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Rural Enrollment in Medicare Advantage Growing Rapidly in 2007, Especially in Private Fee-for-Service Plans

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Introduction

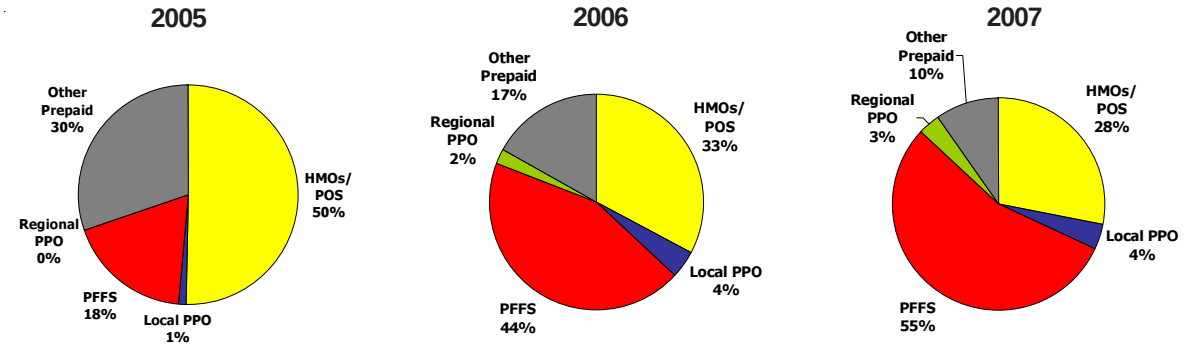
Enrollment in Medicare Advantage (MA) plans has more than tripled since the inception of the MA program at the beginning of 2006. However, rural enrollment remains well below urban enrollment as a percentage of the eligible population. This policy brief provides findings about enrollment in the newly designed MA program in rural and urban areas across the United States and updates early findings from analysis of the Medicare+Choice/MA program presented in previous RUPRI Center policy briefs.[1]

Key Findings

As of June 5, 2007 (date of release by CMS),[2]

- Over 780,000 rural Medicare beneficiaries were enrolled in an MA plan, an increase of 50% since November 2006, and a 222% increase since 2005.
- Despite significant growth in MA plans, only 8.6% of rural persons were enrolled in MA plans in June 2007, compared to 21.7% of urban persons.
- Over half (55%) of rural persons enrolled in MA or prepaid plans were in private fee-for-service (PFFS) plans, compared to only 14% of urban persons (Figure 1).
- PFFS enrollment in rural areas in June 2007 was concentrated in several PFFS plans, with almost 90% of rural persons enrolled in plans run by seven organizations serving about 2,000 counties in the United States.

Figure 1. Enrollment in Medicare Advantage and Other Prepaid Plans in Rural Areas by Type of Plan, 2005-2007



Source: RUPRI Center for Rural Health Policy Analysis.

Enrollment in MA Plans

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173) (MMA) created the MA program, superseding the Medicare+Choice program created in 1997. The MMA created new options for MA, including regional preferred provider organizations (PPOs), while increasing payment to MA plans. By June 2007, over 780,000 rural beneficiaries were enrolled in MA plans, more than three times as many as were enrolled in December 2005 (Table 1).(See note, p. 5) Although this represented a significant growth in enrollment, only 8.6% of Medicare beneficiaries were enrolled in MA plans in November 2006, compared to 21.7% of urban beneficiaries.

Table 1. Enrollment in Medicare Advantage and Other Prepaid Plans, by Location of Residence and by Type of Plan, 2005-2007

	December 2005			November 2006			June 2007		
Type of Plan	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Medicare Advantage	**241,706**	**4,898,088**	**5,139,794**	**512,943**	**5,924,645**	**6,437,588**	**780,646**	**7,276,983**	**8,057,629**
HMOs/POS	174,789	4,679,423	4,854,212	202,489	5,014,027	5,216,516	241,591	5,727,969	5,969,560
Local PPO	3,524	81,444	84,968	25,654	286,979	312,633	33,533	355,179	388,712
Regional PPO	0	0	0	14,194	75,199	89,393	29,506	119,259	148,765
PFFS	63,393	137,221	200,614	270,606	548,440	819,046	476,016	1,074,576	1,550,592
Other prepaid plans[a]	**105,197**	**688,231**	**793,428**	**104,131**	**384,819**	**488,950**	**83,472**	**305,050**	**388,522**
TOTAL	**346,903**	**5,586,319**	**5,933,222**	**617,074**	**6,309,464**	**6,926,538**	**864,118**	**7,582,033**	**8,446,151**
	Percent of Total			Percent of Total			Percent of Total		
Medicare Advantage	**69.7%**	**87.7%**	**86.6%**	**83.1%**	**93.9%**	**92.9%**	**90.3%**	**96.0%**	**95.4%**
HMOs/POS	50.4%	83.8%	81.8%	32.8%	79.5%	75.3%	28.0%	75.5%	70.7%
Local PPO	1.0%	1.5%	1.4%	4.2%	4.5%	4.5%	3.9%	4.7%	4.6%
Regional PPO	0.0%	0.0%	0.0%	2.3%	1.2%	1.3%	3.4%	1.6%	1.8%
PFFS	18.3%	2.5%	3.4%	43.9%	8.7%	11.8%	55.1%	14.2%	18.4%
Other prepaid plans[a]	**30.3%**	**12.3%**	**13.4%**	**16.9%**	**6.1%**	**7.1%**	**9.7%**	**4.0%**	**4.6%**
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: RUPRI Center for Rural Health Policy Analysis, based on CMS data as of June 2007.

