MILLIMAN WHITE PAPER

Key insights into 2024 Medicare Advantage D-SNP landscape

D-SNP market continues to grow and evolve with federal and state policy changes

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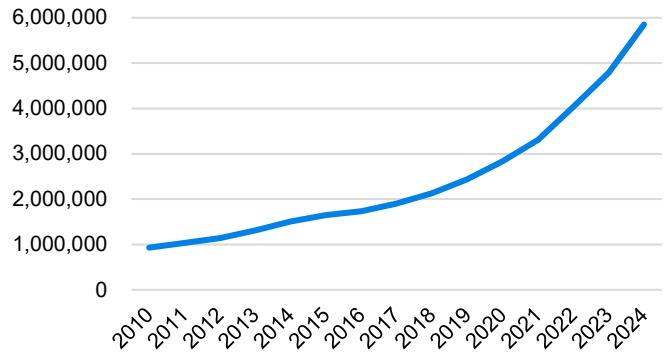
Recently released calendar year (CY) 2024 Medicare Advantage (MA) data show continued expansion of dual eligible special needs plans (D-SNPs). This white paper discusses their growth, recent policies impacting D-SNPs, and additional key insights into the CY 2024 D-SNP landscape.

Dual eligible special needs plans, or D-SNPs, are Medicare Advantage (MA) plans that only enroll beneficiaries who are dually eligible and enrolled in both Medicare and Medicaid. D-SNPs have become increasingly popular among both MA organizations (MAOs) and dual eligible beneficiaries because of their ability to tailor benefit designs to the needs of this population. Recent federal regulations and state Medicaid policies related to D-SNPs, largely guided by a Centers for Medicare and Medicaid Services (CMS) goal of promoting integrated care through aligned Medicare and Medicaid products, have helped to shape the D-SNP landscape in recent years.[1]

Figure 1 shows D-SNP enrollment from CY 2010 to CY 2024. Enrollment has increased steadily over that time period and more than doubled over the past five years.

FIGURE 1: D-SNP ENROLLMENT (CY 2010-CY 2024)

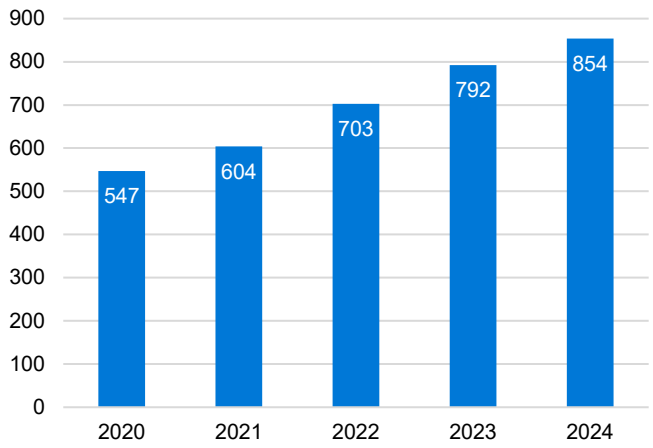


CMS recently released information about CY 2024 MA plan offerings, including D-SNPs.[2] The remainder of this paper discusses key takeaways from a review of CY 2024 D-SNP plan offering data and Milliman's Medicare Advantage Competitive Value Added Tool (Milliman MACVAT®).

1. The D-SNP market continues its high growth rate

The number of D-SNPs will increase by 8% in CY 2024. Figure 2 shows the growth in D-SNPs over the past five years.

FIGURE 2: NUMBER OF D-SNPS (CY 2019-CY 2024)

