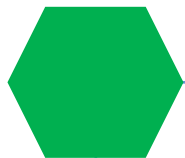


# Leavitt Partners

## GEOGRAPHIC MARKET RANKING CASE STUDY

February 2022

**LEAVITT**  
PARTNERS  
An HMA Company



# Introduction

**The client wanted to better understand the evolving state policy landscape and identify attractive markets for growth**

## The Client

A health management company supporting risk-bearing entities in optimizing the delivery of care

## The Client's Ambition

Expand product and service offerings into new states

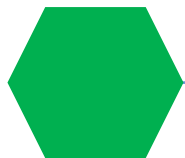
## The Client's Need

Prioritize markets for strategic growth and understand the evolving state policy landscape

## The client engaged Leavitt Partners to:

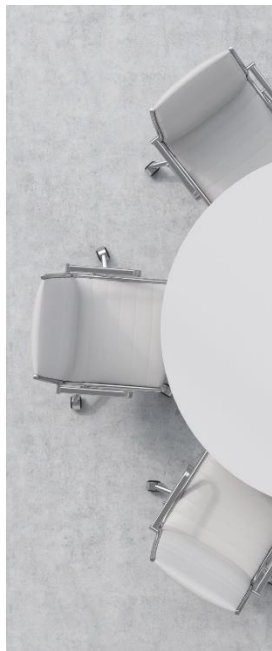
- I. Develop a tailored ranking model and generate model outputs to identify priority expansion states
- II. Provide market intelligence and strategic recommendations to inform the client's approach to geographic expansion





# Our Approach

**A geographic market ranking is a multi step process**



## Geographic Market Segmentation Process

1. Identify attractive market features via client situational analysis
2. Develop weighted variables of key features for attractive markets
3. Validate key markets through ranking model
4. Provide policy intelligence & strategic recommendations

## What makes Leavitt Partners' approach unique & effective?

### Rigorous & methodological research

We combine a customizable quantitative model with qualitative interviews to tailor our research to meet the client's needs.

### Highly collaborative

We stay closely aligned with our client, providing our expert advice while listening carefully to our client's needs and priorities.

### Experts in value

We have a deep understanding of the movement to value, including the pace of change and impact of that change across the healthcare landscape.

### Extensive experience across the healthcare landscape

We work across the industry's siloes and consider the entire healthcare landscape when tackling our client's most pressing questions.

# Geographic Market Ranking, an Integrated Approach

## 1. Market features & situational analysis

We identified attractive market features through a situational analysis of the client's customers, partnerships, market demand, competition, and policy context

## 2. Variable identification & weighting

We conducted 10 interviews with industry decision-makers, subject matter experts, and the client team to align on the selection of model variables and associated weightings

