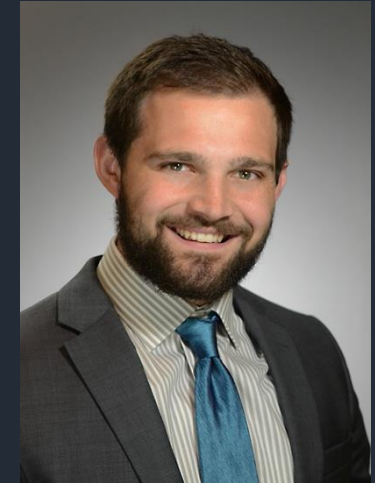


Joanne Fontana

FSA, MAAA

Principal & Consulting Actuary

joanne.fontana@milliman.com



Jordan Cates

FSA, CERA, MAAA

Consulting Actuary

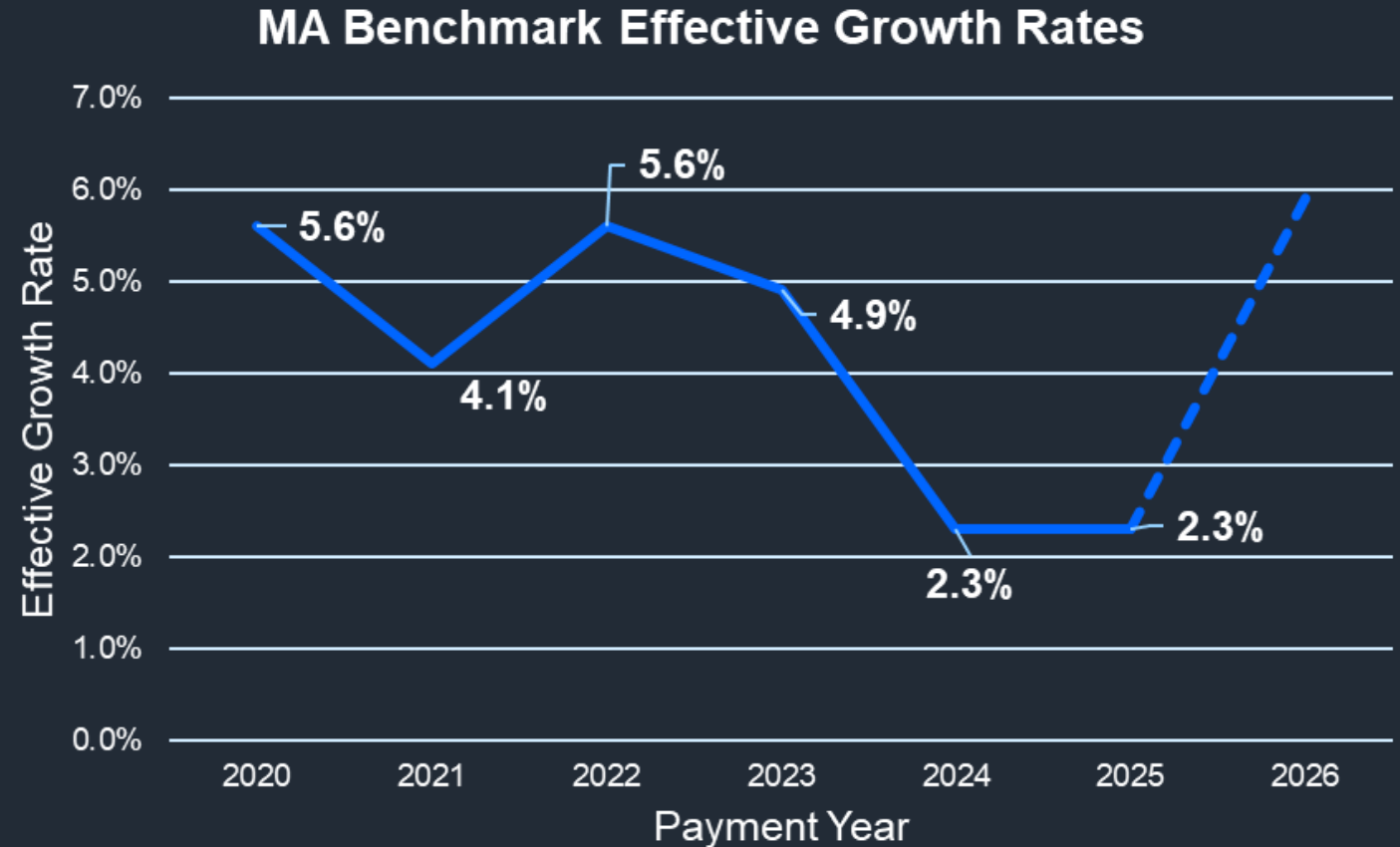
jordan.cates@milliman.com

2025 MA-PD Headwinds

MA-PD Headwinds – MA Revenue Benchmarks

2025 nationwide benchmark trend remains at a lower level than recent years

- Nationwide benchmark trends decreased in payment years 2024 and 2025.
- Driven by Medicare FFS costs as well as a technical adjustment to the calculation methodology which is phased in over three years (2024 – 2026).
- Actual benchmark trends can vary significantly by county.

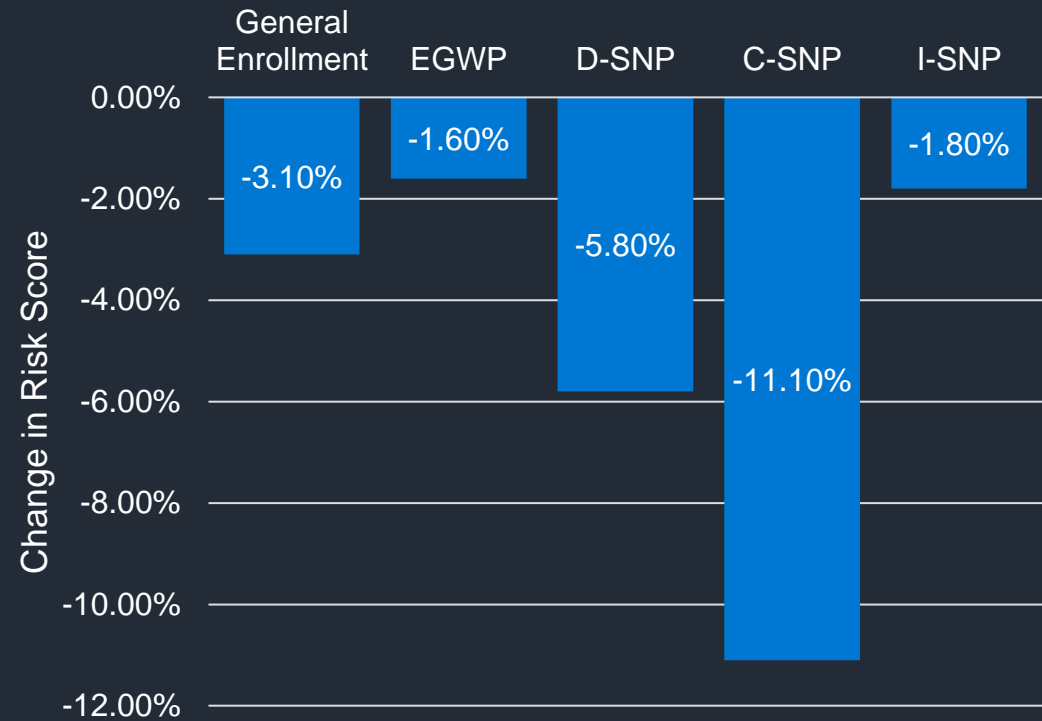


MA-PD Headwinds – Risk Scores

The 2024 Part C CMS-HCC Model which is phased in from 2024 – 2026 generally results in lower risk scores

- 2024 Part C CMS-HCC risk score model introduced with substantial clinical revisions.
- CMS estimates the combined impact of new model phase-in and annual normalization factor updates to be -2.2% in 2024, -2.5% in 2025, and -3.0% in 2026.
- Milliman study estimated the fully implemented impact of the new model to be -3.5% to risk scores on average.
- Impacts of the 2024 model can vary significantly by MAO and plan type.