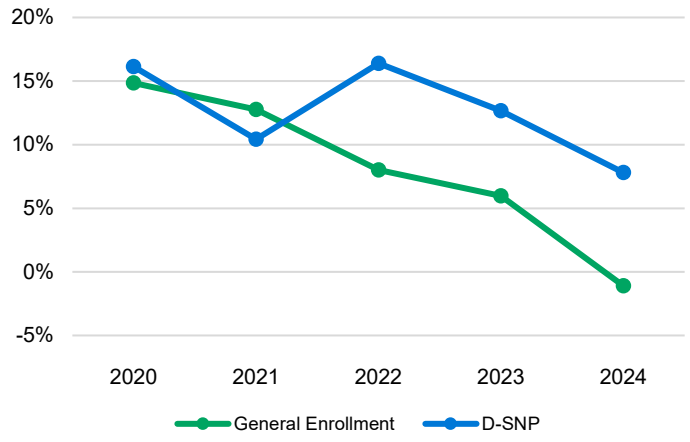


In CY 2024, the pace of growth of offered D-SNPs (7.8%) remains high, though the majority of growth is attributable to new plans offered by national carriers (detailed further in the next section). While the growth rate in the number of MA general enrollment plans has slowed in each of the past five years, with this year being the first it went negative (-1.1%), the growth rate in the number of D-SNPs has remained high (8%-16%). However, growth in the number of D-SNPs has slowed in each of the past two years. Figure 3 shows the average annual growth in MA plans by year from 2019 through 2024 separately for D-SNPs and general enrollment plans.

[1] The full text of 2023 changes to regulations is available at https://www.govinfo.gov/content/pkg/FR-2022-05-09/pdf/2022-09375.pdf.

[2] CMS. Prescription Drug Coverage – General Information. Retrieved February 23, 2024, from https://www.cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovGenIn/index.

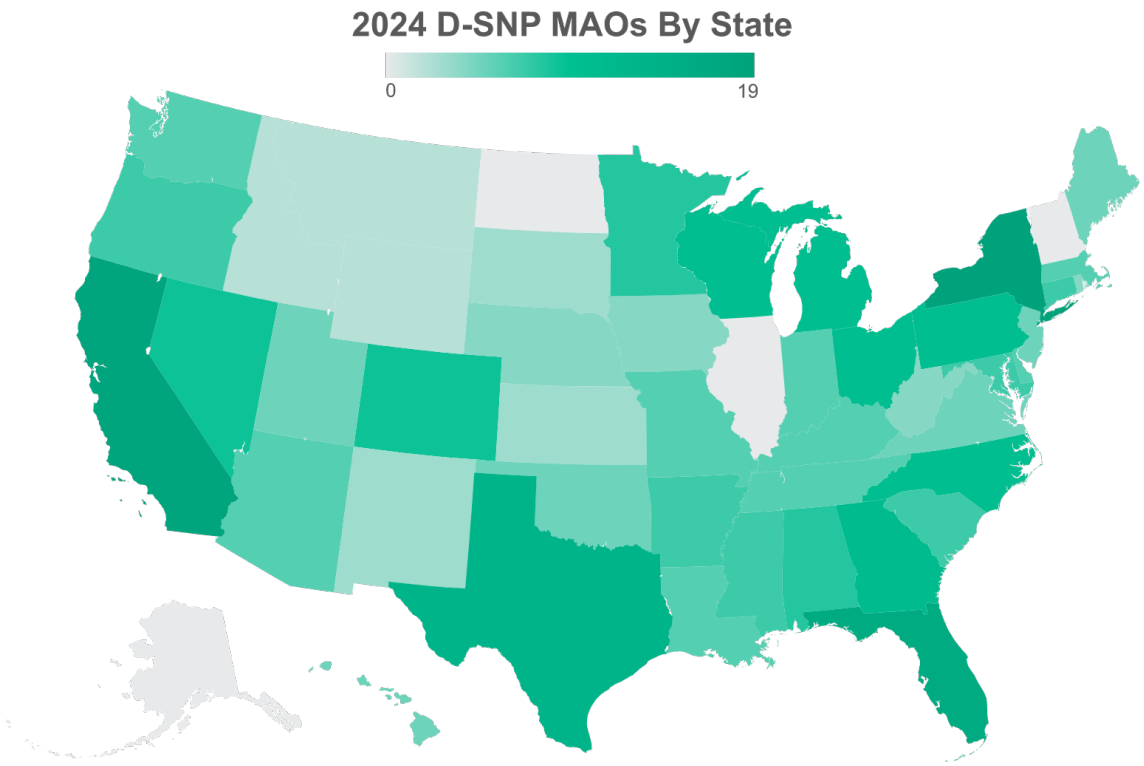
FIGURE 3: ANNUAL GROWTH IN NUMBER OF PLANS BY PLAN TYPE (CY 2019-CY 2024)



In 2024, five states had an increase in the number of MAOs offering D-SNPs from 2023 while six states had reductions. Figure 4 shows the number of unique MAOs offering D-SNPs in each state.

