

Prepared Testimony
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Chairman Wyden, Ranking Member Crapo, members of the Committee, it is my honor to be here today to represent Security Health Plan and our clinical partners at the Marshfield Clinic Health System to discuss Medicare Advantage (MA). Today, more than half of eligible seniors across the country receive their Medicare coverage through an MA plan. By 2030, the Congressional Budget Office estimates that more than 6 in 10 seniors will choose MA. Creating a well-functioning MA program that empowers beneficiaries to select a plan that meets their needs while protecting against misleading and aggressive enrollment practices, as well as unscrupulous marketing tactics, is crucial to the long-term success and sustainability of the program.

While work by this committee has helped improve marketing practices, more work remains. Today, creative new payments flowing through independent third-party entities are adding unnecessary costs and fueling misleading marketing practices in the MA market. At a time when the solvency of the Medicare Trust Fund is paramount, I urge Congress and the Centers for Medicare and Medicaid Services (CMS) to protect enrollees and taxpayers with reasonable limits on total compensation and stop misleading and aggressive enrollment practices.

Background

Headquartered in central Wisconsin and serving 225,000 members across Wisconsin, Security Health Plan is the fifth largest health plan by membership and sixth largest by premium volume in Wisconsin. Security Health Plan is a not-for-profit health plan with group commercial coverage for large and small employers, individuals, and families through the federally facilitated Marketplace, Medicare and Medicaid beneficiaries, plus benefit administration for self-funded employers.

Security Health Plan was founded over 50 years ago as one of the first physician-sponsored health maintenance organizations in the country. The goal of the organization then was to offer high-quality, affordable health coverage for the communities we serve. This mission has not changed. We are pleased to continue this legacy of serving the communities we call home. Security Health Plan has routinely been recognized as a quality leader, earning 4-stars or above from the Centers for Medicare and Medicaid Services (CMS) for our MA program, as well as recognition for superior customer service and enrollee satisfaction.

We are part of the Marshfield Clinic Health System, an integrated health system serving Wisconsin and northern Michigan. Our 1,400 providers deliver care for 3.5 million patient encounters each year across our eleven hospitals (including 3 critical access hospitals) and over sixty ambulatory clinical sites in over 40 communities. Half of the ambulatory facilities are in communities of less than 4,000 people. Marshfield Clinic Health System is one of the largest fully integrated health systems serving residents from locations in rural communities. The system's primary service area encompasses over 80 percent of the rural population of the state of Wisconsin. We are the largest provider of primary and specialty care in our region including services provided to children through our very own Marshfield Children's Hospital. Marshfield Clinic Health System is also a teaching health system, providing over 1,300 students with over 2,300 educational experiences annually throughout our system. The Marshfield Clinic Research Institute is the largest privately funded research entity in the state of Wisconsin.

I have had the pleasure of serving as the CEO of Security Health Plan for the last two years. Prior to my role, I served as the Chief Financial Officer and Chief Actuary at Security. With nearly 20 years of actuarial experience, I am perhaps the rare CEO with first-hand experience developing MA products, Part D plans and many other benefit offerings. In addition to my CEO role, I also serve on the Executive Committee of the Board of Directors of the Alliance of Community Health Plans (ACHP), the only national group representing nonprofit, provider-aligned, regional health plans. As a result, I have a multi-faceted understanding of the MA program, its competitive landscape, and the needs of the enrollees served by the program.

Serving Rural Wisconsin

A vast majority of Security Health Plan's service area comprises the most rural areas of Wisconsin. Research has shown that residents of rural communities are older, sicker, and poorer than their urban and suburban contemporaries.ⁱ They are also more likely to face chronic conditions, and social factors that negatively impact their health.ⁱⁱ In Wisconsin, our demographics are shifting significantly; in over ten counties we serve there are less than two workers for every Medicare beneficiary.ⁱⁱⁱ

As a provider-sponsored health plan, Security Health Plan is committed to working with our clinical partners to create a true system of care. This allows us to deliver the best care for members and maximizes the value of the healthcare dollar. For federal programs such as MA, that means lower costs to the taxpayer and senior.

Medicare Advantage

MA is the choice of America's seniors – nearly 32 million and counting. CMS projects that MA enrollment will reach nearly 34 million in 2024. In 22 states – and growing – a majority of Medicare-eligible seniors are enrolled in the managed care alternative to traditional fee-for-service Medicare. Most beneficiaries enjoy access to zero-dollar premium plans with prescription drug coverage and other additional benefits included.

