RUPRI Center for Rural Health Policy Analysis
Rural Policy Brief
Brief No. 2009-1 March 2009 www.unmc.edu/ruprihealth

Rural Enrollment in Medicare Advantage: Growth Slows in 2008

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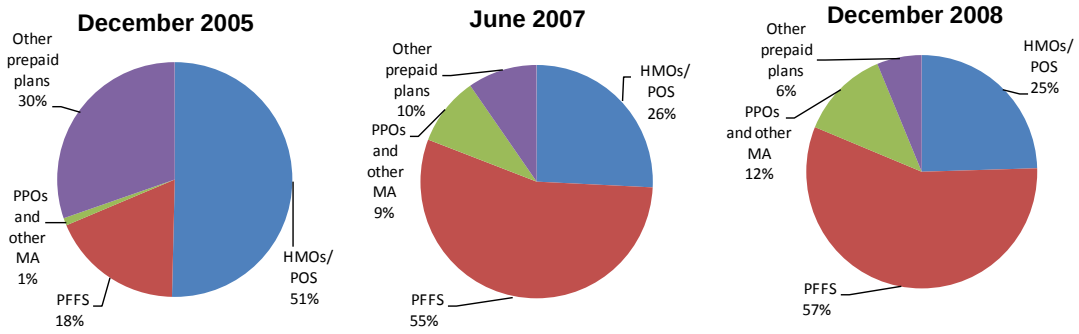
The rate of growth of enrollment in the Medicare Advantage (MA) program decreased significantly in 2008, compared to previous years. In addition, the growth rate in preferred provider organization (PPO) plans in rural areas now exceeds that in private fee-for-service (PFFS) plans. This policy brief updates earlier findings from analysis of the MA program reported by the RUPRI Center.[1]

Key Findings

- Overall enrollment in MA plans has nearly doubled since the inception of the program in December 2005, and rural enrollment has quadrupled (Table 1).
- But the rate of growth of enrollment in the MA program decreased significantly in 2008, compared to previous years. From January 2008 to December 2008,[2] enrollment in the MA plans and other prepaid plans grew by 12% nationally and 21% in rural areas, compared to an enrollment growth rate of 17% nationally and 35% in rural areas from June 2007 to June 2008.
- From January to December 2008, enrollment in PPOs and other types of MA plans grew at a rate of 50% in rural areas and 35% nationally, while PFFS MA plan enrollment grew at a rate of 20% both in rural areas (Table 2) and nationally.
- Over half (57%) of rural persons enrolled in MA or other prepaid plans[3] were in MA/PFFS plans in December 2008, compared to only 18% in December 2005 (Figure 1).
- HMO/point of service (POS) enrollment in rural areas dropped from 51% to 25% between December 2005 and December 2008 (Figure 1).

Figure 1. Rural Enrollment in Medicare Advantage and Other Prepaid Plans by Type of Plan, 2005-2008



Source: RUPRI Center for Rural Health Policy Analysis.
Note: HMO = health maintenance organization; MA = Medicare Advantage; PFFS = private fee-for-service; POS = point of service; PPO = preferred provider organization.

Enrollment in MA Plans

Enrollment. By December 2008, over 1.2 million rural beneficiaries were enrolled in MA or prepaid plans (Table 2), compared to only 347,000 in December 2005. Seven states had rural enrollment rates of 20% or greater, including Hawaii (35.8%), Minnesota (29.4%), Pennsylvania (26.6%), Wisconsin (25.0%), Oregon (24.2%), West Virginia (20.4%) and New York (20.0%) (Table 3).

Growth in MA Plans. The number of rural beneficiaries enrolled in MA plans grew rapidly in the last three years; however, the rate of growth in enrollment in the program in 2008 declined. The growth in enrollment in MA plans since 2005 was due in large part to a growth in enrollment in PFFS plans. Rural enrollment in these plans increased nearly 10-fold from 2005 to 2008, from over 63,000 to over 686,000. National enrollment in PFFS also significantly increased, from over 200,000 to over 2.2 million. However, in 2008 the rate of growth in enrollment in PFFS plans declined to only 20%, both in rural areas and nationally. In contrast, in 2008 the enrollment in PPOs and other MA plans increased by 50% in rural areas (Table 2) and 35% nationally (computed from Table 1).

Distribution of Enrollment. Over half (57%) of rural persons enrolled in MA or prepaid plans[3] were in PFFS plans in December 2008, compared to only 18% in December 2005 (Figure 1). Enrollment in HMO/POS plans in rural areas dropped from 51% to 25% between December 2005 and December 2008 (Figure 1).

