THE RACE FOR MEDICARE SWITCHERS IS ON
Health plans must proactively target the rising number of Medicare switchers to grow and protect Medicare revenues.

Medicare is among the largest and fastest growing segments in healthcare. In 2017, there were more than 57 million Medicare beneficiaries\(^1\) with an additional 11,000 people expected to turn 65 (age into Medicare) each day.\(^2\) Total Medicare spending is expected to grow at 7.1 percent annually to a whopping $1.4 trillion by 2027.\(^3\)

Health insurers are looking to capitalize on this growth by offering Medicare Advantage (MA) and Medicare Supplement (MedSupp) plans. MA enrollment grew by 8 percent in 2017,\(^4\) and MedSupp grew by 6 percent in 2016.\(^5\) MA plans are particularly attractive for health insurers, as the revenue potential may range from $800 to $1,200 per member per month, more than five times that of MedSupp plans.\(^6\)

Market participants are aggressively investing to compete in this race for higher enrollment and grow their Medicare book of business; more than 40 percent of health insurance M&A deals in 2017 involved Medicare Advantage expansion, according to Accenture analysis.

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The switcher opportunity

Health plans traditionally focus efforts on attracting the new-to-Medicare population. Understandably so, as roughly 4 million baby boomers are aging into Medicare each year.

However, to grow share in the highly competitive Medicare market, health plans must look beyond age-ins. Accenture research indicates that 13 percent of existing Medicare beneficiaries leave their current plans each year, with 10 percent voluntarily switching and 7 percent switching carriers. Medicare switchers, therefore, represent 4.3 million (64 percent) of the ~6.7 million MA and MedSupp members up for grabs each year for health plans (see Figure 1).

FIGURE 1. Quantifying the switcher market opportunity

<table>
<thead>
<tr>
<th></th>
<th>NEW TO MEDICARE (2017)</th>
<th>SWITCHER (2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age-ins each year</td>
<td>4 million</td>
<td>N/A</td>
</tr>
<tr>
<td>Age-ins delaying retirement</td>
<td>(-) 800,000 (~20%)</td>
<td>N/A</td>
</tr>
<tr>
<td>Delaying retirees enrolling in Medicare upon retirement</td>
<td>(+) 800,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Net eligible/enrollment</td>
<td>4 million</td>
<td>57 million</td>
</tr>
<tr>
<td>Original Medicare</td>
<td>1.2M</td>
<td></td>
</tr>
<tr>
<td>Medicare Adv.</td>
<td>1.5M</td>
<td></td>
</tr>
<tr>
<td>MedSupp</td>
<td>900k</td>
<td></td>
</tr>
<tr>
<td>Group Indemnity</td>
<td>400k</td>
<td></td>
</tr>
<tr>
<td>Medicare Adv.</td>
<td>14M</td>
<td></td>
</tr>
<tr>
<td>MedSupp</td>
<td>19M</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>24M</td>
<td></td>
</tr>
<tr>
<td>MA and MedSupp enrollment</td>
<td>2.4 million</td>
<td>33 million</td>
</tr>
<tr>
<td>% eligible for enrollment each year</td>
<td>100%</td>
<td>13% (switch each year)</td>
</tr>
<tr>
<td>Addressable for enrollment</td>
<td>2.4 million</td>
<td>4.3 million</td>
</tr>
</tbody>
</table>

Source: Accenture analysis

7 Accenture 2018 Health Insurance Shopping and Enrollment Experience Survey
Why are they switching?

Health plans can capture the switcher segment and develop relevant retention strategies to minimize churn within their existing membership by understanding the needs, expectations and shopping behaviors of existing Medicare beneficiaries.

Several factors are influencing switching behavior.

**Value for money is crucial**

Sixty-two percent of survey respondents who switched MA and MedSupp carriers in the past year did so because they did not believe they were offered good value for their money. (See Figure 2. Survey respondents were able to select more than one reason for switching.)

