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Arizona Medicare Advantage Enrollment Has Grown Significantly

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The number of persons enrolled in Medicare Advantage (MA) and prepaid plans in Arizona rose about 27% between December 2005 and September 2007, from over 225,000 to a little more than 286,000 persons (Table 1). The enrollment in MA and prepaid plans represents 34.9% of Arizona Medicare beneficiaries, exceeding the national enrollment rate of 20%.

Growth in the MA program in Arizona was more significant among persons living in rural areas, where enrollment more than doubled, from about 8,100 persons to almost 19,000 persons (16.2% of rural Medicare beneficiaries in Arizona) between December 2005 and September 2007.

Table 1. Enrollment in Medicare Advantage and Prepaid Plans in Arizona, 2005-2007

Location	Number of Enrollees		Percent of Medicare Population	
	Dec. 2005	Sept. 2007	Dec. 2005	Sept. 2007
All Medicare Advantage and Prepaid Plans:				
Total	225,791	286,021	27.6%	34.9%
Rural	8,147	18,865	7.0%	16.2%
PFFS Plans:				
Total	5,311	31,963	0.6%	3.9%
Rural	1,829	6,655	1.6%	5.7%

Source: RUPRI Center for Rural Health Policy Analysis, based on Centers for Medicare and Medicaid Services data, as of September 2007.

Note: PFFS = private fee-for-service.

Growth in Private Fee-for-Service Plans

About half of the increase in MA enrollment in Arizona can be attributed to the growth in private fee-for-service (PFFS) plans. While in December 2005 there were only about 5,300 enrollees in PFFS plans statewide, enrollment in PFFS plans jumped to almost 32,000 in September 2007 (Table 1). About 20% of the PFFS enrollees in Arizona were in rural areas. The number of enrollees in health maintenance organization (HMO) and point of service plans decreased by 7.5% in the same period, while in contrast the number of enrollees in preferred provider plans grew by 48%.

Medicare Advantage Plans Described

MA plans are private-sector plans that contract with Medicare to provide all Medicare-related services, plus additional benefits (e.g., prescription drugs, vision care, preventive care), sometimes at an additional cost to beneficiaries. Prepaid plans are special plans created over the years by legislation and comprise mostly “cost” plans. PFFS plans, created by legislation in 1997, are private MA plans that contract with Medicare like other MA plans, but for the most part do not operate networks of providers, such as HMOs operate. Instead, PFFS plans pay providers on a fee-for-service basis after receiving payment from Medicare.

Conclusion and Implications

MA plans have spread to more areas and enrolled a higher number of beneficiaries due to a number of factors, including significant growth in payment to MA plans. PFFS plans have gained a strong foothold in rural areas because the differential between the MA Medicare payment and traditional Medicare payment is large, and because it is less difficult to set up a PFFS plan than other types of MA plans (e.g., HMOs). Thus, there are strong incentives for PFFS plans to seek rural enrollment. While it is too early to gauge the full impact of MA plans, these plans give more options to Medicare recipients and lower out-of-pocket costs. On the other hand, providers have had to make significant adjustments in timing and collection practices to deal with these new Medicare program payers. The U.S. Congress is now wrestling with how to pay for the rapid growth in MA plans, especially PFFS plans.

Contact and Further Information

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For more information on national MA enrollment figures, see policy briefs and tables posted on the RUPRI Center Web site at <http://www.unmc.edu/ruprihealth>.