CARROT HEALTH

The Insight-Driven Health Plan

Harnessing Data to Thrive in Medicare Advantage Markets

www.carrothealth.com

Executive Summary

In the rapidly growing Medicare Advantage market, mid-sized regional health plans must work smarter with data to compete against the major national players. Success in acquiring, retaining, and engaging members increasingly depends on deep and timely market intelligence. With Carrot MarketView Essentials, health plans can focus on using data-driven insights to answer fundamental strategic questions – not on building the infrastructure for market intelligence from scratch. When access to timely, accurate insights is shared across the organization, each department makes better decisions that are aligned with overall strategic goals, driving growth, reducing costs, and improving patient outcomes.

Healthcare has a knowledge problem.

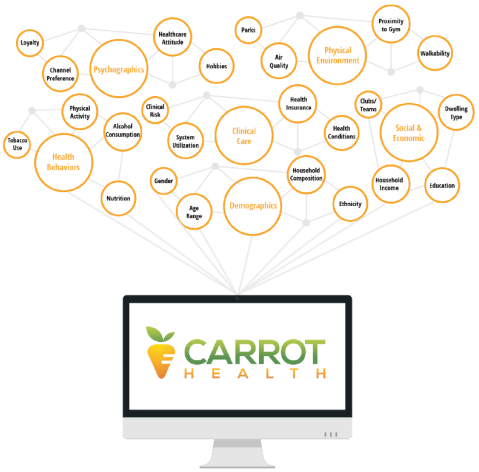
Companies in consumer-facing industries are awash in data. Yet, most healthcare organizations still lack the infrastructure to access, manage, and leverage timely and accurate data easily and cost-effectively.

This impedes their understanding of their customers, their competition, and even their own market position. As a result, few healthcare organizations are capable of leveraging data systematically to shape strategy, align business activities, and optimize performance.

When data is shared across an organization, it creates a common language and set of conversations that informs decisions at the functional level and supports organizational goals. This builds alignment across business activities, catalyzes collaboration, and enhances agility in response to competition and changing market dynamics. In effect, the organization becomes smarter, more innovative, and more purposeful in approach.

For health plans, these capabilities are particularly important in increasingly competitive Medicare Advantage markets where consumers not only choose their doctors and hospitals, but also their insurance providers.

In a dynamic, consumer-focused healthcare industry, the future belongs to organizations that power their strategic and operational decisions with data-driven insights.



Carrot Marketview Essentials™ is an affordable, quick-to-implement SAAS solution that aggregates diverse streams of market and consumer data critical for health plans today.

Regional Plans in the Growing Medicare Advantage Market

Data is critical in healthcare today because consumers and outcomes matter more than ever.

Across all sectors, consumers are taking a larger role in deciding where to spend their healthcare dollars. At the same time, as value-based payment mechanisms take hold, healthcare organizations must also achieve appropriate quality measures while controlling costs and operating efficiently.

These dueling pressures are most evident in the dynamic Medicare Advantage (MA) market, where meaningful opportunities for growth and member capture are driving new levels of competition and innovation.

Nationally, MA is growing four times faster than traditional Medicare. Enrollment in 2018 stood at 20.4 million members (34% of all Medicare enrollees), up from 16.8 million members (31% of enrollees) in 2015. Current Medicare enrollees are migrating to MA, and new enrollees are increasingly choosing MA from the outset in response to customer-friendly options around price, plan design, and service.