Consistent with recent years, D-SNP availability at the local level continues to be strong. Based on our analysis of the plan data and CMS dual eligible beneficiary enrollment data,[3] 98% of full benefit dual eligible beneficiaries have access to a D-SNP or Medicare-Medicaid Plan (MMP) in 2024 and 95% have access to at least three D-SNP or MMP options. MMPs are plan types distinct from D-SNPs and are excluded from D-SNP totals throughout this paper, but they share many characteristics with D-SNPs, including enrolling only dual eligible beneficiaries. MMPs are discussed further below. These amounts both increased by less than 1% from 2023. By comparison, 95% of full benefit dual eligible beneficiaries had access to a D-SNP in 2020 and 80% had access to at least three D-SNP or MMP options.

FIGURE 4: NUMBER OF MAOS OFFERING D-SNPS BY STATE (CY 2024)



[3] CMS. MMCO Statistical & Analytic Reports – Enrollment Snapshots. Retrieved February 23, 2024, from https://www.cms.gov/medicare-medicaid-coordination/medicare-and-medicaid-coordination/medicare-medicaid-coordination-office/analytics.

2. D-SNP enrollment and plan offerings continue to be concentrated in a few national MAOs

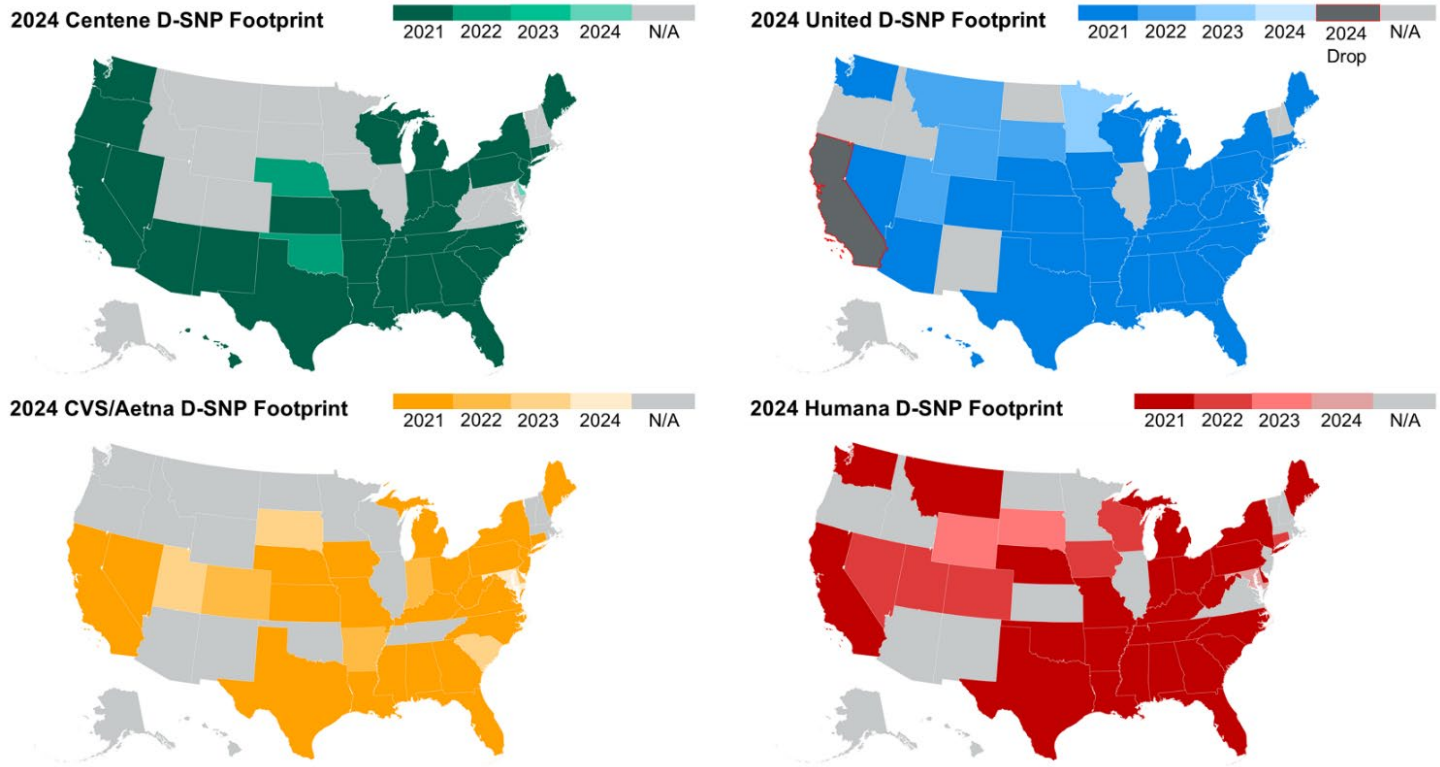
UnitedHealthcare continues to offer D-SNPs in more states and cover more D-SNP beneficiaries than any other MAO. The four MAOs with the largest D-SNP footprints are as follows:

