



October 31, 2017

Sharon Becker  
Washington State Health Insurance Pool  
PO Box 1088  
Stanwood, WA 98292

Re: 2018 Medicare Advantage Actuarial Equivalence Test Results

Dear Sharon:

As you requested, Leif Associates has completed an analysis of the 2018 Medicare Advantage products available in Washington and their equivalence to traditional Medicare combined with a Medicare Supplement Plan F. The purpose of this letter is to document our findings.

### **Background**

The Washington State Health Insurance Pool (WSHIP) eligibility requirements state that Medicare-eligible individuals who do not have access to a reasonable choice of comprehensive Medicare Part C (Medicare Advantage) plans are eligible for coverage through WSHIP.

“Reasonable choice” is defined in RCW 48.41.100 (1)(c) as having a choice of health maintenance organization (HMO) or preferred provider organization (PPO) Medicare Part C plans offered by at least three different carriers that have had provider networks in the person’s county of residence for at least five years. In addition, the plan options must include coverage at least as comprehensive as a Plan F Medicare Supplement Plan combined with Medicare Parts A and B. The plan options must also provide access to adequate and stable provider networks that make up-to-date provider directories easily accessible on the carrier’s web site and in hard copy, if requested. Finally, if no HMO or PPO includes the health care provider with whom the individual has an established relationship and from whom the individual has received treatment within the past 12 months, the individual does not have reasonable choice.

### **2018 Medicare Advantage Carriers**

The CMS website Medicare.gov provides information about all Medicare Advantage plans available in a given zip code. We accessed this website and identified the carriers offering 2018 Medicare Advantage plans in each of the counties in Washington. We noted a significant amount of change in the mix of carriers, as follows:

- Four new carriers have entered the Medicare Advantage market. They are Aetna, Allwell, Molina, and PacificSource. Together they will provide access to one, two, or three additional carriers in nine different counties in 2018. Because they are new to these counties, we have not considered them in the count of qualified carriers under the definition of reasonable choice.
- Group Health Cooperative has been acquired by Kaiser Permanente. In 2017, Group Health offered Medicare Advantage plans in thirteen counties and Kaiser offered plans in two counties and in limited zip codes in two additional counties, with no geographic overlap between the two companies. In 2018, Kaiser will offer coverage in the thirteen Group Health counties in addition to its original service area. However, since Kaiser has not offered coverage in those thirteen counties in prior years, we have not considered them in the count of qualified carriers under the definition of reasonable choice.

- Several of the Medicare Advantage carriers expanded their service areas for 2018, providing additional choices in seven counties. Because they have not offered coverage in those counties in prior years, we have not considered them in the count of qualified carriers in the expansion counties under the definition of reasonable choice.
- None of the carriers reduced their service areas for 2018.

Twenty carriers are offering HMO or PPO Medicare Advantage plans in Washington for 2018. This is three more than in 2017 (resulting from the entry of four new carriers and the acquisition of Group Health Cooperative by Kaiser Permanente). Each carrier offers plans in a limited number of counties, and 28 counties have at least one carrier. Only 7 counties have 3 or more carriers that have been in the market for at least five years. This is three less than in 2017. The major factor affecting this reduction was the acquisition of Group Health by Kaiser Permanente. The counties dropping off the list are Island, Kitsap, and Whatcom.

The table below lists the 13 counties with at least three Medicare Advantage carriers for 2018, along with the number of qualifying carriers (meaning they have been offering coverage in that county for at least five years) and an indication if reasonable choice is available in the county.

County	Total Carriers	Qualifying Carriers	Reasonable Choice
Clark	10	9	Yes
Cowlitz	4	4	Yes
Island	3	2	No
King	14	9	Yes
Kitsap	5	2	No
Lewis	3	1	No
Pierce	12	6	Yes
Skagit	3	0	No
Snohomish	13	8	Yes
Spokane	9	6	Yes
Thurston	8	5	Yes
Whatcom	5	2	No
Yakima	4	2	No

The count of Medicare Advantage carriers in the remaining 26 counties is as follows:

- Five have two carriers.
- Ten have one carrier.
- Eleven have no carriers.