The Medica Story: Accessing Market Intelligence

Dana Woods, Director, Marketing Strategy & Communications

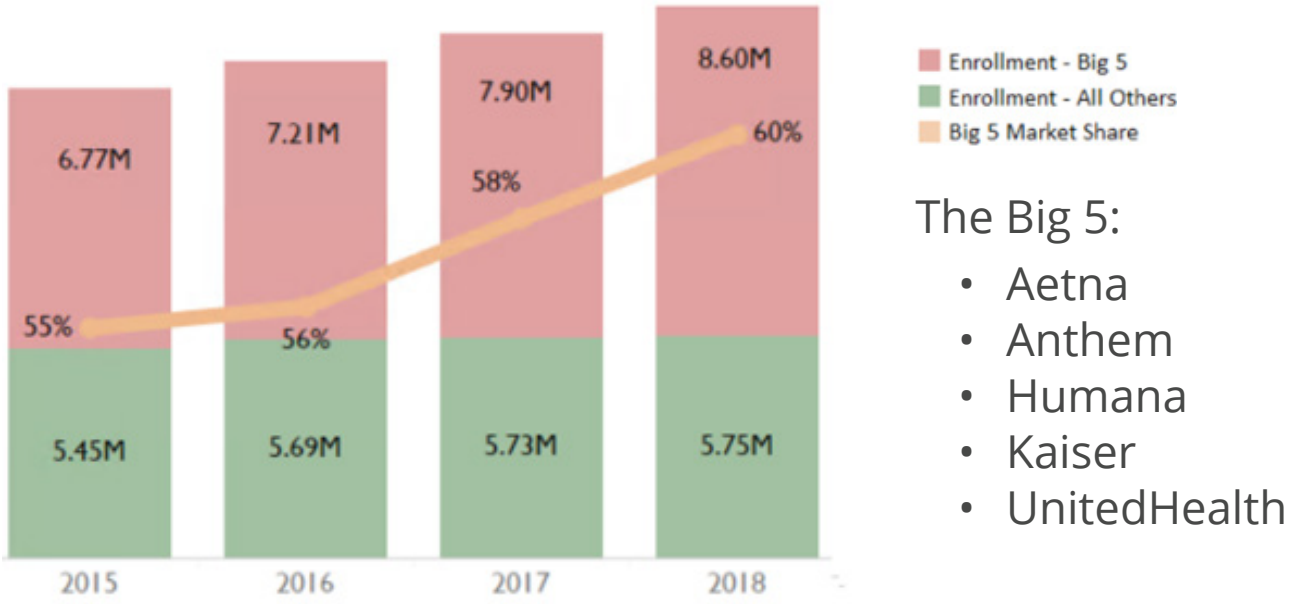
"Health Plans often have a hard time getting their hands around data. We're good at processing claims and managing risk but market intelligence is an emerging core competency. For a marketing department, that's a challenge. At Medica, we didn't have robust market segmentation data prior to working with Carrot Health. In collaboration with Carrot, we developed a very rich understanding of our members that informed our go-to-market strategy for our direct-to-consumer business lines. We figured out who we'd been successful acquiring historically and targeted new opportunities for growth. That same data helped us optimize our direct mail campaigns, make media-mix decisions and fine-tune personalized and segmented messaging.

"It's extremely powerful to have a centralized repository of integrated data usable by multiple business units. It encourages cross-disciplinary sharing of information and collaboration around strategy. Marketing will have different needs from finance or product development but each functional area can slice and dice the data accordingly.

"Every decision should begin and end with data. Without it, you're flying blind."

While MA enrollment growth is robust across the country, the competitive landscape varies greatly from county to county, between plan types and products, and within specific patient populations.

In particular, mid-sized, regional health plans face aggressive competition from the large national players. The "Big Five" health plans now hold a 60% share of MA enrollment nationwide, and their clout is growing. Between 2015 and 2018, they accounted for 86 percent of all net enrollment growth. And in 2017 and 2018, they added almost 1.4 million net new members, while the rest of the industry combined – about 240 organizations – added just 61,600.



The Big 5:

- Aetna
- Anthem
- Humana
- Kaiser
- UnitedHealth

Those large national players bring formidable technology capabilities, resources, and marketing muscle to bear. To compete effectively, regional players must find new ways to use data and analytics to identify and act upon the unique and dynamic opportunities in their local markets.

Mid-sized, regional health plans can't outspend the Big Five – they have to outsmart them.

Traditional Data Approaches: Siloed, Manual, & Slow

At health plans, the traditional approach to data collection is labor intensive, inefficient, and costly. Analysts largely rely on data obtained from public sources like CMS, through intensive labor or via third-party vendors. That data is often formatted on Excel spreadsheets and processed manually to generate basic, static analyses and insights. Updating data on a monthly or quarterly basis is a continual and costly problem. Data visualization tools are lacking.

Each department effectively ends up with a separate data repository to answer its own questions. Marketing, for example, may accrue data that is anecdotal in nature, extracted painstakingly from direct mail brochures or scraped from competitor websites, to make decisions on brand messaging. The product design team may rely on completely different sources of data to make its decisions around product offerings.

This amplifies the randomness and guesswork behind critical decisions made throughout the organization. Upstream efforts by one department might impede downstream results in another. The decision to include a new benefit or enter a new market might be at odds with overall organizational strategy. Rather than bringing the organization together, such an ad hoc approach exacerbates divisions while increasing costs and hampering performance.

Mid-sized, regional plans typically lack the resources to do labor-intensive data work comprehensively. They may rely on information that is not thorough, timely, robust, or predictive of future trends. As a result, many health plans may not know enough about the markets they compete in, the populations they serve, or the competitors they face to be successful.

Unwieldy & Costly "Manhattan Project"-Style Solutions Create More Problems

In addressing such systemic data management challenges, healthcare has historically had a tendency to rely on "Manhattan Project"-style solutions that involve top-down overhauls and resource-draining implementations. They hire expensive consultants, allocate huge budgets, assemble cross-functional teams, conduct extensive stakeholder interviews, and spend political capital gaining support for detailed plans before force-marching an implementation over the next several years.

