



Medicaid **BlackBook**

Q3 2020 Health Plan Analysis



Overall Summary Analysis

Market response after 6 months of pandemic experience

The key theme of this update is that buyers have a better sense of what the pandemic means for specific plans.

Importance of payer mix

Plans with Medicaid-only or Medicare-only payer mixes struggled more compared to those with a more diverse payer mix.

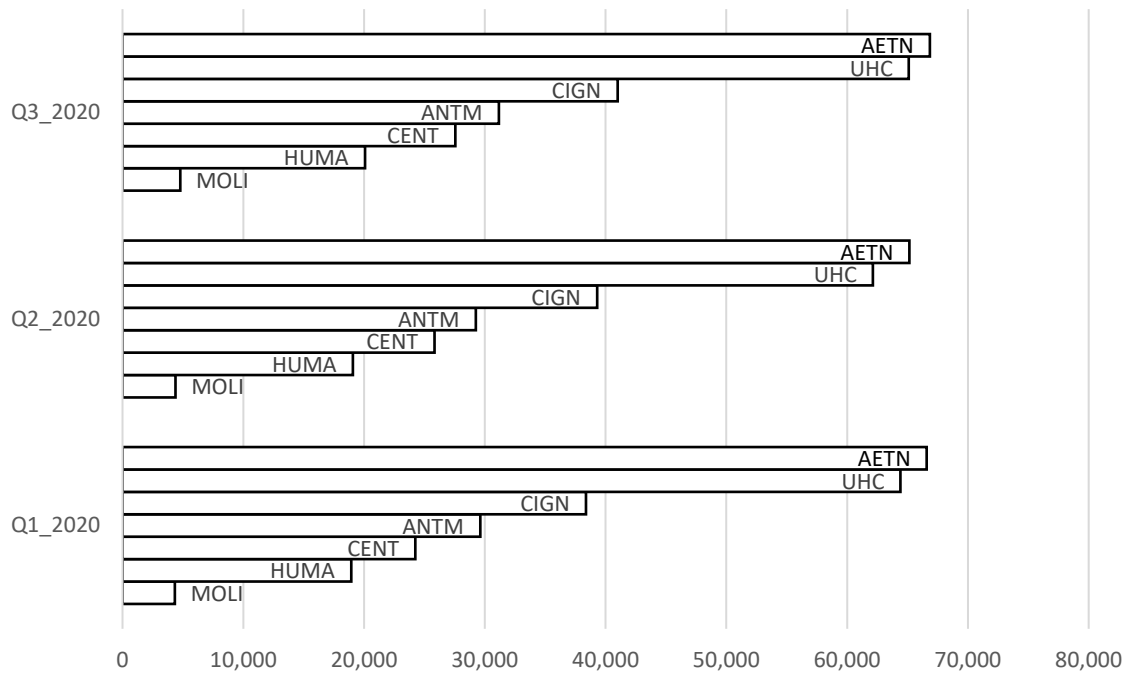
Importance of consistent strategic messaging

Plans that have stopped/started acquisition strategies, or failed to pursue diversification strategies they intimated earlier struggled more than plans who have consistently pursued a strategy.

Strategic signals for 2 plans

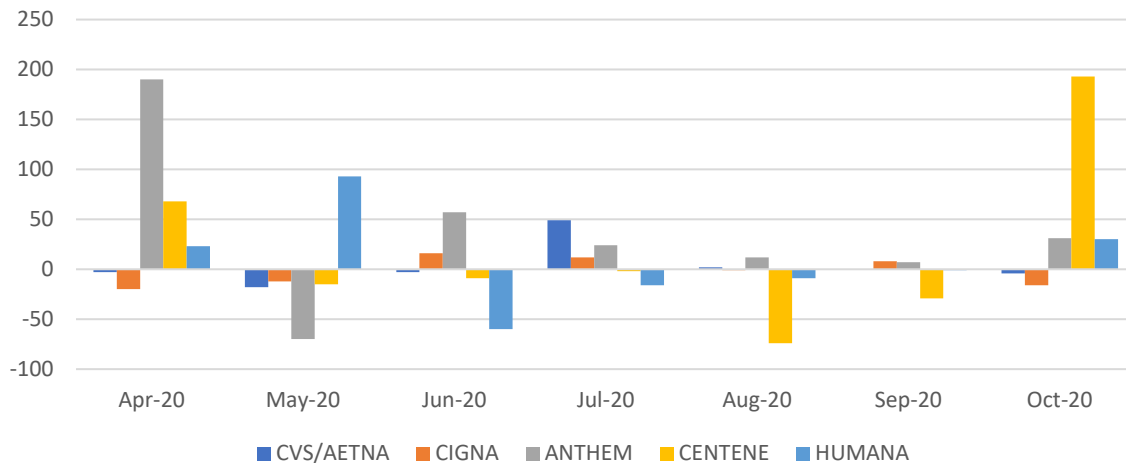
Both Centene and UnitedHealth Group has significant increases in hiring that suggest major

Revenue, \$M



Aetna and United Healthcare continue to be the largest Medicaid plans in terms of revenue (unadjusted for CVS).

Hiring vs Sector (%)



Centene appears to be positioning for strong activity in Q1 of 2020 after a lull in most of the summer. Most other plans are in an uncertain mode in terms of hiring and future outlook for

ANTHEM**Summary Analysis**

Anthem Medicaid enrollment gains (due to a pause in state reverifications) have more than offset commercial business losses during the pandemic. Market interest remained constant during Q2-Q3. Shareholder earnings took a dip in Q3, likely due to increasing costs related to the COVID pandemic. Hiring bursts in July and October suggest internal projections for early 2021 are strong.

