

Axios, Sept. 6, 2024

More MA storm clouds

Illustration: Annelise Capossela/Axios

As you likely know, whatever honeymoon Medicare Advantage was on as it cruised toward its current size — covering more than half of the Medicare population — is over, and enrollees are probably starting to notice.

Why it matters: MA has been very lucrative for insurers, shaping their behavior in ways that economists and journalists are still uncovering. But both policy decisions and real-world dynamics have blunted the program's profitability, which is likely to have trickle-down effects.

- Who knows where this all ends up. But it's worth keeping track of the incremental developments that could eventually bring the temperature to a boil.

Driving the news: As we told you yesterday, Humana said this week that the insurer is leaving 13 Medicare Advantage markets, and around 560,000 members will have to choose new policies for 2025, Modern Healthcare reported.

- The company had previously said it would be scaling back benefits and increasing premiums with the goal of improving margins.
- Humana isn't alone; CVS announced another cut to its full-year earnings outlook last month as seniors continue to use a lot of health care, cutting into MA profits.

Meanwhile, MA insurers' conflict with providers appears to be escalating.

- Nearly two dozen health systems so far this year have said they're dropping contracts with MA plans, according to Becker's Hospital Review's tracker.
- Providers' frustration is partially related to claims denials and prior authorization delays, which they say makes it hard to collect payment.
- Moody's wrote in an investor note this spring that insurers' declining profitability is likely to make things worse: "To help offset lower MA earnings, insurers could, in addition to service denials, turn to

reducing costs by restricting provider networks or becoming more aggressive when negotiating MA and commercial rates."

My thought bubble: Arguing about whether the government is overpaying MA plans is one thing — and that's what I've typically written about in this space over the last few years.

- But terminated provider contracts, reduced benefits, and market exits are another beast altogether. Those are things that impact patients. And when patients actually *feel* the problems that policymakers talk about, things tend to get a lot more interesting.
- So buckle up; we're probably going to keep talking about MA a lot