



EXECUTIVE INSIGHTS

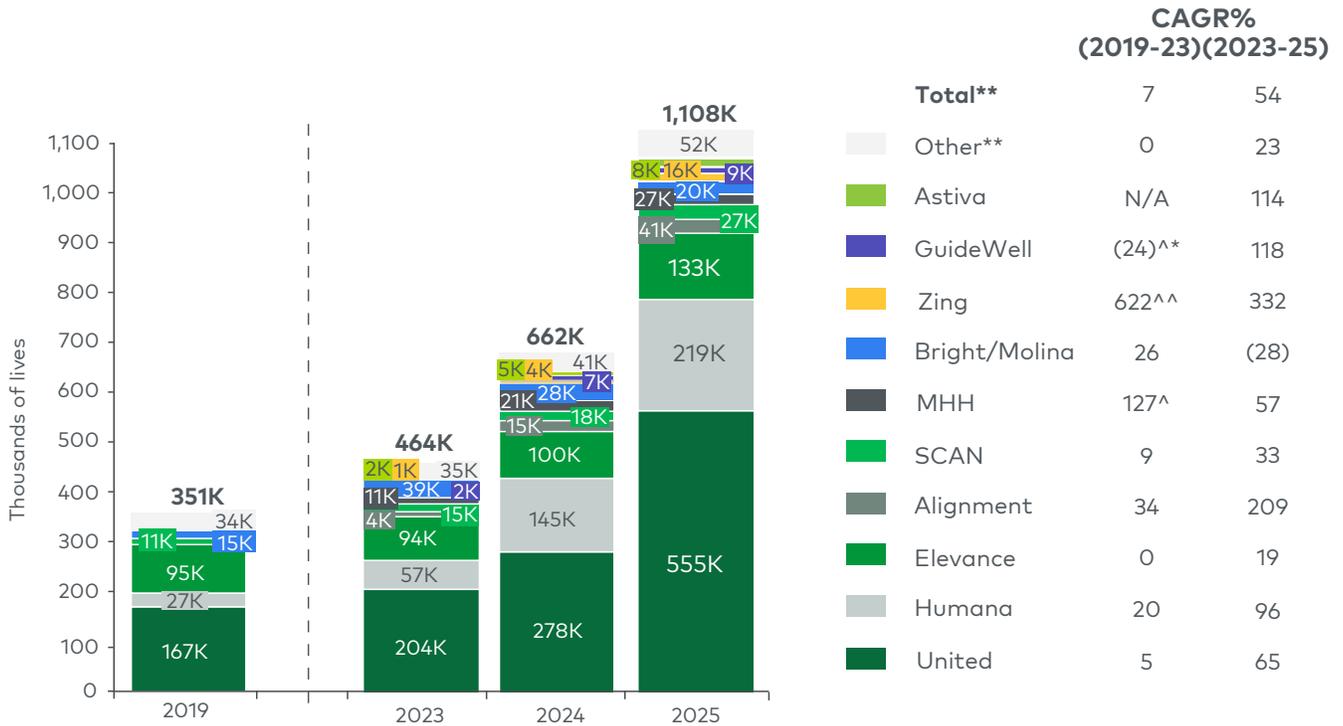
Surge in US C-SNPs: A Bright Spot in a Challenged Medicare Advantage Market

Until recently, chronic condition special needs plans (C-SNPs), which have been offered since 2006, have largely flown under the radar. As overall enrollment in Medicare Advantage (MA) plans grew 8.3% annually from February 2016 to February 2022, C-SNP enrollment growth was much more tempered, at 3.8% per year over that span. But recently there has been a massive surge in C-SNP enrollment, more than doubling over the past two years, from 464,000 lives in February 2023 to 1.1 million lives in February 2025 (see Figure 1). While most of this growth was driven by the leading players UnitedHealthcare and Humana, the market has seen increased interest from regional plans such as SCAN and Alignment Health Plan, as well as the emergence of new plans focused on chronic conditions, such as Zing Health and Gold Kidney.

At a time when many MA plans across the nation are facing profitability challenges, selectively exiting markets and/or products and reining in their growth ambitions, the growth in C-SNPs stands out as a singular bright spot in a challenged MA market. This edition of L.E.K. Consulting's *Executive Insights* outlines (1) why C-SNPs are gaining traction, (2) what payers need to do to succeed in C-SNPs and (3) what to expect in the market going forward.

