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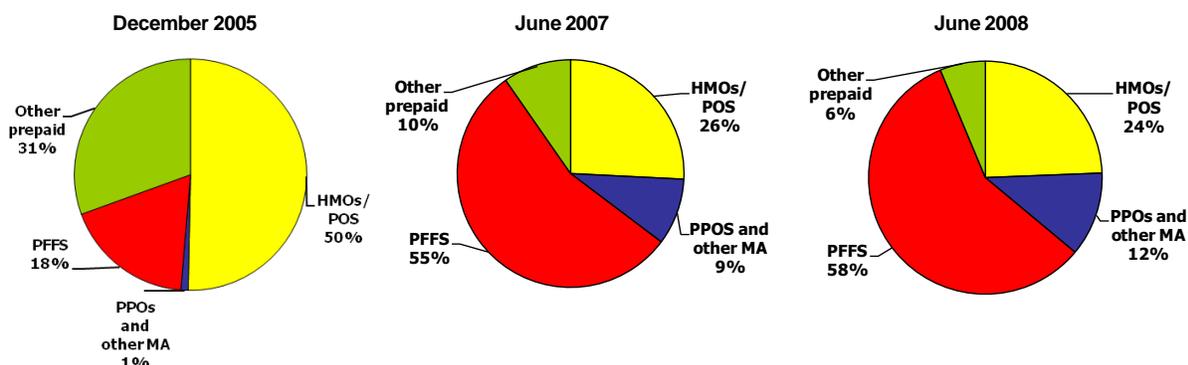
Rural Enrollment in Medicare Advantage Continues to Grow Rapidly in 2008, Led by Private Fee-for-Service Plans

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Enrollment of rural beneficiaries into Medicare Advantage (MA) plans has more than quadrupled since the inception of the MA program at the beginning of 2006 and increased 35% in the last year. However, as a percent of all beneficiaries, the enrollment rate in rural areas (11.8%) remains well below the national enrollment rate (21.8%) (Tables 1 and 2). The tremendous growth in rural MA plans over the past two and a half years is mostly attributed to the spread of private fee-for-service (PFFS) plans across the country, which now account for 58% of rural Medicare eligibles (Figure 1). Compared to PFFS plans, health maintenance organizations (HMOs) have lower enrollment in rural areas (3.1%) but higher enrollment in urban areas (17.7%) (Figure 2).

This policy brief provides findings about enrollment in the MA program in rural areas and across the United States and updates earlier findings from analysis of the MA program presented in previous RUPRI Center policy briefs.¹

Figure 1. Rural Enrollment in Medicare Advantage and Other Prepaid Plans by Type of Plan, 2005-2008



Source: RUPRI Center for Rural Health Policy Analysis.

Note: HMO = health maintenance organization; MA = Medicare Advantage; PFFS = private fee-for-service; POS = point of service; PPO = preferred provider organization.



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Key Findings

As of June 2008 (date of release of CMS data²),

- Nearly 1.2 million rural Medicare beneficiaries were enrolled in an MA or prepaid plan,³ a 2.5-fold increase since December 2005 (Table 3).
- Despite significant growth in MA plans, only 12.6% of rural Medicare beneficiaries were enrolled in MA or prepaid plans in June 2008, compared to the national enrollment rate of 22.6%.
- Over half (58%) of rural persons enrolled in MA or prepaid plans were in PFFS plans in June 2008 compared to only 18% in December 2005 (Figure 1).
- HMO/point of service (POS) enrollment in rural areas dropped from 50% to 24% between December 2005 and June 2008.
- In urban areas, HMO/POS plans account for 65% of MA enrollment.

Enrollment in MA Plans

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) created the MA program, superseding the Medicare+Choice program created in 1997. The MMA created new payment options for MA while increasing payment to MA plans. By June 2008, about 1.2 million rural beneficiaries were enrolled in MA or prepaid plans, compared to only 347,000 in December 2005 (Table 3). Although this represents a significant growth in enrollment, only 12.6% of rural Medicare beneficiaries were enrolled in MA and prepaid plans in June 2008, continuing to fall below the national average of 22.6%.