### Actuarial Equivalence Testing

For each of the counties identified as having reasonable choice, we tested the available plans to make sure there were at least three that offered coverage at least as comprehensive as a Plan F Medicare Supplement plan combined with Medicare parts A and B, as is required by RCW 48.41.100. To limit the number of plans evaluated, we first reviewed the plans with the lowest out-of-pocket maximums, as we assumed these would be the most generous plans. We summarized each of the selected plan designs for each carrier, using a consistent format that provided the key benefit information needed to conduct an actuarial equivalence test of benefits.

Actuarial equivalence is a general term used for applying a measurement of value to two benefit plans to see how the resulting plan values compare to each other. Using a consistent set of utilization, cost, and demographic assumptions, the cost to the insurer is calculated under the different plan designs, taking into consideration the amount of cost sharing required of the enrollee. The cost to the insurer is used as an estimate of plan value for each plan design.

For this actuarial equivalence exercise, we first created a standard set of utilization and unit cost assumptions for all components of health care cost for a Medicare-eligible population. We used a proprietary Leif Associates database of claims for Medicare-eligible individuals. Claims were projected to calendar year 2018 using a 15% annual trend assumption. We used the database to first calculate the value of traditional Medicare combined with a Medicare Supplement Plan F. We then calculated the value of each of the Medicare Advantage plans and compared that value to the Medicare plus Plan F value to determine which plans were at least as generous. In counties where the initial testing demonstrated that there were three qualifying plans, we did not test all plans.

The actuarial equivalence test demonstrates that all 7 counties with at least 3 qualifying carriers offer coverage at least as comprehensive as Plan F combined with Medicare Parts A and B. The table below shows the counties that qualify as having reasonable choice, along with information about the carriers and plans that meet the actuarial equivalence benchmark.

<b>County</b>		<b>Plan #1</b>	<b>Plan #2</b>	<b>Plan #3</b>
Clark	Carrier Plan Value	Providence HMO Medicare Extra + Rx 106% of benchmark	AARP HMO Medicare Complete Plan 1 106% of benchmark	Kaiser Permanente Senior Advantage HMO 107% of benchmark
Cowlitz	Carrier Plan Value	Kaiser Permanente Senior Advantage HMO 107% of benchmark	AARP HMO Medicare Complete Plan 1 106% of benchmark	Regence Blue Shield PPO MedAdvantage + Rx Classic 104% of benchmark
King	Carrier Plan Value	AARP HMO Medicare Complete Plan 1 106% of benchmark	Soundpath HMO Charter + Rx 105% of benchmark	Regence Blue Shield PPO MedAdvantage + Rx Classic 104% of benchmark
Pierce	Carrier Plan Value	AARP HMO Medicare Complete Plan 1 106% of benchmark	Soundpath HMO Charter + Rx 105% of benchmark	Regence Blue Shield PPO MedAdvantage + Rx Classic 104% of benchmark
Snohomish	Carrier Plan Value	AARP HMO Medicare Complete Plan 1 106% of benchmark	Soundpath HMO Charter + Rx 105% of benchmark	Regence Blue Shield PPO MedAdvantage + Rx Classic 104% of benchmark
Spokane	Carrier Plan Value	AARP HMO Medicare Complete Plan 2 105% of benchmark	Humana Choice HMO H5219-102 105% of benchmark	Asuris Northwest TruAdvantage + Rx Enhanced 105% of benchmark
Thurston	Carrier Plan Value	AARP HMO Medicare Complete Plan 1 106% of benchmark	Soundpath HMO Charter + Rx 105% of benchmark	Regence Blue Shield PPO MedAdvantage + Rx Classic 104% of benchmark

If you have any questions about this analysis or require additional information, please do not hesitate to contact us.

Sincerely,  
Leif Associates, Inc.



Elizabeth Leif, FSA  
Consulting Actuary