



Medicare Advantage Solutions

Overview

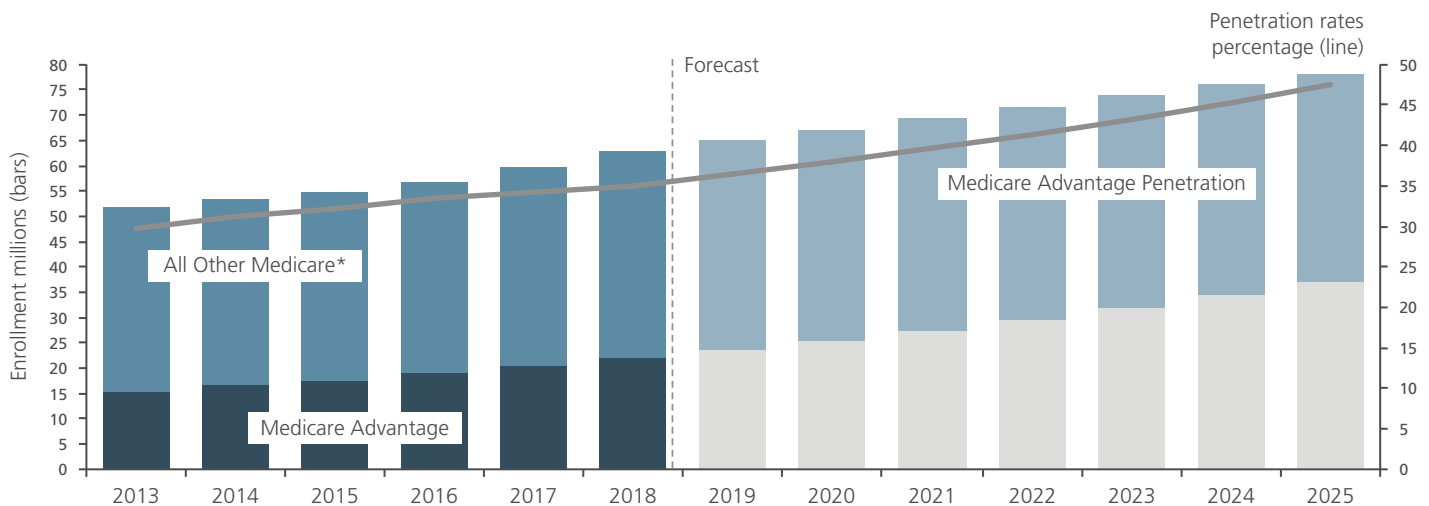
Medicare Advantage penetration is on the rise. As overall Medicare healthcare costs continue to increase and out-of-pocket costs for Medicare seniors climb along with them, L.E.K. Consulting expects enrollment growth to yield 47% penetration — just over 37 million members — by 2025 (see Figure 1), and up to 70% penetration sometime between 2030 and 2040.

There are five key tailwinds driving the growth of Medicare Advantage:

- 1. Aging population** — Aging baby boomers and increased life expectancy are driving faster growth among the 65+ population relative to the U.S. overall.
- 2. Original Medicare cost concerns among seniors** — Healthcare costs, especially out-of-pocket costs associated with Original Medicare, are growing.

- 3. Increased familiarity with and need for managed healthcare products** — Newly aged-in seniors, many with age-related chronic conditions, are already accustomed to managed healthcare products from their employer group insurance.
- 4. Expanded Medicare Advantage geographic coverage and greater plan choice** — The number of available Medicare Advantage plans increased nearly 20% in 2019, driven primarily by expansion into new counties.
- 5. Increase in innovative nonhealth Medicare Advantage benefits** — Medicare Advantage plans have the flexibility to offer more innovative benefits; national expansion of the Value-Based Insurance Design model, coupled with a trend toward including nonmedical long-term care benefits, could lead to better value for enrollees.