- UnitedHealthcare offers D-SNPs in 42 states (one less than CY 2023, exiting California) and covers 2.2 million D-SNP beneficiaries (37% of nationwide D-SNP enrollment) as of January 2024.
- Humana offers D-SNPs in 35 states (one more than CY 2023, entering Maryland) and covers 0.9 million D-SNP beneficiaries (16% of nationwide D-SNP enrollment).
- Centene (Allwell) offers D-SNPs in 33 states (one more than CY 2023, entering Delaware).
- Aetna (CVS Health) offers D-SNPs in 31 states (one more than in CY 2023, entering Maryland).

Other MAOs offering D-SNPs in at least 10 states include Elevance, Molina, and CIGNA. Figure 5 shows the four MAOs mentioned above with the largest D-SNP footprints.

Despite relatively minimal expansion at the state level for the largest D-SNP MAOs, these MAOs continue to increase the number of D-SNPs by offering D-SNPs in different service areas within a given state or differentiated D-SNP products within the same service area, e.g., health maintenance organization (HMO) and preferred provider organization (PPO), separate plans for full and partial duals, or plans with different benefit packages. The aforementioned seven large MAOs make up over 90% of the total growth in D-SNP offerings. UnitedHealthcare, Humana, Aetna, and Centene all offer more than 100 unique D-SNP plans in 2024—an average of at least three unique D-SNPs per MAO per state.

FIGURE 5: NATIONAL MAO D-SNP FOOTPRINTS (CY 2024)



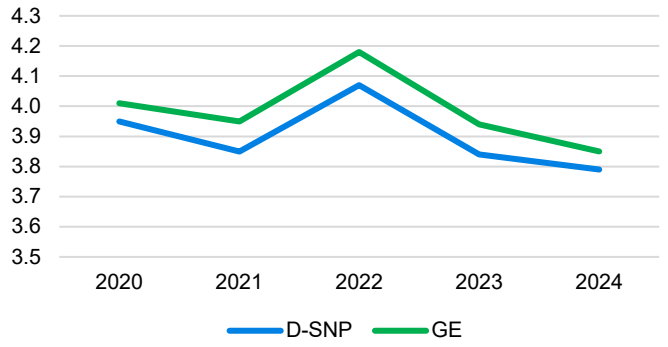
3. D-SNPs continue to offer significant supplemental benefits

D-SNPs typically offer additional (supplemental) benefits not covered by traditional Medicare. Most D-SNPs offer dental, vision, and hearing benefits as well as over-the-counter (OTC) benefit cards. Many offer other supplemental benefits, including special supplemental benefits for chronically ill enrollees (SSBCI) and an increasing number of D-SNPs offer no cost sharing for Part D drugs through the value-based insurance design (VBID) program. As discussed in more detail in a separate Milliman white paper, the average limit for D-SNP dental, vision, and hearing benefits decreased from CY 2023 to CY 2024, but the average OTC card limit increased and the proportion of D-SNPs offering combined benefits also increased.[4]

4. The average star rating for D-SNPs fell again in CY 2024

The average star rating among D-SNPs decreased for the second consecutive year in CY 2024 (impacting payment year 2025). The recent trends in D-SNP star ratings are generally consistent with those observed in general enrollment plans, though the average is consistently lower. The general downward trend is at least partially attributable to methodological changes in star rating calculations.[5] Figure 6 illustrates the change in average D-SNP star ratings over the last five years.