Figure 1

Total US lives covered by C-SNPs, by payer (2019-25)*



*Based on enrollment data as of 2/01 for each year
 **Including Cigna, Centene, Gold Kidney, etc.
 ^CAGR% 2020-23
 ^^CAGR% 2021-23
 ^*CAGR% 2022-23
 Source: Mark Farrah Associates; KFF; L.E.K. research and analysis

1. Why are C-SNPs gaining traction with beneficiaries and payers?

C-SNPs are a type of MA plan that provides targeted care for individuals with specific chronic conditions, with the intent of improving patients' health outcomes at lower costs. Member eligibility is based on whether an individual has a specific chronic or disabling condition among the 15 approved by the Centers for Medicare & Medicaid Services (CMS). C-SNPs offer a customized approach to meet the unique needs of these individuals based on their conditions (see Figure 2) and can target a single CMS-approved chronic condition or a CMS-approved group of commonly comorbid and clinically linked conditions. Most C-SNPs (97% of enrollment) target some combination of cardiovascular disease, chronic heart failure and diabetes.

Figure 2

Types and groupings of CMS-approved C-SNP-eligible conditions

Approved conditions eligible for C-SNPs

- Alcohol and drug dependence
- Autoimmune disorders (e.g., polymyalgia rheumatica, rheumatoid arthritis)
- Cancer
- Cardiovascular disorders (e.g., cardiac arrhythmias, CAD)
- CHF
- Dementia
- Diabetes mellitus
- End-stage liver disease
- ESRD
- HIV/AIDS
- Lung disorders (e.g., asthma, emphysema, COPD)
- Mental health conditions (e.g., bipolar disorder, schizophrenia)
- Neurological disorders (e.g., epilepsy, Huntington's disease)
- Severe hematological disorders (e.g., aplastic anemia, hemophilia)
- Stroke

Approved groups of conditions eligible for C-SNPs

- Group 1: Diabetes mellitus and chronic heart failure
- Group 2: Chronic heart failure and cardiovascular disorders
- Group 3: Diabetes mellitus and cardiovascular disorders
- Group 4: Diabetes mellitus, chronic heart failure and cardiovascular disorders
- Group 5: Stroke and cardiovascular disorders

Note: CMS=Centers for Medicare & Medicaid Services; C-SNPs: chronic condition special needs plans; CAD=coronary artery disease; CHF=chronic heart failure; ESRD=end-stage renal disease; COPD=chronic obstructive pulmonary disease
Source: CMS; L.E.K. interviews, research and analysis

Key elements of C-SNPs include richer benefits tailored to specific conditions, such as reduced cost sharing for specific treatments or helpful ancillary benefits, as well as enhanced care management through dedicated care coordinators. The focused and customized approach of C-SNPs in targeting specific chronic conditions places additional requirements on payers, such as providing an auditable model of care to CMS demonstrating that their plan adequately addresses the applicable chronic condition.

C-SNPs can have a **meaningfully better value proposition for members** relative to regular MA plans:

- C-SNPs offer enhanced disease management programs that are designed to help individuals better manage their health and prevent complications. These programs deliver personalized care plans for each member based on their specific chronic condition, medical history and unique health needs. The emphasis C-SNPs place on care coordination among healthcare providers ensures a more integrated approach to managing patient health. This coordination, alongside the patient education, medication management and specialized care teams offered by C-SNPs, can help reduce fragmentation in care and improve clinical outcomes.

- C-SNPs also provide enhanced benefits tailored to members' conditions, which helps reduce members' out-of-pocket (OOP) spend. C-SNPs typically offer greater access to relevant specialists through lower copays relative to those of regular MA plans, reducing OOP spend on specialist visits more frequently utilized by members with chronic conditions. Similarly, C-SNPs often offer richer prescription drug coverage (e.g., lower coinsurance, lower copays) for specific medications to treat relevant chronic conditions, as well as enhanced coverage for preventive services (e.g., vaccinations, screenings, wellness programs). Access to additional supplemental benefits addressing social determinants of health (e.g., healthy food, groceries, nonemergency transportation) is often provided by C-SNPs, helping reduce the burden of managing chronic conditions.

The **benefits of C-SNPs are also increasingly being recognized by payers** as opportunities to grow enrollment and increase market share within population segments that offer some of the highest per-member revenue opportunities:

- C-SNPs target a population sicker with chronic diseases, resulting in risk-adjusted capitated payment from CMS (i.e., the per-member/per-month payments based on members' expected cost of care) at approximately 1.5 to two times that of the average MA member. If managed well, the higher per-member revenues can more than offset the higher expected medical costs and richer benefits offered to these members. A well-designed C-SNP care model can improve clinical outcomes and reduce cost relative to typical MA offerings. The investment in care management infrastructure, such as case managers to monitor patients between visits and promote medication adherence, can lead to fewer emergency room visits and hospitalizations for these members with complex illnesses.
- The richer benefits offered by C-SNPs also allow payers to accelerate their MA enrollment growth and increase market share. The tailored product offering with enhanced benefits can be more attractive to eligible members relative to the MA alternatives. Further, payers are able to market and sell C-SNPs year-round, unlike regular MA plans, which allow enrollment only during the annual enrollment period from October to December. Launching a C-SNP can also have a defensive motivation, as it can help payers retain high-revenue members who might otherwise get poached by competitor C-SNPs.

