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Virginia Medicare Advantage Enrollment Up Significantly

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The number of persons enrolled in Medicare Advantage (MA) and prepaid plans in Virginia increased more than four-fold between December 2005 and September 2007, from over 23,800 to about 99,200 persons (Table 1). However, the enrollment in MA plans represents about 10% of Virginia Medicare beneficiaries, lower than the national enrollment rate of 20%.

Enrollment in the MA program in Virginia was higher (in percentage terms) among persons living in rural areas, where 11% of beneficiaries are enrolled. Rural enrollment grew more than fourfold, from about 5,800 persons to over 25,400 persons between December 2005 and September 2007.

Table 1. Enrollment in Medicare Advantage and Prepaid Plans in Virginia, 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	23,839	99,217	2.3%	9.7%
Rural	5,840	25,403	2.5%	11.0%
PFFS Plans:				
Total	4,839	76,316	0.5%	7.5%
Rural	811	20,215	0.3%	8.7%

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 Virginia has been led by rapid growth in private fee-for-service (PFFS) plans. While in December 2005 there were only about 4,800 enrollees in PFFS plans statewide, enrollment in PFFS plans jumped to over 76,300 in September 2007 (Table 1). About one-quarter of the PFFS enrollees in Virginia were in rural areas. The number of enrollees in health maintenance organization (HMO) and point of service plans in Virginia increased about 30% in the same period, but less than 10% were enrolled in these plans by September 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

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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>.