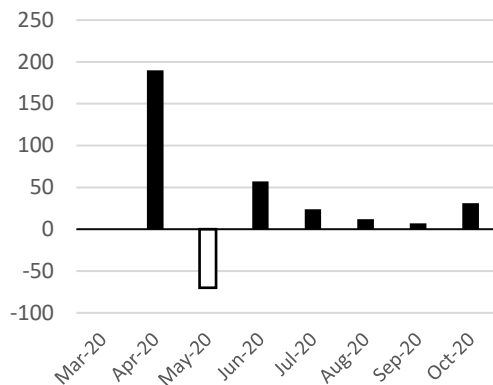
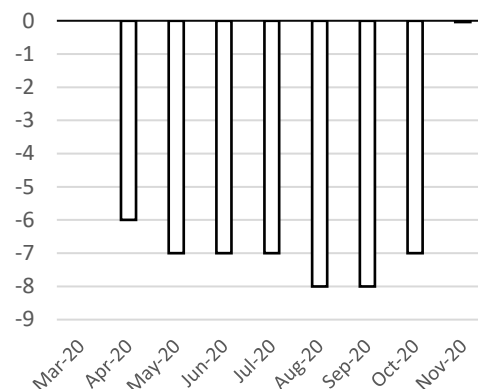
Notable news items (summaries here, see your BB subscription for more info)

-Anthem lost in 2 rounds of the recent KY RFP, but judge has ordered the state to award them a contract.

-The failed 2015 Anthem-Cigna merger now has a new chapter in which a state retirement fund is suing due to losses of the deal not going through.

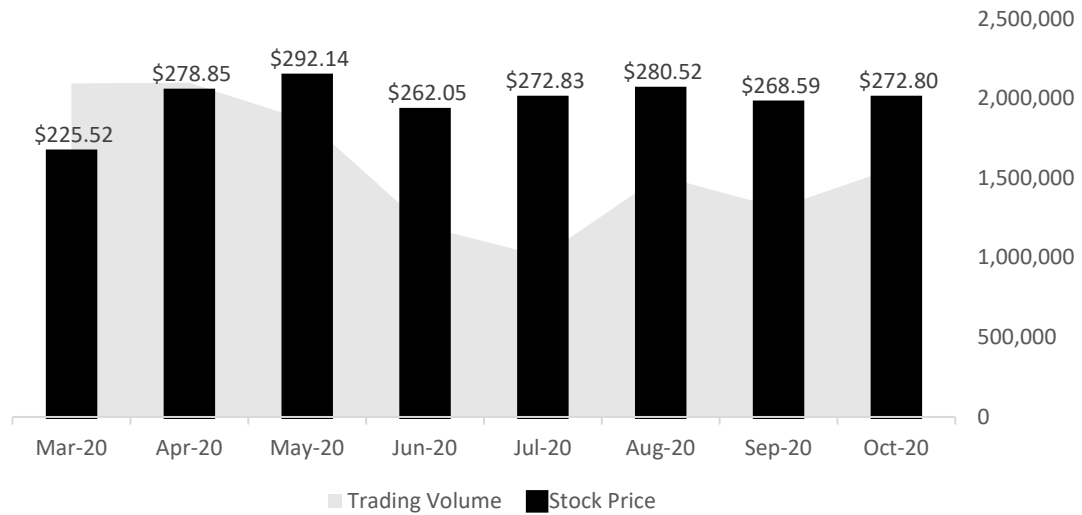
-Anthem Medicare members received 136x more telehealth visits than normal during March thru May 2020

-Anthem is entering a JV with Providence Southern California (branded under Vivity Health

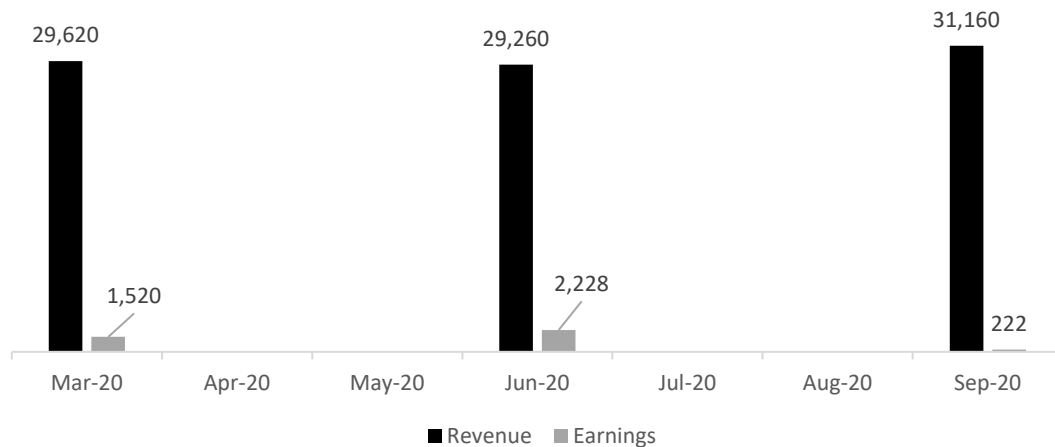
Indicators**Hiring vs Sector****Innovation vs Sector**

How we read these charts: **Hiring** The Apr ramp up was likely due to immediate response to COVID (with a large reduction the next month, reducing the net adds). The fall adds over sector suggest expected growth / wins early 2021. **Innovation** Lower investment in the summer, combined with likely increase in reserves due to COVID-suppressed utilization, has set up ANTM for investments Q4-2020 and Q1-2021.



ANTHEM continued**Market Interest**

How we read this chart: Buyers interest in health plans waned during the summer and fall, and Anthem stock performance was impacted as part of the general trend but returned to early

Revenue and Earnings (\$ M)**Earnings call analysis**

Medicaid lives increased by 390,000 in this quarter, and is up 18% current. This is due mainly to the rules around enhanced federal dollars for COVID (states can not remove people from the Medicaid rolls during the pandemic). Some commercial membership has been lost, but Medicaid growth is more than 10x commercial losses. Overall Medicaid revenues were adjusted by \$300M under retro-active, prior period rate adjustments. Q2 results were lower than appeared because of deferred utilization in the earlier part of the pandemic. Q3 COVID-related costs are increasing and are