FIGURE 6: AVERAGE D-SNP STAR RATING BY YEAR (CY 2020-CY 2024)



Approximately 55% of D-SNPs achieved star ratings of 4.0 or greater. Both of the largest two D-SNP MAOs—UnitedHealthcare and Humana—have at least 75% of D-SNPs achieving 4.0 stars or greater. However, both MAOs have a lower percentage of D-SNPs achieving 4.0 stars or greater in 2024 than 2023, with United decreasing by 15% to 75% and Humana decreasing by 4% to 94%.

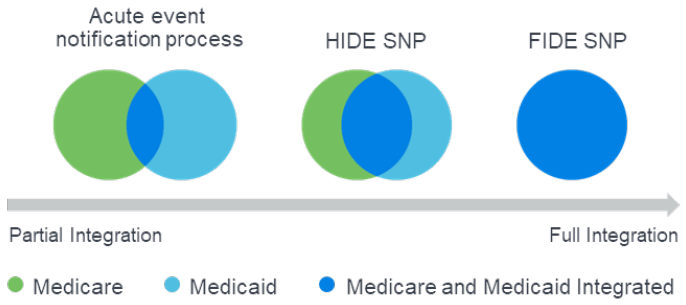
Note that star ratings are assigned at the contract level and MA contracts may contain other plans, including general enrollment and other SNP types. Therefore, star ratings for D-SNPs may be influenced by performance of non-D-SNP plans within the same contract.

5. D-SNP integration requirements have largely been met through coordination rather than integration

Beginning in CY 2021, D-SNPs are required to meet new minimum integration standards through at least one of the three avenues shown in Figure 7:

- Fully Integrated D-SNP (FIDE SNP)
- Highly Integrated D-SNP (HIDE SNP)
- An acute event notification process ("coordination-only") between the D-SNP and the state Medicaid agency.[6,7]

FIGURE 7: D-SNP INTEGRATION OPTIONS



The integration requirements do not appear to have significantly altered the D-SNP landscape through either market exits or

[4] Friedman, J.M. & Yeh, M. (January 16, 2024). State of the 2024 Medicare Advantage Industry: Dual-Eligible Plan Valuation and Benefit Offerings. Milliman White Paper. Retrieved February 23, 2024, from https://www.milliman.com/en/insight/state-of-the-2024-medicare-advantage-industry-dual-eligible.

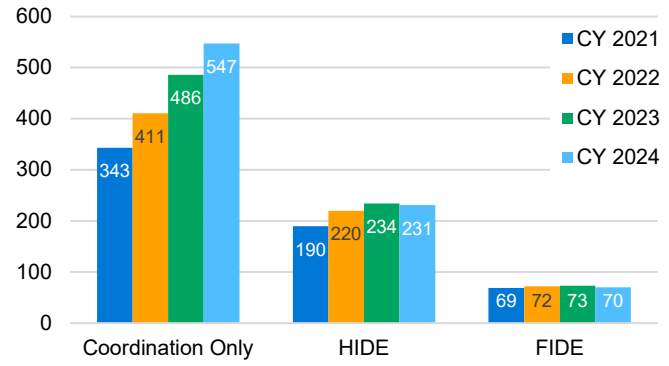
[5] Rogers, H., Smith, M.H., Nelson, P., & Yurkovic, M. (October 2023). The Future Is Now: 2024 Star Ratings Release. Milliman White Paper. Retrieved February 23, 2024, from https://www.milliman.com/-/media/milliman/pdfs/2023-articles/10-30-23_the-future-is-now-2024-star-ratings-release_20231027.ashx.

[6] CMS (October 7, 2019). CY 2021 Medicare-Medicaid Integration and Unified Appeals and Grievance Requirements for Dual Eligible Special Needs Plans (D-SNPs). Medicare-Medicaid Coordination Office. Retrieved February 23, 2024, from https://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/Downloads/DSNPsIntegrationUnifiedAppealsGrievancesMemorandumCY2021110072019.pdf.

[7] CMS (January 17, 2020). Additional Guidance on CY 2021 Medicare-Medicaid Integration Requirements for Dual Eligible Special Needs Plans (D-SNPs). Medicare-Medicaid Coordination Office. Retrieved February 23, 2024, from https://www.cms.gov/files/document/CY2021dsnpsmedicaremedicaidintegrationrequirements.pdf.