High Level Impacts of Fully Implemented 2024 Risk Score Model, Based on 2019 Diagnoses

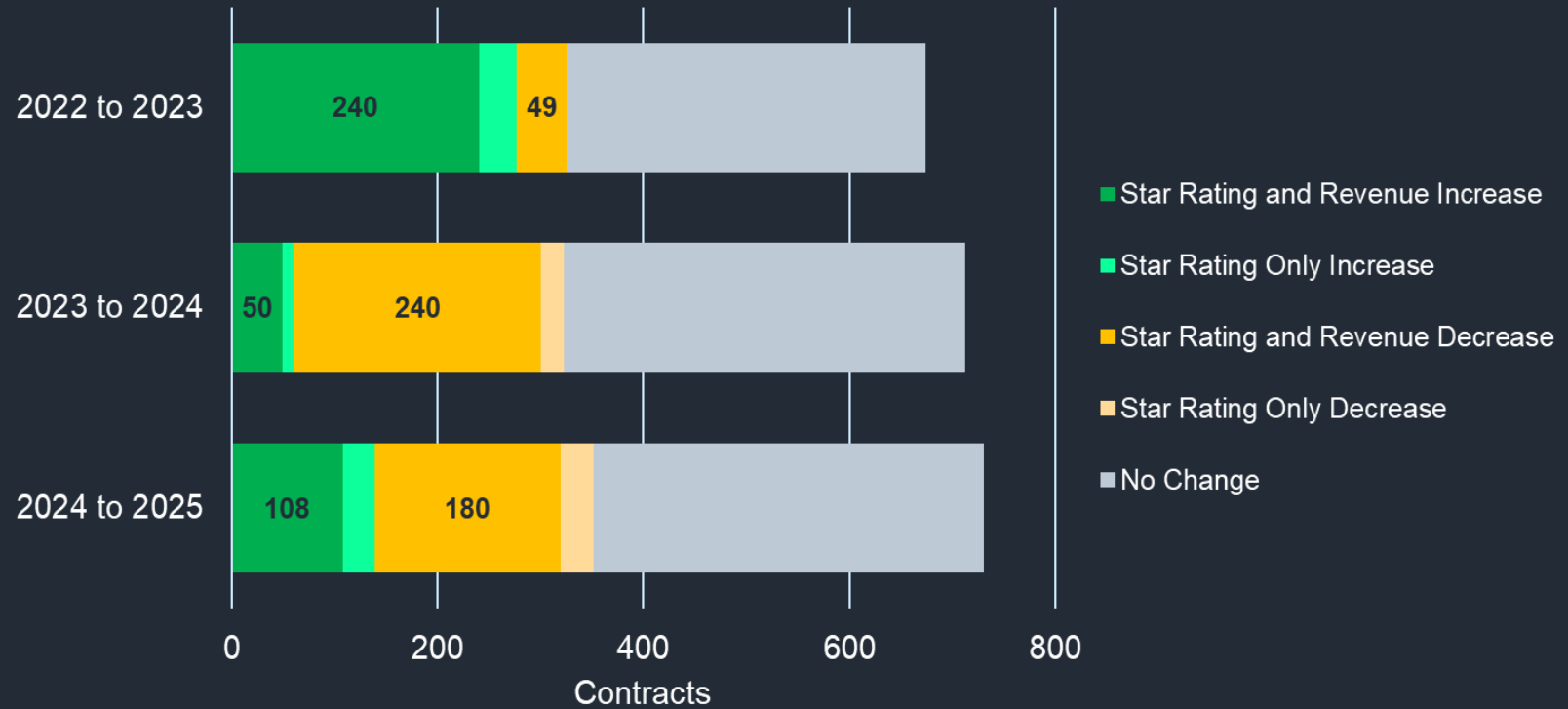


MA-PD Headwinds – Star Ratings

Overall average Star ratings decreased for a second straight year

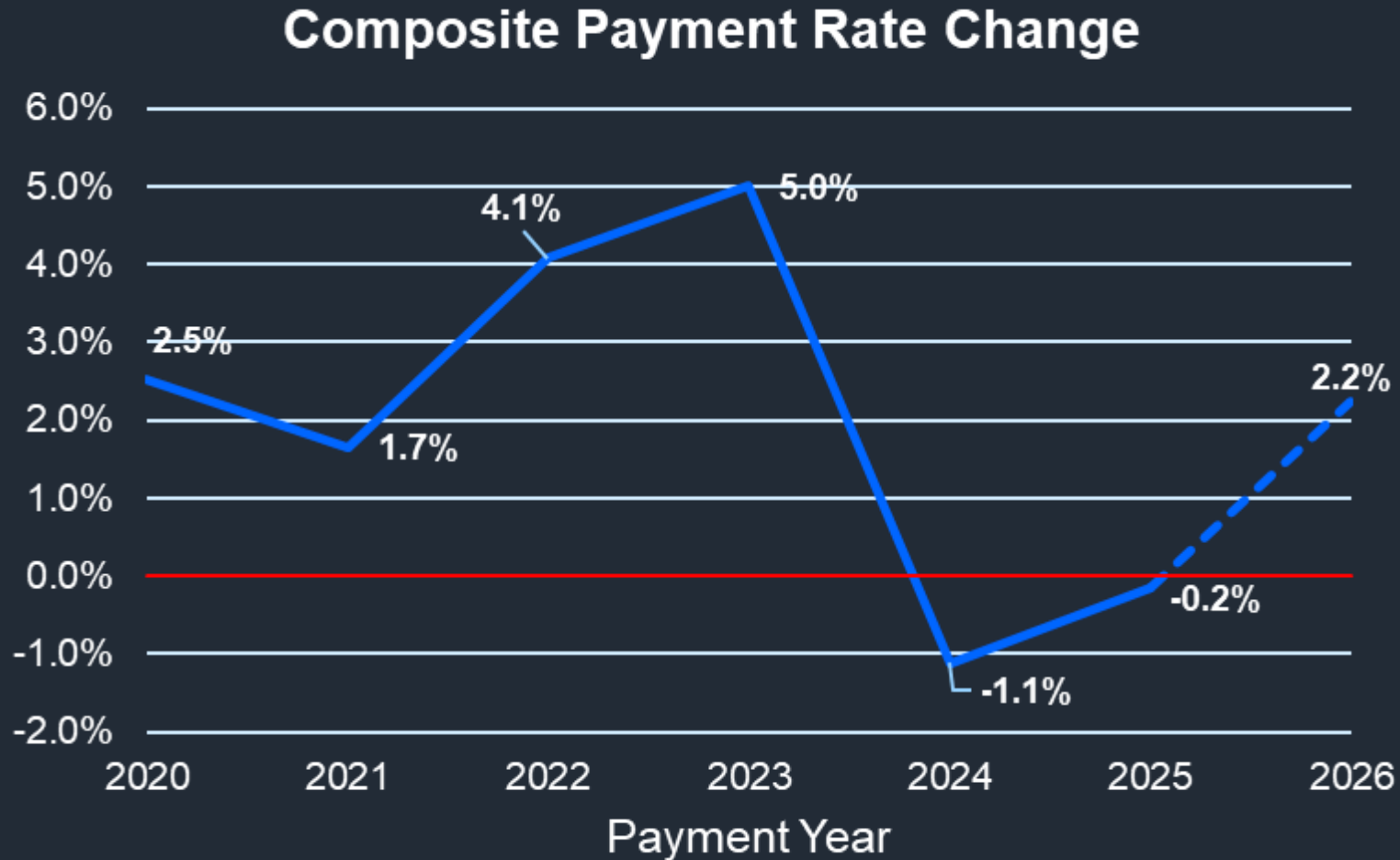
- Critical component of MA revenue, impacting quality bonus payments and MA rebate revenue.
- Average Star ratings decreased on average in payment year 2024 as adjustments made for the COVID-19 PHE expired.
- Payment year 2025 saw another decrease in average Star ratings driven by methodological changes to the Star rating calculation.
- More changes are on the way.