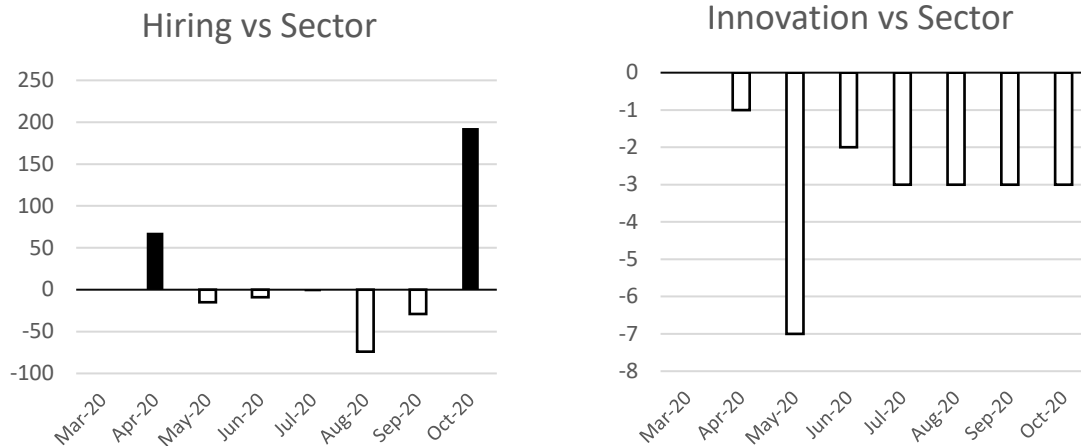


CENTENE**Summary Analysis**

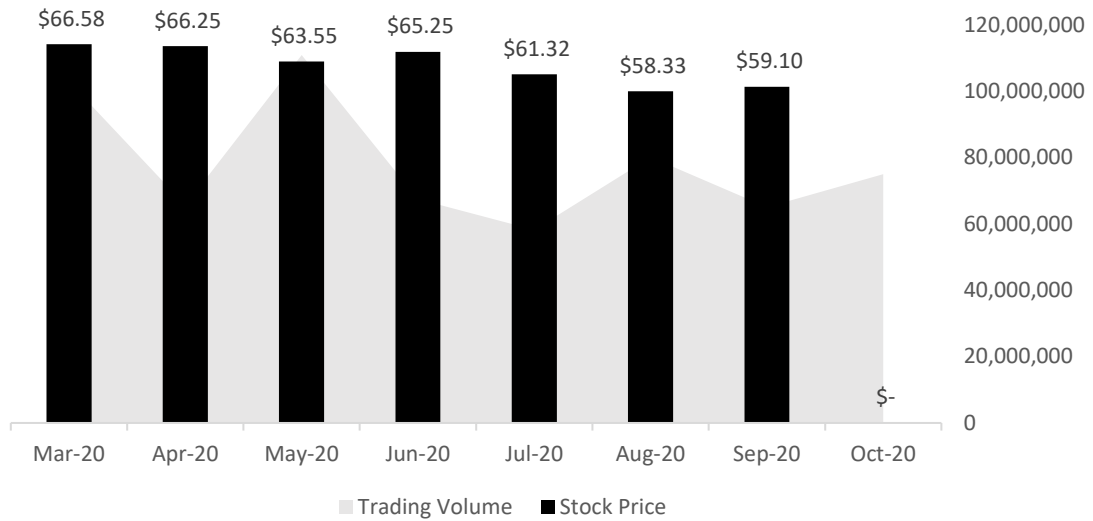
Centene enrollment, while stronger because of the pause in reverifications, has grown slower than expected during COVID. As the giant works through digesting the WellCare acquisition, it now turns to innovation opportunities (including signing up for Slavitt's/AVIA's Medicaid Transformation project) and large investments in telehealth. Other important actions include the Apixio purchase (healthcare analytics) and major capital investments in its new North Carolina Medicaid operations (likely driving the Q4 hiring spike observed).

Notable news items (summaries here, see your BB subscription for more info)

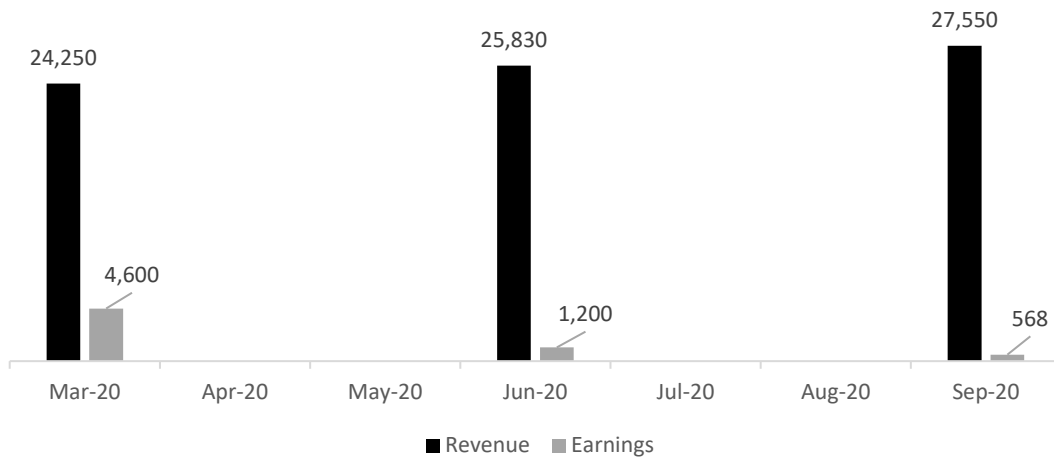
- Centene investing \$900M in Charlotte, NC facility.
- Acquired healthcare analytics company Apixio to leverage AI and large scale data mining
- New round of leadership changes for Government Relations and Human Resources.
- Partnered with Samsung for rural telehealth pilot for 13,000 members

Indicators

How we read these charts: **Hiring** The Apr ramp up was likely due to immediate response to COVID (with a large reduction the next month, reducing the net adds). The Oct hiring surge suggests a major strategic announcement in Q1 is coming. **Innovation** Like most Medicaid plans, Centene consistently scores low on this metric compared to commercial plans.

CENTENE continued**Market Interest**

How we read this chart: Buyers interest in health plans waned during the summer and fall, but Centene stock performance was not significantly impacted as part of the general trend.

Revenue and Earnings (\$M)**Earnings call analysis**

Revenues up by \$10.1B in Q3, mostly due to WellCare acquisition and Medicaid membership growth. Enrollment up by 65% YOY. Added 1.3M Medicaid and exchange lives since beginning of pandemic. Working through rate adjustments and risk corridors in multiple state markets. Up to \$600M exposure to rate adjustments / risk corridors for 2020 full year (\$265M for Q3). Plan thinks November will be peak Medicaid enrollment. Medicare growth may be major future direction for plan.