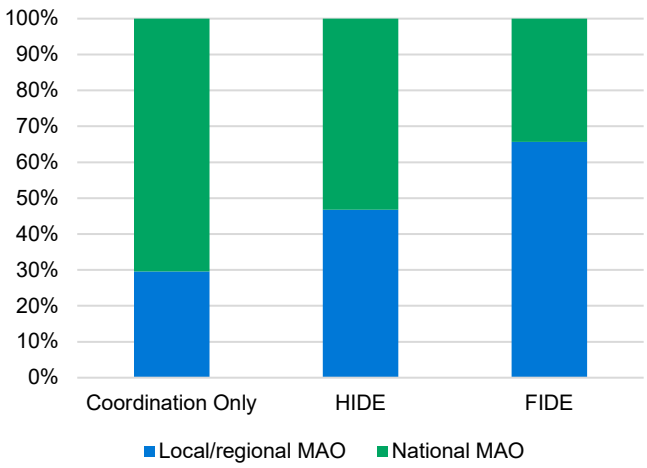
curtailed growth. Figure 8 shows the growth in each type of D-SNP plan from CY 2021 to CY 2024. The number of coordination-only plans has increased more than the number of HIDE SNPs and FIDE SNPs over the past three years. Additionally, CY 2024 represents the first year there was a decline in the number of HIDE SNPs and FIDE SNPs offered. Coordination-only plans represent approximately 65% of D-SNPs while HIDE and FIDE plans represent approximately 27% and 8% of D-SNPs, respectively.

FIGURE 8: NUMBER OF D-SNPS BY INTEGRATION STATUS (CY 2021-CY 2024)



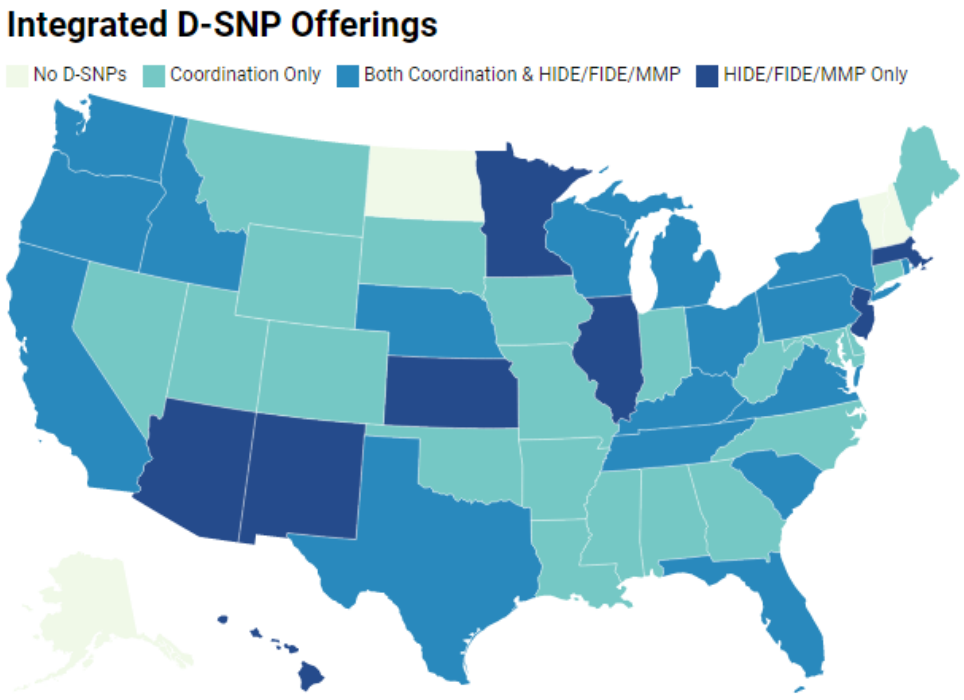
The composition of MAOs offering D-SNPs varies considerably by D-SNP integration status. Figure 9 shows the proportion of D-SNPs offered by national MAOs (the seven previously identified largest MAOs) and by local/regional MAOs (all other MAOs). The proportion of D-SNPs offered by local or regional MAOs increases with the level of integration. Local and regional MAOs offer less than one-third of coordination-only D-SNPs, almost one-half of HIDE SNPs, and approximately two-thirds of FIDE SNPs.

FIGURE 9: MAO TYPE BY D-SNP INTEGRATION STATUS (CY 2024)



D-SNP offerings in nine states (including Puerto Rico) are limited to HIDE SNP, FIDE SNP, or MMP plans. Figure 10 illustrates whether each state offers coordination-only plans, only integrated plans, or a combination of both in CY 2024.

