The Role of Dental in the Senior Markets

Wednesday September 30th
10:30-11:45 A.M Pacific Time

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**OBJECTIVES**

**Key Objectives**

We will be discussing the role of ancillary benefits and the opportunities it represents for health plans, including:

1. Discuss the Medicare and Senior markets
2. Unique characteristics of today’s senior market
3. Understand the strategic opportunity for ancillary benefits
4. Critical success factors for the deployment and execution of ancillary offerings

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**THE SENIOR MARKET (65+) IS BOOMING**

The aging population presents a favorable market opportunity for continued future membership growth within the Senior (65+) and Medicare markets.

By 2030, over 110% increase in the Senior Market from 2000

By 2030, the majority of baby boomers will be 65 years of age or older.

Sources: U.S. Census Bureau – 2014 Population Estimates and 2014 National Projections; Census 2000 Summary File 1; Census 2010 Summary File 3 (Numbers in Millions)
GROUP MEDICARE ADVANTAGE MARKET GROWTH

Current State

• From 2008 to 2015, Group MA Group MA has been growing faster nationally at a rate of 9% than Individual MA (8%)1.
• In 2014, Group MA had the greatest increase of all MA categories, increasing over 422,000 lives, a 15% increase.
• EGWP has penetrated ~23% of the Medicare market

Drivers of Growth

• Employers are converting group-based, post-65 retiree medical indemnity plans to a Medicare Advantage medical plan to preserve benefits and reduce costs.
• Employers are attracted by the administrative simplicity of MA product that combines Medicare with Medicare supplemental benefits.
• Employers can fully insure higher retiree costs and leverage care management techniques of the plan.

National Group MA vs Non-Group MA Enrollment (millions)

Avg. Annual Individual Growth Rate: 7.88%
Avg. Annual Group Growth Rate: 9.07%

Medicare Market Overview

As of 2014, about 45M individuals aged 65+ are actively enrolled in Medicare, and more than half invest in options to enhance or "supplement" traditional Medicare.

Medicare Beneficiaries, 2014**

<table>
<thead>
<tr>
<th>Coverage Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Sponsored</td>
<td>11.8M</td>
</tr>
<tr>
<td>Medigap Only</td>
<td>6.8M</td>
</tr>
<tr>
<td>Medicare Only</td>
<td>6.35M</td>
</tr>
<tr>
<td>MA Only</td>
<td>5.9M</td>
</tr>
<tr>
<td>Multiple</td>
<td>8.2M</td>
</tr>
<tr>
<td>No Coverage</td>
<td>6.35M</td>
</tr>
</tbody>
</table>

~45.4M

59% of Medicare enrollees have supplemental coverage (e.g., employer-sponsored, Medigap, etc.) to enhance their traditional Medicare coverage

*Figures shown as a % (2010) of 2014 Medicare Population
**Medicare Population excludes Under-65 Disabled members (18% of total population)

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# Characteristics of the Medicare Population

Today’s Medicare population has a greater awareness and focus on maintaining their health, and they work long and hard to save for retirement.

### Savvy Consumers
- Status conscious shoppers more likely to switch products until they find the one that meets their needs
- Embrace social media and user-generated content
- More interested in experiences (i.e. what they can do with a product, rather than the product itself)

### Financially Independent
- Working longer and harder (fulfillment is critical)
- 60% are on track or have already reached their retirement savings goals

### Health Conscious
- Concerned what they can do about their health and staying healthy
- Despite their good intentions, 60% of adults 50-64 years of age, suffer from at least one chronic condition
- 61% feel younger than their age

### Medicare Population Characteristics

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>3+ Chronic Conditions</td>
<td>65%</td>
</tr>
<tr>
<td>Savings Below $61,400</td>
<td>50%</td>
</tr>
<tr>
<td>Income Below $23,500</td>
<td>50%</td>
</tr>
<tr>
<td>Cognitive/Mental Impairment</td>
<td>31%</td>
</tr>
<tr>
<td>Fair/Poor Health</td>
<td>27%</td>
</tr>
<tr>
<td>Functional Impairment</td>
<td>20%</td>
</tr>
<tr>
<td>Under 65 Disabled</td>
<td>16%</td>
</tr>
<tr>
<td>Age 85+</td>
<td>13%</td>
</tr>
<tr>
<td>Long-term Care Facility Resident</td>
<td>5%</td>
</tr>
</tbody>
</table>

Figures shown as a % of total Medicare Population

Source: [CDC](https://www.cdc.gov/healthcommunications/audience/health-awareness/healthcare.html)

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# Buying Patterns and Marketing for Seniors

When marketing and understanding the needs of this population it is important to understand that within the population there are different buying patterns.

