Dear Michigan Agent,

As a valued agent or broker selling employer group health plans, your opinions are important to us.

With the advent of the Affordable Care Act, employers’ strategies regarding sponsoring health care benefits are changing. We conducted a survey of agents and employers to get a sense of the market changes, so that we can provide you with the tools to achieve your goals in this changing environment. Survey questions were designed to help us understand how we can partner with you to seize opportunities that develop when an industry experiences significant shifts.

In the past five years, Medicare Advantage enrollment has reached 15 million members nationally, exceeding market projections by 6.3 million. Many large employer groups choose to continue to offer group retiree benefits while adjusting cost by converting to group Medicare Advantage plans. Individual Medicare Advantage plans are another option for retirees when their employers don’t offer retiree health benefits. Many Medicare Advantage plans offer additional benefits, including drug coverage, giving members a complete package of benefits.

The senior market offers tremendous growth opportunity—and many agents are not actively pursuing it. We discovered that about 11 percent of the agents do not want to play a role in converting seniors to Medicare plans in their employer groups. Thirty-five percent of agents surveyed refer seniors in their groups to another agent for Medicare plans. What an opportunity for the agents who are on the leading edge of selling Medicare Advantage plans to ride the wave of the senior market boom!

We hope you will find this report informative and useful. Blue Cross Blue Shield of Michigan is dedicated to providing tools and information to make your job easier—so you can do what you do best and find high-quality products to satisfy your clients and their retirees. If you have any questions or comments, or if we can support you in any way, please email Brittany Lane at BLane@bcbsm.com.

Sincerely,

Julie Maier
Director, Senior Business Division
Executive Summary

The market for Medicare coverage is growing rapidly: 100,000 Michiganders are aging in every year. As the number of Medicare-eligible employees in the workforce increases, the need to support these individuals grows as well.

In April 2015, Blue Cross Blue Shield of Michigan surveyed a select group of Michigan employers and agents to understand their practices, plans and opinions regarding retiree health benefits. The goal of this survey was to gather perceptions from agents and employers regarding retiree health-insurance needs. Armed with data about employers’ perspectives and gaps in the support currently provided, agents can target this burgeoning market segment more successfully.

More than 860 agents and nearly 1,500 employers completed the survey. This report summarizes the research findings and highlights trends and areas of opportunity for agents to capture more Medicare group and individual plan sales. If you have questions, comments, or would like to discuss your opportunities in the retiree health market, please email Brittany Lane at BLane@bcbsm.com.

Respondent Profile

► Employers:
Participating employers ("employers") are both customers and non-customers of Blue Cross Blue Shield of Michigan. The majority are small businesses, with just over half providing health benefits for less than 50 employees.

Number of employees currently receiving health benefits:

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>2%</td>
</tr>
<tr>
<td>1 – 49 employees</td>
<td>50%</td>
</tr>
<tr>
<td>50 – 149 employees</td>
<td>18%</td>
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<td>17%</td>
</tr>
<tr>
<td>501 or more employees</td>
<td>13%</td>
</tr>
</tbody>
</table>

A majority of employer respondents has 10 or fewer Medicare-eligible employees currently working in the organization and averages 10 or fewer employees retiring each year.

► Agents:
Participating agents ("agents") represent Blue Cross Blue Shield of Michigan as well as other carriers in Michigan. Almost all have client groups with 1 to 49 employees, and half also have client groups of 50 to 99 employees.

Group size of current clients:

<table>
<thead>
<tr>
<th>Group Size of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 49 employees</td>
<td>94%</td>
</tr>
<tr>
<td>50 – 99 employees</td>
<td>50%</td>
</tr>
<tr>
<td>100 – 499 employees</td>
<td>37%</td>
</tr>
<tr>
<td>500 or more employees</td>
<td>16%</td>
</tr>
</tbody>
</table>
Employer Retiree Coverage and Support Is Limited

Nearly 2 out of every 3 employers surveyed do not provide health benefits to retirees today.

Agents have a significant opportunity to sell Medicare plans to individuals leaving the employer group due to retirement.

Half of employer respondents feel they have no role in retiree health care. Forty-five percent feel they should be providing education or information about Medicare or individual Medicare plans. About 1 in 4 employers feel they are responsible for some kind of financial support of health benefits, whether in an employer-sponsored plan or a defined financial contribution the retiree can use to purchase an Individual health plan.

Over half of agents who responded to the survey (55%) said their employer clients have approached them to provide education or assistance selling individual Medicare plans to their retiring employees. Agents who facilitate the migration of retiring employees to individual Medicare plans can forge new relationships with seniors who may have other insurance needs, thus opening up a significant avenue to grow their business.
Limited Agent Sales of Individual Medicare Plans

While 70% of responding agents expressed some interest in selling individual Medicare plans, only 14% are actively doing so today. That means there is relatively little competition to fill a significant unmet need. Medicare is confusing and retirees look for assistance from a trusted source, such as an agent, for navigating the complexities to pick the right health plan for their needs.