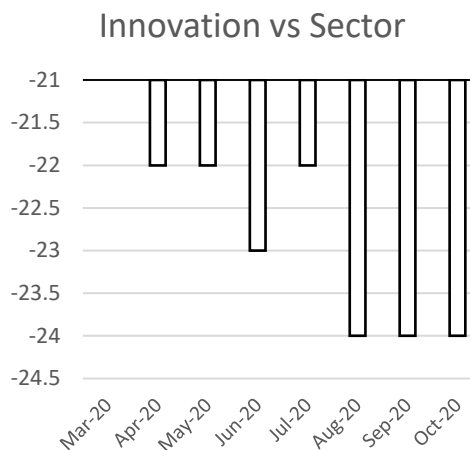
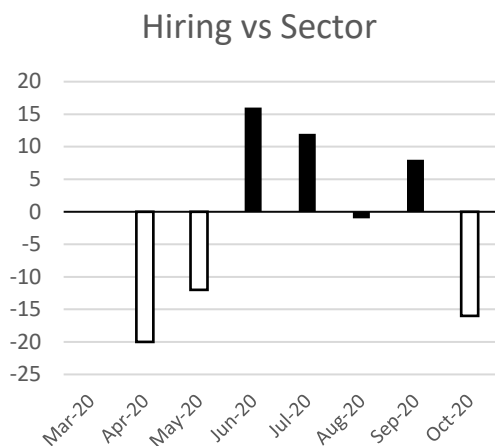


CIGNA**Summary Analysis**

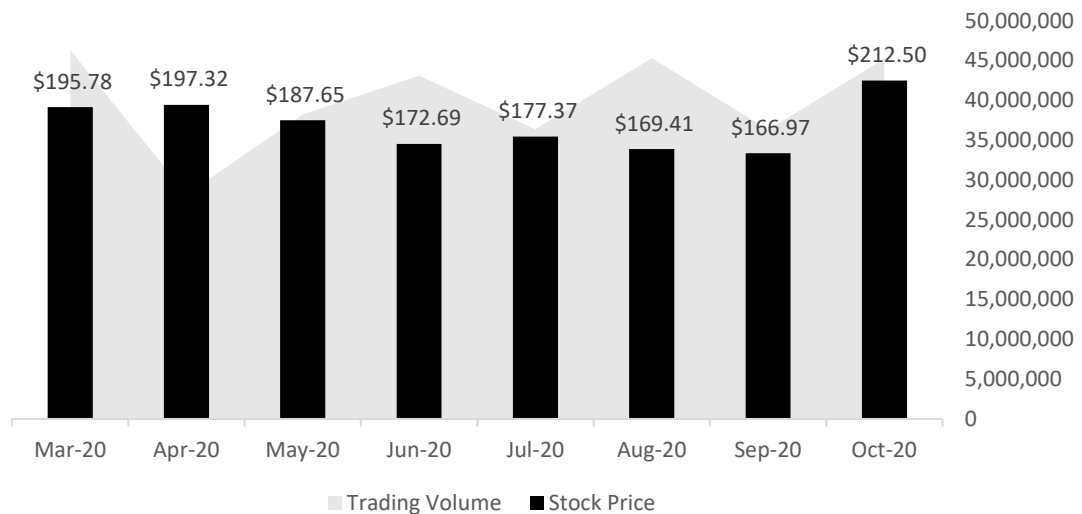
The plan continues to be focused on Medicare Advantage as its primary HHS play, where it continues to achieve strong organic growth. The recent period also saw major gains in the marketplace line of business. Cigna remains above its peers in innovation indexes, largely due to a more innovation rich environment on the Medicare side, where the supplemental benefit component rewards new member benefits and features each year.

Notable news items (summaries here, see your BB subscription for more info)

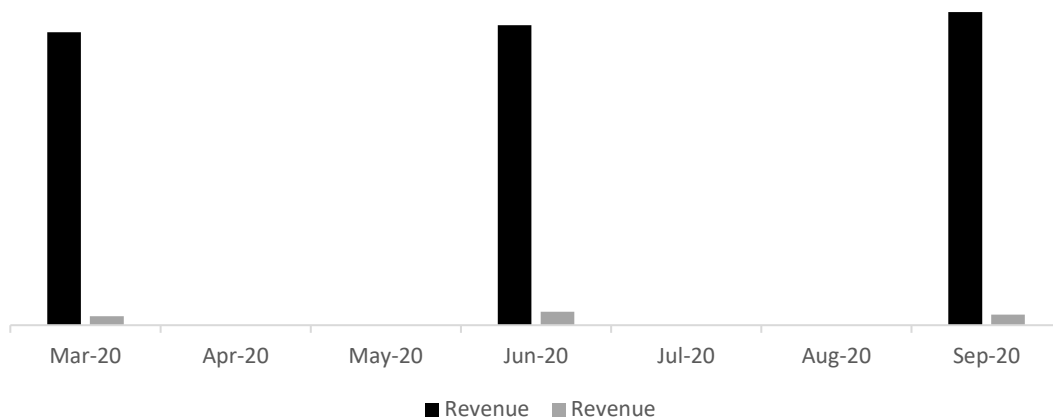
- Will add exchange products in more than 200 counties in 2021
- Judge ruled no break up fees for Cigna from failed 2017 merger with Anthem
- Noelle Eder appointed new CIO
- Cigna invested participated in \$50M Series D round for mental health start-up Ginger
- Rebranding health services lines as Evernorth

Indicators

How we read these charts: **Hiring** April-May declines likely were in reaction to COVID-driven reductions in volume (CIGNA does not have the same enrollment security as other plans who focus on Medicaid) . **Innovation** Early summer initiatives around telehealth in Medicare may have increased this metric slightly.

CIGNAcontinued**Market Interest**

How we read this chart: Cigna was less impacted compared to other plans, largely due to its Medicare-focused payer mix. Stability in the summer was augmented by a nearly 10% gain on

Revenue and Earnings (\$M)**Earnings call analysis**

Plan focused on Medicare Advantage growth and successes. Recently achieved a member promoter score of 74 (4th year with increase). On track for 15% customer growth increase in 2021. Increased exchange footprint by 50%. Providing COVID premium relief and telehealth options for members. Cost sharing also waived for primary, specialty and behavioral health care. Grown Medicare Advantage membership by 18% in 3Q.

