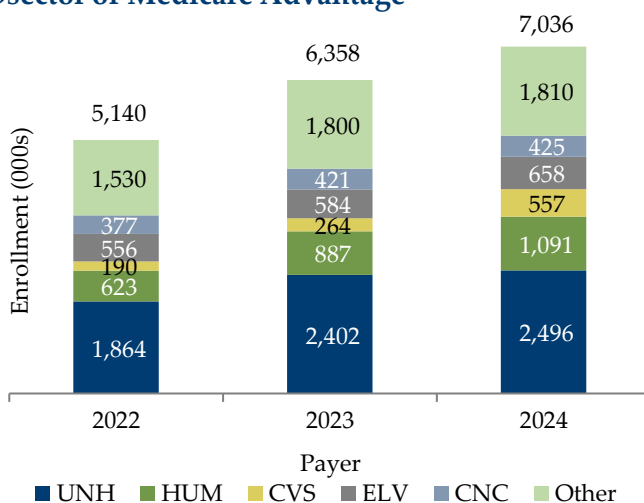


## Insurance Distribution: Spotlight on Senior Health

- Medicare Advantage ("MA") has been in the news recently as the largest payers have eliminated commission payments for certain plans and for Part D prescription drug plans ("PDPs") in particular. Many seniors qualify for "zero premium" PDPs where government subsidies exceed benefit costs, thus undermining traditional commission structures for Part D.
- In 2024, MA premiums totaled over \$411B, covering over 41 million enrollees.<sup>(1)</sup> Despite Medicare Advantage playing such a significant role in the public health system, MA writers benefit from some of the lowest distribution expenses in the insurance industry, ranging from 1.5% to 3% for the top five payers.
- Already alarmed by the elimination of Part D payments, many senior health agents are increasingly worried that the federal government may shift away from the current system toward a 'MedicareAdvantage.gov' model, and recent prosecutions of fraud cases have only intensified concerns.
- Sherman & Company believes such concerns to be unwarranted and we expect that well-run agencies will continue to thrive. While peak baby-boomer retirement years may have passed, material MA population growth has several years yet to run. We expect payers to incentivize Part C going forward, while bundling Part D opportunistically.
- The recent uncertainty has not deterred acquirers seeking to add senior health to their product portfolio, and the Centers for Medicare & Medicaid Services recently raised standard commission rates by >2% YOY, hardly a signal that the role of agents advising seniors with plan selection is being phased out.

### D-SNP: A rapidly growing subsector of Medicare Advantage

- A significant challenge for policymakers and plans is connecting with seniors who qualify for both Medicare (title XVIII) and medical assistance from a state plan under Medicaid (title XIX) and enrolling them in the optimal plan (Dual Eligible Special Needs Plans, "D-SNP") given their health profile and geography.
- Policymakers have long sought better coordination of care for these individuals, and the market has responded: D-SNP enrollment grew 17% per annum from 2022 to 2024, and its share of all MA enrollment grew from 12.7 to 15.6% over the same period.<sup>(2)</sup>
- Agencies specialized in D-SNP are seeing increased demand from the buyer community. Ignitist, a Pennsylvania-based, D-SNP specialist partnered with PCF Insurance Services in 2024. Sherman & Company served as exclusive financial advisor to Ignitist in its sale.



has acquired

**IGNITIST**

Sell-Side Advisor

**Demand and valuations for senior health agencies remain high, and the diversity of the buyer community has surprised many agency owners.**

**Current market conditions present an ideal opportunity for owners to maximize the value of their business.**

**Contact Sherman & Company's professionals below to discuss your options.**

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Sherman & Company is an investment banking firm dedicated to the convergence of the insurance, healthcare, technology, and asset & wealth management industries.