- In some cases, C-SNPs can serve as the “next-best alternative” for payers to access high-cost/high-revenue eligibles if they are barred from participating in the dual-eligible special needs plans (D-SNPs) market. Opportunities for MA plans to participate in D-SNPs are gradually becoming limited, as state Medicaid programs are increasingly looking to align their Medicaid and Medicare programs and requiring MA plans to have state Medicaid contracts in order to sell D-SNPs.

2. What do payers need to succeed?

Despite the potential for profitability and growth, there are challenges and risks to successful C-SNP operation for payers. If not managed well, the financials for C-SNPs can be upside down. Payers should evaluate their capabilities and readiness carefully before launching a C-SNP offering. Key elements for success include:

- **Robust care management:** Whether operated by the payer or delegated to capable providers or third parties, managing complex chronic populations effectively and profitably requires resource-intensive infrastructure and clinical know-how to close gaps in care, reduce the number of emergency room visits and hospitalizations and manage disease progression.
- **A high-quality provider network:** Like broader MA, the primary care provider is key to managing and coordinating care for C-SNP members. Payers typically leverage the same provider networks for C-SNPs as for their broader set of MA products, which helps ensure network adequacy and reduces the potential for abrasion when members move from MA to a C-SNP. C-SNPs gravitate toward geographic markets that have high-quality provider networks, such as Optum Care or CenterWell, that are capable of taking capitated risk and in many cases may rely heavily on payer-owner provider assets. Additional “wraparound” care delivery groups (e.g., in-home care management, house calls) are also often employed to increase the frequency of engagement and coordination of member care across various settings (e.g., home, physician’s office).
- **Accurate risk adjustment:** The importance of engaging members upon enrollment, thoroughly evaluating member health status and appropriately capturing/coding all relevant conditions is heightened for chronic and polychronic populations with more complex care needs and ensures both the suitable management of a member’s conditions and the proper level of payment to compensate for the associated medical costs.

- **Competitive product design:** Successfully growing membership and gaining scale requires a competitive product offering. The product design not only needs to be richer than alternative MA plans in the market but also must be tailored to the specific chronic condition in order to reduce barriers to care and OOP costs.
- **An effective sales engine:** To drive member targeting and enrollment, payers typically rely heavily on brokers. Because the eligibility verification and enrollment process for C-SNPs is more time intensive than for broader MA plans, it is critical for payers to provide brokers with enhanced training, educational resources (e.g., on unique plan designs) and incentives to promote C-SNP offerings. To reach the more specialized chronic condition populations, payers also deploy grassroots marketing strategies — such as hosting health fairs and workshops and appearing at church services and community events like bingo nights — as well as digital campaigns targeted to specific communities. Additionally, cultivating strong partnerships with strategic providers plays an essential role in boosting member awareness and driving referrals. Providers, given their clinical knowledge of patients' conditions and the trust they command, are uniquely positioned to recommend health plan options to patients as part of their broader care strategies.

3. What should we expect?

Given recent changes challenging the finances for payers in the broader MA market (e.g., changes to risk adjustment, utilization spikes, declining Star ratings), C-SNPs offer payers the potential for enhanced economics and increased membership. The potential to increase share and improve financial performance through C-SNPs is expected to draw continued interest from both large national payers and smaller health plans looking to further penetrate the significant white space of eligible populations.

Large national players, which have increasingly exited markets in broader MA due to financial challenges, are seeing C-SNPs as an opportunity for growth and margin expansion leveraging much of their existing infrastructure (e.g., primary care groups, wraparound in-home care assets). Smaller health plans are looking to differentiate through innovative offerings for further market penetration.

C-SNPs will not be immune to the challenges impacting the broader MA market, however. For example, recent changes to the CMS risk-adjustment methodology, which are driving down the average capitated reimbursement per member, also apply to C-SNPs. In the near term, these challenges may increase barriers to entry and heighten the importance of sufficient

care management infrastructure and efficient provider networks to successfully operate C-SNPs. As a result, in the next few years, we expect to see a focused set of capable health plans emerge and establish themselves as leaders in the space, being able to successfully navigate these financial challenges and invest in the infrastructure and provider/broker relationships to position themselves for further growth.

Conclusion

In an MA market facing growing headwinds, C-SNPs represent a compelling opportunity for payers to drive profitable growth and deliver differentiated value to high-need populations. However, success in this space will not come easily. Winning payers will be those that can invest in the right capabilities — robust care management, accurate risk adjustment, strong provider integration and performance management, and effective sales strategies — while carefully navigating the same financial pressures buffeting the broader MA landscape. As C-SNP enrollment continues to surge, the market will likely be led by a group of sophisticated players that can balance the complexity of managing chronic conditions with the operational and financial discipline needed for sustainable long-term growth. Those that move decisively now stand to carve out a durable advantage in an increasingly competitive and critical segment of MA.

To discuss how L.E.K. can support your C-SNP strategy, please [contact us](#).

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