Often this is done by building or assembling the desired software and IT capabilities in-house. Not only does this add cost and complexity, but it diverts the organization from its primary function while almost always producing sub-optimal results. It's akin to corporations in the 1980s building their own proprietary IT infrastructure and data management software, rather than purchasing those tools from best-of-breed outside suppliers.

Fortunately, there is now an alternative to the "Manhattan Project" approach. With Carrot MarketView Essentials, health plans can focus on understanding market intelligence and answering fundamental strategic questions, not on building all this infrastructure from scratch.

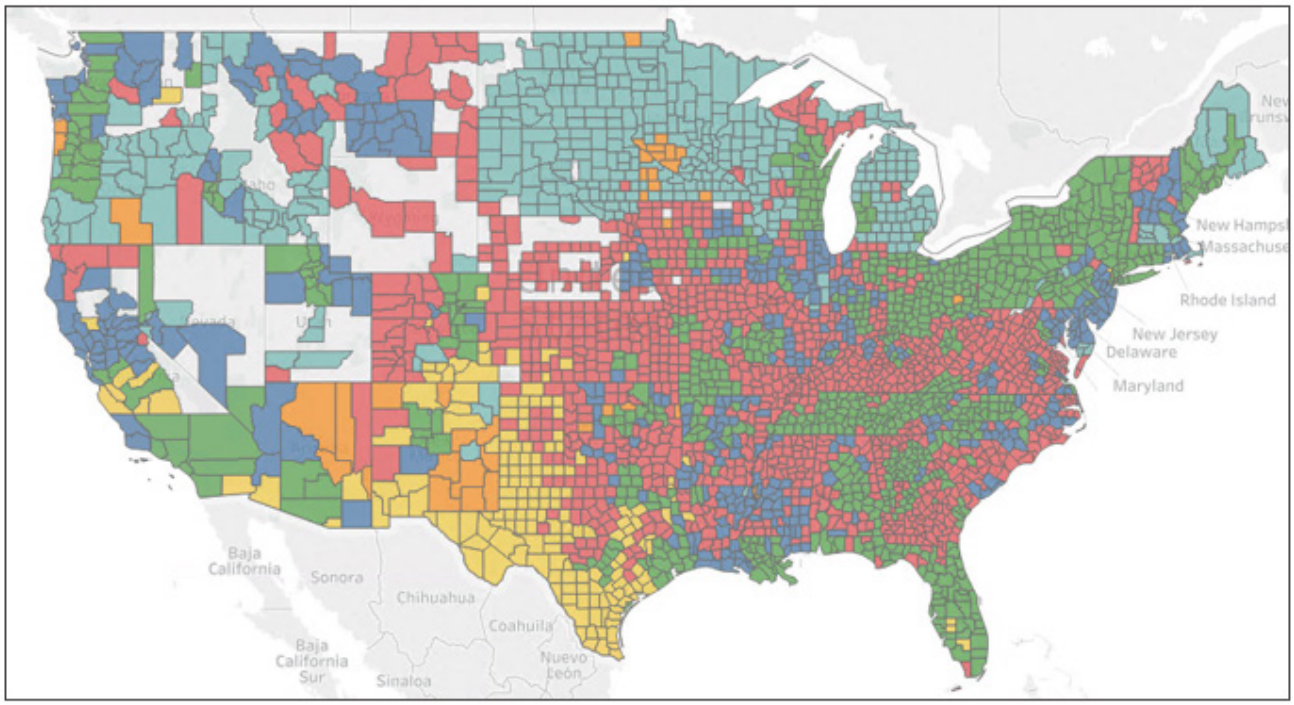
The new breed of digital Health IT companies offer platforms based on advanced technologies that are more flexible and cost-effective, with dramatically reduced implementation times.

Market Intelligence Can Answer Fundamental Strategic Questions

Let's look at how market intelligence can answer some fundamental strategic questions for health plans.

1 *What is Your Competitive Position?*

While a clear understanding of current market position might seem basic, the reality can be remarkably nuanced and complex. Most health plans effectively participate in many different markets at once against multiple competitors while offering a variety of products to different patient populations.



MarketView Essentials leverages multiple streams of market and consumer data to understand the dynamics of the competitive Medicare landscape. This enables plans to identify consumers in the market, which products they are choosing, and the risks and opportunities involved.

Here are some questions a health plan should be able to answer:

Market Trends

- What are your current enrollment numbers in each market you serve?
- How is that trending?
- How do the different markets that you serve compare to one another?
- What products are working best in each market, and what do the differences imply?

Mature vs. Faster Growing Markets

In comparing "Highly Competitive, Mature Markets" (top) with "Rapidly Developing Advantage Markets" (bottom), robust data illuminates differences in consumer demographics, healthcare utilization and product preferences.