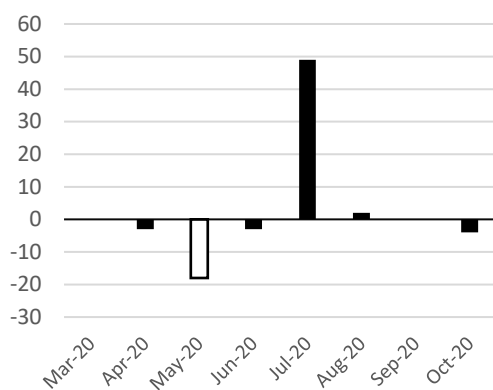
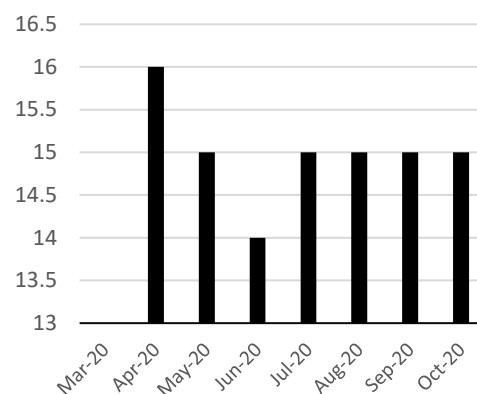


CVS/AETNA**Summary Analysis**

Aetna continues its Medicaid comeback story with key RFP wins in West Virginia and a persistent fight to stay alive in the contested North Carolina greenfield Medicaid contracts. Innovation remains central to the plan's strategy. In Q3 Aetna launched a pilot via the CVS retail footprint to address social determinants of health. CareCentrix (a care management solution vendor) announced an Aetna partnership, as did Unite Us. Overall, it appears the 2018 merger of CVS and Aetna has been smooth and is beginning to pay off.

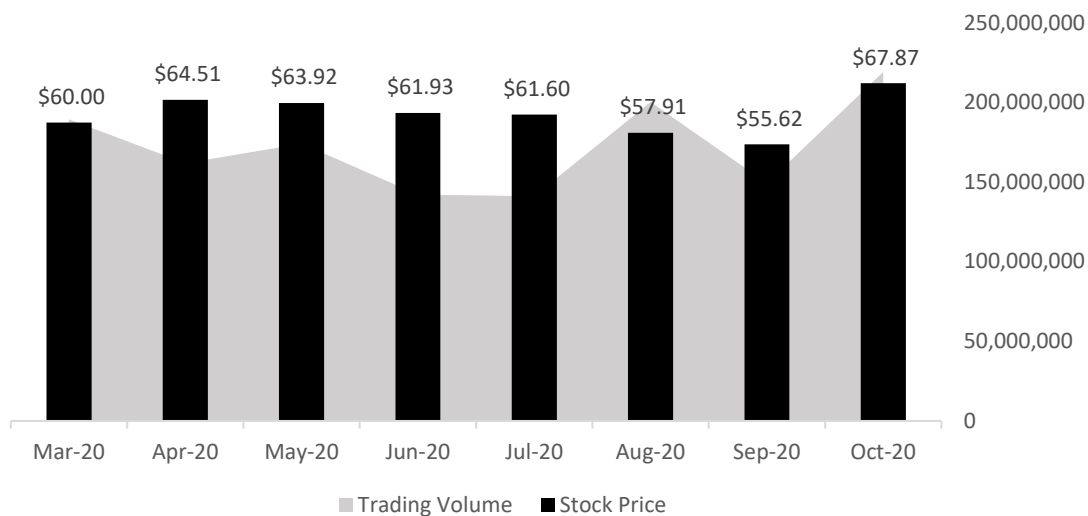
Notable news items (summaries here, see your BB subscription for more info)

- Aetna won Medicaid contract in West Virginia to serve 20,000 youth and children in foster care
- Partnered with Benefits Data Trust to cover non-healthcare needs around food, clothing, and shelter in Pennsylvania
- Karen Lynch named as new CEO

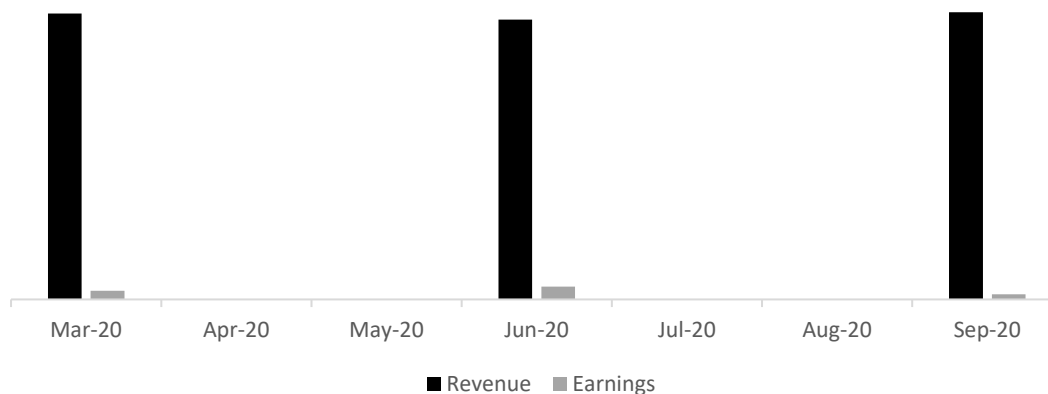
Indicators**Hiring vs Sector****Innovation vs Sector**

How we read these charts: **Hiring** Early summer drops are likely tied to retail volume decreases under pandemic lockdowns. The July spike may be driven by bullish outlook on the Medicaid plan side for upcoming RFPs. **Innovation** Above-sector performance for this entry is usually driven by the CVS/Rx side for patent activity.



CVS/AETNA continued**Market Interest**

How we read this chart: Buyers view of the Rx/plan combo was less volatile than for plan only organizations.

Revenue and Earnings (\$M)**Earnings call analysis**

Overall membership up 5.2% during pandemic, driven by Medicaid eligibility redetermination suspensions. Commercial down 3.1%. Aggressive 2021 RFP strategy in Medicaid space, as well as focus on large outstanding contract protests. Working with multiple states on risk corridors / rate adjustments.