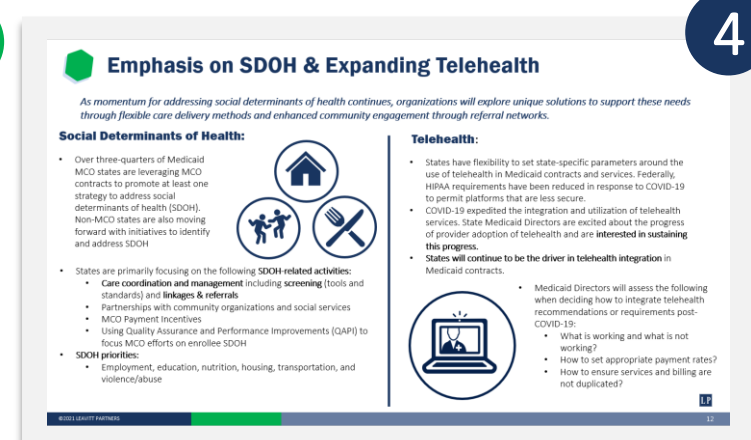
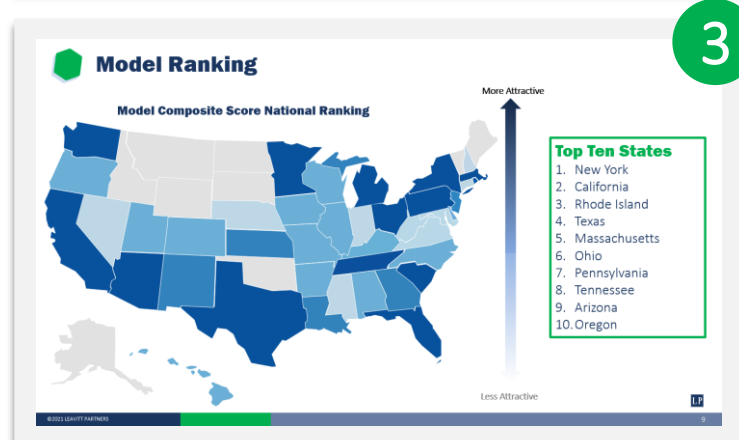
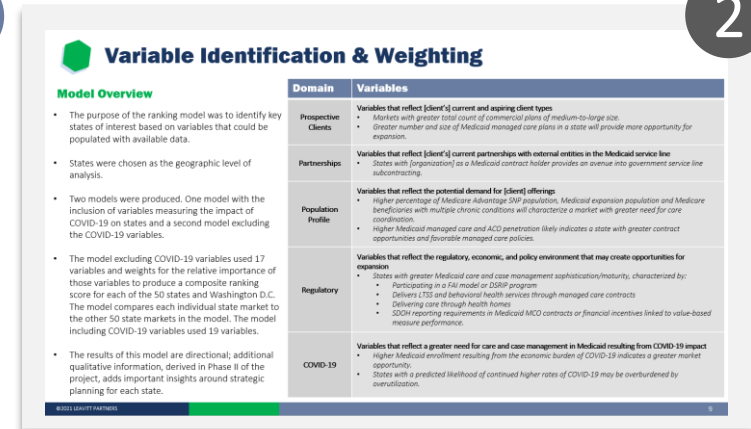
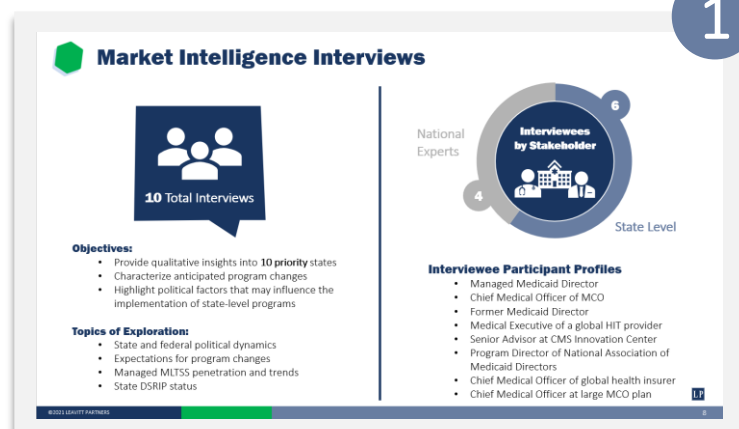
## 3. Ranking model & market identification

We created a rank-ordered list of markets for 50 states by applying the model for each state using the subset of variables and weightings

## 4. Strategic insights & recommendations

We developed policy insights for target markets and provided strategic recommendations allowing the client to tailor go-to-market strategies for each new market

### Key Outputs



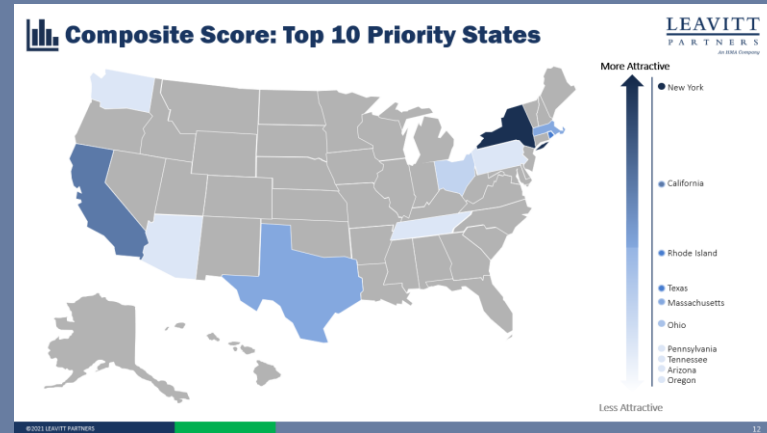
# Our Results

We identified 10 priority states for the client's strategic expansion and provided market intelligence and insights for those geographies

The client engaged Leavitt Partners to:

- I. Develop a tailored ranking model and generate model outputs to identify priority expansion states
- II. Provide market intelligence and strategic recommendations to consider in timeline of expanding market presence into target areas

## I. Priority states for client's geographic expansion



Leavitt Partners helped the client identify attractive markets based on the following criteria:

- Prospective customers
- Population profile & demand
- COVID-19 impact
- Partnerships
- Regulatory, economic, & policy environment

## II. Market intelligence and insights into priority states

### California Model Results

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#### California Medicaid Overview

**Managed Care History:** California was the first state to integrate managed care in Medicaid, starting in the 1970s. California's Medicaid program (known as Medi-Cal) is the largest Medicaid program in the nation. The state is transitioning from FFS payment to risk-based managed care, where state contracts with health plans to deliver benefits in exchange for capitated payments.