Geoclass: Urban	Consumer: White	Consumer: Hispanic	Consumer: Avg. Net Worth	Avg. FFS Quartile	Plan Rollup: Supp Pen	Plan Rollup: Supp Growth	MA: Nat'l Plan Pen.	Plan Type: HMO Pen.	Plan Type: PPO Pen.	Plan Premium (Avg)	Zero Dollar Premium Pen.
53%	71%	12%	$377,685	1.06	20%	0.2%	80%	66%	30%	$24	58%
34%	77%	7%	$378,100	1.05	23%	0.3%	73%	40%	50%	$57	18%

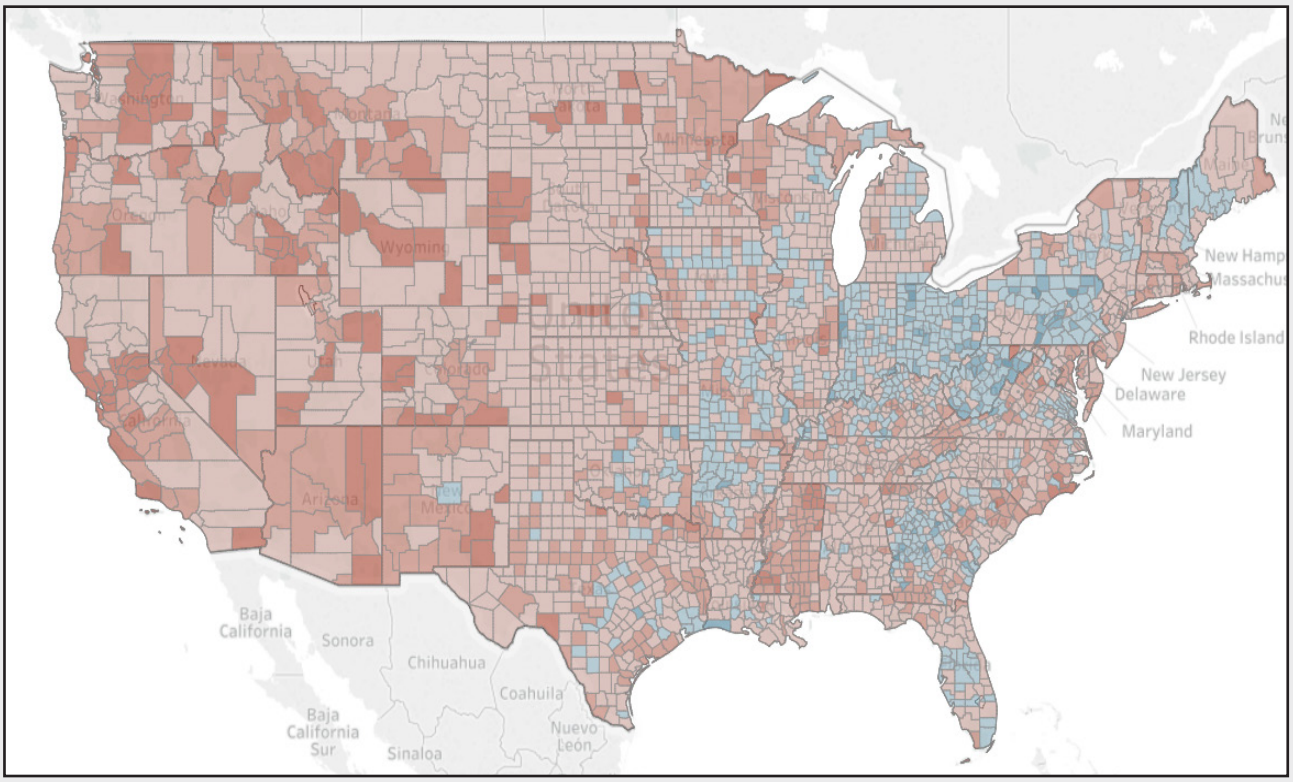
The Highly Competitive Mature Market above is more Urban and more Hispanic, with greater MA penetration, greater HMO penetration and lower premiums. It is also more saturated, with health plans competing for consumers. FFS quartiles are comparable.

Competitive Dynamics

- What are your competitors doing in the market?
- Who are the “winners” and “losers” in the market ?
- In what areas are competitors expanding or contracting their services?
- What products will they offer in the coming year?
- How does that differ from previous years?
- How does market saturation and opportunity vary?

Analyzing the Competition

The competitive saturation of a given market is an important measure of growth opportunity. This can be assessed by determining the number of organizations in the market relative to Medicare Advantage penetration and growth. (Low saturation = dark red. High saturation = dark blue).

