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Hawaii Medicare Advantage Enrollment Has Grown

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The number of persons enrolled in Medicare Advantage (MA) and prepaid plans in Hawaii grew 12% between December 2005 and September 2007, from over 61,100 to about 68,000 persons (Table 1). However, the enrollment in MA and prepaid plans represents 36% of Hawaii Medicare beneficiaries, exceeding the national enrollment rate of 20%.

Enrollment in the MA program in Hawaii was significant among persons living in rural areas, where enrollment grew from roughly 17,000 persons to almost 19,000 persons. However, the 35.5% enrollment rate for rural Medicare beneficiaries in Hawaii was the highest in the country in September 2007.

Table 1. Enrollment in Medicare Advantage and Prepaid Plans in Hawaii, 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	61,184	68,214	32.3%	36.0%
Rural	16,928	18,660	32.2%	35.5%
PFFS Plans:				
Total	0	2,339	0.0%	1.2%
Rural	0	674	0.0%	1.3%

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 Significant in Private Fee-for-Service Plans

The increase in MA enrollment in Hawaii has been led by growth in private fee-for-service (PFFS) plans. While in December 2005 there were no enrollees in PFFS plans statewide, enrollment in PFFS plans jumped to over 2,300 in September 2007 (Table 1). In contrast, the number of enrollees in health maintenance organization (HMO) and point of service plans grew by only 5% in the same period. More than a quarter of the PFFS enrollees in Hawaii 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>.