**Total Number of Medicaid Lives:** 10,182,382

#### Waiver Programs:

- 1115 waiver
- 1135 waiver

**Active DSRIP program?** Yes

**Total Number of MCOs:** 24 MCOs

#### Top Medicaid MCOs (# of Covered Lives):

- L.A. Care Health Plan (2,024,731)
- Health Net Community Solutions Inc. (1,396,729)
- Inland Empire Health Plan (1,221,041)
- Anthem Blue Cross Partnership Plan (740,875)
- CalOptima (739,983)

**% of Medicaid Lives in Managed Care:** 80%

**Medicare Advantage Penetration Rate:** 41%

Domain	Key Model Findings
Prospective Clients	<ul style="list-style-type: none"><li>• The five largest commercial health plans in the state: Kaiser, United HealthCare, Anthem/BCBS, Cigna, and Aetna.</li><li>• California has the highest count of Medicaid MCO contracts covering over 100,000 Medicaid enrollees. The largest contract in the state is LA Care, Health Net (Centene), Inland Empire, Anthem/BCBS, and CalOptima.</li></ul>
Partnerships	<ul style="list-style-type: none"><li>• [Organization] does not currently hold a contract in California Medicaid.</li></ul>
Population Profile	<ul style="list-style-type: none"><li>• California has the largest Medicaid expansion population in terms of total enrollees in the nation and an above average rate of enrollees in managed care plans (80%).</li><li>• 41% of Medicare beneficiaries in the state are enrolled in MA plans.</li><li>• The percent of the MA population that are SNP and the percent of Medicare beneficiaries with multiple chronic conditions are at or below average with other states.</li></ul>
Regulatory	<ul style="list-style-type: none"><li>• California participates in both the FFS &amp; DSRIP Medicaid programs. Both focus on 'whole' person-centered care delivery models integrating medical, behavioral, long-term care services, and social wrap around services utilizing incentive payments.</li><li>• MLTSS is expanding to all managed care plans in all counties by January 2023. Currently in select counties, California has proposed mandatory enrollment for dual-eligible into MLTSS plans and increase the availability of D-SNPs.</li><li>• In 2018, California implemented the Medicaid Health Home program for enrollees with or at risk of multiple chronic conditions.</li><li>• MCO contracts require tracking of SDOH and implement value-based payment incentives. California is new to VBP incentives and is restructuring their requirements as of June 2020.</li></ul>
COVID-19	<ul style="list-style-type: none"><li>• California anticipates an increase of over 2.5 million new Medicaid enrollees by January 2021 due to COVID-19 job loss.</li><li>• California's effective transmission rate is at 1.3 as of June 10. To have long-term declining rates, the ETR should be below 1. However, California continues to have major restrictions in place. ETR should decrease in response to continued major restrictions.</li></ul>

### California Summary

01

California contracts with MCOs through three different model. Medicaid in California is arranged at the county

02

In the 2-plan model, one plan is designated as a local subsidiary plans to help administer the total lives for the solutions that can contract with the "parent plan".

03

Value-based contracting is relatively new in MCO contract patient outcomes.

04

Prior to COVID-19, California planned to submit a 1115 proposal would require MCOs to follow NCQA accreditation eligible enrollment in MLTSS. Due to the COVID-19 pandemic, the state is anticipated to make at least \$14B in cut

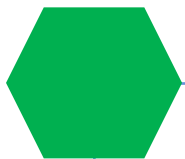
05

California is scheduled to release an RFP for Medicaid commercial MCO contracting in counties using the 2-plan model, Geographic managed care model and Regional model. The RFP release is scheduled for 2021 with an anticipated implementation date of January 2024.

06

Within California, IPAs command a large portion of the provider network market share. A potential opportunity within California may exist to provide care management solutions and contract with IPAs – especially IPAs with dual-sided or downside risk.