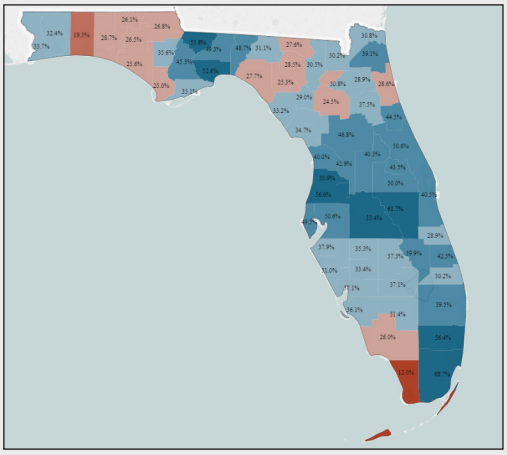


Consumer Dynamics

- What is the composition of the patient populations in your market?
- What percentage of the population is enrolled in traditional Medicare vs MA plans?
- How have populations in similar markets responded to specific plans and products?

Comparing Consumer Populations

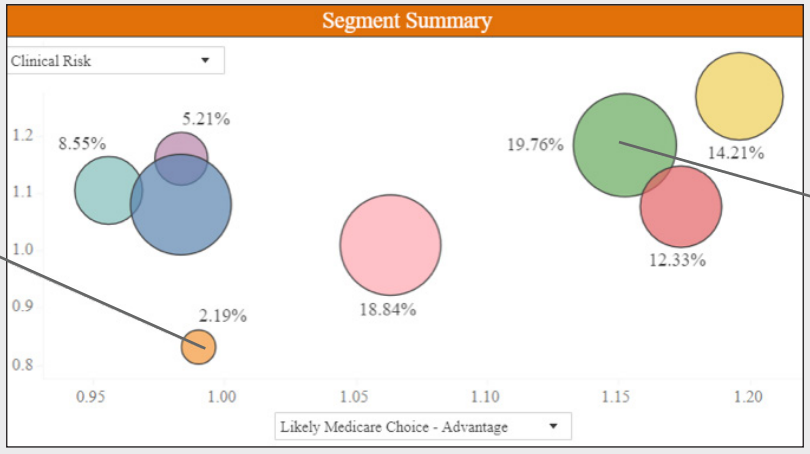
A given population of prospects can be segmented according to demographics, socioeconomic status, health care utilization patterns, clinical and non-clinical risk, plan loyalty, and product preference.



In Florida, there's a large variance in Medicare Advantage market maturity across counties. Counties in red show <30% penetration, while counties in dark blue show >50% penetration. Consumers within these respective markets demonstrate markedly different clinical profiles and product preferences.

Populations with high household income and net worth, low clinical risk and relatively low Medicare Advantage acclimation represent a "Healthy and Affluent" cohort. These consumers lean towards Supplement since they tend to prefer network flexibility in exchange for larger premiums.

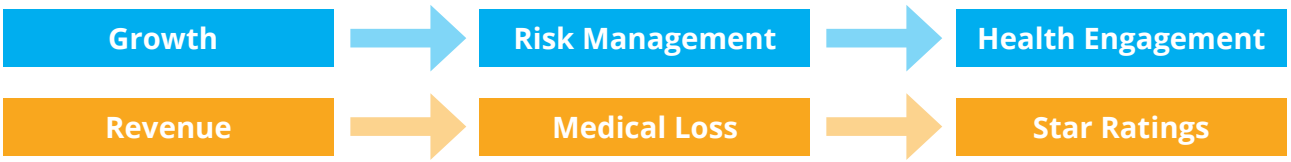
In contrast, the "Narrow Network Needy" cohort comprise consumers who show strong preference for Medicare Advantage, especially low premium HMO products. If these consumers aren't on MA, they're likely enrolled in FFS Medicare. After making the switch to MA, they often select a narrow network to save on premiums and deductibles. Because of the greater clinical risk, however, Medicare Advantage plans must proactively engage these members in primary care and Star Rating measure compliance to maintain fiscal feasibility.



Such fundamental information will support better strategy, plan design, product development and marketing decisions.

2 *Which Markets Should You Target for Entry or Expansion?*

Not all growth is equal. Growing in an intelligent, sustainable way requires plans to think about factors beyond pure volume. Long-term stability is driven by securing members who are a good fit for the plan offering. Plan design, provider network design, marketing messaging, and acquisition targeting must all fit together.