Note: Excludes enrollment in any county and plan if the plan enrolls 10 or fewer enrollees in that county (due to restrictions on data release by CMS) and excludes enrollees in Alaska and U.S. territories, roughly 600,000 MA enrollees, (due to data incompatibilities with geographic files).

[a]"Other prepaid plans" includes cost plans and demonstration plans.

Despite the addition of the regional PPO as a new option under MA, virtually all growth in MA plans in rural areas since 2005 has been in PFFS plans. Enrollment in these plans more than quadrupled from 2005 to 2007, from over 60,000 to over 475,000. Enrollment in PFFS plans has grown rapidly in urban areas as well, to over one million persons. Over half of MA enrollment in June 2007 in rural areas was in PFFS plans, compared to only 14% in urban areas (Figure 1). While over three-quarters of MA enrollees in urban areas were in HMO plans, only about one-quarter of MA enrollees in rural areas were in HMO or POS plans.

Concentration of MA Enrollment in Rural Areas

Almost half of the rural MA enrollment is concentrated in a few states where either PFFS plans are popular (MN, WI, NC) or HMO plans are strong (PA, WI) (Table 2). Further, MA and prepaid enrollment in rural areas is concentrated in a few organizations holding contracts (a contract can include multiple plan options) with CMS (Table 3). Almost half of rural MA enrollees are in the top five contracts, ranked by enrollment, and the top contract, held by Humana Insurance Company, enrolls over 25% of the rural MA enrollees (over 150,000 persons) in over 2,000 rural counties. The top five contracts in rural areas are all PFFS contracts, with Humana, Pacificare, and Unicare enrolling 35% of the rural enrollees in MA and prepaid plans. Among PFFS enrollees only, nearly 90% are enrolled in plans run by seven organizations, even when other options are available. Concentration of PFFS enrollment in a few plans may, in the long run, raise concerns about the market power of these plans. On the other hand, regional MA plans are available in 37 states, and several states are well covered by local plans (CT, MN at 97%, OR, RI, UT at 87%, WA at 96%).

Table 2. Percent of RURAL Medicare Population Enrolled in Medicare Advantage or Other Prepaid Plans by State, June 2007