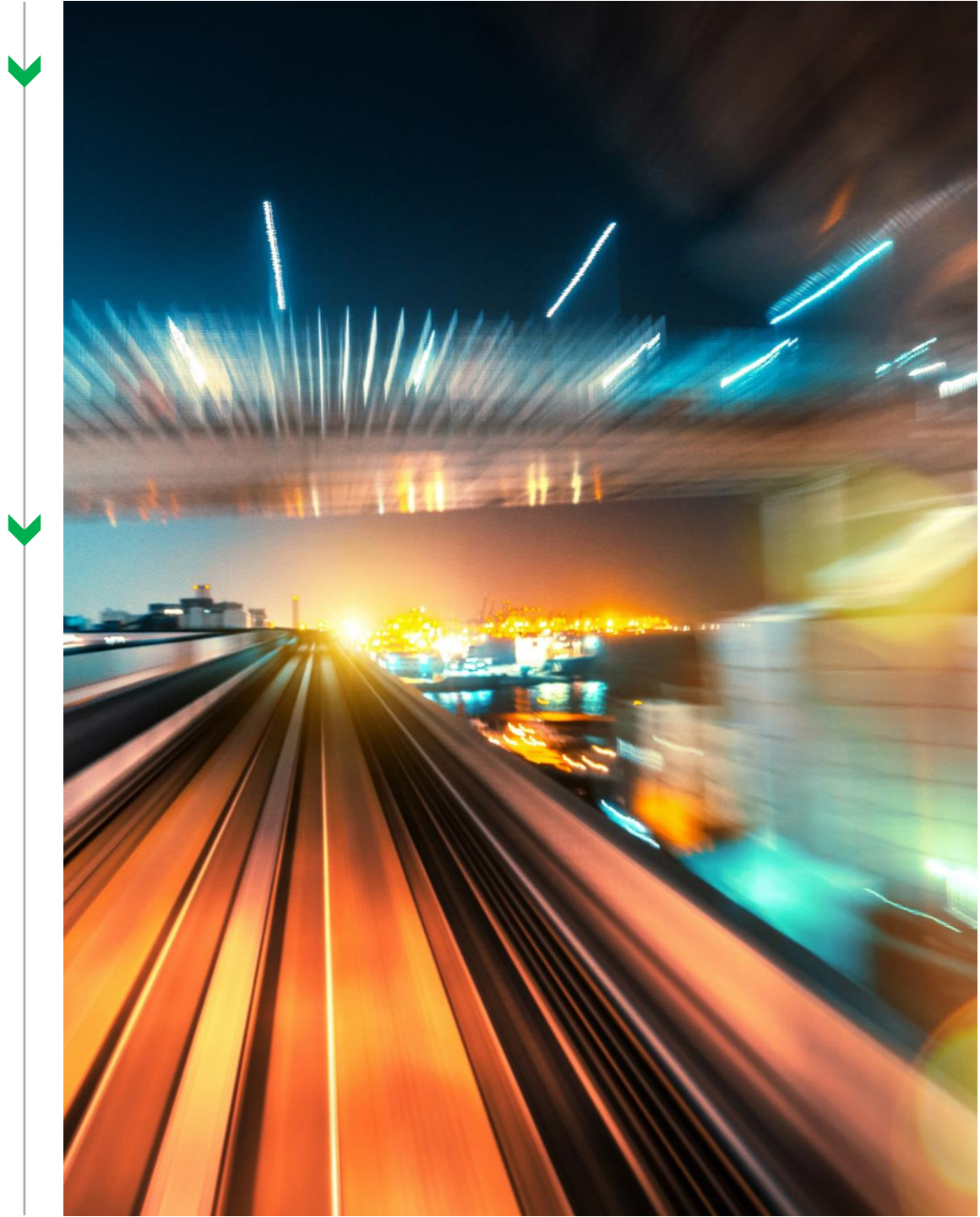


# Summary

**Our findings enabled the client to make informed and strategically-sound decisions**

Following the engagement, the client understood:

- ✓ Attractive characteristics of new markets that are well aligned with their current business capabilities & products
- ✓ Which states to prioritize for the company's growth efforts
- ✓ Critical market insights and features to be aware of when developing go-to-market strategies



# Leavitt Partners' Strategic Growth Services

Using a rigorous and highly collaborative approach, we support clients in making consequential strategic decisions ranging from new market entry to partner identification. We focus on a finite set of strategic questions, allowing us to approach our clients with a depth of experience in the very decision they are wrestling with, and to bring highly relevant insights from across the healthcare industry.

## Our Experts



**Rebecca Nielsen, MBA**  
Managing Director



**Jeremy Bahr, MBA**  
Principal



**Chris Loumeau, MHA**  
Director



**Spencer Morrison, MS**  
Director

To learn more, visit our [Strategic Growth](#) page on our website

## Our Strategic Growth Services



### Geographic Market Ranking & Customer Segmentation

We help clients identify the most attractive markets and customers for expansion



### Value Proposition Testing & Go to Market Strategy

We help clients hone a value proposition that resonates with the market and provide specific strategies for approaching target customers



### Strategic Planning & Scenario Planning

We help clients chart their strategic direction and prepare for several different political and economic environments



### Investor Services

We help clients with both comprehensive and targeted due diligence



At the Forefront of Navigating  
Change in Healthcare

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*An HMA Company*

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