### Baby Boomer’s Profile
- First generation likely to maintain their teeth—more costly than wearing dentures (crowns, bridges)
- Interested in dental care options since they have had coverage most of their life
- Likely to pay out of pocket for required care
- “Value Conscious” and demand a higher value for the cost
- “Tech-Savvy” — enjoy the ease of purchasing plans online and navigating complex web portals

### Dental Market for Seniors
- Less likely to have their own teeth—many need or have dentures, veneers or implants
- Higher risk for not receiving regular dental care, and are less interested in care
- Time urgency strategies such as “offer good until” is not effective
- Prefer higher touch interactions that include personal experiences with carriers or agents
- Not as “tech-savvy” — web portals must be straightforward and simple to navigate


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THE ANCILLARY COVERAGE DECISION AT RETIREMENT

As adults reach retirement age, they are faced with determining how and if they will keep ancillary coverage as ancillary benefits are limited under traditional Medicare.

Seniors and Ancillary Coverage

<table>
<thead>
<tr>
<th>Age 40</th>
<th>Employer Sponsored Coverage</th>
<th>Age 64</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>73% of persons under age 65 with private health insurance have dental coverage, and 58% have vision coverage</td>
<td></td>
</tr>
</tbody>
</table>

Ancillary Coverage for U65 Population

- This population is familiar with employer sponsored coverage, and have previously been covered by an employer
- They understand typical aspects of coverage: co-pays, deductibles, network choices
- They are the first generation to likely retain their teeth throughout their lives

Ancillary Coverage for O65 Population

Ancillary coverage for O65 is comprised of three options:

1. Gain coverage through MA plan (i.e., embedded, buy-up, rider)
2. Buy individual dental plan
3. Do not purchase coverage and pay out-of-pocket for needed services

MEDICARE ADVANTAGE ANCILLARY OVERVIEW

Medicare Advantage (MA) plans offer more ancillary benefits than traditional Medicare plans. According to market research, seniors prefer “one stop shopping” – having all benefits and services in one place.

MA Plans Offering Additional Coverage

- Traditional Medicare plans offer very limited ancillary benefits
- 97% of MA plans offered at least one vision, dental or hearing benefit beyond traditional coverage
- 42% of MA plans offered dental, vision and hearing benefits in 2014 (versus 47% of MA plans in 2013)

Source: KPMG – An Untapped Advantage: Medicare Advantage may help health plans transition from volume to value; BenefitsPro – Advantage plans offer more benefits than Medicare (Apr 23, 2014)
Dental coverage is available at low, or sometimes no, cost to eligible seniors enrolled in Medicare Advantage plans.

### Options for Ancillary Coverage

**Embedded Dental**
- Dental coverage is included in the medical product (i.e., buyer does not elect dental specifically)
- Subject to minimum Medical Loss Ratio (MLR) requirements
- Generally includes less comprehensive dental coverage

**Dental Buy-Up**
- Member can purchase dental coverage separately at the point of the medical sale
- Subject to minimum Medical Loss Ratio (MLR) requirements
- Generally includes more comprehensive dental coverage

**Dental Rider**
- Member can purchase dental coverage separately
- Exempt from minimum Medical Loss Ratio (MLR) requirements
- Generally includes more comprehensive dental coverage

### MA Plan Price Points with Dental Benefit – IL

The 2015 plans in the Chicagoland area are dominated by zero dollar premium plans. However, plans that include embedded dental coverage tend to be pricier.

**Summary of Plan Type, Premium During Open Enrollment for 2015**

| Plan Type | Premium
|-----------|---------|
| MA Plan Price (PPO) | $135
| Basic (HMO) & Premier Plus (PPO) | $111
| PPO & Premier PPO (HMO) | $66
| Medicare (HMO) | $29
| Solad PPO (HMO) | $0
| Choice (PPO) - 2 Plus Options | $0
| Medicare Advantage (HMO) | $0

**Legend**
- (Dental Benefit):
  - Does not include Dental
  - Includes Dental

MA products with dental (those with green circles above) only include preventative and diagnostic services:

*Limited dental services (this does not include services in connection with care, treatment, filling, removal or replacement of teeth)*
### The Correlation Between Oral Health and Overall Health

The implications of inadequate oral health extend far beyond the mouth, into a person’s overall health.

