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Texas Medicare Advantage Enrollment Has Grown Significantly

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The number of persons enrolled in Medicare Advantage (MA) and prepaid plans in Texas grew by about 70% between December 2005 and September 2007, from over 232,700 to over 395,300 persons (Table 1). However, the enrollment in MA plans represents about 15% of Texas Medicare beneficiaries, slightly trailing the national enrollment rate of 20%.

Growth in the MA program in Texas was more significant among persons living in rural areas, where enrollment more than tripled, from over 8,500 persons to roughly 30,400 persons (5.8% of rural Medicare beneficiaries in Texas) between December 2005 and September 2007.

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

	Number of Enrollees		Percent of Medicare Population	
Location	Dec. 2005	Sept. 2007	Dec. 2005	Sept. 2007
All Medicare Advantage and Prepaid Plans:				
Total	232,776	395,310	8.8%	15.0%
Rural	8,530	30,388	1.6%	5.8%
PFFS Plans:				
Total	4,438	70,543	0.2%	2.7%
Rural	1,464	16,402	0.3%	3.1%

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

Nearly half of the increase in MA enrollment in Texas has been in private fee-for-service (PFFS) plans. While in December 2005 there were only about 4,400 enrollees in PFFS plans statewide, enrollment in PFFS plans jumped to over 70,500 in September 2007 (Table 1). In contrast, enrollment in health maintenance organization (HMO) and point of service plans in Texas grew less rapidly, by about 10%, in the same period. Less than one-quarter of the PFFS enrollees in Texas 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.

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