MA serves a diverse population, including a majority of Hispanic, Black and Asian American seniors. Without sacrificing quality, MA enrollees spend almost \$1,600 less a year on out-of-pocket costs compared to those enrolled in traditional Medicare. Most MA beneficiaries also pay no premium. With consistently high-quality ratings, expanded benefits and a record of reaching minority populations, this public-private partnership is an undeniable success.

Security Health Plan has offered MA for two plus decades, proudly serving more than 60,000 beneficiaries today across central, western and northern Wisconsin. Our MA offerings provide beneficiaries a wealth of choices from \$0 premium plan options to benefit rich, minimal out-of-pocket cost plans and a dual-eligible special needs plan.

However, in recent years, enrollment growth has not been evenly distributed across the MA market. For example, in the most recent Medicare open enrollment period, two-thirds of the nation's enrollment went to just two national companies. More than 80 percent of total MA enrollment went to for-profit companies. It is imperative to support broad participation by plans to ensure a thriving MA program. This leads to more consumer options, program innovation by plans, and better stewardship of Medicare dollars.

In the last two years, Security Health Plan has experienced double the historical average attrition, after sustaining retention rates of over 95% for the previous decade. Coupled with declining net growth in the MA market among smaller plans, this clearly signals a shift in the environment.

Unfortunately, nearly 100% of these members are moving to competitors who have higher administrative costs. This equates to higher rates for the Medicare Trust Fund and more costs for seniors. Worst of all, members are not always getting the coverage that they deserve or that would be most beneficial to them. We must ask ourselves whether this trajectory is in the best interest of Medicare beneficiaries and the Medicare program overall.

Medicare Advantage Marketing – Protecting Seniors and The Federal Dollar

As MA grows in popularity, it is vital to ensure that beneficiaries receive comprehensive and accurate advice throughout the selection and enrollment process. At Security Health Plan, our priority is to assist beneficiaries in selecting a plan option that best fits their needs and budget – even if that means referring them to another company. Each year we engage beneficiaries in our local communities with educational and product seminars and online webinars.

We continue to be very supportive of the marketing changes made by CMS and appreciate the Senate Finance Committee’s MA marketing investigation and report which propelled action last year. It has started to make a difference, but it must be acknowledged that we still have a lot of work to be do.

According to recent research by the Commonwealth Fund, seniors are inundated with information about MA, and marketing materials attempting to influence their decision. The study found nearly all people aged 65 and older said they received some plan marketing last year, with three-quarters seeing one or more television or online ads per day. One in three reported receiving seven or more phone calls per week even though cold calling is prohibited by CMS Marketing guidelines.^{iv} During Medicare open enrollment, it is difficult to turn on a television and not see a MA ad. For all the progress we have made, challenges still exist. Just last week, in a conversation with a trusted broker partner, he described the ambush that has already begun with his clients receiving as many as five phone calls per day. Clients are overwhelmed with the promise of false benefits so much that his team is barely even able to keep up with the confusion and questions, let alone seek and support new enrollment.

Brokers and Field Marketing Organizations

The task of educating current and potential MA beneficiaries about their options cannot be accomplished by one entity. CMS plays a crucial role in educating beneficiaries about their options. And, from our own market research, we know recommendations from friends and family also play a large role in the decision-making process. However, the single most influential perspective in choosing a MA plan remains advice from a broker.^v

Let me be clear, we value the important role that brokers play in our efforts to educate, sell our products, and support our members. Brokers are a trusted partner for Security Health Plan, and health plans across the country. In fact, 85 percent of our MA enrollment at Security Health Plan comes from more than 500 brokers across our service region that we are proud to partner with. Unfortunately, we know that some large firms and third-party marketing organizations leverage their influence for financial gain rather than what may be in best interest of the consumer.

The explosion of large field marketing organizations in recent years has created a compensation structure that makes it more difficult for smaller, regional plans and their local independent agent partners, to compete. Many of these field marketing organizations receive “add-on” or incentive payments that go above and beyond the CMS-approved broker commission caps. Instead of collecting the maximum commission of \$611 for a new enrollee, many brokers are collecting \$1,300 or more. This additional compensation is marked as marketing or administrative dollars and can also include incentives for members completing a health risk assessment or vague application of referral bonuses.

There have also been reports of large carriers financing service expansion into new territories with the expectation of the brokers supporting preferred plans. This creates an environment in which beneficiaries, and ultimately the Medicare program itself, are paying out additional and unnecessary dollars.

Colleagues from across the country have shared anecdotes of large carriers and third-party marketing organizations implementing quotas or exclusivity for enrollment and threatening to terminate contracts if targets are not met. This may explain the incentive for such aggressive sales tactics.