Star Rating Revenue Impacts, by Payment Year



MA-PD Headwinds – Composite MA Payment Rate Change

Combined impact of benchmark change, Star ratings, and risk score model pushed expected rate change negative

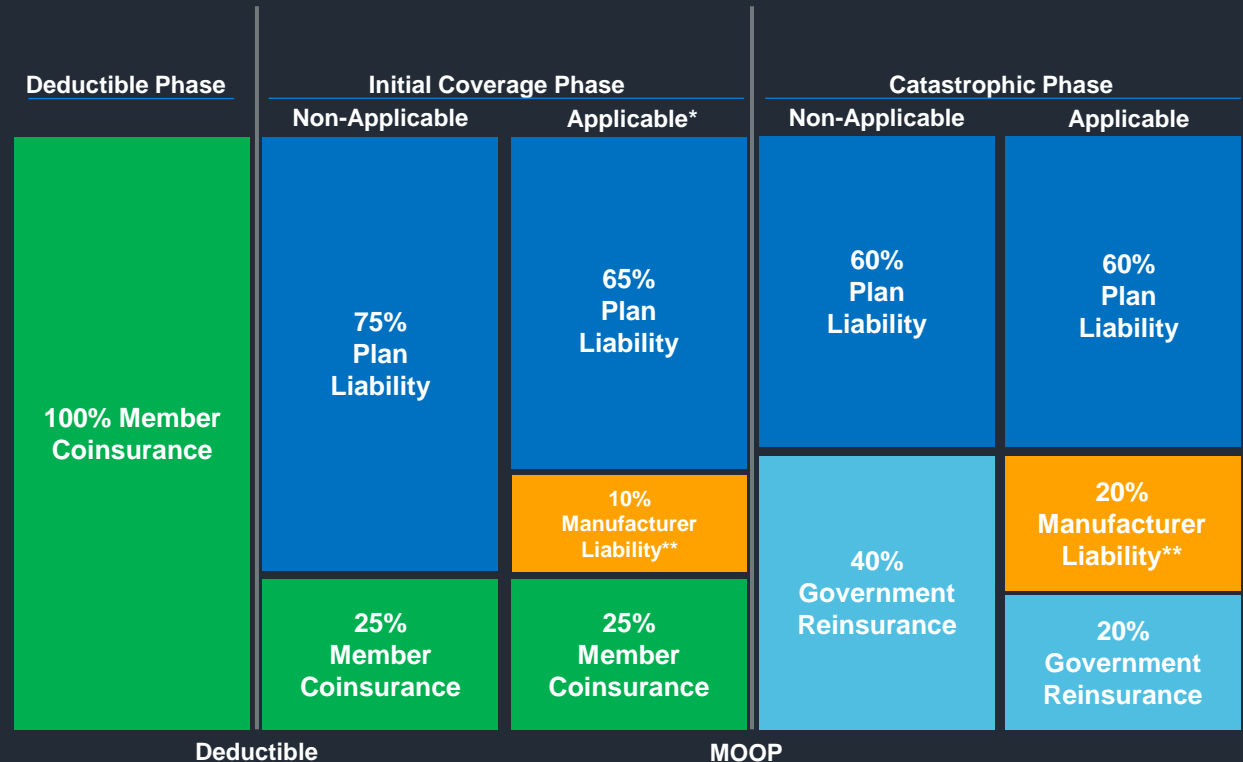


MA-PD Headwinds – Part D Plan Liability

The IRA brought changes to the Part D benefit design that increased plan liability

- Significant changes to Part D plan design including removal of the coverage gap phase, implementation of a maximum out-of-pocket, and reduction of federal reinsurance, among others.
- Increase in plan liability, particularly for highest-cost patients.
- Majority of plan revenue shifts to risk-adjusted direct subsidy.
- Impact will vary by plan and could be negative, positive, or neutral.

2025 Defined Standard Benefit Design



*Applicable is defined as drugs for which the manufacturer discount program applies; generally, brand drugs.

**Specified and specified small manufacturers will have a reduced liability in 2025, ultimately grading to full liability by 2031.

Material challenges and market disruption will challenge MAOs

Leadership in many MAOs are facing challenges on a multi-faceted front



Risk score coding practices also continue to face scrutiny, alongside the new Part C model becoming fully phased in for 2026.



Utilization management (UM) is under fire given public dialogue, which may impact ability to manage certain services



Despite proposed MA payment rates going up in 2026, this continues to be a tough market with **elevated trends across the industry**



Administrative pressures are increasing – CMS is implementing more oversight of marketing, benefit utilization, prior authorization, and encounter data activities



Supplemental benefits are changing in a way we haven't seen in many years, requiring data-driven introspective review to succeed



Part D benefits changed materially, and carriers will need to evaluate emerging, disruptive strategies introduced in 2025

Part C Benefit Changes

In 2025, the market pulled back on richness of plan offerings

In reviewing the landscape of Part C supplemental benefit offerings, the following statements apply

Organizations are reacting to margin headwinds by reducing the overall value supplemental benefits provide



“Table Stakes” benefits were not eliminated, but the richness of the offering was reduced

- Prevalence remains high
- Limits decreased in aggregate
- Cash-like benefits were most often reduced in value (OTC, Food cards, etc.)

Reduction in offering of “low value” supplemental benefits

- Items like RAT, Home-based Palliative Care, and Support for Caregivers

TBC impacts remain top of mind

- Dental is the only major supplemental benefit which impacts TBC
- Some plans chose to reduce benefits with no impact on TBC, for example OTC richness was decreased

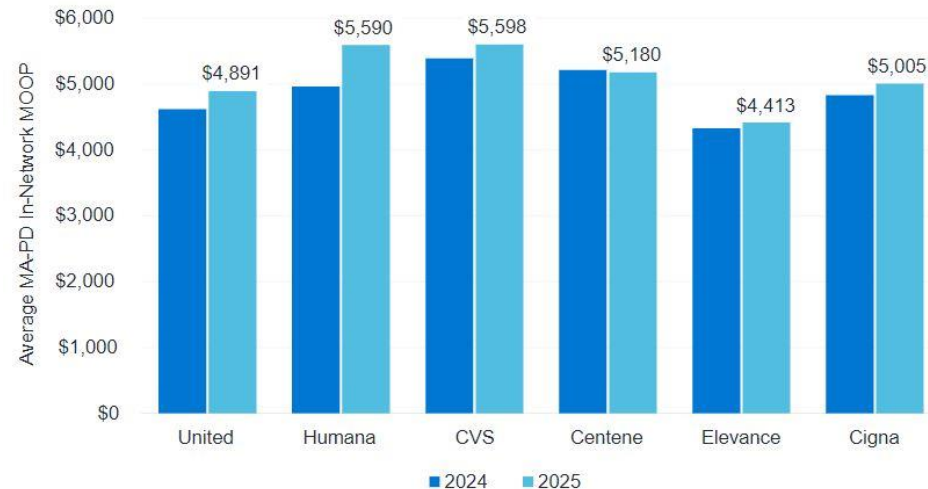
MA-PD – Part C Benefit Changes

National carriers mostly pursued leaner Part C benefit designs, with increases in In-Network MOOPs.