With more than 100,000 Michiganders turning 65 each year, the Medicare market segment is large and seriously underestimated by the agents who hold the group accounts. While 46% of agent respondents said they are certified to sell Medicare Advantage plans, only 14% are actively selling them.

Carrier Reputation, Continuity and Choice of Plans Follow Price in Importance

Among employers that offer retiree health coverage, Medicare Supplement is the most common plan offered (47%), followed by Medicare Advantage with Prescription Drug (27%). When choosing retiree health plans, cost is by far the most important factor, followed by carrier reputation. Average rankings are shown below, with one being most important.

Increasing health care costs and increasing premium costs are employers’ greatest concerns when forming a retiree health plan strategy. By educating employers and their retirees about carrier reputation and choices of individual Medicare plans, agents can help retirees navigate a market with too many choices and too little information.
Employers Need Information Most

Employers indicate that the most important support needed to help employees transition to retirement is information about Medicare and Medicare Advantage plans. Average rankings are shown below, from most important to least important.

<table>
<thead>
<tr>
<th>Employer Needs for Retiree Support, In Order of Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Medicare and Medicare Advantage plan information</td>
</tr>
<tr>
<td>Plan comparison tools</td>
</tr>
<tr>
<td>Help from my agent/carrier to weigh options</td>
</tr>
<tr>
<td>Retiree education (on-site seminars, etc.)</td>
</tr>
<tr>
<td>Private exchange to manage enrollment</td>
</tr>
</tbody>
</table>

Employers are looking for information, tools, guidance and hands-on support with transitioning their retirees to the right Medicare plans. Agents appreciate online and printed marketing and educational materials, as well as webinars, to help retirees to make an informed Medicare plan decision.

Agents often find themselves ill-equipped to provide the kind of support employers are looking for. Less than half of responding agents (44%) say they are very knowledgeable about either Medicare Advantage or Medicare Supplement plans. Regarding competitive advantages for carriers, 2 out of 3 agents cite a national provider network as being important to employer clients, followed by a single card for medical and prescription drug benefits (56%) and low or $0 premium plans (54%).

What Agents Need to Help Retirees Make Medicare Plan Decisions

<table>
<thead>
<tr>
<th>What Agents Need to Help Retirees Make Medicare Plan Decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product education for myself/my agents</td>
</tr>
<tr>
<td>Educational materials for my clients/retiring employees</td>
</tr>
<tr>
<td>Tips and best practices for selling Medicare</td>
</tr>
<tr>
<td>Customizable/co-branded marketing materials</td>
</tr>
<tr>
<td>Other (please specify)</td>
</tr>
</tbody>
</table>

In addition to getting certified to sell Medicare Advantage products, agents can look to carriers to provide additional educational materials, on-site presentations and co-branded marketing that help them fill the gap and capture more individual Medicare plan business.
Summary

In summary, there is a significant unmet need in helping employers transition their retirees comfortably into Medicare plans that are a good fit. Agents who focus on individual Medicare support and sales for their commercial business will crack an underserved market of valuable senior customers.

The survey shows that there is a strong interest among agents in serving this market and gaining knowledge about Medicare products. Blue Cross Blue Shield of Michigan has sales consultants who can ensure agents have current information, provide tips for compliance measures and help service your members.

Our goal at Blue Cross Blue Shield of Michigan is to provide easy-to-use brochures and online comparison tools for you and your clients. We’re excited that some of your requests are already in development, such as customizable and co-branded marketing materials, help for retiree education, and on-site seminars. We’re also working hard to provide targeted products, concise training and certification programs to make it easy to satisfy your clients and generate more sales.

If you have any questions or further comments, or if we can support you in any way, please email Brittany Lane at BLane@bcbsm.com.
Detailed Survey Results

Agent Survey Responses

1. Are you a/an:
   - Self-employed independent agent 48%
   - Agency-affiliated producing agent 48%
   - Did not specify 4%

2. What health insurance carriers do you represent? (select all that apply)
   - Blue Cross Blue Shield of Michigan 98%
   - Priority Health 69%
   - United Healthcare 68%
   - Humana 49%
   - HAP 46%
   - Aetna 38%
   - HealthPlus of Michigan 37%
   - Other 23%

“Other” health insurance carriers include Assurant Health, Consumers Mutual, Liberty Union, McLaren Health Plan, PHP and Total Health Care. Eleven percent of respondents indicated that they represent only Blue Cross Blue Shield of Michigan.