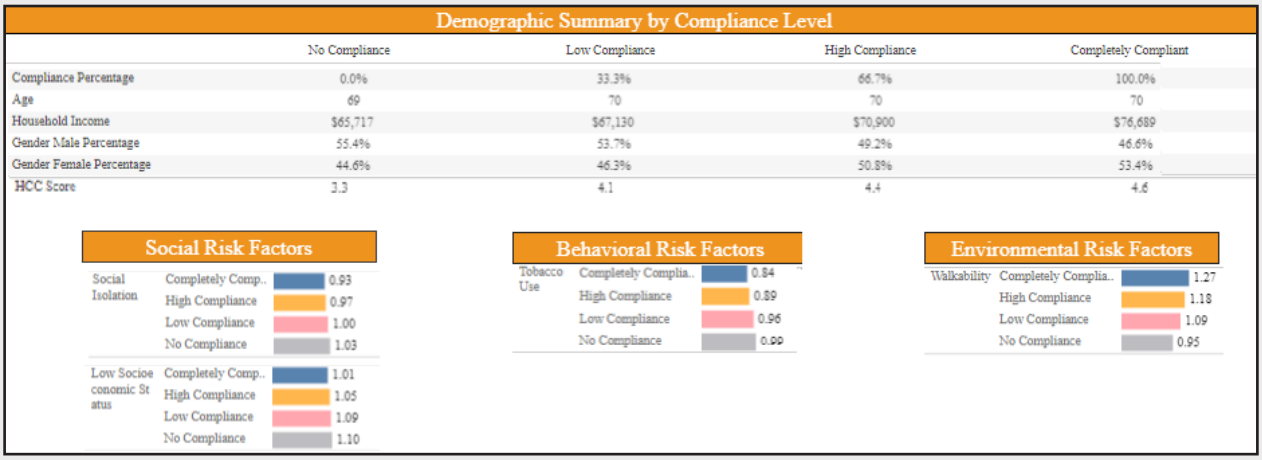
Customers

- Who is your ideal member and what do they want?
- What is their level of clinical risk and what does that say about the products and services they need?
- What are their utilization patterns?
- What services will members need to be appropriately engaged with their health, and to help you achieve your Star Rating performance goals?

Identifying Engagement Opportunities

Membership profiles, claims data, HEDIS measures, and prescription drug events combined with consumer data generates a comprehensive view of a beneficiary population with very precise engagement opportunities.

For example, three Diabetes-specific Stars measures (blood sugar control, eye exam, kidney disease monitoring) correlate with demographics, clinical risk, and Social Determinants of Health (SDoH). Compliant members typically have higher household income, are more female, have higher HCC risk (greater degree of risk adjustment), lower social risks, lower behavioral risks, and lower environmental risks.



Plan Design

- What types of health plans are driving the strongest growth?
- What are the reimbursement rates for specific plan designs?
- What is the level of maturity of the market and what opportunities does that create?

Identifying Success Factors

A successful strategy will vary depending on geography and plan type. Regional players can utilize analytics to identify success recipes from other plans in similar geographies, and apply them accordingly. For example, the benefit structures of winning plans (5% YoY growth) can be determined by market segment and plan type:

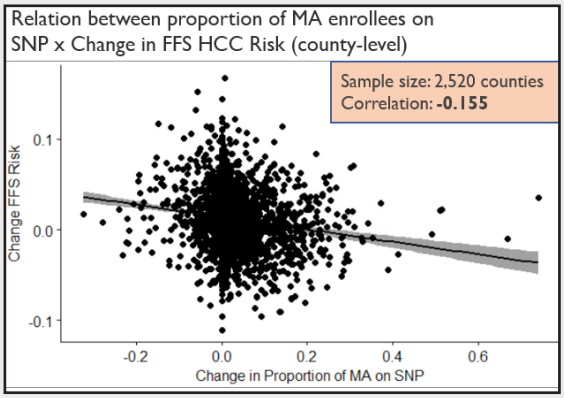
Segment	Plan Type	Avg. HP Premium	Avg. HP Deduct	Avg. PD Premium	Avg. PD Deduct	Avg. MOOP	Avg. Doc Copay	Avg. Specialist Copay	% Offered Dental
Highly Competitive, Mature Market	HMO	$ 10.32	$ 42.57	$ 3.79	$ 183.98	$ 5,254.75	$ 3.79	$ 34.70	75%
Rapidly Developing Advantage Market	HMO	$ 5.06	$ 58.53	$ 4.76	$ 244.76	$ 6,118.18	$ 4.76	$ 35.51	95%
Highly Competitive, Mature Market	LPPO	$ 14.22	$ 4.46	$ 10.13	$ 138.27	$ 5,059.41	$ 10.13	$ 37.72	59%
Rapidly Developing Advantage Market	LPPO	$ 2.08	$ 2.94	$ 0.37	$ 344.85	$ 6,700.00	$ 0.37	$ 11.21	98%

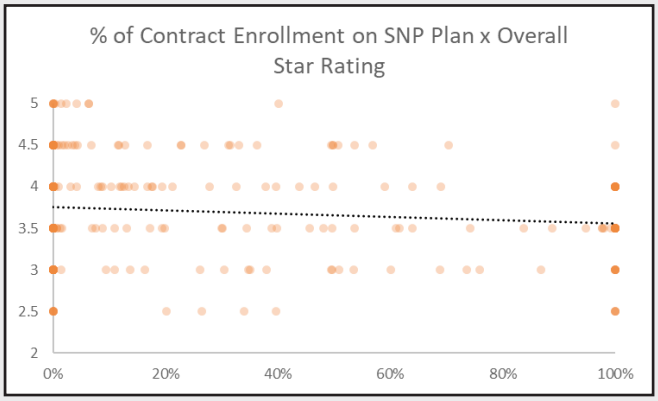
Economics

- What is the capitated rate?
- How have FFS quartiles shifted over time?
- What is the bonus potential?
- How will the future flow of members from traditional Medicare to MA affect overall reimbursement rates?

