
MEDICARE ADVANTAGE NEWS

News and Analysis of Medicare Advantage, Medicare Part D and Managed Medicaid

Some Small MA Plans Had Large Enrollment Gains in AEP, OEP

It is not just big Medicare Advantage plans that have been showing strong growth in the 2011 Annual Election Period (AEP) and Open-Enrollment Period (OEP). Several smaller plans did quite well too, partly as a result of service-area expansions and product diversification. And at least one of the plans indicates it also expects to grow aggressively in 2011.

A recent tabulation developed by Carl McDonald of Oppenheimer & Co. and based on the monthly enrollment reports from CMS found that Priority Health boosted its enrollment 138.3% between last December and this March (for enrollments through Feb. 5), representing 24,452 new members and a new total of 42,135. Among other plans that gained more than 10,000 members during this period, the Oppenheimer figures show, are Essence Healthcare, Inc. (*MAN* 3/11/10, p. 3), Bravo Health, Arcadian Management Services, Inc. (*MAN* 2/11/10, p. 3), SCAN Health Plan, and XLHealth Corp.

The gains of *Priority Health* resulted largely from going from serving 24 counties last year to 32 this year (out of a total of 83 Michigan counties), spokesman Rob Pocock tells *MAN*. He notes that Priority, which is based in Grand Rapids in western Michigan, a while back bought Health Choices, a plan in the eastern part of the state that then did not have Medicare products. Since that purchase, Priority built up a network of physicians it could use for MA products there, he says.

Moreover, Priority is the only Michigan plan with a five-star rating from CMS two years in a row, a fact that got extensive media play in its service area, according to Pocock. Priority also benefited in the recent enrollment periods, he says, from opening storefront sales locations. The fact that Priority had a PPO to offer in that new eastern area helped because the company is less well known there, and newcomers thus may have wanted to preserve out-of-network options, he adds, noting that Priority's MA business in its western Michigan base is largely HMO.

The PPO, he points out, is also useful for serving Michigan's large population of "snowbird" seniors who spend winters out of state.

Pocock says that Priority expects 2011 will be another big year for growth, aided by age-ins into Medicare as the baby boomer generation starts hitting age 65. The company filed for expanded service areas by the Feb. 25

deadline, he says, but he won't disclose where except to say they are contiguous areas.

A combination of factors was responsible for *Bravo Health* going from 76,195 members in CMS's December report to 92,699 in the March figures, according to Scott Ptacek, executive vice president, marketing. He notes that among them was the expansion in 2010 into southern New Jersey counties contiguous to its Philadelphia service area. Moreover, in the overall Philadelphia area, Ptacek tells *MAN*, Bravo gained about 10,000 members largely because Independence Blue Cross did not renew its Medicare-Medicaid dual-eligible MA Special Needs Plan (SNP) and its lowest-premium regular MA product. Bravo made below-market price hikes there except on its premium product, which went from \$39 to \$69 per month but accounts for a small share of its business there, he adds.

Bravo exceeded its growth expectations for 2010 in its Texas and Maryland markets, he says, aided there as

elsewhere from strong distribution. He notes that a little less than half of Bravo's sales come from employed agents, with the rest through outside entities.

For 2011, Bravo did not apply for new products, but did put in for service-area expansions in the Dallas-Fort Worth market, where it is seeking state STAR+PLUS Medicaid business (*MAN* 3/25/10, p. 4) and in areas contiguous to existing markets, Ptacek says.

SCAN Health Plan, according to the Oppenheimer figures, went from 112,790 members in the December CMS report to 124,630 in the March report. The gains, according to Ross Goldberg, a spokesman for SCAN, stemmed largely from the Southern California-based nonprofit plan's expansion into Northern California and the growth of its Arizona plan.

Specifically, SCAN said Feb. 3 that it had gained more than 3,100 MA members in four Northern California counties. In Arizona, where SCAN began offer MA coverage in 2009, more than 6,300 Maricopa County (Phoenix area) residents selected the plan for 2010, far exceeding its internal projections, SCAN said Feb. 9. SCAN benefited there from offering a zero-premium plan with no deductibles and just \$10 primary care physician visit copayments. Its plan includes Part D coverage featuring \$5 copays for preferred generic drugs.

XLHealth Moves Into Profitability

XLHealth now has about 74,000 members, Chairman and CEO Fred Dunlap said April 8 in a conference call presentation sponsored by Stifel Nicolaus Capital Markets. That is up from the 70,549 in the CMS March report and 59,541 in the December report. Dunlap projected another 10% to 15% growth in membership by the end of the year.

The privately held company had an earnings before interest, taxes, depreciation and amortization (EBITDA) margin of 4.2% in 2009 after posting losses in 2007 and 2008, Dunlap said. And Stifel Nicolaus securities analyst Tom Carroll projected that the SNP operator would have a \$1.2 billion revenue run rate in 2010.

Dunlap attributed the growth to its focus on SNPs and its close ties with members.

In response to a question from *MAN*, Dunlap said that Baltimore-based XLHealth won't be expanding geographically in 2011 but does intend to expand in the diseases it specializes in for the chronic care SNPs. That expansion means 60% to 70% growth in the number of members eligible for its services in the six states it now serves, according to Dunlap. And he said XLHealth is eyeing 2012 expansions that could double the number of states it serves.

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