	Percent of Total Medicare Population										
	Medicare Advantage Plans										
State	**TOTAL Enrolled in MA**	PFFS	HMO/POS	Regional PPO	Local PPO	Other MA Plans	Other Prepaid[a]	Percent RURAL Enrolled in MA or Prepaid	Total RURAL Enrolled in MA or Prepaid	Total RURAL Medicare Population	Exhibit: Percent of URBAN Persons Enrolled in MA or Prepaid
TOTAL U.S.	**8.6%**	**5.2%**	**2.5%**	**0.3%**	**0.4%**	**0.2%**	**0.9%**	**9.5%**	**864,118**	**9,078,551**	**22.6%**
MN	**19.2%**	11.2%	1.0%	1.7%		5.3%	3.5%	22.7%	60,333	266,355	33.3%
PA	**18.9%**	3.1%	14.2%		1.6%		0.6%	19.5%	74,762	383,649	34.9%
WI	**18.7%**	12.4%	5.4%	0.1%	0.9%	0.1%	1.2%	19.9%	56,171	281,635	19.2%
NV	**16.6%**	1.1%	2.7%	3.0%		9.8%	0.1%	16.8%	6,990	41,659	32.3%
OR	**16.1%**	5.4%	8.3%		2.4%	0.0%	6.4%	22.4%	38,043	169,693	46.3%
AZ	**15.6%**	5.5%	8.8%	1.0%	0.2%	0.0%	0.1%	15.7%	18,345	116,584	38.3%
HI	**15.0%**	1.3%	11.2%	2.4%			20.2%	35.2%	18,417	52,354	35.8%
NY	**14.4%**	3.9%	7.9%	0.2%	2.3%		0.1%	14.5%	40,354	279,042	24.4%
UT	**14.0%**	13.3%	0.3%		0.4%		1.1%	15.2%	5,667	37,383	23.2%
MI	**13.3%**	13.0%	0.3%	0.0%				13.3%	46,991	352,471	14.8%
ID	**11.4%**	9.9%	1.5%		0.1%		1.5%	12.9%	9,919	76,616	25.5%
WA	**10.2%**	5.9%	4.2%		0.1%		0.1%	10.3%	14,783	144,190	21.4%
MT	**10.0%**	9.2%		0.2%	0.6%		0.0%	10.0%	10,115	101,305	14.6%
NC	**9.9%**	6.6%	3.2%	0.0%	0.1%		0.0%	9.9%	47,990	484,988	16.0%
TN	**9.8%**	3.9%	5.9%		0.0%		0.1%	9.9%	31,380	317,307	20.9%
VA	**9.5%**	8.5%	1.0%		0.0%		1.3%	10.8%	24,558	228,111	9.0%
FL	**8.6%**	2.3%	3.5%	2.2%	0.6%		0.0%	8.6%	19,287	224,383	29.2%
IN	**8.2%**	7.9%		0.2%	0.2%		0.8%	9.0%	21,526	238,303	9.4%
AR	**7.7%**	6.3%	0.6%	0.7%			0.1%	7.8%	18,160	233,958	10.0%
GA	**7.6%**	6.6%	0.0%	0.8%	0.1%			7.6%	21,958	290,252	10.7%
OH	**7.2%**	4.2%	2.4%	0.3%	0.3%		0.2%	7.4%	27,820	376,505	19.8%
SC	**7.1%**	6.0%	0.0%	1.1%	0.0%			7.1%	13,519	189,428	10.2%
AL	**6.6%**	2.8%	3.5%		0.3%		0.0%	6.6%	17,191	260,225	18.5%
KY	**6.5%**	5.9%	0.5%	0.2%	0.0%		1.3%	7.8%	27,335	349,705	13.6%
MO	**6.4%**	4.7%	1.6%	0.1%	0.0%		0.2%	6.6%	20,077	305,813	20.3%
NM	**6.3%**	3.0%	0.2%		3.0%		0.3%	6.5%	7,065	108,036	31.0%
LA	**5.9%**	4.6%	1.2%	0.1%				6.0%	11,389	190,073	21.2%
IA	**5.7%**	5.0%	0.1%	0.5%			1.3%	7.0%	18,612	266,817	15.3%
MS	**5.6%**	5.5%	0.1%	0.0%				5.6%	16,384	291,576	8.7%
IL	**5.3%**	3.9%	0.5%		0.9%		1.0%	6.3%	20,313	323,114	8.2%
NE	**5.2%**	4.6%	0.1%	0.5%			0.7%	5.9%	8,548	143,769	12.5%
CA	**5.2%**	0.8%	3.3%	1.1%			0.2%	5.4%	8,288	154,077	34.0%
ND	**4.8%**	4.8%				0.0%	0.9%	5.8%	3,662	63,461	6.6%
SD	**4.7%**	2.2%	2.0%	0.5%				4.7%	3,225	68,742	7.5%
TX	**4.2%**	3.0%	0.8%	0.4%	0.0%		1.0%	5.3%	26,990	512,868	16.7%
CT	**3.7%**	0.4%	3.3%		0.0%			3.7%	1,807	48,373	10.6%
CO	**3.7%**	3.5%	0.2%				7.8%	11.5%	10,706	93,013	34.6%
OK	**3.4%**	2.9%	0.4%		0.1%		0.1%	3.4%	8,252	241,715	18.1%
WV	**3.0%**	1.6%	0.4%	0.0%	1.0%		6.1%	9.1%	16,398	181,071	11.8%
WY	**2.5%**	2.5%					0.7%	3.2%	1,636	50,641	5.0%
KS	**2.1%**	2.1%			0.0%		0.4%	2.5%	4,209	170,375	11.0%
ME	**1.7%**	1.4%	0.0%		0.3%			1.7%	1,843	106,993	2.5%
DE	**1.6%**	0.9%	0.0%	0.5%	0.2%		0.0%	1.7%	657	38,990	2.7%
VT	**1.4%**	1.4%						1.4%	1,039	73,839	0.6%
NH	**1.1%**	1.1%						1.1%	979	86,413	2.7%
MD	**0.7%**	0.5%	0.1%	0.1%	0.0%		0.1%	0.8%	410	51,293	6.0%
AK	**0.2%**	0.2%						0.2%	15	7,472	0.1%

Source: RUPRI Center for Rural Health Policy Analysis, based on CMS data as of June 2007.