FIGURE 10: CY 2024 D-SNP PLAN OFFERINGS BY STATE



6. Regulatory changes will continue to shape the D-SNP market

CMS and states continue to shape the D-SNP market through rulemaking and policy decisions. Recent federal policymaking has focused on promoting FIDE SNPs as a preferred vehicle for improving Medicare-Medicaid integration, preventing MAOs from shifting costs to Medicaid, limiting the ability of MAOs to enroll dual eligible members in plans without a D-SNP model of care, and reducing choice overload in the D-SNP market. Many states, including those currently participating in the managed care Financial Alignment Initiative (FAI), are taking their own steps to further pursue integration to promote higher-quality care, enhance member experience for dual eligible beneficiaries, and potentially consider cost savings. Some of these efforts are discussed below.

FEDERAL REGULATORY CHANGES

CY 2023 Medicare Advantage Final Rule

In the 2023 MA Final Rule, CMS implemented additional requirements for HIDE SNPs and FIDE SNPs starting in 2025, including a requirement that FIDE SNPs have exclusively aligned enrollment (i.e., enrollment is limited to dual eligible beneficiaries who are also enrolled in the MAO's associated Medicaid plan) and cover nearly all Medicaid-covered services through a capitated Medicaid contract.[8] CMS noted that some FIDE SNPs in Arizona, Pennsylvania, and Virginia do not currently satisfy these requirements and would either need to work with the applicable state Medicaid agency to satisfy the new requirements or be designated as HIDE SNPs starting in 2025.

D-SNP look-alikes

In CY 2023, CMS began non-renewing D-SNP look-alike plans in states with existing D-SNPs or MMPs. CMS originally identified D-SNP look-alike plans as general enrollment plans whose membership is comprised of over 80% dual eligible beneficiaries.[9] In the CY 2025 MA Proposed Rule, CMS has proposed lowering this threshold to 70% in 2025 and 60% in 2026.[10] California, Massachusetts, and Minnesota have the most plans that would qualify as D-SNP look-alike plans under the proposed thresholds.

CY 2025 Medicare Advantage Proposed Rule

In the CY 2025 MA Proposed Rule, CMS also proposed several changes to increase aligned enrollment, reduce "choice overload" of D-SNP options, and reduce out-of-network (OON) cost sharing for D-SNP enrollees. The changes proposed include:

- Changing the special enrollment period (SEP) from quarterly to monthly for low-income subsidy (LIS) and dual eligible beneficiaries starting in 2025 and limiting SEP MA enrollment to integrated D-SNPs, i.e., FIDE, HIDE, or applicable integrated plan (AIP).
- Limiting new enrollment of full benefit duals into D-SNPs that also contract with a state as a Medicaid managed care organization (MCO) to dual eligible beneficiaries enrolled in the D-SNP's affiliated MCO, beginning in CY 2027. In 2030, all membership for these plans would be required to be aligned between the D-SNP and Medicaid MCO.
- MAOs that serve dual eligible beneficiaries through Medicaid may need to consider Medicaid and D-SNP plan design, marketing strategy, care management, and operations more holistically.
- Limit MAOs to a single D-SNP Plan Benefit Package (PBP) within a given service area. Starting in 2027, each parent organization (including all related organizations) would only be permitted to offer a single D-SNP PBP enrolling full benefit duals within a given service area when the MAO (or any related organization) has an affiliated Medicaid MCO enrolling dual eligible beneficiaries. Exceptions include when a state requires multiple D-SNPs for distinct beneficiary types (e.g., over/under 65) or separate D-SNPs for full and partial duals.
- MAOs that serve dual eligible beneficiaries through Medicaid and offer multiple D-SNP plans within a service area may need to consider how to combine D-SNPs or cross-walk members to a single D-SNP.
- Limiting the OON cost sharing for D-SNP PPOs to the in-network cost-sharing limits for professional services. This is intended to reduce cost shifting to Medicaid. Note that this follows the CY 2023 MA Final Rule which required member cost sharing that is either paid by the state or not paid due to the state's lesser of coordination of benefit policies to be counted toward the member's maximum out-of-pocket (MOOP) expense beginning in CY 2023. MAOs that offer PPO D-SNPs with OON cost sharing that is greater than in-network cost-sharing limits would need to reduce OON cost sharing.