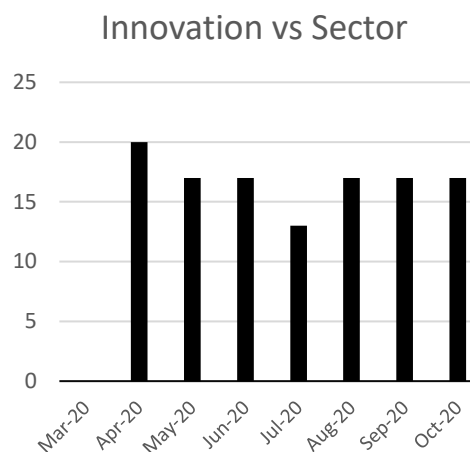


HUMANA**Summary Analysis**

The plan continues to focus on Medicare Advantage (particularly in the home care space), but did make progress on its Medicaid strategy with the CareSource Kentucky enrollment purchase. Overall financial performance beat expectations (already adjusted for the pandemic), but leadership continues to message that there may be tough times ahead when utilization picks back up post-pandemic. The plan rolled-out multiple new in-home benefits for Medicare

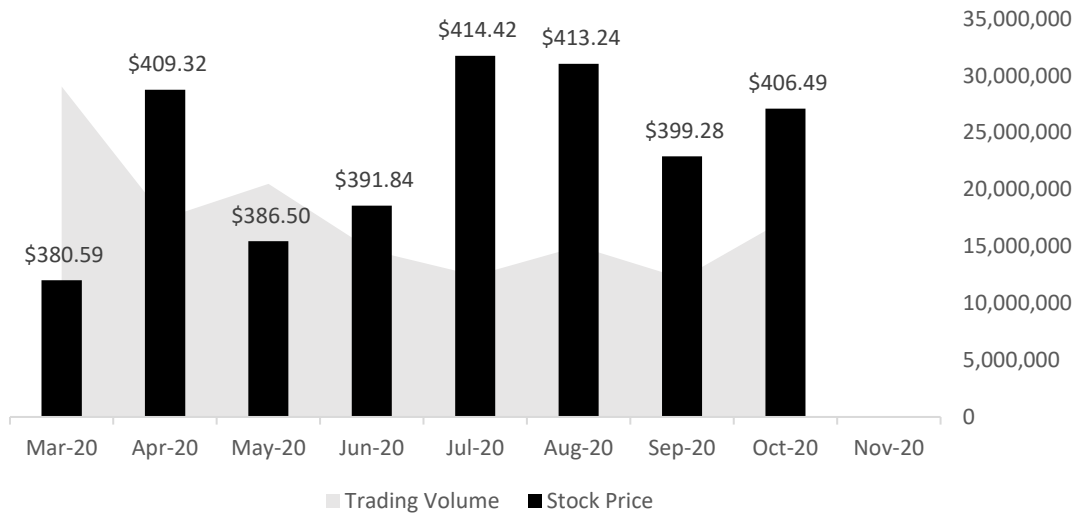
Notable news items (summaries here, see your BB subscription for more info)

- Added value-based payment programs for coronary bypass and shoulder replacements
- Controversy with American Society of Nuclear Cardiology for non-coverage decision of PET/CT scans (the new hybrid scans)
- Will mail more than 1M at home tests for colon cancer and diabetic screening for Medicare Advantage members

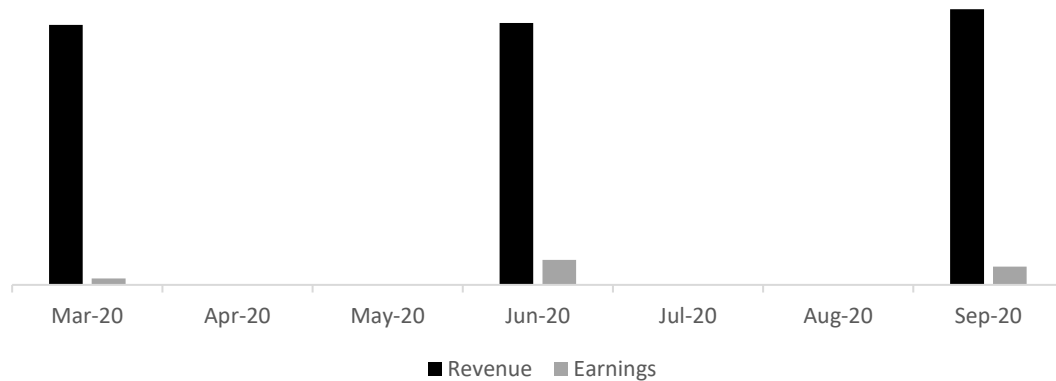
Indicators

How we read these charts: **Hiring** Early summer adds are likely driven by ramp up for telehealth and in home services during the early stage of the pandemic. Reductions in the summer likely a cut back from that ramp up as operational reaction to COVID stabilized. **Innovation** Consistent above sector performance reflects the predominantly Medicare payer-mix for this plan, compared to its Medicaid plan counterparts.



HUMANA continued**Market Interest**

How we read this chart: Buyers interest in this plan dropped substantially and did not pick up over the summer. Those that did buy mid-summer have very specific strategies that merit

Revenue and Earnings (\$M)**Earnings call analysis**

Non-COVID utilization is picking back up more in the commercial segment compared to Medicaid. September 2020 Medicaid enrollments increased by 261,000 members (56%) compared to December 2019. Much of this increase was from picking up lives from CareSource in KY as well as increased lives in Florida during the pandemic. Increasing D-SNP lives is a strategic priority for 2021, and much of the capital deployment budget will be invested in this approach.