Note: Excludes enrollment in any county and plan if the plan enrolls 10 or fewer enrollees in that county (due to restrictions on data releases by CMS). New Jersey, Rhode Island, and the District of Columbia are not shown as they have no rural counties. Data are also not shown for U.S. territories and Alaska, since rural/urban county classifications are not available for these areas. And data are not shown for Massachusetts because CMS does not report MA enrollment for the rural counties in Massachusetts due to data reporting concerns.

[a]"Other prepaid" includes cost plans and demonstration plans.

Table 3. Concentration of Medicare Advantage Plans in Rural Areas, by Percent Rural Medicare Beneficiaries Enrolled in Medicare Advanatge Plans, June 2007

	Name of Organization	Type of Plan	Number of Counties	Number of Benficiaries Enrolled	Cumulative Percent of Rural MA Beneficiaries Enrolled
	Total number of rural Medicare beneficiaries in MA Plans			**864,118**	
1	Humana Insurance Company	PFFS	2,049	207,432	24.0%
2	Unicare Life Insurance Company	PFFS	2,049	46,795	29.4%
3	Pyramid Life Insurance Company	PFFS	2,049	40,509	34.1%
4	First Health Life and Health Insurance Company	PFFS	2,049	40,410	38.8%
5	Blue Cross and Blue Shield of Michigan	PFFS	2,049	40,189	43.4%
6	Sterling Life Insurance Company	PFFS	2,049	28,754	46.8%
7	United Mine Workers of America	Cost	636	23,948	49.5%
8	Pacificare Life and Health Insurance Company	PFFS	2,049	21,022	52.0%
9	Geisinger Health Plan	HMO	26	20,594	54.4%
10	Keystone Health Plan West, Inc.	HMO	55	18,474	56.5%

Source: RUPRI Center for Rural Health Policy Analysis, based on CMS data as of June 2007.

Conclusions and Policy Implications

Medicare Advantage plans continue to grow very rapidly in 2007, and almost all enrollment growth in rural areas is concentrated in a few PFFS plans. Additional research is needed to understand the policy implications of this rapid growth of PFFS enrollment. PFFS plans predominate in rural areas because they are offered in most rural counties while other MA choices are not (e.g., HMOs, PPOs), despite the stated goal of the MMA to expand plan options everywhere in the country.[3] Also, the patterns of payment rates in rural areas make PFFS plans a viable option for organizations. Even with higher floor payments in most rural counties, it still may not be feasible to set up the networks HMOs and PPOs require, but the payment rates are high enough to offer PFFS plans.[4]

The enrollment patterns outlined here, and the concentration of enrollment in a few organizations, represent a challenge to the twin goals of expanding beneficiary choices while containing costs through the MA program.[5] Although it appears that PFFS plans may offer recipients some out-of-pocket cost savings, they do not offer the care management and care coordination typically offered by other MA plans.[6] While PFFS plans are required to reach actuarial equivalence with the Medicare payment they receive, at least some plans achieve this by adding benefits while making existing benefits less attractive. However, the benchmarks set by the formula in the MMA are almost always higher than Medicare traditional FFS costs, and the government retains only 25% of the difference between a plan's bid and the benchmark.[7] There is not yet enough evidence on the experience of beneficiaries to know whether PFFS plans are in general an improvement over traditional FFS Medicare (including Medigap policies) for beneficiaries. Also, reports of marketing abuses led CMS to reach an agreement with several PFFS plans to temporarily halt marketing in 2007, prime facie evidence of problems with the enrollment process into PFFS plans.[8]

On the reimbursement side, to date significant numbers of anecdotal reports suggest that rural hospitals and other providers are having problems working with PFFS plans to obtain timely, appropriate, and adequate levels of reimbursement.[9,10,11] Systematic investigation of these issues is needed to determine how widespread they are, if the rural safety net may be jeopardized, and what policy actions may be needed. CMS has followed up in its 2008 Call Letter for plan submission by requiring disclaimer language in contracts with beneficiaries and adding mechanisms (secret shopper, verification calls to beneficiaries) to be more certain that beneficiaries understand critical elements of plans into which they enroll.

Note

Data for this report was prepared by obtaining state-county-plan level enrollment files and payment rate files from CMS.[2] The data were processed at the county level, merging these with county-level indicators of rural-urban status as identified by the U.S. Department of Agriculture, Economic Research Service (ERS). Urban Influence Codes (UIC) were used to differentiate rural from urban counties. The Medicare-eligible population for December 2005 by county was used here for all the analysis, since data for 2006 county-level Medicare eligibles has not been released by CMS. The enrollment data by county excludes enrollment in any county and plan if the plan enrolls 10 or fewer enrollees in that county (due to restrictions on data release by CMS) and enrollees in Alaska and U.S. territories (due to data incompatibilities with geographic files), resulting in about 600,000 MA and prepaid plan enrollees not included here.

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