Figure 1
L.E.K. Medicare Advantage enrollment trend and projection (2013-2025F**)



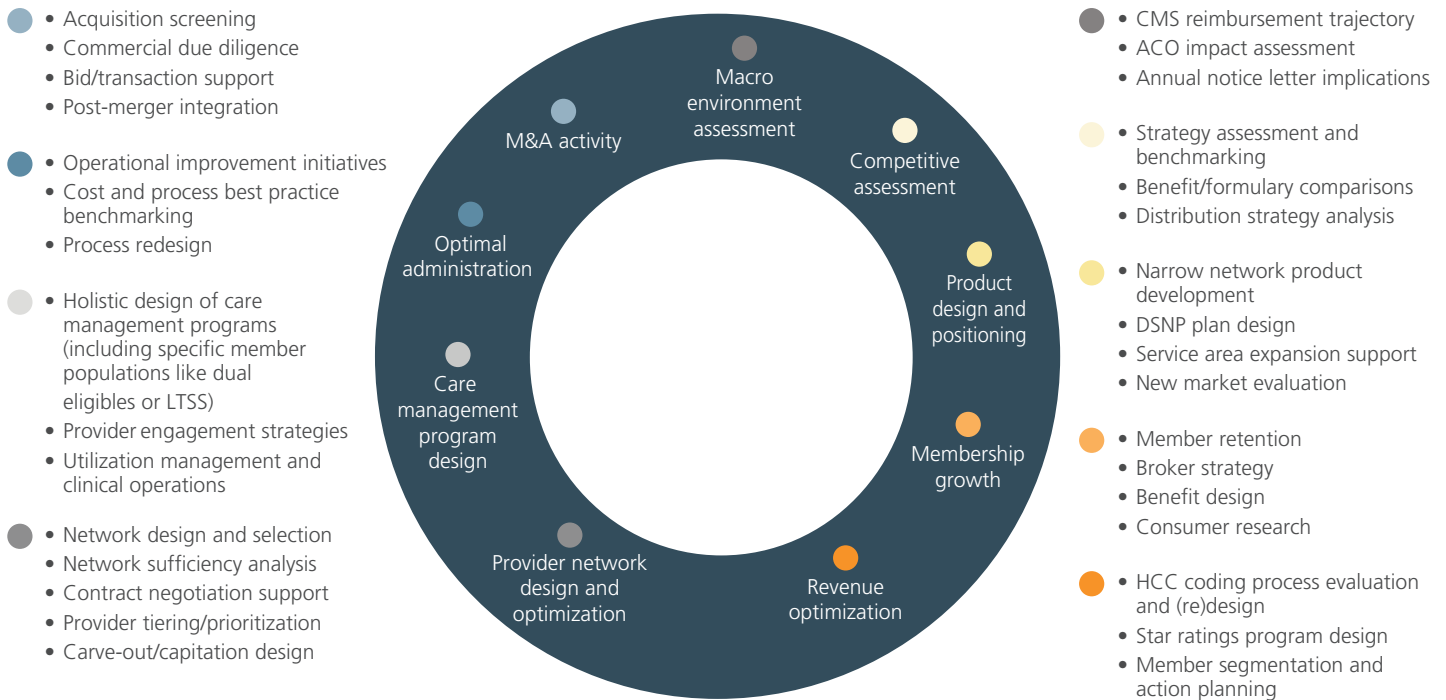
Note: *Includes enrollment in Original Medicare and Medicare Supplement; excludes Puerto Rico and other U.S. territories. **Assumes enrollment figures released in February each year from CMS represent the previous year's enrollment.

Source: CMS, Kaiser Family Foundation, Mark Farrah Associates, National Association of Insurance Commissioners, L.E.K. analysis



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Figure 2
Medicare Advantage strategic review and assessment



L.E.K. has extensive experience helping payers, providers and investors succeed with Medicare Advantage. We assist our clients every step of the way, from launch to annual refinement, growth and operational improvement (see Figure 2).

Case study: We developed and implemented a comprehensive growth strategy for the Medicare Advantage business of a Fortune 50 managed care organization. After the client implemented the plan, it added 250,000 new Medicare members, generating approximately \$2.4 billion in incremental annual revenue. The implementation of our plan also contributed to a significant increase in the client’s market capitalization.

Case study: We overhauled the \$5 billion Medicare Advantage business of one of the nation’s largest health insurance companies, including its strategy, product positioning, market selection, infrastructure, organizational structure and operations. After the client implemented our changes, the business went from losing \$40 million to achieving an operating gain of approximately \$100 million.

Contact

For more information, please contact healthcare@lek.com.

About L.E.K. Consulting

L.E.K. Consulting is a global management consulting firm that uses deep industry expertise and rigorous analysis to help business leaders achieve practical results with real impact. We are uncompromising in our approach to helping clients consistently make better decisions, deliver improved business performance and create greater shareholder returns. The firm advises and supports global companies that are leaders in their industries — including the largest private- and public-sector organizations, private equity firms, and emerging entrepreneurial businesses. Founded in 1983, L.E.K. employs more than 1,400 professionals across the Americas, Asia-Pacific and Europe. For more information, go to www.lek.com.