Conclusions and Policy Implications

Rural enrollment in MA plans has continued to grow, but the growth rate has declined in recent months. PFFS plans have continued to dominate in rural areas, due in part to their availability: nearly 100% of Medicare beneficiaries have a PFFS plan available to them.[4]

The growth rate for enrollment in PPO plans is climbing. These enrollment patterns are a response to a number of factors, most notably changes in federal policy (the Medicare Improvements for Patients and Providers Act of 2008 and its requirement that PFFS plans develop provider networks). The trends in MA plans should be monitored in the next few years, as PFFS plans face deadlines to develop provider networks, Congress considers MA payment changes, and MA plans continue to respond to recent policy changes. As many Medicare beneficiaries choose network MA plans or traditional FFS Medicare to replace their PFFS coverage, a recent estimate concludes that the growth in PFFS plan enrollment will slow by approximately 50% through 2013.[5] The Medicare Payment Advisory Commission has recommended restructuring the way payment rates are calculated for MA plans.[6] Changes in payment rates for MA plans could significantly lower MA enrollment in rural areas.

References and Notes

1. Campbell Y, McBride TD, Mueller KJ. (2008). *Rural Enrollment in Medicare Advantage Continues to Grow Rapidly in 2008, Led by Private Fee-for-Service Plans* (PB2008-3). Omaha, NE: RUPRI Center for Rural Health Policy Analysis; McBride TD, Mueller KJ. (2007). *Update on Rural Enrollment in Medicare Advantage: Growth Continues* (PB2007-7). Omaha, NE: RUPRI Center for Rural Health Policy Analysis; McBride TD, Terry T, Mueller KJ. (2007). *Rural Enrollment in Medicare Advantage Growing Rapidly in 2007, Especially in Private Fee-For-Service Plans* (PB2007-3). Omaha, NE: RUPRI Center for Rural Health Policy Analysis.
2. CMS released the data in December 2008. Data for this report were prepared by obtaining state-county-plan level enrollment files and payment rate files from the Center for Medicare and Medicaid Services. 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 (UICs) were used to differentiate rural from urban counties. The Medicare-eligible population data for 2008 was updated monthly from the Center for Medicare and Medicaid Services monthly files and used for the analysis in this brief. 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 excludes 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.

3. These are plans authorized in earlier legislation that are cost-based plans or demonstrations.
4. Zarabozo C, Harrison S. *Payment Policy and the Growth of Medicare Advantage.* Health Affairs 28, no. 1(2009):w55-w67, published online November 24, 2008.
5. Congressional Budget Office. "Congressional Budget Office Cost Estimate: H.R. 6331 Medicare Improvements for Patients and Providers Act of 2008," 23 July 2008, http://cbo.gov/ftpdocs/95xx/doc9595/hr6331pgo.pdf (Accessed January13, 2009).
6. MedPAC *MIPPA MA Payment Report*, November 2008, Testimony.

Table 1. Enrollment in Medicare Advantage and Other Prepaid Plans, by Location of Residence and by Type of Plan, 2005-2008

	December 2005		June 2007		December 2008	
Type of Plan	Rural	Total	Rural	Total	Rural	Total
Medicare Advantage	**241,706**	**5,139,794**	**780,646**	**8,057,629**	**1,134,718**	**9,763,182**
HMOs/POS	174,789	4,854,212	222,770	5,681,736	296,775	6,499,110
PFFS	63,393	200,614	476,016	1,550,592	686,911	2,238,672
PPOs and other MA	3,524	84,968	81,860	825,301	151,032	1,025,400
Other prepaid plans	**105,197**	**688,231**	**83,472**	**388,522**	**75,595**	**353,022**
TOTAL	**346,903**	**5,933,222**	**864,118**	**8,446,151**	**1,210,313**	**10,116,204**
	Percent of Medicare Population		Percent of Medicare Population		Percent of Medicare Population	
Medicare Advantage	**3.5%**	**11.7%**	**8.4%**	**18.5%**	**11.9%**	**21.9%**
HMOs/POS	2.5%	11.0%	2.4%	13.1%	3.1%	14.6%
PFFS	0.9%	0.5%	5.1%	3.6%	7.2%	5.0%
PPOs and other MA	0.1%	0.2%	0.9%	1.9%	1.6%	2.3%
Other prepaid plans	**1.5%**	**1.6%**	**0.9%**	**0.9%**	**0.8%**	**0.8%**
TOTAL	**5.0%**	**13.5%**	**9.3%**	**19.4%**	**12.7%**	**22.7%**

Source: RUPRI Center for RURAL Health Policy Analysis, based on CMS data as of December 2008.