Virtually all growth in MA plans in rural areas since 2005 has been in PFFS plans. Enrollment in these plans increased nearly 10-fold from 2005 to 2008, from over 63,000 to over 672,000. National enrollment in PFFS also significantly increased, from over 200,000 to nearly 2.2 million. Enrollment in HMO/POS plans in rural areas has dropped from 50% to 24% since December 2005 (Figure 1).

Conclusions and Policy Implications

Medicare Advantage plans continue to grow rapidly in 2008, and nearly all enrollment growth in rural areas is concentrated in PFFS plans. PFFS plans predominate in rural areas because they are offered in most rural counties, while other MA choices (HMOs, preferred provider organizations [PPOs]) are less likely to be offered in rural areas, despite the stated goal of the MMA to expand plan options everywhere in the country.⁴ Also, the patterns of payment rates in rural areas make PFFS plans a viable option for many organizations. Even with higher floor payments in most rural counties, it still may not be feasible to set up the networks HMOs and PPOs require, but the payment rates are high enough to offer PFFS plans.⁵ HMO plans are paid 13% above FFS costs, whereas PFFS plans are paid 17% above FFS costs.⁶ Thus, there are strong incentives for PFFS plans to seek rural enrollment based on the higher benchmark payment rates.

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Table 1. Enrollment in Medicare Advantage and Other Prepaid Plans by State, June 2008⁽¹⁾