A quarter of the MA and MedSupp beneficiaries who switched carriers did so because they were not satisfied with the range of plan options made available to them.

Access to provider of choice was an important factor, with 11 percent citing that they switched carriers to stay with their preferred doctor/hospital. Interestingly, digital / online services and concern about personal data were considered the least important drivers in their decision to switch carriers.

**FIGURE 2.** Reasons for switching Medicare carriers

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lacked value for money</td>
<td>62%</td>
</tr>
<tr>
<td>Plan options not appealing</td>
<td>26%</td>
</tr>
<tr>
<td>Stay with preferred doctor/hospital</td>
<td>11%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
</tr>
<tr>
<td>Poor member experience</td>
<td>7%</td>
</tr>
<tr>
<td>Lost trust in carrier</td>
<td>5%</td>
</tr>
<tr>
<td>Difficult to do business with</td>
<td>4%</td>
</tr>
<tr>
<td>Member service reps not knowledgeable</td>
<td>3%</td>
</tr>
<tr>
<td>Digital/online services did not meet needs</td>
<td>1%</td>
</tr>
<tr>
<td>Discomfort with use of personal data</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Accenture analysis
Price and experience
More than 50 percent of MA and MedSupp switchers claimed they would not have switched if their current plan offered better pricing. (See Figure 3.) About a quarter of switchers cited an improved experience (e.g. live support, proactive outreach or first call resolution) as important to their willingness to stick with their Medicare plan.

FIGURE 3. Retaining potential switchers

Source: Accenture 2018 Health Insurance Shopping and Enrollment Experience Survey

More than 50 percent of MA and MedSupp switchers claimed they would not have switched carriers if their current plan offered better pricing.

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Seniors like to shop

Medicare beneficiaries (42 percent) like to shop for coverage, even if they don’t switch to another plan. With increasing choice in coverage—the number of MA plans has increased from 2,700 to 3,100\(^a\) in 2018—and concerted effort by health plans to simplify shopping, Medicare age-ins will be increasingly comfortable shopping for plans best suited to their needs.

**FIGURE 4.** Seniors shop for coverage, but the tendency decreases with age

![Figure 4](image-url)

Of existing beneficiaries (both pre and post 65) shop for Medicare each year

- 42%  
  of 55 - 64 year old enrollees shop for Medicare each year

- 48%  
  of 65 - 74 year old enrollees shop for Medicare each year

- 43%  
  of 75+ year old enrollees shop for Medicare each year

- 32%  
  Of existing beneficiaries (both pre and post 65) shop for Medicare each year

Source: Accenture 2018 Health Insurance Shopping and Enrollment Experience Survey

Medicare consumers are digitally savvy

Accenture research indicates that consumers 55 and older are increasingly expecting and using digital tools for health management activities. (See Figure 5.) This trend is likely to continue as these consumers age into Medicare over the next several years. These findings show a correlation between consumers’ digital intensity and their inclination to shop for a health insurer.

FIGURE 5. Consumers 55 and older frequently use digital channels

Providers matter to Medicare consumers

A study of a large Medicare pioneer Accountable Care Organization (ACO) revealed a strong association between physician affiliation and beneficiary alignment. About half (49 percent) of Medicare beneficiaries who were aligned to the ACO in year two or year three did so because their attributed physician joined the ACO. When physicians left the ACO during year two or year three of the contract, 90 percent of beneficiaries also left.


A growing opportunity

Medicare enrollment is expected to grow to 77 million by 2027.\(^\text{11}\) \(^\text{11}\) Accenture analysis shows that during this period, the addressable market for MA and MedSupp switchers will grow from 4.3 million in 2017 to 8.4 million in 2027 (assuming today’s 13 percent switching rate remains consistent).

While growth in overall Medicare enrollment will increase the number of beneficiaries eligible for switching each year, there is another important contributing factor that will drive the switcher segment to be even higher than the 8.4 million members currently estimated: voluntary switching.