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 US territories (due to data incompatibilities with geographic files). Other prepaid plans include cost plans and demonstration plans. HMO = health maintenance organization; MA = Medicare Advantage; PFFS = private fee-for-service; POS = point of service; PPO = preferred provider organization.

Table 2. Rural Enrollment in Medicare Advantage and Other Prepaid Plans, by Month, 2008[(1)]

	Percent of Medicare eligibles enrolled in:		TOTAL Enrolled in MA and Prepaid Plans	Enrollment in Medicare Advantage Plans:					
Month	MA and Prepaid plans	MA Plans		TOTAL in MA Plans	HMO/POS	PFFS	PPOs and Other MA plans (2)	Enrolled in Prepaid plans (3)	TOTAL Medicare Eligibles
January	**10.7%**	**9.9%**	**999,692**	**926,361**	255,112	571,035	**100,214**	**73,331**	9,348,061
February	**11.5%**	**10.7%**	**1,071,054**	**997,225**	269,297	611,761	**116,167**	**73,829**	9,348,061
March	**11.7%**	**10.9%**	**1,091,535**	**1,017,805**	273,944	623,937	**119,924**	**73,730**	9,348,061
April	**12.0%**	**11.2%**	**1,119,577**	**1,045,962**	278,401	639,259	**128,302**	**73,615**	9,348,061
May	**12.4%**	**11.6%**	**1,160,420**	**1,086,828**	283,106	669,452	**134,270**	**73,592**	9,348,061
June	**12.5%**	**11.7%**	**1,168,365**	**1,094,744**	285,338	672,438	**136,968**	**73,621**	9,325,771
July	**12.5%**	**11.8%**	**1,177,184**	**1,103,690**	287,843	675,618	**140,229**	**73,494**	9,386,449
August	**12.5%**	**11.7%**	**1,185,005**	**1,111,386**	289,723	679,094	**142,569**	**73,619**	9,461,043
September	**12.6%**	**11.8%**	**1,193,022**	**1,118,246**	291,783	681,536	**144,927**	**74,776**	9,445,720
October	**12.7%**	**11.9%**	**1,200,769**	**1,125,518**	293,833	684,293	**147,392**	**75,251**	9,465,712
November	**12.7%**	**11.9%**	**1,207,411**	**1,131,898**	295,842	686,326	**149,730**	**75,513**	9,482,695
December	**12.7%**	**11.9%**	**1,210,313**	**1,134,718**	296,775	686,911	**151,032**	**75,595**	9,502,700
Percent Change			**21.07%**	**22.49%**	**16.33%**	**20.29%**	**50.71%**	**3.09%**	**1.65%**

Source: RUPRI Center for Rural Health Policy Analysis, based on CMS data as of December 2008.

Note: HMO = health maintenance organization; MA = Medicare Advantage; PFFS = private fee-for-service; POS = point of service; PPO = preferred provider organization.

(1) Total monthly enrollment numbers for the Medicare program were not available until May of 2008. The May numbers are used to indicate the Medicare enrollment number for the months of January through April.
(2) Includes demonstration plans, MSA plans, and other types of CPP plans.
(3) Includes cost and PACE plans.

Table 3. RURAL Enrollment in Medicare Advantage and Other Prepaid Plans, by State, December 2008[1]