3. What group sizes are your current clients? (select all that apply)
   - 1-49 employees 94%
   - 50-99 employees 50%
   - 100-499 employees 37%
   - 500 or more employees 16%

4. When employees leave the group due to retirement, do you:
   - Provide them with information about individual Medicare plans 49%
   - Put them in contact with a colleague who can sell individual Medicare plans 35%
   - Do nothing; they fall off the books 11%
   - Other (please specify) 5%

“Other” actions depend on the client and situation. Respondents either provide clients with Medicare information or refer them to a colleague.

5. Do your clients help retiring employees transition to individual Medicare plans?
   - Most 19%
   - Some 53%
   - None 12%
   - Don’t know 16%
6. Have your clients ever approached you about educating or selling individual Medicare plans to retiring employees?

Yes 55%
No 45%

7. More than 100,000 Michiganders turn 65 each year. What is your level of interest in selling individual Medicare plans to this growing market?

Already selling 14%
Very interested 33%
Somewhat interested 27%
Not at all interested 20%
Not sure—want to know more 6%

8. Are you certified to sell individual Medicare Advantage plans?

Yes 46%
No 54%

9. How knowledgeable are you about Medicare Advantage plans in general, such as how benefits are provided, enrollment periods, etc.?

Very 81% certified agents, 13% non-certified
Somewhat 18% certified agents, 60% non-certified
Not at all 1% certified agents, 27% non-certified

10. How knowledgeable are you about Medicare Supplement insurance in general, such as the different plans, how benefits are provided, etc.?

Very 74% certified agents, 18% non-certified
Somewhat 25% certified agents, 62% non-certified
Not at all 1% certified agents, 20% non-certified

11. Of the following competitive advantages of Blue Cross Blue Shield of Michigan Medicare Advantage plans, which do you think are most important to your clients? (select all that apply)

Nationwide Blue Cross Blue Shield provider network 67%
One convenient card for medical and prescription drug benefits 56%
Low or $0 plan premiums 54%
More than 75 years of experience serving Michigan residents 25%
Don’t know 11%
Other (please specify) 8%

“Other” competitive advantages include the value of the trusted and recognized Blue Cross Blue Shield of Michigan brand, lower out-of-pocket costs for clients, and an extensive provider network.
Among agents interested in selling individual Medicare plans:

12. **What kind of support would you like from us?** *(select all that apply)*

- Product education for myself/my agents 72%
- Educational materials for my clients/retiring employees 70%
- Tips and best practices for selling Medicare 52%
- Customizable/co-branded marketing materials 50%
- Other (please specify) 8%

“Other” includes referrals or pre-qualified leads, online application or mobile app, shorter certification process and easily accessible customer service/support.

13. **How do you like to access product information, educational materials, etc.?** *(select all that apply)*

- Online 68%
- Printed materials 68%
- Webinars 49%
- Other (please specify) 4%

14. **What do you think would be the greatest challenges?** *(select all that apply)*

- The time it takes to sell an individual policy 51%
- Finding a carrier with good agent sales support tools 27%
- Learning how individual products work 22%
- None 18%
- Other (please specify) 12%

“Other” includes leads/referrals, educating seniors, marketing, compliance, compensation and the time needed for both certification and sales.

Among agents NOT interested in selling individual Medicare plans:

15. **Why not?** *(select all that apply)*

- I don’t think the opportunity is worth the time and effort 42%
- I’m satisfied with my current group business 37%
- Other (please specify) 30%
- Transitioning retiring employees is not a priority for my group clients 15%

“Other” includes lack of time, not their firm’s focus or target market, agent getting ready to retire or slow down in their own practice, or there are already qualified agents or specialists in their office for selling Medicare.

16. **Would you consider:** *(select all that apply)*

- Partnering with another agent who is certified to sell individual plans 37%
- Partnering with a carrier sales consultant to make individual sales 25%
- Already doing one of the above 22%
- None of the above/not applicable 19%
- Other (please specify) 9%
- Providing a list of retiring group members for Blue Cross Blue Shield of Michigan to service 6%

“Other” included no consideration of partnering or their current client base would not support the need to sell Medicare plans.
### Employer Survey Responses

1. **Number of employees to whom you provide health benefits:**

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>2%</td>
</tr>
<tr>
<td>1–49</td>
<td>50%</td>
</tr>
<tr>
<td>50–149</td>
<td>18%</td>
</tr>
<tr>
<td>150–500</td>
<td>17%</td>
</tr>
<tr>
<td>501 or more</td>
<td>13%</td>
</tr>
</tbody>
</table>

2. **Number of retirees to whom you provide health benefits:**

<table>
<thead>
<tr>
<th>Number of Retirees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>64%</td>
</tr>
<tr>
<td>1–49</td>
<td>27%</td>
</tr>
<tr>
<td>50–149</td>
<td>3%</td>
</tr>
<tr>
<td>150–500</td>
<td>3%</td>
</tr>
<tr>
<td>501 or more</td>
<td>3%</td>
</tr>
</tbody>
</table>

