

# RUPRI Center for Rural Health Policy Analysis

November 2007

www.unmc.edu/ruprihealth

## Tennessee Medicare Advantage Enrollment Has Grown Significantly

by Timothy McBride, Yolonda Lahren, and Steven Meyer

The number of persons enrolled in Medicare Advantage (MA) and prepaid plans in Tennessee almost doubled between December 2005 and September 2007, growing from about 97,000 to over 170,200 persons (Table 1). The enrollment in MA and prepaid plans represents 17.8% of Tennessee Medicare beneficiaries, slightly trailing the national enrollment rate of 20%.

Growth in the MA program in Tennessee was more significant among persons living in rural areas, where enrollment grew from about 13,500 persons to almost 33,000 persons (10.4% of rural Medicare beneficiaries in Tennessee) between December 2005 and September 2007.

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

Location	Number of Enrollees		Percent of Medicare Population	
	Dec. 2005	Sept. 2007	Dec. 2005	Sept. 2007
<b>All Medicare Advantage and Prepaid Plans:</b>				
Total	96,786	170,269	10.1%	17.8%
Rural	13,551	32,921	4.3%	10.4%
<b>PFFS Plans:</b>				
Total	5,307	41,408	0.6%	4.3%
Rural	1,515	13,242	0.5%	4.2%

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 increase in MA enrollment in Tennessee was mostly in private fee-for-service (PFFS) plans, which grew more than eightfold between 2005 and 2007, from about 5,300 enrollees in PFFS plans statewide to over 41,400 (Table 1). About one-fourth of the PFFS enrollees in Tennessee were in rural areas. Most of the rest of the enrollment growth in Tennessee was in health maintenance organization (HMO) and point of service plans, which grew from about 89,000 to 127,600 persons between 2005 and 2007.

### 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

For further information, please contact Timothy D. McBride, Ph.D., RUPRI Center for Rural Health Policy Analysis, (314) 977-4094 or mcbridet@slu.edu.

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>.