Key Part C Benefit Trends

- 1 Many of the largest national carriers increased their In-Network MOOPs in 2025.
- 2 The increase in MOOPs was accompanied by other benefit cuts, particularly in supplemental benefits, in 2025.
- 3 MA headwinds and an uptick in utilization likely led to carriers making these changes.
- 4 Organizations took differing approaches to addressing benefit cuts in 2025, so a local market review is critical.

**Average 2024 vs. 2025 In-Network MOOPs
For National Carrier General Enrollment Plans¹**



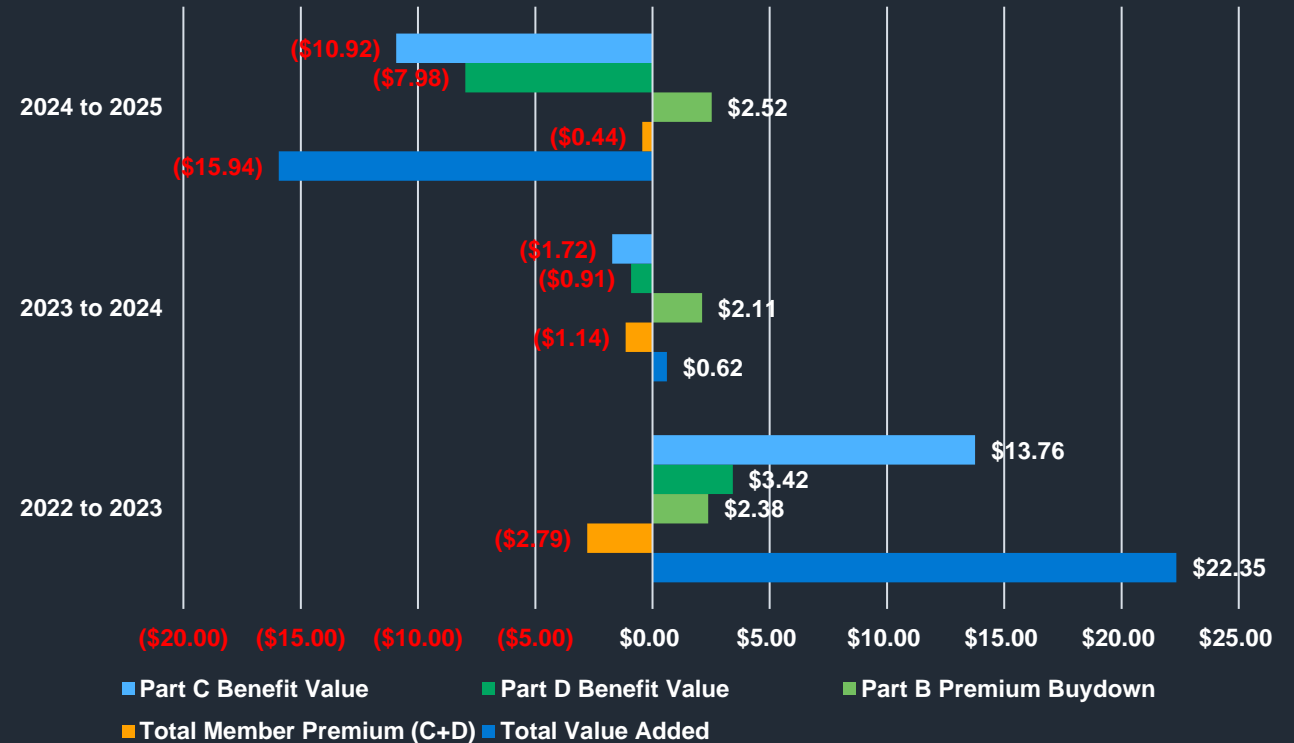
¹The 2025 member-weighted averages are calculated prior to 2025 open enrollment, use September 2024 membership, and account for cross-walked plans. The 2024 member-weighted averages are calculated after 2024 open enrollment and use February 2024 membership.

Impacts on Revenue Pressures are being felt throughout the MA landscape

General enrollment plans are reducing the value provided to members, as seen through the Milliman MACVAT® lens

Key Insights

- Average total value added, with significant growth from 2022 to 2023 and stability from 2023 to 2024, **decreased almost \$16 PMPM from 2024 to 2025.**
- National carriers notably scaling back benefits contributes to much of the decreases in benefit value and value added, given these comparisons are market averages.
 - Multiple national organizations have discussed margin pressures on recent earnings calls and is likely driving the observed degradation of benefits.
- This substantial value added decline in the MA market is driven by leaner MA plan benefit offerings in 2025 paired with level member (Part C + Part D) premiums

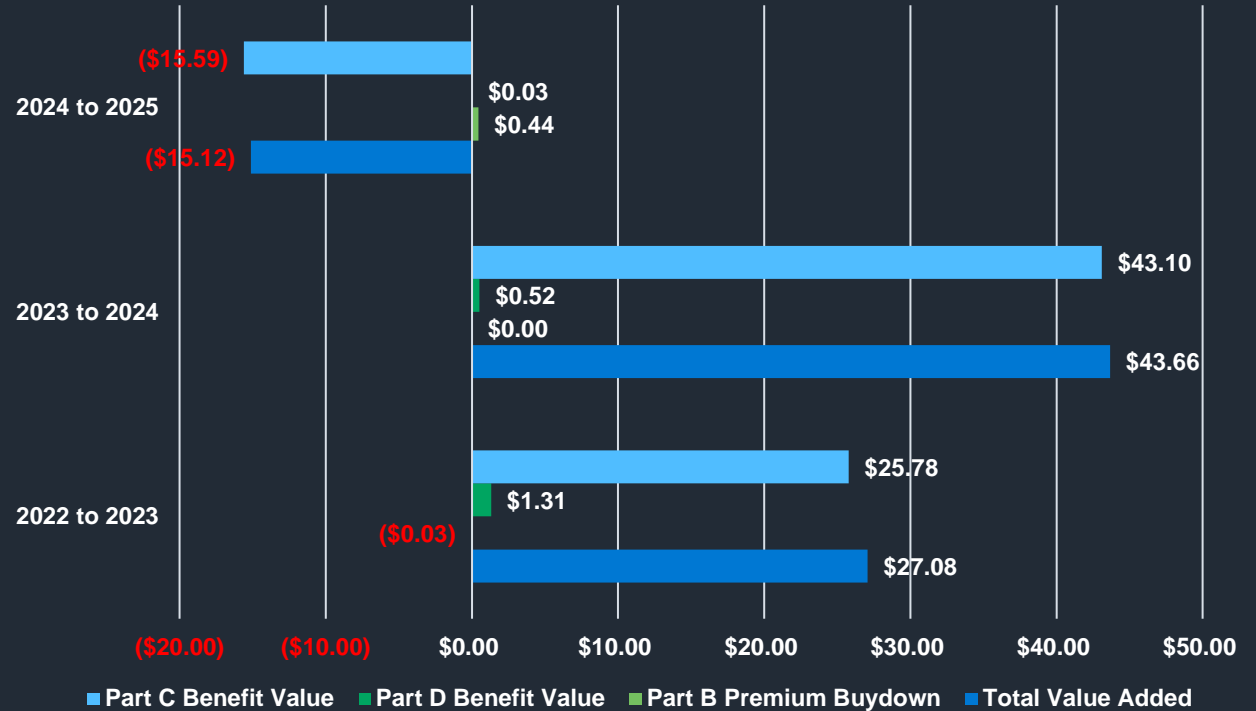


Impacts on Revenue Pressures are being felt throughout the MA landscape

D-SNPs are reducing the value provided to members, as seen through the Milliman MACVAT® lens

Key Insights

- Growth in D-SNP value added changed course considerably in 2025 - from 2024 to 2025, the total value added of D-SNP MA **plans shrunk by about \$15 PMPM**, mainly due to benefit degradations in the Part C (medical) benefit.
- Value added decreases are primarily driven by reductions to Part C supplemental benefits.
 - Multiple national organizations have discussed margin pressures on recent earnings calls and is likely driving the observed degradation of benefits.
- Part D value added growth is slowing considerably.