STATE ⁽²⁾	Percent of Medicare eligibles enrolled in:		TOTAL enrolled in MA and prepaid plans	Enrollment in Medicare Advantage Plans:					Enrolled in prepaid plans ⁽⁴⁾	TOTAL Medicare eligibles
	MA and prepaid plans	MA plans		TOTAL in MA plans	HMO/POS	PFFS	PPOs and other MA plans ⁽³⁾			
UNITED STATES	22.6%	21.8%	9,845,546	9,493,366	6,363,491	2,195,405	934,470	352,180	43,512,334	
AK	0.3%	0.3%	156	156	.	156	-	-	57,825	
AL	18.8%	18.6%	149,025	147,888	87,983	20,002	39,903	1,137	794,119	
AR	11.7%	11.6%	58,685	57,991	10,620	38,564	8,807	694	499,525	
AZ	36.9%	36.8%	308,751	308,240	256,314	36,216	15,710	511	837,092	
CA	34.5%	34.3%	1,520,440	1,509,929	1,420,561	53,947	35,421	10,511	4,404,143	
CO	32.3%	27.8%	181,819	156,722	128,008	24,782	3,932	25,097	563,313	
CT	13.7%	13.7%	74,139	74,139	63,870	6,217	4,052	-	540,153	
DC	9.5%	3.4%	7,031	2,527	1,237	643	647	4,504	74,221	
DE	3.5%	3.5%	4,823	4,800	678	2,932	1,190	23	137,176	
FL	27.3%	27.2%	856,490	852,463	683,425	48,314	120,724	4,027	3,136,198	
GA	12.4%	12.4%	139,594	139,484	25,830	82,598	31,056	110	1,123,485	
HI	37.4%	17.4%	71,326	33,122	22,915	2,879	7,328	38,204	190,514	
IA	11.3%	9.9%	56,658	49,747	8,211	36,836	4,700	6,911	501,472	
ID	24.2%	23.4%	50,409	48,681	18,073	24,090	6,518	1,728	208,261	
IL	9.1%	8.7%	158,945	151,971	74,790	53,185	23,996	6,974	1,752,685	
IN	12.3%	10.7%	116,430	101,600	2,103	81,933	17,564	14,830	947,399	
KS	8.7%	8.1%	35,973	33,491	9,737	15,018	8,736	2,482	412,743	
KY	13.2%	12.4%	94,413	88,956	17,989	54,270	16,697	5,457	714,746	
LA	20.2%	20.2%	130,202	130,103	102,886	24,994	2,223	99	644,035	
MA	18.5%	18.3%	185,809	183,571	142,968	27,342	13,261	2,238	1,003,283	
MD	6.8%	4.3%	49,945	31,231	18,690	4,785	7,756	18,714	730,416	
ME	5.2%	5.2%	12,994	12,994	3,334	8,313	1,347	-	248,206	
MI	21.5%	21.4%	333,373	332,632	61,219	264,389	7,024	741	1,551,240	
MN	33.9%	23.0%	249,776	169,557	79,534	71,978	18,045	80,219	735,747	
MO	18.0%	17.8%	170,972	169,663	106,268	39,061	24,334	1,309	952,022	
MS	8.2%	8.2%	38,423	38,393	9,554	27,305	1,534	30	471,077	
MT	14.3%	14.3%	22,428	22,428	-	20,408	2,020	-	157,244	
NC	16.0%	16.0%	218,625	218,407	93,383	119,506	5,518	218	1,368,098	
ND	6.9%	6.1%	7,221	6,389	41	6,314	34	832	105,366	
NE	10.6%	9.9%	28,387	26,496	8,606	15,700	2,190	1,891	268,440	
NH	4.2%	4.2%	8,349	8,349	28	8,283	38	-	199,824	
NJ	10.1%	10.0%	127,878	126,824	112,889	5,435	8,500	1,054	1,265,950	
NM	22.6%	22.4%	65,075	64,334	45,984	9,391	8,959	741	287,326	
NV	30.8%	30.7%	98,844	98,581	89,143	6,440	2,998	263	320,830	
NY	27.0%	26.5%	768,465	755,188	633,916	48,363	72,909	13,277	2,850,350	
OH	25.2%	23.9%	456,535	433,899	218,287	180,093	35,519	22,636	1,812,875	
OK	13.2%	13.1%	74,735	74,505	52,427	17,441	4,637	230	568,310	
OR	40.6%	39.9%	232,032	227,854	128,166	23,286	76,402	4,178	571,120	
PA	36.9%	36.5%	808,821	798,950	579,225	112,037	107,688	9,871	2,190,959	
RI	35.8%	35.8%	63,014	62,922	59,901	1,812	1,209	92	175,841	
SC	13.1%	13.1%	92,031	91,642	5,666	66,583	19,393	389	701,235	
SD	8.8%	8.8%	11,417	11,383	4,356	5,995	1,032	34	129,948	
TN	20.2%	20.1%	197,990	196,941	140,215	54,341	2,385	1,049	980,166	
TX	16.8%	15.9%	458,980	432,738	302,965	77,812	51,961	26,242	2,729,003	
UT	27.1%	26.5%	69,479	67,916	9,519	33,205	25,192	1,563	256,499	
VA	11.7%	10.4%	123,595	109,460	7,444	98,049	3,967	14,135	1,053,914	
VT	2.6%	2.5%	2,628	2,606	-	2,606	-	22	102,649	
WA	22.0%	21.9%	193,727	193,127	123,910	49,772	19,445	600	881,126	
WI	24.0%	22.6%	206,966	194,422	55,058	124,451	14,913	12,544	860,845	
WV	21.7%	18.1%	79,812	66,854	5,009	53,193	8,652	12,958	368,644	
WY	4.3%	3.3%	3,246	2,435	26	2,374	35	811	74,676	

Source: RUPRI Center for Rural Health Policy Analysis, based on CMS data, as of June 2008.

Note: HMO = health maintenance organization; MA = Medicare Advantage; PFFS = private fee-for-service; POS = point of service; PPO = preferred provider organization.

(1) Excludes enrollment in any county and plan if the plan enrolls 10 or fewer enrollees in that county (due to restrictions on data release by CMS), and excludes enrollees in Alaska and U.S. territories (due to data incompatibilities).

(2) Some states not shown either because they have no rural areas or because the CMS data show no enrollees in rural areas (DC, NJ, VT, MA, NH, AK).

(3) Includes demonstration plans, MSA plans, and other types of CPP plans.

(4) Includes cost and PACE plans..