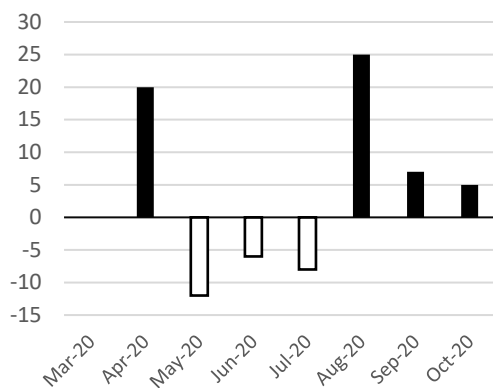
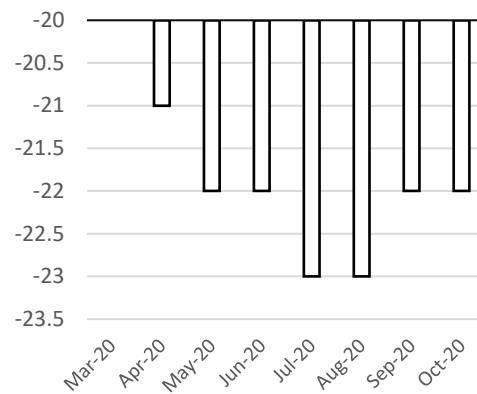


MOLINA**Summary Analysis**

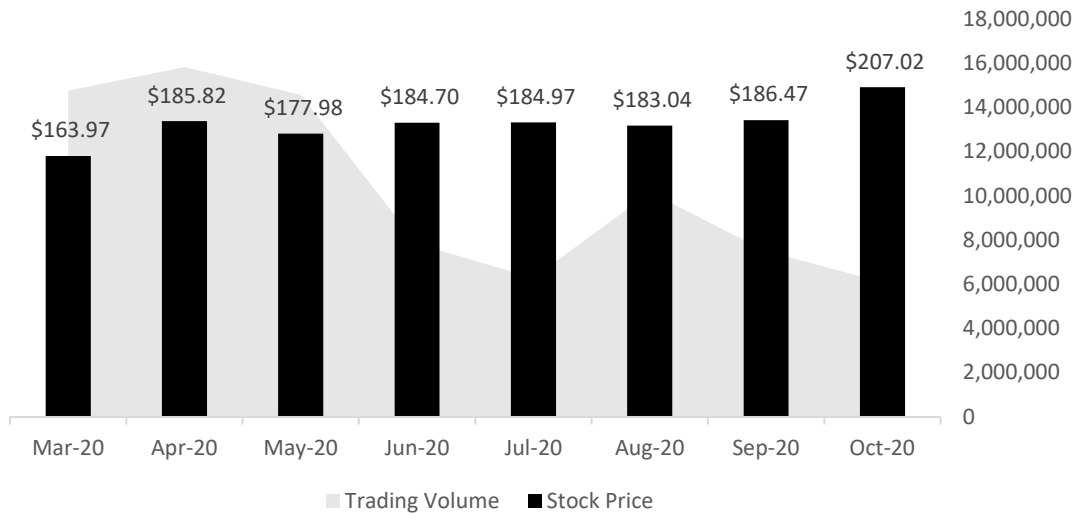
The plan enjoyed sustained enrollment driven by the Medicaid eligibility protections. Exchange product performance was disappointing. As the plan continues to figure out its strategy post-Mario and John leaving, new ideas (like an essential bond-issue with its "Senior Notes" emerged. The acquisition plan also accelerated this quarter, with the large (\$380M) purchase of Affinity in New York.

Notable news items (summaries here, see your BB subscription for more info)

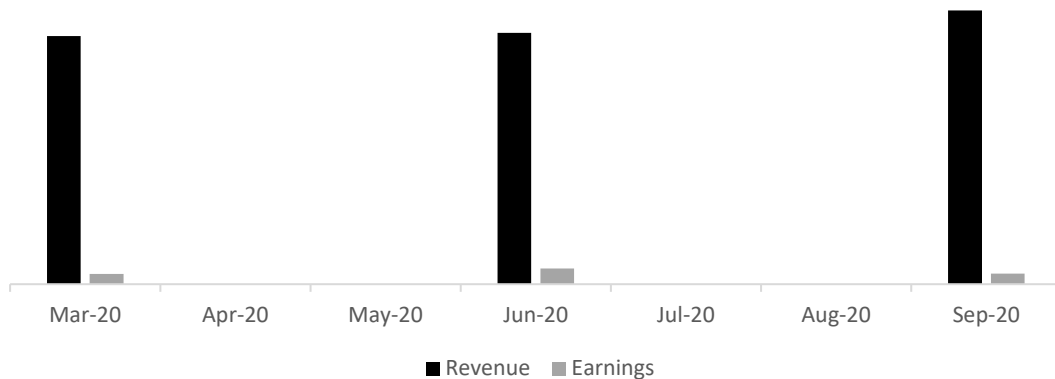
- Will add exchange plans in all counties in Mississippi in 2021
- Released \$650M "Senior Notes" investment option in which institutional buyers can participate in instrument that matures in 2030.
- Appointed Michelle Bentzien-Purrrington as leader of social determinants efforts

Indicators**Hiring vs Sector****Innovation vs Sector**

How we read these charts: **Hiring** Early summer spike likely driven by operational reaction to pandemic. Late summer spike likely driven by bullish outlook on upcoming procurements as well as implementing operations for new acquisitions. **Innovation** Consistently lower investment for this plan reflects its predominantly Medicaid payer mix.

MOH continued**Market Interest**

How we read this chart: Buyers interest in Molina dropped significantly in the summer, likely related to uncertainty over the plan strategy. The price bump in the fall is likely tied to

Revenue and Earnings (\$M)**Earnings call analysis**

Premium revenue was up 17% YOY. Enrollment grew by 478,000 members (13%), with most of that in Medicaid. Most of the increases in revenue and lives (325,000) was from the acquisition of Passport (KY) in September. Overall performance for Medicaid was as expected, but exchange results were less than expected (particularly in the bronze products). Molina is working through rate refunds to a lot of states to reflect COVID-driven underutilization. The plan spent \$35M on COVID patients in Q3, and an additional \$7M in administrative costs was



UNH

Summary Analysis

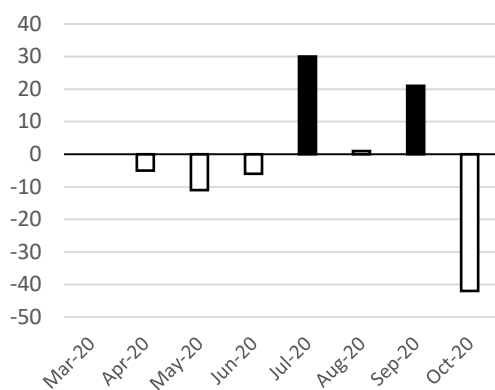
The plan focused on offering as much benefit as possible via telehealth in its Medicare line of business. For Medicaid, UNH is bullish on its contract award prospects. The plan will expand its exchange business in 2021 in key markets, and also is messaging early alignment with broader "reform" efforts under an incoming Biden administration.