Part C Benefit Changes: Spotlight on Dental

Rapid expansion over past several years in:

- 1 Proportion of people enrolled in plans with dental MSB
- 2 Scope of covered services of dental MSB
- 3 Dollar benefit limits for dental MSB

Coupled with:



Dental highlighted as an important benefit in enrollment



Increasing beneficiary awareness of dental benefit

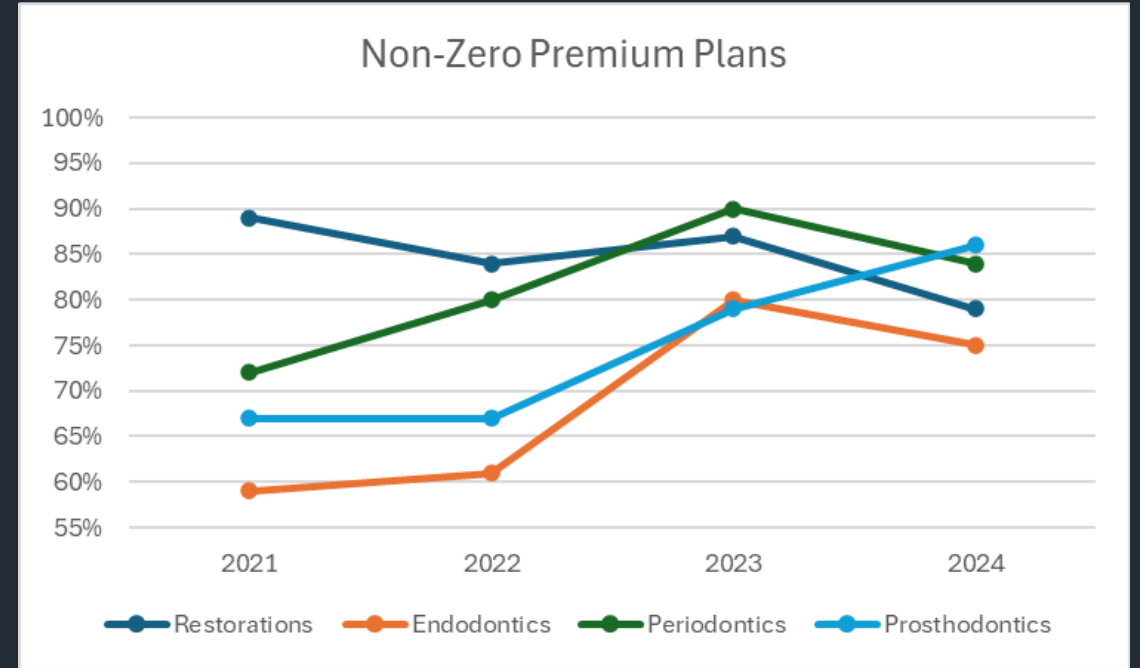
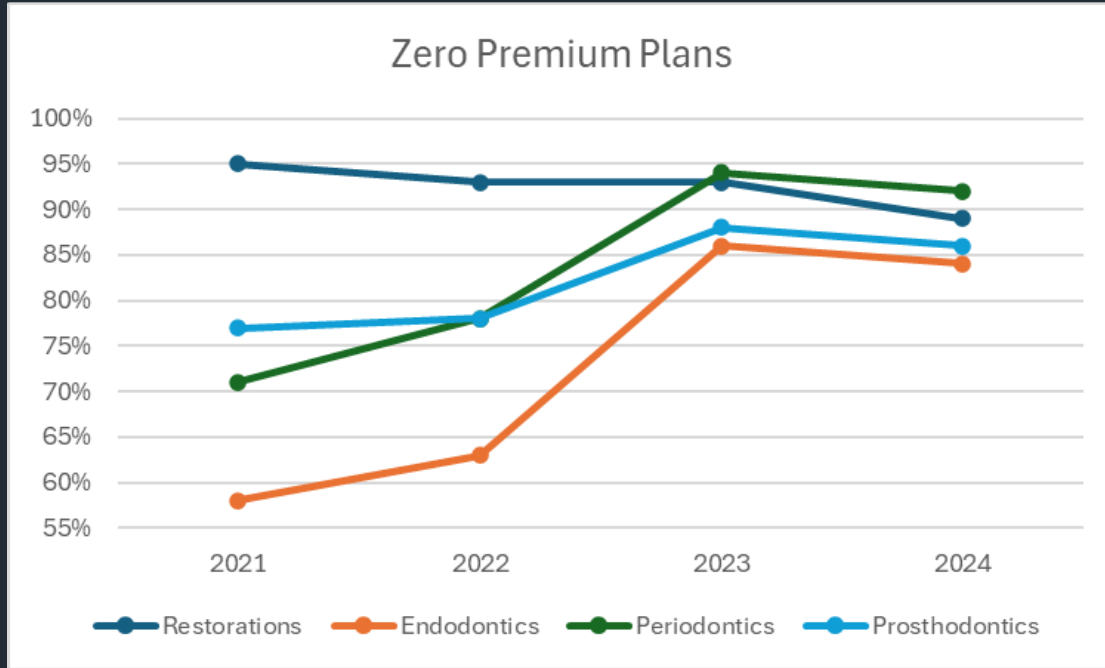


Increasing provider awareness of dental benefit

Result: significant increases in benefit utilization and cost

Part C Benefit Changes: Spotlight on Dental

Proportion of Enrollment in MA Comprehensive Dental MSB Offering Various Covered Services



- Steady coverage of restorations (fillings)
- Dramatic upward trend in endodontics, periodontics, and prosthodontics through 2023, leveling off in 2024

Part C Benefit Changes: Spotlight on Dental

2025 First Look

Organizations are reacting to margin headwinds by reducing the overall value supplemental benefits provide. For dental, we see:



Increased membership in preventive & diagnostic only plans (with no comprehensive dental)

- 4% in 2024, 9% in 2025
- Comprehensive benefit may be offered as OSB
- Mostly general enrollment plans

Continued rationalization of comprehensive dental coverage

- Scope of covered services broadly at or below 2024 levels
- PBP category enhancements will enable better tracking in 2025 forward