Table 2. RURAL Enrollment in Medicare Advantage and Other Prepaid Plans by State, June 2008⁽¹⁾

STATE ⁽²⁾	Percent of Medicare eligibles enrolled in:		TOTAL Enrolled in MA and prepaid plans	Enrollment in Medicare Advantage Plans:					Enrolled in prepaid plans ⁽⁴⁾	TOTAL Medicare eligibles
	MA and prepaid plans	MA plans		TOTAL in MA plans			PPOs and other MA plans ⁽³⁾			
				HMO/POS	PFFS					
UNITED STATES	12.6%	11.8%	1,168,365	1,094,744	285,338	672,438	136,968	73,621	9,280,728	
AK	0.1%	0.1%	31	31	-	31	-	-	21,280	
AL	10.8%	10.7%	28,108	28,009	8,923	7,746	11,340	99	260,728	
AR	10.4%	10.3%	24,838	24,729	2,489	17,532	4,708	109	238,972	
AZ	18.1%	18.0%	21,873	21,729	11,937	7,491	2,301	144	120,856	
CA	6.6%	6.4%	10,364	10,082	5,004	2,809	2,269	282	157,253	
CO	12.4%	4.9%	11,855	4,702	410	4,258	34	7,153	95,311	
CT	7.2%	7.2%	3,559	3,559	2,905	268	386	-	49,100	
DE	2.4%	2.3%	971	948	-	704	244	23	40,795	
FL	10.4%	10.4%	26,649	26,598	10,173	5,645	10,780	51	256,402	
GA	9.6%	9.6%	28,310	28,310	350	21,805	6,155	-	296,052	
HI	36.1%	16.6%	19,497	8,956	6,227	1,015	1,714	10,541	54,007	
IA	7.3%	6.9%	19,416	18,288	621	16,240	1,427	1,128	264,231	
ID	16.0%	15.2%	12,802	12,197	1,408	10,050	739	605	80,199	
IL	7.9%	7.0%	25,370	22,529	1,535	16,803	4,191	2,841	320,759	
IN	12.7%	11.9%	30,365	28,519	24	26,168	2,327	1,846	239,911	
KS	3.0%	2.7%	5,323	4,748	-	4,581	167	575	177,981	
KY	9.8%	8.6%	34,860	30,600	1,595	25,273	3,732	4,260	354,056	
LA	8.9%	8.9%	16,692	16,692	6,218	9,824	650	-	186,702	
MA	-	-	-	-	-	-	-	-	4,114	
MD	1.4%	1.4%	719	719	88	510	121	-	52,850	
ME	3.5%	3.5%	4,014	4,014	385	3,283	346	-	115,163	
MI	20.2%	20.2%	72,496	72,496	2,887	67,891	1,718	-	358,094	
MN	28.7%	24.1%	76,647	64,326	18,059	37,836	8,431	12,321	266,709	
MO	8.6%	8.5%	26,898	26,443	4,934	19,567	1,942	455	312,308	
MS	6.5%	6.5%	18,858	18,858	3,781	14,054	1,023	-	289,924	
MT	12.6%	12.6%	13,262	13,262	-	12,069	1,193	-	105,579	
NC	11.7%	11.7%	58,638	58,565	18,058	39,412	1,095	73	502,447	
ND	6.1%	5.2%	4,054	3,462	-	3,462	-	592	66,273	
NE	7.8%	7.1%	11,172	10,127	88	8,822	1,217	1,045	142,669	
NH	3.2%	3.2%	2,852	2,852	-	2,852	-	-	88,724	
NM	7.7%	7.5%	8,617	8,350	347	4,537	3,466	267	111,207	
NV	17.1%	17.0%	7,708	7,647	5,387	860	1,400	61	44,972	
NY	19.3%	19.2%	53,944	53,733	24,419	19,121	10,193	211	279,436	
OH	16.5%	16.3%	61,991	61,366	10,377	46,009	4,980	625	375,848	
OK	4.6%	4.5%	11,214	11,103	1,693	8,647	763	111	244,643	
OR	24.5%	22.6%	42,177	38,931	17,061	11,539	10,331	3,246	172,215	
PA	26.4%	25.8%	100,856	98,715	58,596	28,842	11,277	2,141	382,498	
SC	11.0%	11.0%	21,275	21,275	261	13,944	7,070	-	193,576	
SD	7.0%	7.0%	5,558	5,558	2,696	2,437	425	-	79,244	
TN	12.2%	12.1%	39,652	39,326	23,692	15,327	307	326	326,236	
TX	7.1%	6.1%	37,925	32,641	5,983	18,522	8,136	5,284	532,388	
UT	19.0%	18.0%	7,293	6,897	269	5,677	951	396	38,389	
VA	13.2%	12.0%	31,219	28,432	2,289	26,049	94	2,787	236,388	
VT	3.0%	3.0%	2,244	2,244	-	2,244	-	-	75,285	
WA	12.5%	12.4%	18,903	18,793	6,088	11,979	726	110	151,306	
WI	24.1%	23.0%	69,026	65,890	17,233	45,160	3,497	3,136	286,520	
WV	20.2%	14.4%	36,169	25,798	822	21,874	3,102	10,371	179,484	
WY	4.0%	3.3%	2,044	1,695	26	1,669	-	349	51,644	

