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Non-Traditional Players Moving into the Insurance Space

In the past two months, two retail giants – Walmart and Apple – have announced plans to enter the health insurance space. This direct entry into the health insurance market by non-traditional players has been encouraged in part by health insurer-retailer partnerships, which gained traction due to rising demand for Medicare Advantage (MA) in particular and the expansion of the types of benefits that MA plans may offer. This Health Capital Topics article will discuss reasons behind the insurer-retailer partnerships and how Walmart and Apple plan to disrupt the health insurance market.

MA plans, also known as Part C plans, serve as a supplement or substitute for fee-for-service (FFS) Medicare Part A and Part B coverage.[1] MA was created by Congress to provide seniors an alternative to original Medicare, with an emphasis on treating and managing the health of the whole patient. MA plans are offered to Medicare beneficiaries by Medicare-approved private companies, known as MA Organizations (MAOs), that must follow rules set by Medicare.[2] These plans can be advantageous for beneficiaries because they limit out-of-pocket costs for covered services and may cover supplemental benefits, e.g., vision, dental, and hearing insurance; fitness programs; drugs/services that promote wellness; and, transportation to appointments.[3] Enrollment in MA plans has grown much faster than overall Medicare, more than doubling between 2010 and 2020.[4] As of 2022, 28 million Americans – 48% of the eligible Medicare population – are enrolled in an MA plan.[5] Likely driven by the increasing number of Medicare enrollees, the number of MA plans has similarly increased over the past decade, from 1,982 total plans in 2012 to 3,834 plans in 2022, the greatest number of MA plans to date.[6] In 2022, the average Medicare beneficiary has access to 39 MA plans (more than double the 2017 number).[7]

As noted above, MA demand is driven both by the sheer number of potential plan members (approximately 10,000 Baby Boomers are becoming Medicare-eligible every day) and a growing preference for MA plans, which offer additional benefits.[8] Additionally, in 2018, the Centers for Medicare & Medicaid Services (CMS) granted MAOs more flexibility in the types of benefits they may offer.[9] These factors have motivated a number of innovative arrangements. Health insurer-retailer partnerships can allow insurers an additional, lower-cost care setting that differentiates them from the competition (without the real estate investment), while retailers can use the partnership to attract more patients to their clinics and pharmacies while guarding against changes in consumer preferences that have trended away from in-store purchasing.[10]

Walmart was one such retailer to enter into a partnership with an insurer. In October 2020, the retail giant announced a partnership with insurer Clover Health to offer MA plans to low-income beneficiaries in Georgia (this partnership has since ended).[11]. Walmart eventually evolved from being a partner to being an insurance provider, announcing on September 7, 2022 that it and UnitedHealth Group would begin offering in January 2023 a jointly-branded MA plan – "UnitedHealthcare Medicare Advantage Walmart Flex" – to seniors in Georgia and Florida, near 15 current Walmart Health clinic locations.[12] Walmart Health Virtual Care will also be offered in-network for UnitedHealthcare's commercial Choice Plus PPO plan members.[13] The 10-year "wide-ranging" partnership plans to eventually expand across the country to cover hundreds of thousands of beneficiaries.[14] UnitedHealth Group's subsidiary, Optum, will help Walmart clinicians deliver comprehensive value-based care through the use of Optum's robust data and analytics obtained from its hundreds of owned/operated physician practices, outpatient clinics, and surgery centers, as well as its health plans as the largest MAO in the country.[15] The partnership may be mutually beneficial for the parties, as a deluge of seniors may start using Walmart Health for their healthcare, and UnitedHealth Group may acquire additional plan members who find value in the convenience of getting their healthcare where they shop.[16]

While the Walmart/UnitedHealth Group partnership may be one of the biggest to date in the MA space, it is not the first. In 2021, Elevance Health (formerly known as Anthem) announced its partnership with grocery chain Kroger to offer a joint MA plan in Atlanta, Louisville, Cincinnati and southern Virginia starting in 2022.[17] A number of these partnerships are likely to materialize over the next several years, for the reasons discussed above.

In addition to disruption in the MA space, commercial insurance is also experiencing an entry of non-traditional players. On October 18, 2022, it was reported that tech giant Apple will begin offering insurance in 2024.[18]

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While there are currently a dearth of details, industry analysts anticipate that Apple will partner with a major insurer and will leverage the health data it has been collecting over the past several years through its Apple Watch.[19] It is believed that the data Apple has related to body temperature, blood pressure, blood oxygen, and ECG readings will give it a running start in the insurance space as they may be able to utilize the data to cut costs for beneficiaries.[20] While this will be Apple's first insurance offering, the company has participated in insurer partnerships previously, working with MAO Devoted Health to provide discounted Apple Watches to beneficiaries as a fitness benefit and working with commercial insurers and life insurers to help their beneficiaries gain access to Apple watches.[21]

The entry of these nontraditional players may serve to disrupt the insurance space, requiring current plan providers to be nimble in their provision of health services in order to engage and maintain plan members and remain creative in how to provide the most benefit to plan members in a cost-effective fashion.

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