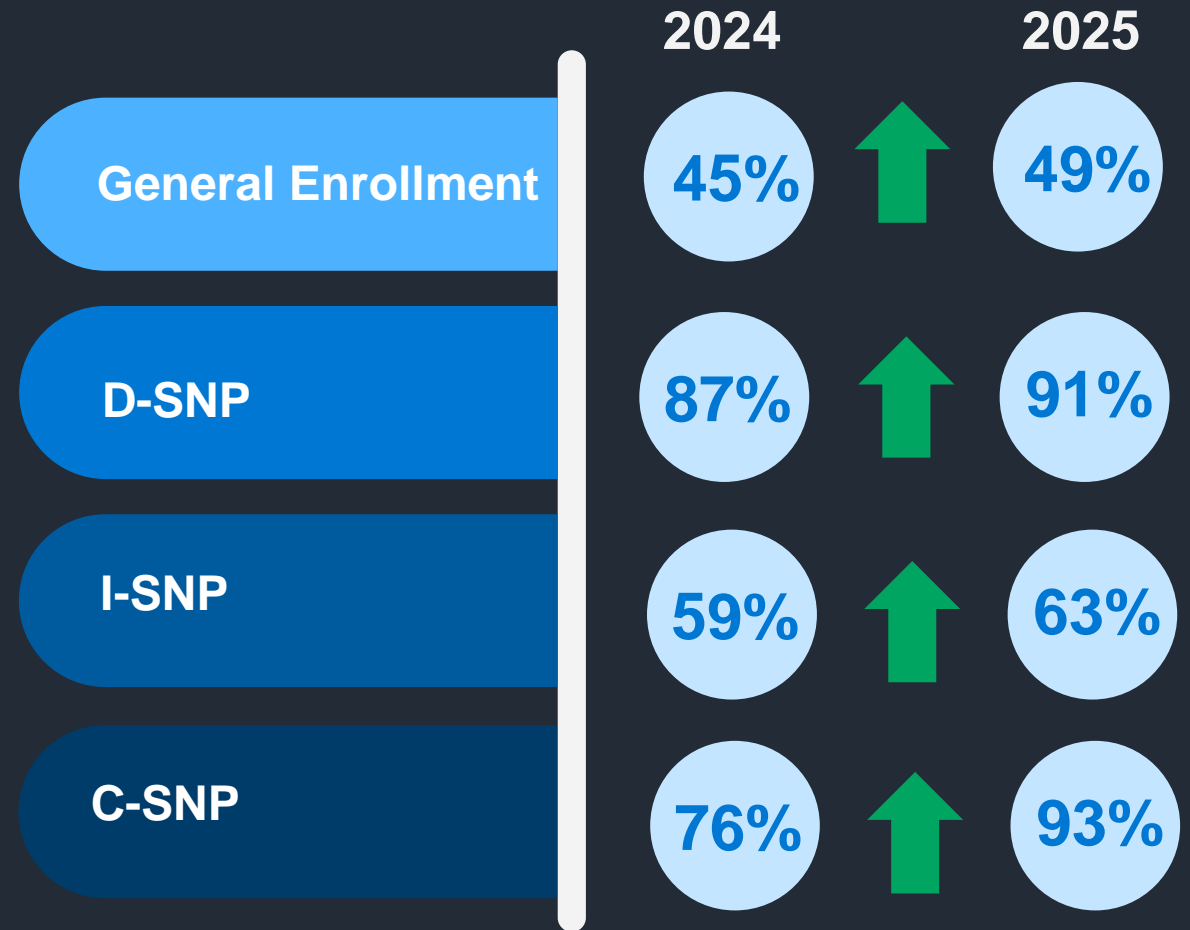
Fine-tuning plan details

- Cover only some services in PBP category (“checking the box” rather than covering everything)
- Frequency limitations
- Institute/reduce dollar benefit limits
- Prior authorization, other UM

Combined / Flex Benefits Continue to Increase for 2025 for all Plan Types

Percent of Enrollees in Plans offering Flexible Benefit Types

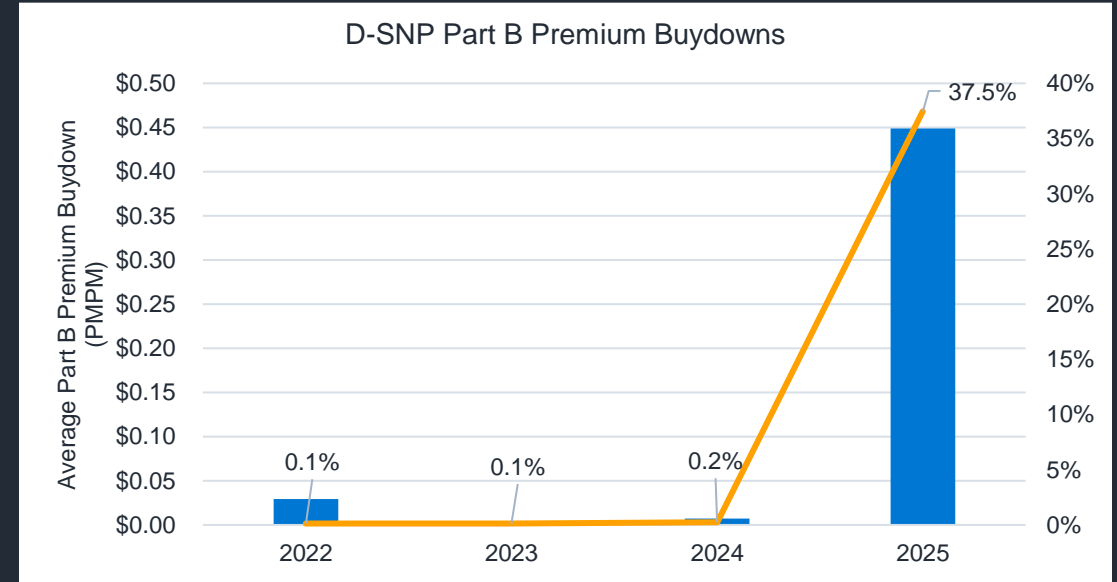
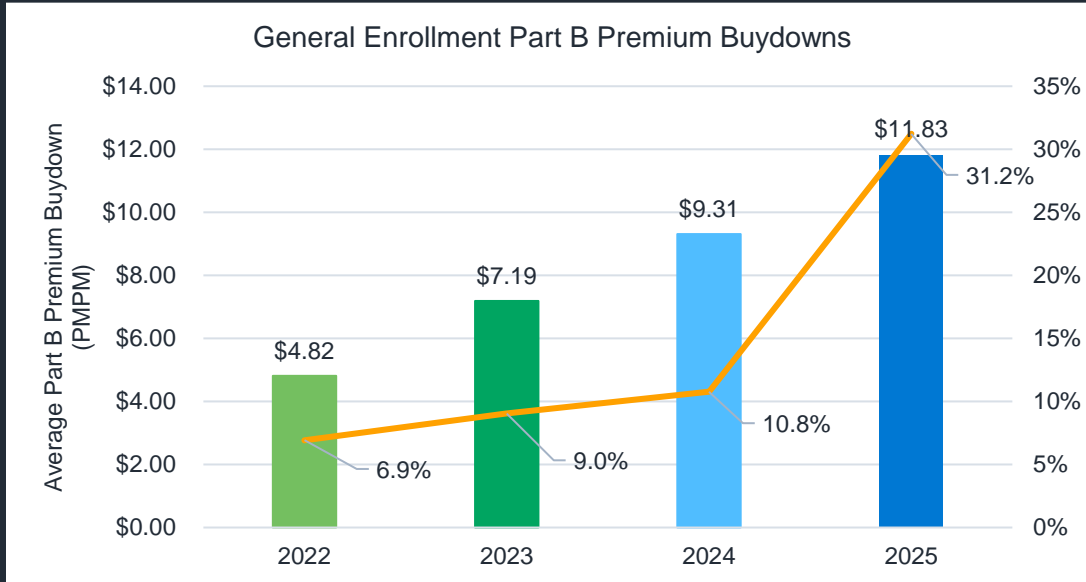
- Prevalence of these benefits increased into 2025
- Allows plans to still get the “checkbox” of offering the benefit, but by combining it with other benefits of different types under a limit, MAOs may be able to reduce overall financial exposure
- Typically need to work with a vendor to facilitate
- Proposed 2026 rule discusses prohibiting MAOs from marketing the dollar value of benefits such as these offered through debit cards, as well as how the benefit is administered



Source: 2025 Milliman MACVAT®, <https://public-inspection.federalregister.gov/2024-27939.pdf>

Supplemental Benefit Trends

Part B Premium Buydown – General Enrollment Plans and D-SNPs



- MA-PD plans offering to buydown Part B premiums have increased significantly from 2024 to 2025, driven largely by plans with buydowns of \$3 or less
 - The large increase in Part B buydowns in 2025 coincides with CMS’s new rebate reallocation rules, likely leading more plans than usual to offer a small Part B buydown
- 66 plans offered in 2025 cover the full 2024 Part B premium, which decreased from 71 plans in 2024 that bid at the maximum allowable Part B premium buydown
- Nationwide carriers have been driving the prevalence of Part B premium buydowns over the years

How can MAOs position themselves well for 2026?