3. **How many Medicare-eligible employees are still working for your organization?**

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–10</td>
<td>82%</td>
</tr>
<tr>
<td>11–25</td>
<td>8%</td>
</tr>
<tr>
<td>26–99</td>
<td>6%</td>
</tr>
<tr>
<td>100 or more</td>
<td>4%</td>
</tr>
</tbody>
</table>

4. **On average, about how many of your employees retire each year?**

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–10</td>
<td>90%</td>
</tr>
<tr>
<td>11–25</td>
<td>5%</td>
</tr>
<tr>
<td>26–99</td>
<td>3%</td>
</tr>
<tr>
<td>100 or more</td>
<td>2%</td>
</tr>
</tbody>
</table>

5. **What kind of group health insurance do you currently offer?** *(select all that apply)*

   - Employee & family coverage: 89%
   - Employee-only coverage: 23%
   - Retiree coverage: 22%
   - None: 3%
   - Other (please specify): 3%

6. **Who is your current carrier?** *(select all that apply)*

   - Blue Cross Blue Shield of Michigan: 74%
   - Other (please specify): 20%
   - Priority Health: 7%
   - HAP: 5%
   - UnitedHealthcare: 4%
   - Aetna: 3%
   - HealthPlus of Michigan: 2%
   - Humana: 1%

"Other" includes Anthem Blue Cross Blue Shield, ASR, Blue Care Network (BCN), Cigna, McLaren Health Plan, MESSA and being self-funded. Forty-seven percent of current Blue Cross Blue Shield of Michigan customers offer only Blue plans to their employees.
7. **How do you view your role in retiree health care?** *(select all that apply)*

- None 50%
- General education about Medicare plans 29%
- Provide information about individual Medicare plans 16%
- Financial support 15%
- Financial contribution 12%

8. **Do you plan to start or continue to offer retiree health insurance?**

- Yes 27%
- No 73%

Organizations currently offering retiree health coverage:

9. **What types of retiree health plan(s) do you offer?** *(select all that apply)*

- Medicare Supplement 47%
- Medicare Advantage with Prescription Drug (MAPD) 27%
- Other (please specify) 23%
- Ancillary benefits (dental, vision, hearing) 23%
- Medicare Advantage plan 11%

“Other” includes plans like those offered to their current employees from Blue Cross Blue Shield of Michigan or their current carrier.

10. **What’s most important to you in choosing your retiree health plan?** *(Please rank the following factors in order of importance, with 1 being most important)*

<table>
<thead>
<tr>
<th>Factor</th>
<th>Average rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>1.89</td>
</tr>
<tr>
<td>Carrier reputation</td>
<td>3.01</td>
</tr>
<tr>
<td>Same carrier as my employee group plan</td>
<td>3.02</td>
</tr>
<tr>
<td>Choice of plans</td>
<td>3.07</td>
</tr>
<tr>
<td>My agent/broker’s recommendation</td>
<td>3.74</td>
</tr>
</tbody>
</table>

11. **What are your greatest concerns about your retiree health plan strategy?** *(select all that apply)*

- Increasing health care costs 74%
- Increasing premium costs 59%
- Out-of-pocket expense to retirees 46%
- Employee complaints about service 14%
- Shrinking networks 10%
- None—I’m happy 9%
- Lack of administrative support 8%
12. What is your company’s role in financing the retiree health plan?

<table>
<thead>
<tr>
<th>Role Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share the cost with retirees</td>
<td>43%</td>
</tr>
<tr>
<td>Fund 100% of the plan</td>
<td>31%</td>
</tr>
<tr>
<td>Educational role to bridge transition to an individual plan</td>
<td>15%</td>
</tr>
<tr>
<td>No role</td>
<td>11%</td>
</tr>
</tbody>
</table>

Organizations NOT currently offering retiree health coverage:

13. Why not? *(select all that apply)*

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>60%</td>
</tr>
<tr>
<td>Administrative burden</td>
<td>23%</td>
</tr>
<tr>
<td>Other <em>(please specify)</em></td>
<td>20%</td>
</tr>
<tr>
<td>Not familiar with options</td>
<td>19%</td>
</tr>
<tr>
<td>No retirees/employees too young</td>
<td>7%</td>
</tr>
</tbody>
</table>

“Other” includes no requirement to do so, corporate decision, very few retirees, employees are not eligible, and company is too small.

14. What kind of support do you need to help retiring employees transition to Medicare?

*(Please rank the following factors in order of importance, with 1 being most important)*

<table>
<thead>
<tr>
<th>Factor</th>
<th>Average Rankings</th>
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</thead>
<tbody>
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