Notable news items (summaries here, see your BB subscription for more info)

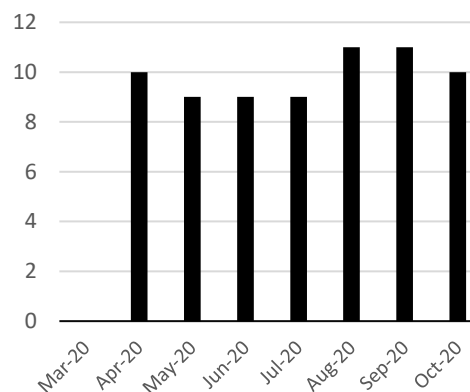
- Announced plan to make 1.7M housecalls by end of 2020./
- Will enter Memphis exchange 2021
- Published 4 point plan for health reform

Indicators

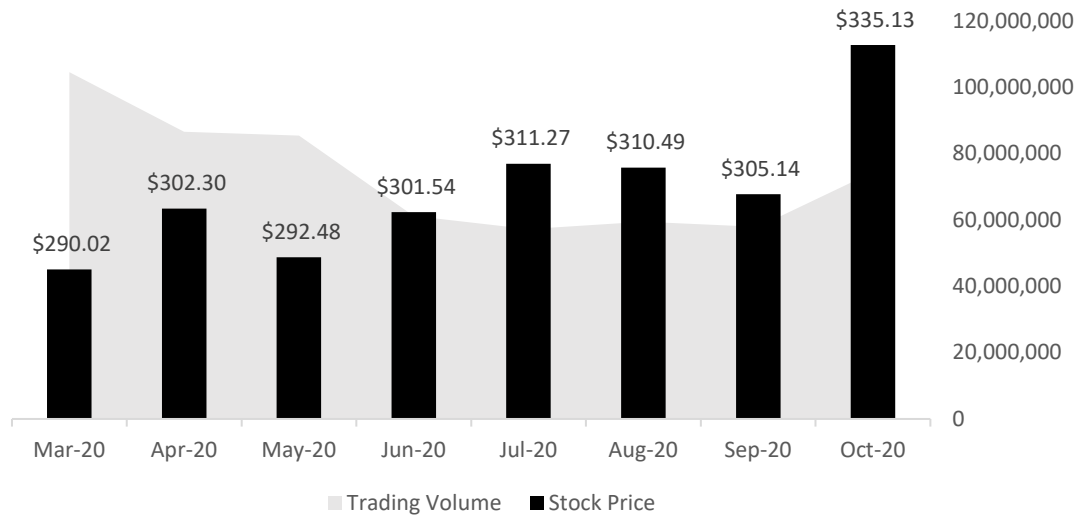
Hiring vs Sector



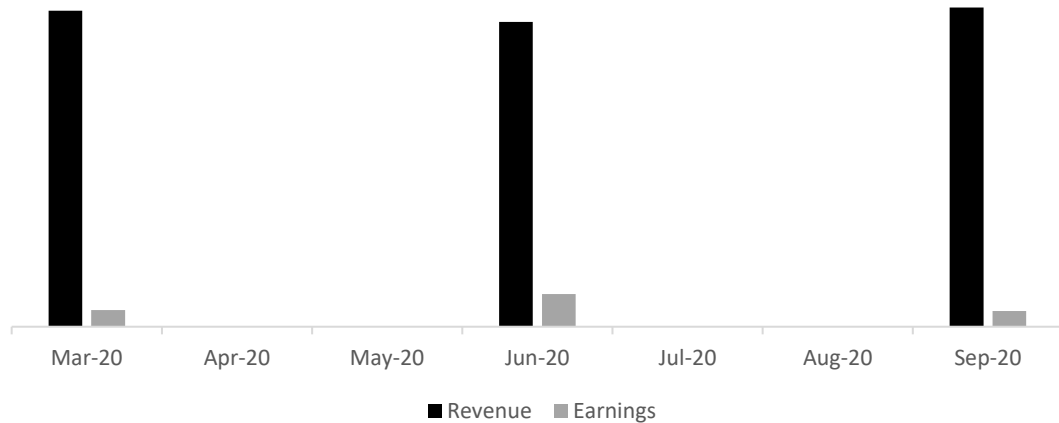
Innovation vs Sector



How we read these charts: **Hiring** Early summer workforce reductions are not in keeping with other Medicaid plans, but may reflect the more robust variety in the premium mix for UNH. Large rampups in July and September suggest a considerable announcement is coming in Q1. . **Innovation** Consistent above-sector performance reflects the tech / data strategy that UNH deploys via Optum and similar lines of business.

UNH continued**Market Interest**

How we read this chart: Buyers interest in UNH was less volatile than others, likely due to its diverse payer mix. Significant price growth in October suggests buyer excitement around 2021 strategies, especially as outlined in September health system reform position paper from UNH.

Revenue and Earnings (\$M)**Earnings call analysis**

The plan has extended zero copay for all telehealth visits and increased in home services during the pandemic for all its Medicare Advantage offerings. Strong growth in MA is expected moving forward. Medicaid growth is also expected to continue related to what UNH sees as a robust RFP pipeline. Enrollment declines related to COVID hit large employers in hospitality, transportation, and energy sectors the most. UNH has not yet seen Medicaid increased enrollment related to unemployment, though this usually lags by about 6 months historically.



ENDNOTES EXPLAINING CHARTS, ETC

TREA Innovation Index is developed on top of a consistent knowledge framework (Unified Knowledge Graph), allowing the comparison of vastly different company R&D activities across disparate industries on constantly evolving markets. Primary data sources include: patent grants, applications, assignments, maintenance events, trademark applications, registrations, assignments, research grants, research projects, publications and other relevant government filings. Innovation activities are forward-looking and have a significant impact on a company's

Important caveats and assumptions