Understanding Fee-For-Service and Star Ratings Dynamics

Market data shows that when plans grow their SNP population, FFS risk in those counties decreases, and Star Ratings for the respective contracts decrease on average. Overall population health needs depend on which members drive plan growth.





3 *Which New Products Should You Offer?*

To achieve financial and quality goals in a particular market, a health plan must determine the most effective and appealing products to offer.

Products

- What types of products do customers want to buy?
- How do specific offerings, like dental benefits or zero dollar premiums, impact member enrollment and competitive performance?

Market Maturity and Product Design

The relative maturity of a market is measurable and actionable. For example, within individual Medicare Advantage markets (non-SNP, non-EGHP), the Rapidly Developing Advantage market has a 36% penetration of $0 premium plans relative to 64% in the Highly Competitive, Mature Market. However, the year-over-year growth of the $0 premium group plans has driven 41% growth in Rapidly Developing Advantage markets. Understanding these dynamics for every market informs strategic product development and enables a health plan to get ahead of market demands.

		% of Market	YoY Chg
Rapidly Developing Advantage Market	$0	35.99%	41.19%
	$0 to $50	28.62%	6.55%
	$50 to $100	26.54%	9.42%
	$100+	8.84%	-24.93%
Grand Total		100.00%	13.14%

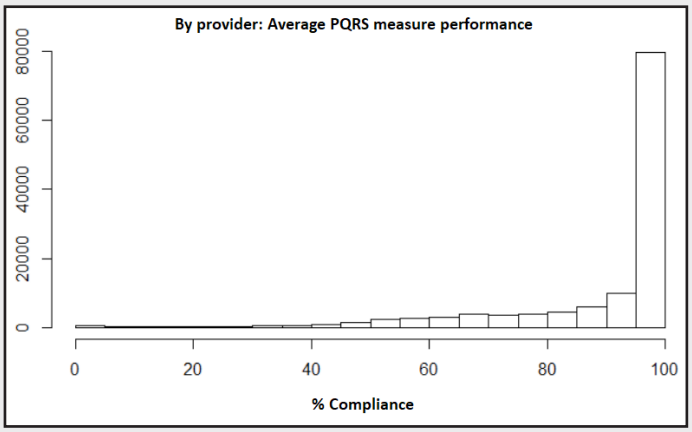
		% of Market	YoY Chg
Highly Competitive, Mature Market	$0	63.64%	13.15%
	$0 to $50	21.36%	3.78%
	$50 to $100	10.01%	-6.47%
	$100+	4.99%	-19.25%
Grand Total		100.00%	6.71%

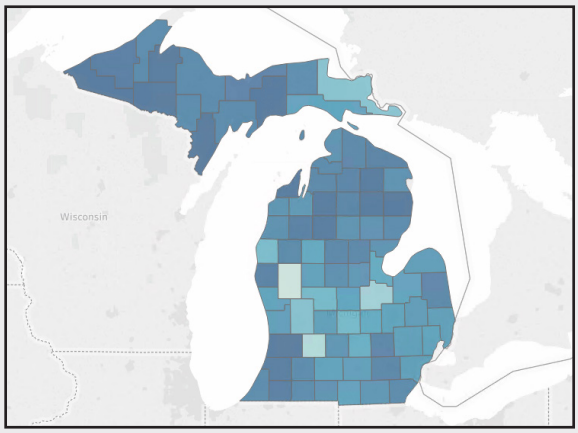
Providers

- What is the composition of the provider mix, in terms of specialties, group or solo practitioners, affiliations, etc.?
- What services do providers offer?
- What are their performance levels?

The Impact of Quality Measures

Performance on key HEDIS measures varies greatly by provider and by measure. For example, performance averages for the measures that providers submit to PQRS (bar graph on the left) reveals that most providers do a good job selecting and submitting measures for which they can achieve high performance. Variance shows up, however, according to measure type, provider credentials, geography, and other characteristics. A heatmap of average performance by county in Michigan shows that PQRS performance ranges anywhere from 58.6% to 100% (light blue to dark blue). This data can be evaluated down to the NPI level to inform network strategy and contracting.





A precise understanding of what customers want and how well the health plan can deliver on those demands reduces financial risk, improves marketing effectiveness, and enhances engagement and satisfaction.