Key supplemental benefit strategy considerations in light of competitive landscape changes

Understand market implications of looming 2026 changes:

- Key implications include:
 - Drug price negotiations
 - Star rating methodology changes
 - Mid-year benefit notification impacts
 - Change in member shopping habits
 - Market reactions to competitor 2026 strategies
- Focus on local market implications

Develop rational and strategic benefit designs:

- Looming 2026 changes could prove a tailwind for some carriers
- Capitalize on opportunities to align or exceed competitors
- Understand how certain benefits are utilized in the market

Analyze which benefit cuts or additions align with strategic direction:

- Perform member elasticity studies of certain benefit offerings
- Evaluate emerging 2025 population and identify selection risk
- Learn from national carriers 2024 financial performance and resulting 2025 benefit changes

Be prepared for another year of Direct Subsidy and LIPSA uncertainty:

- Large 2025 market disruption may result in significant market share changes by carrier
- Drug price negotiation impacts
- PDP bidding behavior response from demonstration program
- Be prepared for benefit options for both June and August bids

Milliman has tools, SMEs, and deep market expertise that can assist Clients in better understanding where there may be areas of opportunity with respect to the above considerations

Part D Benefit Changes

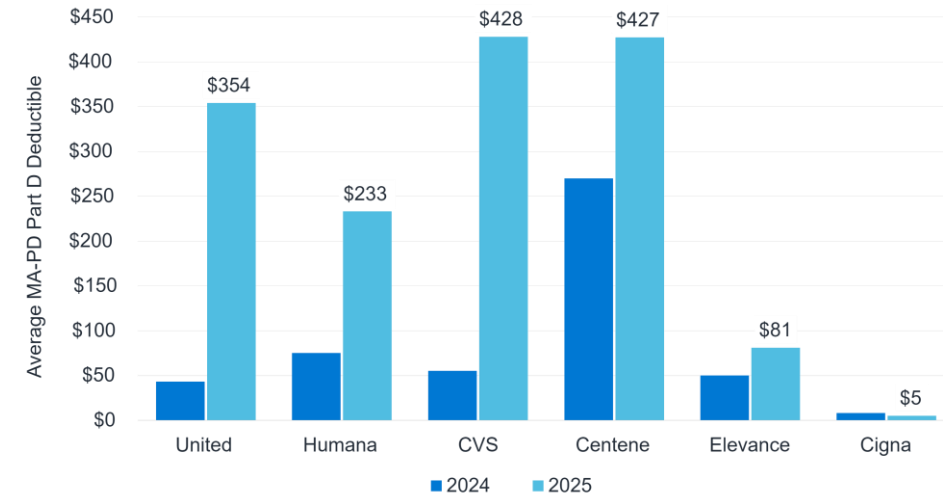
MA-PD – Part D Benefit Changes

National carriers mostly pursued leaner Part D benefit designs, with a large increase in deductibles for brand drugs.

Key Part D Benefit Trends

- 1 Several of the largest national carriers increased their Part D deductibles for brand and specialty drugs materially in 2025.
- 2 Some national carriers also moved to brand drug coinsurance (T4 for Humana, T3/T4 for CVS, Elevance, and Centene).
- 3 The Part D benefit design increases risk exposure for brand and specialty drug users, potentially driving these changes.
- 4 New benefit accumulation logic causes members to pay much less than \$2,000 if offering no deductible and brand drug copays.

**Average 2024 vs. 2025 Part D Deductibles
For National Carrier General Enrollment Plans¹**



¹The 2025 member-weighted averages are calculated prior to 2025 open enrollment, use September 2024 membership, and account for cross-walked plans. The 2024 member-weighted averages are calculated after 2024 open enrollment and use February 2024 membership.

Brand Tier strategy of copay vs. coinsurance

Carrier Specific Commentary for most common tier structure on General Enrollment MAPD plans

Key Insights

- Copay benefits keep members cost sharing predictable, and on brand medication, is often lower out of pocket cost for the member than a coinsurance benefit
- Those moving to coinsurance on brand tiers are typically doing so in order to prioritize margin and/or to address selection concerns
- Those keeping copays on their brand tiers are typically doing so to limit member disruption and/or to achieve growth



- Moved both T3 and T4 to **coinsurance** in 2025



- Kept both T3 and T4 as **copay** in 2025



- Maintained T3 on a **copay** structure, moved T4 to a **coinsurance** in 2025



- Moved T3 to **coinsurance** in 2025
- Was only major MA-PD to move T4 to a coinsurance in 2024



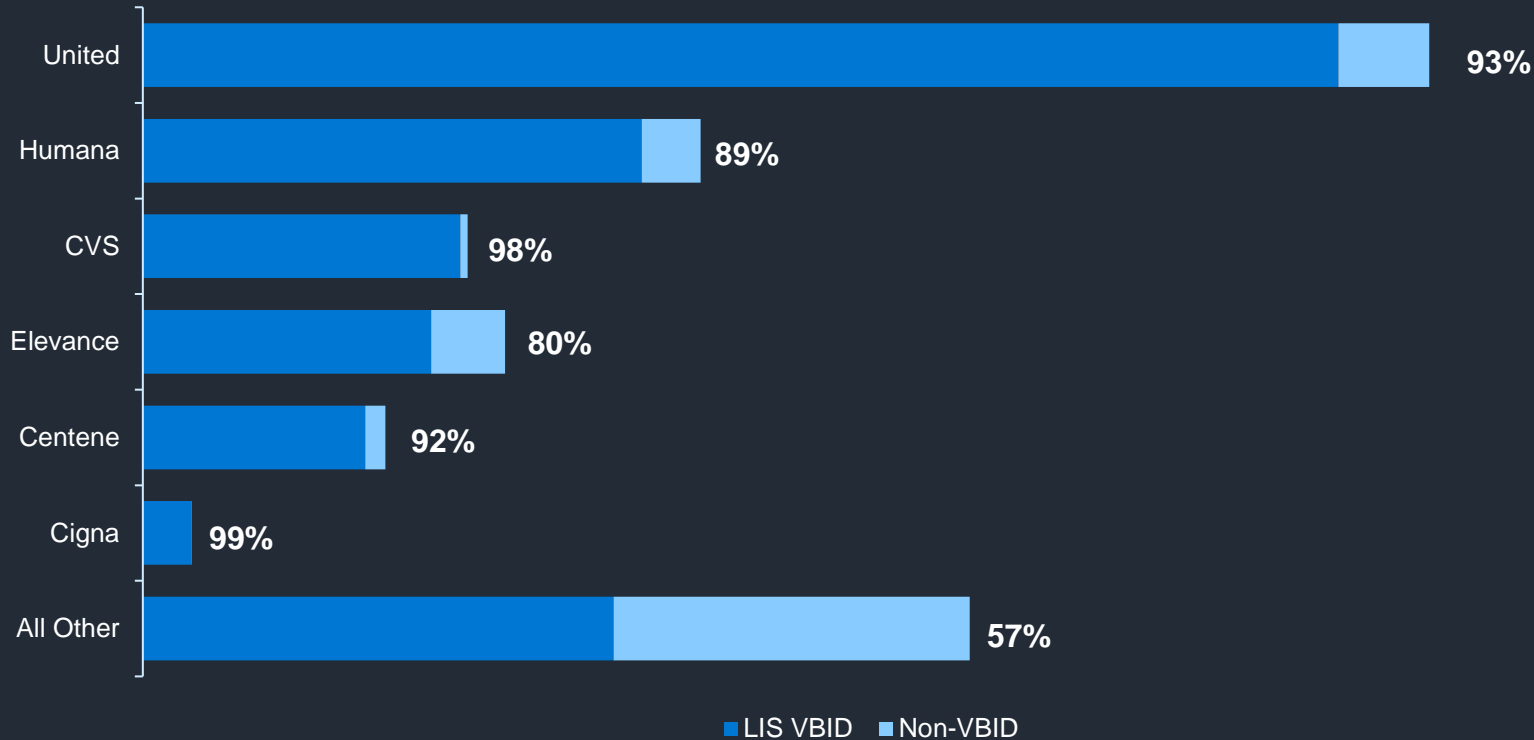
- Moved both T3 and T4 to **coinsurance** in 2025



