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Michigan Medicare Advantage Enrollment Has Grown Dramatically

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The number of persons enrolled in Medicare Advantage (MA) and prepaid plans in Michigan increased almost eight-fold between December 2005 and September 2007, from over 29,100 to over 235,200 persons (Table 1). The enrollment in MA plans represents about 15% of Michigan Medicare beneficiaries. However, enrollment in MA plans in Michigan trailed the national enrollment rate of 20%.

Growth in the MA program in Michigan was more significant among persons living in rural areas, where enrollment grew from about 1,250 persons to almost 49,600 persons (14.1% of rural Medicare beneficiaries in Michigan) between December 2005 and September 2007.

Table 1. Enrollment in Medicare Advantage and Prepaid Plans in Michigan, 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	29,132	235,251	1.9%	15.3%
Rural	1,251	49,588	0.4%	14.1%
PFFS Plans:				
Total	5,268	187,422	0.3%	12.2%
Rural	1,024	48,036	0.3%	13.6%

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 Most Significant in Private Fee-for-Service Plans

The dramatic increase in MA enrollment in Michigan has been led by exceptionally rapid growth in private fee-for-service (PFFS) plans. While in December 2005 there were only 5,268 enrollees in PFFS plans statewide, enrollment in PFFS plans jumped to over 187,400 in September 2007 (Table 1). More than a quarter of the PFFS enrollees in Michigan were in rural areas. The number of enrollees in health maintenance organization (HMO) and point of service plans also increased, by almost 94%, in the same period.

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>.