<table>
<thead>
<tr>
<th>Dental Ailment</th>
<th>Health Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Periodontal disease</td>
<td>Associated with chronic health issues (e.g., diabetes mellitus, heart disease, stroke, etc.)</td>
</tr>
<tr>
<td>Overproduction of bacteria in mouth</td>
<td>Endocarditis, an infection of the inner lining of the heart</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Health Ailment</th>
<th>Dental Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIV and AIDS</td>
<td>Lowers the body’s resistance to infection, making oral health problems more severe</td>
</tr>
<tr>
<td>Medications such as decongestants, antihistamines and pain killers</td>
<td>Medications can cause reduced saliva (a factor in tooth decay and infection)</td>
</tr>
<tr>
<td>Diabetes</td>
<td>Lowers the body’s resistance to infection, and damages organs, blood vessels, nerves and eyes</td>
</tr>
</tbody>
</table>


### Dental and Vision Market Facts

The market for overall oral and eye health is significant and expected to grow with the aging population.

**Dental**

- $106 Billion
  - Americans spend on dental care each year
- 60 – 70% Of Americans seek routine dental exams
- 2:1 The ratio of edentulous geriatrics
- 35 Million Americans do not have any teeth
- 2.3 Million Americans have implant-supported crowns each year

**Vision**

- $15 Billion
  - Americans spend on eyewear each year
- 150 Million Americans use corrective eyewear
- 1/3 Of Americans have astigmatism
- 22 Million Americans age 40+ are impacted by cataracts
- 32 Million Americans are myopic (nearsighted)

Source: American Academy of Ophthalmology, American College of Prosthodontists
THE SPECTRUM OF SOPHISTICATION

Understanding the unique coverage needs and issues faced by seniors can help improve product design and strategic positioning of senior products.

### Ancillary Integration and Focus Spectrum

<table>
<thead>
<tr>
<th>Product Design</th>
<th>Limited</th>
<th>Some Focus</th>
<th>Sophisticated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never revisits dental product suite or is market reactive in redesigns</td>
<td>Actively reviews dental product suite for innovative opportunities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generic or standard benefit design in senior markets</td>
<td>Senior-specific benefit design elements (e.g., denture coverage)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard network availability</td>
<td>Customized networks for senior products (e.g., prosthodontists)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acts like new policy</td>
<td>Ability to leverage employer based “credits” (i.e. waive waiting periods)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Understanding the unique coverage needs and issues faced by seniors can help improve product design and strategic positioning of senior products.

### Ancillary Integration and Focus Spectrum (CONT.)

<table>
<thead>
<tr>
<th>Buying Patterns</th>
<th>Limited</th>
<th>Some Focus</th>
<th>Sophisticated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited web and/or self-service capabilities</td>
<td>Targeted senior marketing/landing pages and web enrollment options</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traditional premium payment options</td>
<td>Linked payments to core Medicare policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traditional customer service model</td>
<td>Specialized, senior-focused customer service</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
THE SPECTRUM OF SOPHISTICATION (CONT.)

Understanding the unique coverage needs and issues faced by seniors can help improve product design and strategic positioning of senior products.

<table>
<thead>
<tr>
<th></th>
<th>Limited</th>
<th>Some Focus</th>
<th>Sophisticated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human Capital</strong></td>
<td>No specific job responsibility</td>
<td>Dedicated human capital</td>
<td></td>
</tr>
<tr>
<td><strong>Information Technology</strong></td>
<td>No, or limited, medical-dental data integration</td>
<td>Medical-dental data integration and targeted disease management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Traditional premium payment options</td>
<td>Automated premium payment options (i.e. tied to Medicare payments)</td>
<td></td>
</tr>
</tbody>
</table>

Questions
BIO: MARC MILANOWSKI, MANAGING DIRECTOR

- Marc Milanowski has over 15 years of experience helping his clients address and resolve many of the complex operational and financial issues that face the healthcare industry.
- Marc has a wide breadth of knowledge that he leverages on his client engagements, from developing growth strategies and navigating the complex government markets to identifying and implementing cost containment savings and transforming traditional business models during a time of complexity and change in all aspects of healthcare.
- Marc has also assisted clients with core business activities including major system migrations, reorganizations, and cost accounting redesigns.
- During his career, Marc has assisted a broad spectrum of clients across the healthcare industry (Commercial, Medicare, Medicaid, TRICARE), including national medical, dental, and vision payers.
- Marc is a frequent speaker and attendee at national conferences such as those sponsored by the National Association of Specialty Health Organizations (NASHO), the National Association of Vision Care Plans (NAVCP), and the National Association of Dental Plans (NADP).
- Marc started his consulting career at Arthur Andersen and was a Director for Huron Consulting Group’s Pharmaceutical and Health Plan practice.
- Marc received his bachelor’s degree in finance from DePaul University in Chicago, IL.

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