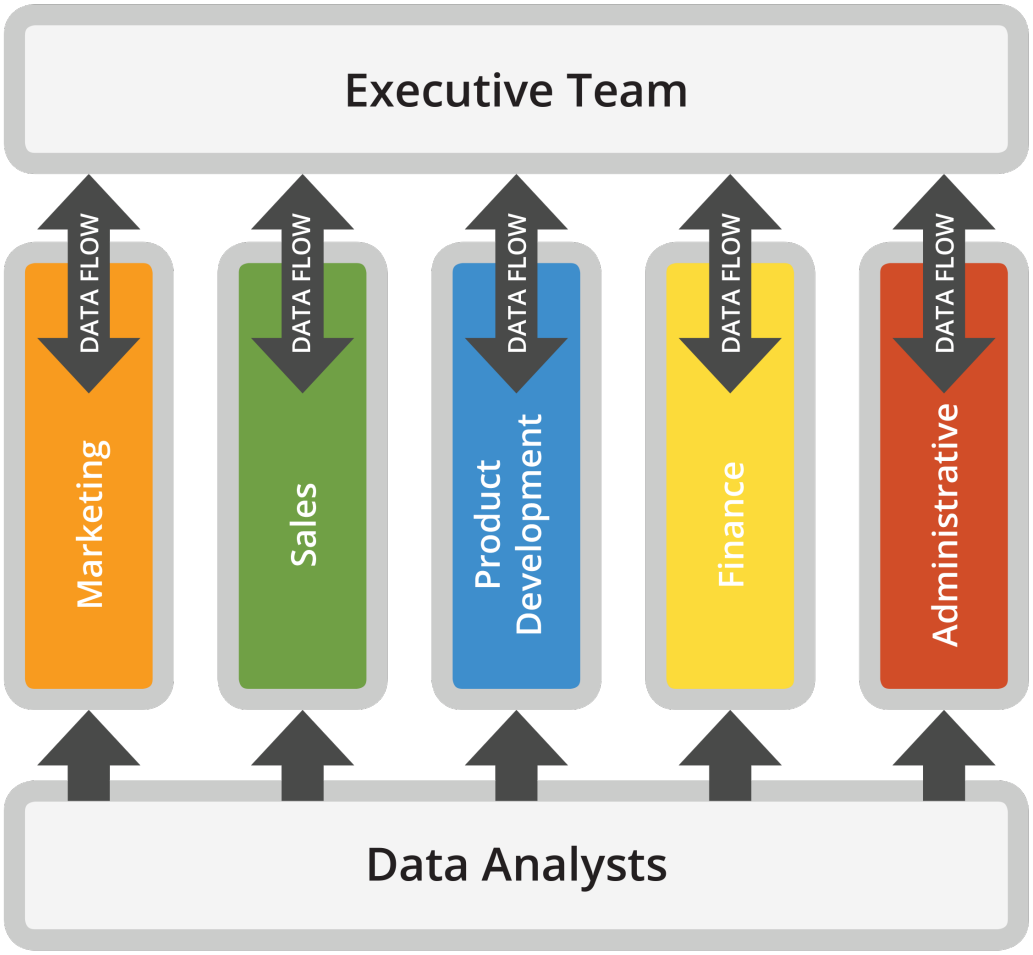
An Organization Engaged in a Common Conversation

In their 2009 Harvard Business Review article, "Abandon Stocks, Embrace Flows," authors John Hegel III, John Seely Brown and Lang Davidson describe how organizations once succeeded by hoarding information. For example, law firms and accounting practices secured market position and high fees by becoming bastions of expertise. Other businesses built barricades around their products and innovations with trademarks and patents.

Today, information is so pervasive and markets evolve so quickly that the benefits of knowledge hoarding have diminished. Instead, competitive advantage accrues to organizations that evolve and adapt quickly by generating knowledge flows.

Our colleague, David Johnson, at 4sight Health drew parallels with the challenges that healthcare organizations face today. Clinical, population, and social determinant data streams are growing too quickly to capture and control. It's time for health plans to embrace the flow.

As a siloed industry, healthcare has been built to hoard knowledge. In health plans, functional departments rarely share data let alone insights, except up the hierarchy toward the managers who make strategic decisions. Effectively, leadership engages in many separate conversations with each department. The organization as a whole never truly knows what it knows.



In a knowledge organization, data is collected automatically in a centralized way to serve as a single source of truth that is accessible across the organization. The work of the team of analysts then shifts from data mining to insight generation that supports and informs decisions and activities. Just as importantly, those insights are not directed exclusively up the hierarchy but shared across the organization.

For a health plan, challenges like growth, quality, and profitability are all interwoven. To make the best decisions, different departments need ready access to the knowledge of the organization, wherever it is generated. Marketing must understand the thinking of product developers. Plan designers need to understand the revenue goals of finance.

This level of knowledge sharing creates alignment around strategy, encourages collaboration, generates deeper insights into market needs, and drives innovation that distinguishes the organization from competitors. By achieving these optimal levels of performance, mid-sized plans can "punch above their weight." More importantly, they can engage and retain members while improving the health of the populations they serve.