Source: RUPRI Center for Rural Health Policy Analysis, based on CMS data, as of June 2008.

Note: HMO = health maintenance organization; MA = Medicare Advantage; PFFS = private fee-for-service; POS = point of service; PPO = preferred provider organization.

(1) Excludes enrollment in any county and plan if the plan enrolls 10 or fewer enrollees in that county (due to restrictions on data release by CMS), and excludes enrollees in Alaska and U.S. territories (due to data incompatibilities).

(2) Some states not shown either because they have no rural areas or because the CMS data show no enrollees in rural areas (DC, NJ, VT, MA, NH, AK).

(3) Includes demonstration plans, MSA plans, and other types of CPP plans.

(4) Includes cost and PACE plans.

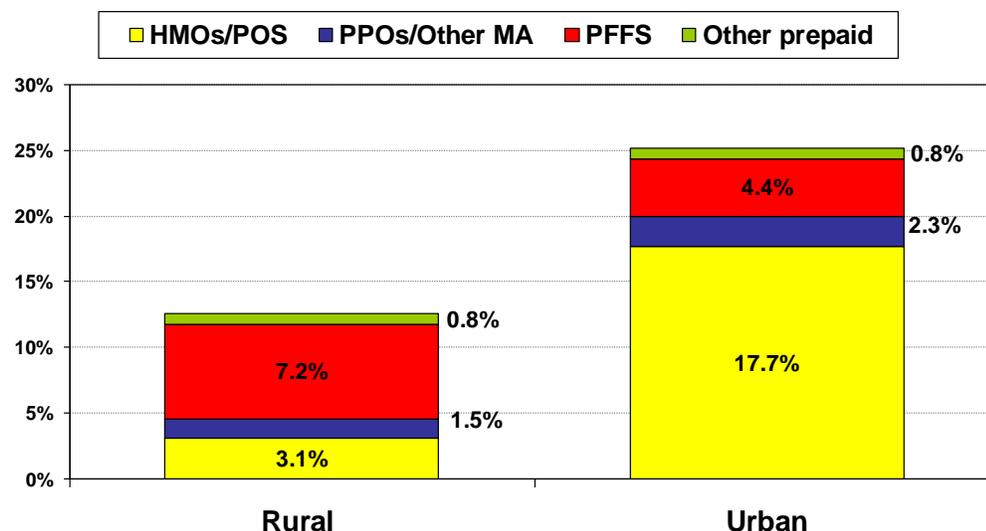
Table 3. Enrollment in Medicare Advantage and Other Prepaid Plans, by Location of Residence and by Type of Plan, 2005-2008