These dynamics result in real-world consequences. Just last week, an MA member called our plan to complain that an agent falsely representing Security Health Plan was cold calling her to market another plan. In a previous Medicare open enrollment period, our team assisted a member who was tricked into enrolling in another plan. We worked with the member to re-enroll with Security Health Plan not once, but four times during that single open enrollment period.

What Does This All Mean?

The result of these and other practices is that consumer's options can be unfairly and unnecessarily skewed because of perverse incentives when it comes time for a consumer to select an MA plan. The current structure creates an unlevel playing field. The ability of smaller, regional health plans like Security Health Plan, to compete against larger, national carriers is drastically impacted. Less plan choice and less competition will not serve our beneficiaries well. Less competition between MA plans will mean less pressure to keep costs low, less innovation and less incentive to add additional benefits. This is a disservice to beneficiaries and taxpayers.

In competitive markets like ours, the current structure not only limits our ability to be successful, but it also runs counter to our long-standing commitment to be a good steward of the Medicare dollar. We have been forced to make tough decisions between adding extra benefits for seniors and lowering costs or increasing our administrative budget to keep pace with national competitors in order to retain and grow enrollment. This is a position no health plan should be in. Our goal should be to limit administrative expenses, maintaining our primary focus on designing well-rounded benefits that support the health and well-being of our members.

What Can Be Done

Medicare enrollees deserve a robust and competitive insurance marketplace, where competition between plans benefits them, as well as the overall program. Unfortunately, trends in the market point toward a more difficult operating environment for smaller, regional health plans. The consequences of this will be decreased MA offerings for beneficiaries, and likely higher costs for seniors, and the federal government.

I urge you to engage with CMS to review the practice of add-on payments to ensure that competitively unfair practices are inhibited, especially total payments above and beyond the CMS approved levels. Further, CMS and regulators must remain vigilant in enforcing marketing rules that protect seniors from misleading and aggressive marketing tactics. Brokers must be compensated fairly, while removing misaligned incentives for large third-party organizations. Limiting or capping these payments would protect the integrity of the Medicare program and its beneficiaries as well as make great strides in restoring the competitive balance among Medicare Advantage plans.

As a Board member of ACHP, I endorse the organization's *MA for Tomorrow* initiative. *MA for Tomorrow* includes specific proposals to safeguard beneficiaries and ensure an unbiased enrollment process by regulating the total compensation health plans may pay to brokers. Valuing the essential role brokers offer in helping seniors understand the coverage options available and to find the health plan best suited to their needs, ACHP offered three immediate changes to ensure brokers remain sufficiently compensated for assisting beneficiaries while ensuring health plans appropriately utilize Medicare dollars to compete for enrollment based on quality and care.

1. **Standardize and limit the add on payments tied to broker compensation.** Curbing the growth of broker add on payments would address misaligned incentives. CMS has the authority to build on compensation standards to protect the integrity of the Medicare dollar by limiting total broker payment and preventing steering based on broker compensation.
2. **Create incentives for enrolling beneficiaries in high-quality and value-based plans.** Brokers should be rewarded if they match a senior with a health plan that is high quality (star rating of 4 or higher) and advances value-based care.
3. **Require plans to report total broker compensation.** Consistent and annual reporting would shed light on an issue that currently has little to no data. Transparency on how much of a health plan's marketing dollars go to brokers (not just the commission) is an essential step toward evaluating the MA broker market.

Conclusion

Chairman Wyden, Ranking Member Crapo, members of the committee, again I am honored to be here today advocating on behalf of Security Health Plan, other health plans, and most importantly MA beneficiaries. MA is a vital and popular program enriching the lives of seniors across our nation. Continuing to support its evolution to meet the needs of beneficiaries is crucial. Creating a well-functioning MA program that protects beneficiaries and supports them in making well-informed decisions is crucial to the long-term success and sustainability.

I thank you for your time this morning and welcome the opportunity to answer your questions.

ⁱ Centers For Disease Control and Prevention, Rural Health, <https://www.cdc.gov/ruralhealth/about.html>. Updated May 9, 2023

ⁱⁱ Ibid

ⁱⁱⁱ: Bureau of Labor Statistics, county employed as of July 2022.

Medicare data source: Centers for Medicare & Medicaid Services, Medicare county enrollment as of July 2022.

^{iv} "The Private Plan Pitch: Seniors' Experiences with Medicare Marketing and Advertising." The Commonwealth Fund, Issue Brief, September 12, 2023.

^v Ibid.