[8] See the full text of the rule at https://www.govinfo.gov/content/pkg/FR-2022-05-09/pdf/2022-09375.pdf.
[9] CMS (June 8, 2020). Dual Eligible Special Needs Plan (D-SNP) "Look-Alike" Transitions for Contract Year (CY) 2021. Retrieved February 23, 2024, from https://www.hhs.gov/guidance/sites/default/files/hhs-guidance-documents/cy21%20d-snp%20look-alike%20transition%20hpms%20memo%20final_9.pdf.
[10] See the full text of the rule at https://www.federalregister.gov/public-inspection/current.

In addition to D-SNP specific policy actions, the federal government continues to propose legislation that will shape the D-SNP market. This includes refinements to the risk score model, the Inflation Reduction Act (IRA), and changes to star ratings. Continued changes to these elements of the MA program will influence the D-SNP market moving forward.

STATE POLICY CHANGES

MMP transitions

Ten states have participated in the CMS FAI capitated model, which allows states to test models to integrate care for dual eligible beneficiaries through Medicare-Medicaid Plans (MMPs) that provide both Medicare and Medicaid benefits through a single managed care plan. However, two states (California and Virginia) ended their participation early. Per the CY 2023 MA Final Rule, CMS will require remaining participating states to sunset their MMPs by the end of the CY 2025.[11] Many of these states are expected to transition existing MMPs into D-SNPs and place a greater emphasis on D-SNPs.

California's FAI model, known as Cal MediConnect, was implemented in seven of California's largest counties and enrolled approximately 113,000 dual eligible beneficiaries as of December 2022. This represented over 40% of the combined D-SNP market/MMP enrollment in California and over 25% of the nationwide MMP enrollment. Effective January 1, 2023, eligible beneficiaries enrolled in California's MMPs were transitioned to aligned D-SNPs and Medicaid managed care plans. This significantly increased D-SNP enrollment in California.

State-specific policies

State Medicaid policy carried out through contracting requirements, facilitated enrollment into D-SNPs, and state-specific D-SNP requirements has also influenced local D-SNP markets. For example, California is leveraging its state Medicaid agency contracts (SMAC) to require D-SNPs to include enhanced care management (ECM) in their models of care (MOCs).[12] This is intended to allow beneficiaries to receive any ECM-like services they may need through the D-SNP.

Additionally, New York will begin requiring its D-SNPs to cover Medicaid dental benefits as a Medicare supplemental benefit in CY 2025.[13] Finally, many states require Medicaid managed care organizations (MCOs) to offer D-SNPs to facilitate aligned enrollment and/or restrict D-SNPs within the state to only those offered by MAOs that are also Medicaid MCOs. State policy decisions such as these will continue to influence the D-SNP market in the coming years.

Conclusion

The D-SNP market is continually evolving due to recent growth and ongoing policy changes. MAOs, states, and other stakeholders will need to understand the financial and competitive implications of market dynamics to effectively serve the dual eligible beneficiaries enrolling in these plans.

Limitations

The opinions stated in this article are those of the authors and do not represent the viewpoint of Milliman.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Nick Johnson, Annie Hallum, and Nick Gipe are members of the American Academy of Actuaries and meet the qualification standards for sharing the information in this article. To the best of their knowledge and belief, this information is complete and accurate.

This information is intended to provide an overview of the CY 2024 Medicare Advantage D-SNP market. The list of considerations outlined in this article is not exhaustive. This information may not be appropriate, and should not be used, for other purposes.

Milliman does not intend to benefit and assumes no duty of liability to parties who receive this information. Any recipient of this information should engage qualified professionals for advice appropriate to its own specific needs.

[11] See the full text of the rule at https://www.govinfo.gov/content/pkg/FR-2022-05-09/pdf/2022-09375.pdf.

[12] Anthony, S., Dai, S., Fiori, A. et al. (October 2023). Leveraging Medicaid Rate-Setting Strategies to Promote Financial Integration in D-SNPs. Milliman & Manatt. Retrieved February 23, 2024, from https://www.manatt.com/Manatt/media/Documents/Articles/AV-Duals-Report-Phase-II-2023-10_c.pdf.

[13] See https://www.health.ny.gov/health_care/medicaid/redesign/mrt90/2024/docs/cy2024_sma_contract.pdf.

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