STATE[2]	Percent of Medicare eligibles enrolled in: MA and Prepaid plans	Percent of Medicare eligibles enrolled in: MA Plans	TOTAL Enrolled in MA and Prepaid Plans	Enrollment in Medicare Advantage Plans: TOTAL in MA Plans	HMO/POS	PFFS	PPOs and Other MA plans (3)	Enrolled in Prepaid plans (4)	TOTAL Medicare Eligibles
UNITED STATES	**12.7%**	**11.9%**	**1,210,313**	**1,134,718**	**296,775**	**686,911**	**151,032**	**75,595**	**9,502,700**
AK	0.2%	0.2%	49	49	0	49	0	0	21,497
AL	11.2%	11.2%	29,752	29,654	9,264	7,570	12,820	98	265,921
AR	10.5%	10.4%	25,460	25,341	2,566	18,007	4,768	119	242,851
AZ	18.3%	18.2%	22,716	22,576	12,511	7,523	2,542	140	124,070
CA	6.7%	6.6%	10,862	10,604	5,307	2,898	2,399	258	161,254
CO	12.4%	5.1%	12,113	4,998	522	4,442	34	7,115	97,496
CT	8.0%	8.0%	4,030	4,030	3,157	294	579	0	50,396
DE	2.9%	2.8%	1,231	1,209	0	744	465	22	42,441
FL	10.7%	10.7%	28,554	28,505	11,041	5,760	11,704	49	266,581
GA	9.7%	9.7%	29,364	29,364	293	22,105	6,966	0	302,936
HI	35.8%	17.0%	19,957	9,455	6,481	1,156	1,818	10,502	55,681
IA	6.6%	6.2%	19,649	18,488	726	16,334	1,428	1,161	298,431
ID	16.2%	15.6%	13,361	12,801	1,490	10,526	785	560	82,278
IL	8.0%	7.1%	25,815	22,976	1,534	17,061	4,381	2,839	323,269
IN	13.2%	12.4%	32,129	30,344	25	26,950	3,369	1,785	243,922
KS	2.7%	2.4%	5,404	4,843	0	4,651	192	561	199,924
KY	9.9%	8.7%	35,635	31,488	1,605	25,686	4,197	4,147	360,525
LA	9.1%	9.1%	17,241	17,241	6,830	9,666	745	0	189,273
MA	0.3%	0.3%	15	15	0	15	0	0	4,286
MD	1.6%	1.5%	851	792	82	510	200	59	54,225
ME	3.7%	3.7%	4,362	4,362	449	3,530	383	0	117,892
MI	20.7%	20.7%	75,321	75,321	3,226	70,087	2,008	0	364,570
MN	29.4%	24.6%	79,615	66,526	18,794	38,835	8,897	13,089	270,685
MO	8.8%	8.6%	27,751	27,286	5,121	20,007	2,158	465	316,763
MS	6.5%	6.5%	18,982	18,982	4,334	13,384	1,264	0	294,190
MT	12.8%	12.8%	13,794	13,794	0	12,483	1,311	0	108,044
NC	11.7%	11.6%	59,922	59,838	19,628	38,939	1,271	84	514,336
ND	6.1%	5.2%	4,062	3,475	0	3,475	0	587	66,485
NE	7.9%	7.1%	11,285	10,223	91	8,905	1,227	1,062	143,115
NH	3.5%	3.5%	3,236	3,236	0	3,236	0	0	91,161
NM	7.8%	7.6%	8,869	8,595	425	4,650	3,520	274	113,290
NV	16.7%	16.6%	7,805	7,749	5,403	898	1,448	56	46,607
NY	20.0%	20.0%	56,799	56,610	25,274	19,852	11,484	189	283,513
OH	16.6%	16.4%	63,268	62,638	10,545	46,420	5,673	630	382,107
OK	4.6%	4.5%	11,234	11,129	1,587	8,642	900	105	246,213
OR	24.2%	22.4%	42,487	39,382	17,189	11,590	10,603	3,105	175,617
PA	26.6%	26.1%	103,263	101,196	58,849	29,749	12,598	2,067	388,135
SC	11.2%	11.2%	22,469	22,453	218	14,327	7,908	16	200,271
SD	7.0%	7.0%	5,629	5,629	2,668	2,521	440	0	80,100
TN	12.6%	12.5%	41,982	41,673	25,545	15,704	424	309	334,121
TX	7.3%	6.3%	39,315	34,063	6,510	18,355	9,198	5,252	539,870
UT	19.2%	18.2%	7,586	7,202	311	5,879	1,012	384	39,481
VA	13.5%	12.4%	32,521	29,788	2,342	27,322	124	2,733	240,415
VT	3.5%	3.5%	2,671	2,671	-	2,671	0	0	77,142
WA	12.7%	12.7%	19,836	19,726	6,324	12,520	882	110	155,907
WI	25.0%	23.3%	72,992	67,848	17,601	46,583	3,664	5,144	291,442
WV	20.4%	14.8%	36,965	26,788	879	22,666	3,243	10,177	181,360
WY	4.0%	3.3%	2,104	1,762	28	1,734	0	342	52,611

SOURCE: RUPRI Center for Rural Health Policy Analysis, based on CMS data as of December 2008.

Note: HMO = health maintenance organization; MA = Medicare Advantage; PFFS = private fee-for-service; POS = point of service; PPO = preferred provider organization.

(1) 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 US territories (due to data incompatibilities).
(2) Some states not shown either because they have no rural areas or because the CMS data show no enrollees in rural areas (DC, NJ, RI).
(3) Includes demonstration plans, MSA plans, and other types of CPP plans.
(4) Includes cost and PACE plans.

Funded by the Federal Office of Rural Health Policy, Health Resources and Services Administration, U.S. Department of Health and Human Services (Grant #1-U1G RH07633)

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