

Insurers went all-in on Medicare Advantage. Now, some are scaling back

Humana and Aetna are among insurers cutting plans in a bid to improve profits

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For years, health insurers battled to gain market share in the lucrative privatized Medicare program. Now, the opposite is true. Some of the companies say they designed their 2025 plans with an eye toward ditching members.

Health insurance has always been cyclical — companies go all-in on certain business lines when they're profitable and get out when they're not — but next year will mark a particularly drastic turning point for Medicare Advantage, the form of Medicare run by private companies that contract with the government. When insurers release their 2025 plan offerings on Oct. 1, there likely will be fewer choices and freebies.

“They don't want these patients anymore,” said Jared Holz, a health care sector strategist with Mizuho Securities. “For a while it was how quickly could you grow Medicare because the business was trending favorably. And now, because the trends are so unfavorable, you've got half of this sector making a conscious effort to lose members. We haven't seen this in a very long time.”

Biden administration sticks with slight cuts to 2025 Medicare Advantage payments

Analysts don't expect enrollment in Medicare Advantage overall to decline next year, when the program is projected to cost taxpayers more than \$540 billion. Instead, it could become more of a game of musical chairs.

Insurers like Humana and CVS Health's Aetna are reacting to a perfect storm of forces converging on Medicare Advantage, a popular program that now covers over half of eligible beneficiaries. Perhaps the biggest change is the Biden administration's crackdown on overpayments to the companies, a package of reforms that will be phased in over three years. Baseline payments for Medicare Advantage plans will dip slightly next year, after years of increases.

Older adults enrolled in the program have also been getting more medical care than the companies projected in recent years. And some companies report spending more than they expected on supplemental benefits like vision and dental, perks they tacked onto plans to attract more members. Starting this year, they've also had to pay more for some hospital stays.

Not all companies have offered specifics, but information gleaned from investor presentations and industry insiders points to a potentially turbulent Medicare enrollment period, which runs from Oct. 15 to Dec. 7.

"We're hearing consistently that the benefits will be substantially skinnier because of these changes and because you have this dynamic where everyone thinks there's a lot of really costly enrollees out there," said Jonathan Kolstad, an economics professor at the University of California, Berkeley. "People get very nervous about being the plan that ends up getting all of them."

For its part, Humana — whose 6.2 million Medicare Advantage members represent 38% of its total medical members — is getting rid of plans that currently cover about 560,000 members. The company, the second-largest provider of Medicare Advantage plans, said it expects roughly half of them to choose different Humana Medicare plans.

Humana members losing coverage can generally expect their remaining options to offer fewer benefits and cost more, said David Blumenthal, professor of the practice of public health and health policy at the Harvard T.H. Chan School of Public Health.

CVS Health similarly said it plans to offload up to 10% of its Medicare Advantage membership to make more profit. The company's Aetna unit saw the biggest enrollment growth of any insurer this year after it bolstered benefits like dental, vision, and \$0 premiums. CVS has about 4.3 million Medicare Advantage members, about 16% of its total medical membership.

Centene plans to exit the Medicare Advantage markets in at least six states next year, affecting roughly 3% of its total members in the program or about 37,300 people, according to the investment bank Stephens. Centene, which has roughly 1.1 million Medicare Advantage members, declined to comment on its plans.

Elevance hasn't shared much detail on its 2025 plans for Medicare Advantage, but the company's finance chief, Mark Kaye, said on its latest earnings call that he's projecting profit will grow as a result of "prudent action" the company is taking in its Medicare Advantage bids. Elevance, which did not respond to a request for comment, had roughly 2 million Medicare Advantage members as of August, representing just 4.4% of its total medical membership. Most of the insurer's enrollees are in its commercial plans.

UnitedHealth Group's insurance arm, UnitedHealthcare, enrolls the most Medicare Advantage members of anyone, at about 9.5 million people. John Rex, the company's finance chief, offered a vague statement on the company's latest earnings call, saying UnitedHealth took a "balanced approach to provide as much stability for seniors as possible, while factoring in the realities of the funding cuts and current care patterns."

UnitedHealth is in a different position than its competitors in that a sizable portion of its revenue comes from 90,000 employed and affiliated physicians who provide medical care. A STAT investigation detailed the ways the company pressures those doctors to

make its Medicare Advantage members appear sicker than they are to get bigger payments from the government.

Medicare represents a larger share of the business for companies like Humana than it does for UnitedHealth, so it's easier for UnitedHealth to navigate through a rocky period like we're currently in, Holz said.

"It's made Humana very vulnerable," Holz said. "There is very little they can do to counteract a hot utilization market, whereas United benefits in some ways from that in other parts of the business."

Shares of both Humana and CVS have declined about 30% this year. UnitedHealth's stock has increased 9%.

UnitedHealth has a history of warning that it plans to scale back its Medicare Advantage benefits, but then ultimately offering more robust benefits than expected. Holz said that's what happened in 2023 and 2024. He said it's possible that the company will continue to offer robust benefits to attract members in 2025 who leave Humana and CVS.

"On a long-term basis, if they think that utilization is going to peak and/or plateau and eventually go the other way at some point, that might be a good opportunity for them to gain market share, even if it is short-term detrimental to margins."

Some experts said they think the companies' comments on Medicare Advantage are designed in part to dissuade further regulation of the plans. In public statements, company leaders frame the Biden administration's reforms as directly cutting seniors' benefits or adding to their premiums, as if the companies themselves have no agency in those plan changes.

Harvard's Blumenthal said since Republicans tend to favor Medicare Advantage, he thinks the companies are also laying the groundwork for a potential Trump presidency, in which there could be a relaxation of the rules.

Overall, though, the number of plans available to people is still higher than it was years ago, said Jeannie Fuglesten Biniek, an associate director in KFF's Program on Medicare Policy. Five years ago, there were

just 24 Medicare Advantage plans available to the average beneficiary. This year, there are 43.

“That’s a huge increase,” Fuglesten Biniek said. “So even if we see some decline in plan offerings, I think we will probably see more than we did just a couple years ago. This market has really exploded.”

Bob Herman contributed reporting