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California Medicare Advantage Enrollment Leads the Nation, But Rural Enrollment Is Low

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The number of persons enrolled in Medicare Advantage (MA) and prepaid plans in California grew modestly between December 2005 and September 2007, from over 1.7 million to almost 1.8 million persons, a growth of about 6% (Table 1). However, enrollment in MA and prepaid plans represents about 42% of California Medicare beneficiaries, and California continues to lead the nation in MA and prepaid plan enrollment (the national average enrollment rate is about 20%).

Growth in the MA program in California remained modest in rural areas, at 5.7%. However, rural enrollment grew about 40% between December 2005 and September 2007.

Table 1. Enrollment in Medicare Advantage and Prepaid Plans in California, 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	1,741,251	1,839,626	39.7%	41.9%
Rural	6,355	8,802	4.1%	5.7%
PFFS Plans:				
Total	2,364	35,377	0.1%	0.8%
Rural	0	1,521	0.0%	1.0%

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.

Enrollment Dominated by Health Maintenance Organization and Point of Service Plans

In California, MA enrollment continues to be dominated by health maintenance organization (HMO) and point of service (POS) plans (88% of the market). The number of enrollees in HMO/POS plans increased modestly, by 1.5%, from 2005 to 2007. In contrast, private fee-for-service (PFFS) plans grew rapidly. While in December of 2005 there were only about 2,300 enrollees in PFFS plans statewide, enrollment in PFFS plans jumped to over 35,000 in September 2007 (Table 1). Less than 5% of PFFS enrollees in California were in rural areas.

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>.