Type of Plan	December 2005		June 2007		June 2008	
	Rural	Total	Rural	Total	Rural	Total
Medicare Advantage	241,706	5,139,794	780,646	8,057,629	1,094,744	9,493,366
HMOs/POS	174,789	4,854,212	222,770	5,681,736	285,338	6,363,491
PFFS	63,393	200,614	476,016	1,550,592	672,438	2,195,405
PPOs and other MA	3,524	84,968	81,860	825,301	136,968	934,470
Other prepaid plans	105,197	688,231	83,472	388,522	73,621	352,180
TOTAL	346,903	5,933,222	864,118	8,446,151	1,168,365	9,845,546
	Percent of Medicare Population		Percent of Medicare Population		Percent of Medicare Population	
Medicare Advantage	3.5%	11.7%	8.4%	18.5%	11.8%	21.8%
HMOs/POS	2.5%	11.0%	2.4%	13.1%	3.1%	14.6%
PFFS	0.9%	0.5%	5.1%	3.6%	7.2%	5.0%
PPOs and other MA	0.1%	0.2%	0.9%	1.9%	1.5%	2.1%
Other prepaid plans	1.5%	1.6%	0.9%	0.9%	0.8%	0.8%
TOTAL	5.0%	13.5%	9.3%	19.4%	12.6%	22.6%

Source: RUPRI Center for Rural Health Policy Analysis, based on CMS data as of June 2008.

Notes: Excludes enrollment in any county and plan if the plan enrolls 10 or fewer enrollees in that county (due to restrictions on data release by CMS) and excludes enrollees in US territories (due to data incompatibilities with geographic files). Other prepaid plans include cost plans and demonstration plans. HMO = health maintenance organization; MA = Medicare Advantage; PFFS = private fee-for-service; POS = point of service; PPO = preferred provider organization.

Figure 2. Medicare Advantage Enrollment by Area of Residence, June 2008



Source: RUPRI Center for Rural Health Policy Analysis.

Note: HMO = health maintenance organization; MA = Medicare Advantage; PFFS = private fee-for-service; POS = point of service; PPO = preferred provider organization.

Conclusions and Policy Implications (continued)

The enrollment patterns outlined in this brief, and the concentration of enrollment in PFFS plans, represent a challenge to the twin goals of expanding beneficiary choices while containing costs through the MA program.⁷ Although PFFS plans may offer beneficiaries some out-of-pocket cost savings, they are currently less likely to offer the care management and coordination offered by other MA plans. The impacts of changes in federal policy enacted in 2008 (the Medicare Improvements for Patients and Providers Act of 2008) that would compel PFFS plans to establish networks by 2011 may change future enrollment patterns. PFFS plans may develop networks and convert to PPO plans, or they might withdraw from the program. With the initial date being two years away, at this time, plans are still considering their options.

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1. McBride TD, Mueller KJ. (2007). *Update on rural enrollment in Medicare Advantage: Growth continues* (PB2007-7). Omaha, NE: RUPRI Center for Rural Health Policy Analysis; McBride TD, Terry T, Mueller KJ. (2007). *Rural enrollment in Medicare Advantage growing rapidly in 2007, especially in private fee-for-service plans* (PB2007-3). Omaha, NE RUPRI Center for Rural Health Policy Analysis.
2. Data for this report was prepared by obtaining state-county-plan level enrollment files and payment rate files from the Center for Medicare and Medicaid Services. The data were processed at the county level, merging these with county-level indicators of rural-urban status as identified by the U.S. Department of Agriculture, Economic Research Service (ERS). Urban Influence Codes (UICs) were used to differentiate rural from urban counties. The Medicare-eligible population for January 2008 by county was used for all the analysis in this brief. The enrollment data by county excludes enrollment in any county and plan if the plan enrolls 10 or fewer enrollees in that county (due to restrictions on data release by CMS) and excludes enrollees in Alaska and U.S. territories (due to data incompatibilities with geographic files), resulting in about 600,000 MA and prepaid plan enrollees not included here.
3. These are plans authorized in earlier legislation that are cost-based plans or demonstrations.
4. Gold M. (2007). *Private plans in Medicare: A 2007 update* (Medicare Issue Brief 7622). Washington, DC: Kaiser Family Foundation.
5. Medicare Payment Advisory Commission. (2007). Update on the Medicare Advantage Program and implementing past recommendations. In *Report to the Congress: Promoting Greater Efficiency in Medicare* (Ch. 2, pp. 57-74).
6. MedPAC January 2008 Testimony.
7. U.S. Congress. (1997, July 29). Conference report on HR 2015, Balanced Budget Act of 1997. *Congressional Record*.

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