Voluntary switching among MA beneficiaries has gradually risen from 8 percent in 2008\(^\text{12}\) to 10 percent in 2017.\(^\text{13}\) The rate of switching Medicare plans will likely continue to increase in the coming years due to three primary factors:

Seniors are increasingly digitally savvy and higher levels of digital savviness correlates with higher expectations and tendency to shop and/or switch when those expectations are not met.\(^\text{14}\)

Health plans will continue to make shopping for Medicare easier through enhanced plan selection and easy-to-use tools for benefit comparison and shopping.

Richer consumer data that allows health plans to understand healthcare needs, medical and behavioral conditions, benefit utilization, demographics and socio-economic status will help insurers to offer personalized plan recommendations, increasing the likelihood of shopping and, ultimately, switching.


\(^{13}\) Accenture 2018 Health Insurance Shopping and Enrollment Experience Survey

How to **win** the race to capture Medicare consumers

Health plans cannot afford to ignore the size and growth of the Medicare population that is up for grabs each year. To win in this competitive market, health plans must:

1. **Proactively identify and retain those at risk to switch.** Predictive analytics that uses a 360-degree view of the member, inclusive of behavioral and call center data, can help identify at-risk-to-switch Medicare members. A health plan with 100,000 MA members could save upwards of $20 million in premium revenue per year with a 2 percent reduction in switching rate. Also, understanding member-specific benefit utilization, who is impacted by premium increases or network changes, as well as frequency and reasons for customer service calls, will enable health plans to tailor interventions to improve retention.

2. **Simplify the shopping and renewal experience.** Research finds that the highest drivers of Net Promoter Score (NPS)\(^\text{15}\) for Medicare are the front-end touch points between a health plan and the consumer, when evaluating or buying a benefit plan.\(^\text{16}\) NPS measures an organizations’ consumer loyalty based on the consumers’ willingness to recommend. With increasing use of digital tools and channels by seniors, health plans must simplify shopping, enrollment and renewal by following service design principles and supplementing physical interaction points with digital front-end experiences.

3. **Reach for the STARs.** Several studies have found a direct correlation between a health plans’ STAR rating and Medicare enrollment; a 1-star rating improvement increases MA enrollment by 8 - to 12 percent.\(^\text{17}\)

   Deepening collaboration with providers and incentivizing providers to collect member-level data is critically important to drive meaningful improvement to a plan’s STAR rating.

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\(^{15}\) Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

\(^{16}\) Accenture 2017 Consumer Experience Payer Benchmark Survey

Partner strategically. Many health plans hand off Medicare member acquisition, particularly for existing Medicare beneficiaries, to third-party vendors—often to low-cost providers that fail to offer a differentiated value proposition. To boost acquisition of Medicare members, health plans must strategically partner with vendors that demonstrate meaningful evidence of three key attributes: lead conversion efficiency, ability to transfer leads to alternate sales channels and higher levels of compliance with regulatory requirements.

Deliver consumer value. As the research findings illustrate, Medicare beneficiaries are unlikely to switch plans unless motivated by better price or value. To deliver a compelling value proposition to seniors, health plans must proactively offer differentiation in the form of enhanced support for complex conditions, a higher quality network, integrated physician services, in-home care and other value-added services that enable improved clinical and financial outcomes.
ABOUT THE ACCENTURE 2018 HEALTH INSURANCE SHOPPING AND ENROLLMENT EXPERIENCE SURVEY

Accenture surveyed 10,300 consumers to understand their experience evaluating and enrolling in health insurance in the most recent enrollment cycle. The survey explored tools used to make purchase decisions, shopping experiences, digital intensity and healthcare system literacy. The 4,030 survey respondents were enrolled in Medicare, with 1,795 enrolled in Medicare Advantage plans and 1,865 in Medicare Supplement plans. The data described in this article reflects unweighted responses. The research was conducted in February 2018.

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