- Kept both T3 and T4 as **copay** in 2025

2025 D-SNP VBID Participation (Rx \$0 or reduced Part D Cost-sharing)

Measured by lives in participating plans



Takeaways

- All major national carriers had broad participation in 2024, continuing into 2025
- Elevance’s participation rose from 74% in 2024 to 80% in 2025
- Participation across the market has grown significantly since 2022
- Reduced LIS Part D Cost-Sharing under VBID continued to be “table stakes” for 2025 D-SNP offerings

Relative to 2024, the number of PDPs decreased for 2025, and premium increases were curbed by wide participation in the premium demonstration program

PDP premiums increase nationwide about \$3 on average (7%) from 2024 to 2025

- Smaller increase than from 2023 to 2024 (21%)
- The voluntary **PDP premium stabilization demonstration** limits a plan's total premium increase year over year to \$35
- Typically, average premium change will decrease after open enrollment as members migrate to lower premium plans

Number of PDPs decreases relative to 2024

- Mutual of Omaha, a nationwide carrier, and three other regional carriers **exit** the individual PDP market, terminating all plans consisting of about 220,000 members
- **CVS / Aetna crosswalks** both enhanced plans into its basic plan
- **United crosswalks** their second enhanced plan into their first enhanced plan, but retains the AARP Preferred plan name

LIB plans missing benchmark in 2025 contain fewer LI lives than prior years (462K members)

- 63% of potential reassignments are due to **United losing eligibility for 9 plans**
- 20% of potential reassignments are due to **Cigna losing eligibility for 4 plans**
- **Wellcare remains under benchmark** in nearly all regions
- Clear Spring Health's forthcoming PDP contract termination will likely lead to additional reassignments (up to 280k LI lives)

How can MAOs position themselves well for 2026?

Key **Part D** benefit strategy considerations in light of competitive landscape changes

Evaluate landscape of brand copays vs. coinsurance:

- Locally assess the changes in brand cost sharing and deductible levels by competitors
- Determine impact of coinsurance switch to enrollment changes
- Understand Part C benefit changes amongst competitors retaining a brand copay

Consider strategic reactions to loss of \$0 LIS VBID:

- DSNP carriers may strategize new means of offering attractive Part D benefits
- Predict DSNP member reactions considering loss of Part C and D VBID

Analyze emerging 2025 Part D experience:

- The 2025 Part D design opened the door for increased selection risk
- Monitor and evaluate implications of elevated utilization
- Recognize PDP market disruption and resulting MAPD enrollment transitions

Proactively develop a strategy around negotiated drugs:

- Compare current formulary coverage of 2026 negotiated drugs
- Evaluate 2026 risk position of elevated utilization on negotiated drugs
- Strategically think ahead when developing 2026 formulary to consider implications of 2027 negotiations

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Q&A





Thank you

Jordan Cates

jordan.cates@milliman.com

Joanne Fontana

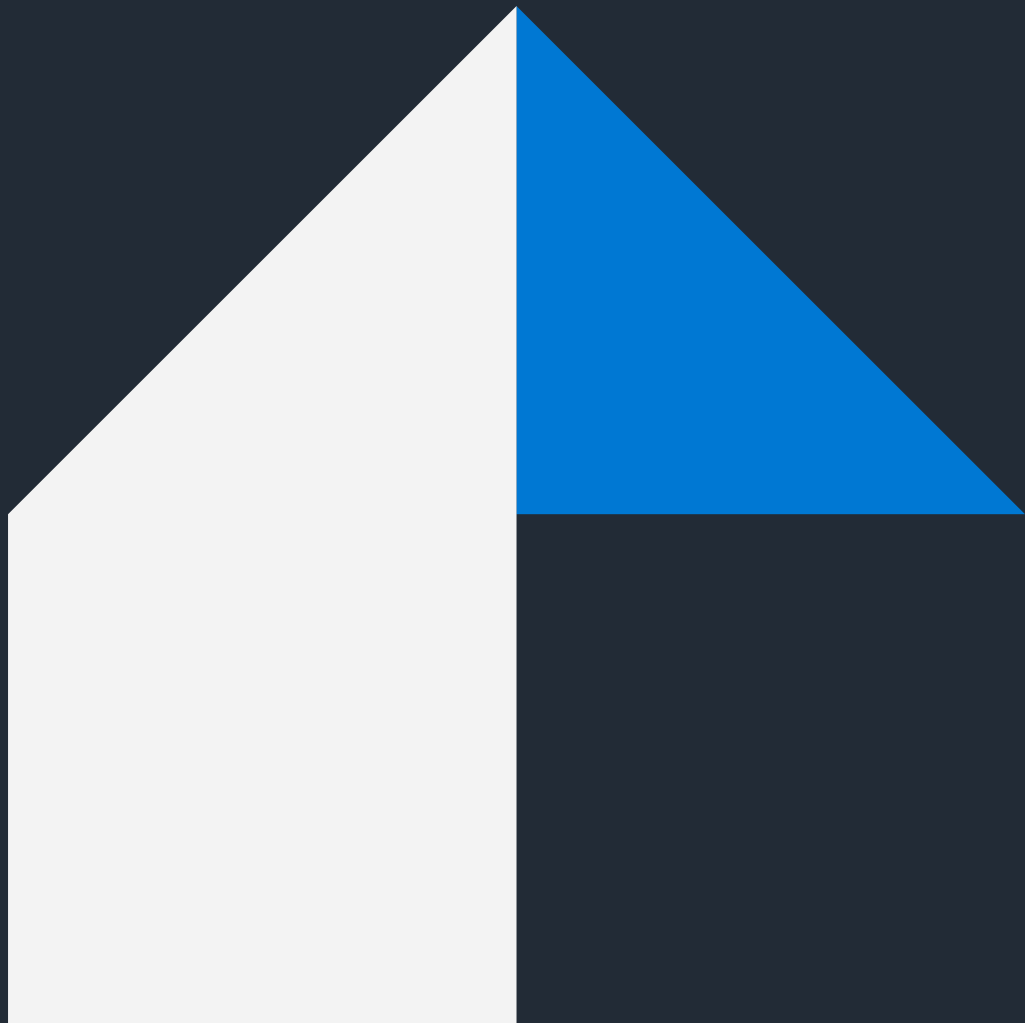
joanne.fontana@milliman.com

Mark Franklin

mark.franklin@milliman.com

Julia Friedman

julia.friedman@milliman.com



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