

RUPRI Center for Rural Health Policy Analysis

Rural Policy Brief

Brief No. 2009-7

June 2009

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May 2009: PPOs Driving Growth in Rural Medicare Advantage Enrollment

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A changing landscape is emerging for rural Medicare Advantage (MA) enrollment in 2009 as rapid growth in preferred provider organization (PPO) plan enrollment is coupled with a decline in the growth rate of enrollment in private fee-for-service (PFFS) plans. Enrollment in MA plans has continued to climb in 2009, but it has been impacted by the slowed rate of growth in PFFS plans, which cover over half of MA enrollees in rural areas. The growth in PPO enrollment in recent months is likely tied to changes in policy that have encouraged the growth of new PPO plans, enrollment in existing PPO plans, and expansions of the service areas of existing plans.

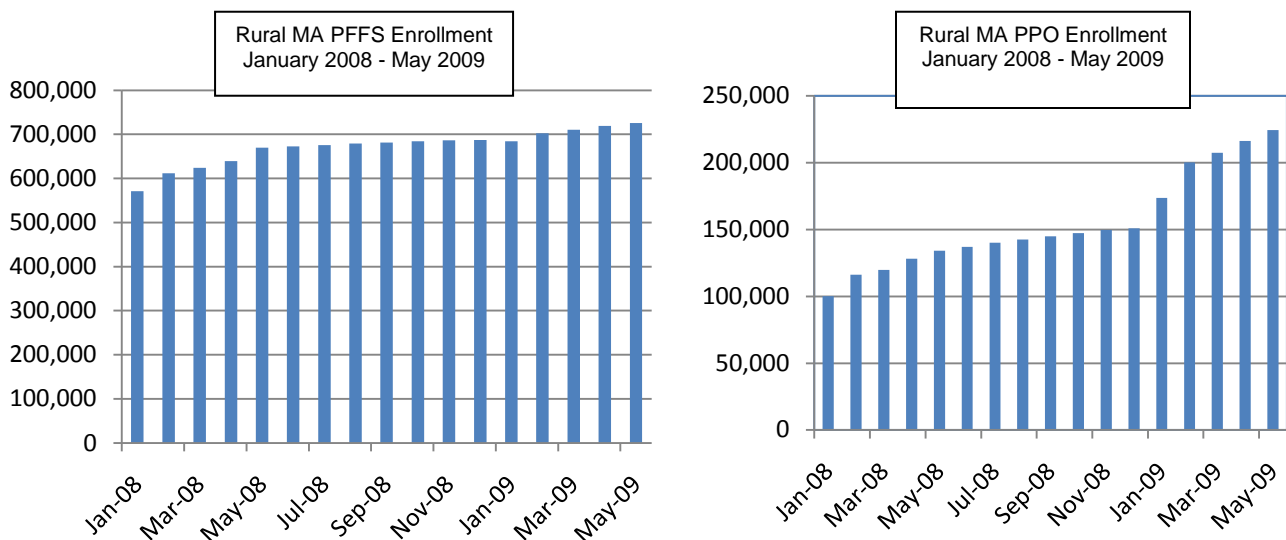
Open enrollment for Medicare beneficiaries took place November 15, 2008, through March 31, 2009, and changes in enrollment during the early months of each year typically represent the bulk of enrollment changes for the year as beneficiaries respond to open enrollment. This brief describes some of the recent changes in rural MA enrollment.

Key Findings

Growth in MA Plans Slows

- From January 2008 to May 2008, rural enrollment in MA and other prepaid plans grew by 16.1%, while from January 2009 to May 2009 enrollment grew by only 10.3%.
- Over half (57%) of rural MA beneficiaries were enrolled in a PFFS plan in May 2009; however, growth in rural PFFS plans is slowing. While rural PFFS enrollment grew by 17.2% during the 2008 open enrollment period (reflected in enrollment changes from January through May 2008), enrollment grew by only 6.1% during the 2009 open enrollment period (January to May 2009) (Figure 1). From January 2008 through May 2009, rural enrollment in PFFS plans grew by 27%.
- Rural PPO enrollment grew by 34% from January 2008 through May 2008 and by 29% during the same months in 2009 (Figure 1). PPO enrollment in rural areas more than doubled from January 2008 through May 2009, with enrollment reaching 224,000 Medicare beneficiaries (17% of MA enrollees).

Figure 1. Rural MA Enrollment in PFFS and PPO Plans, January 2008 - May 2009



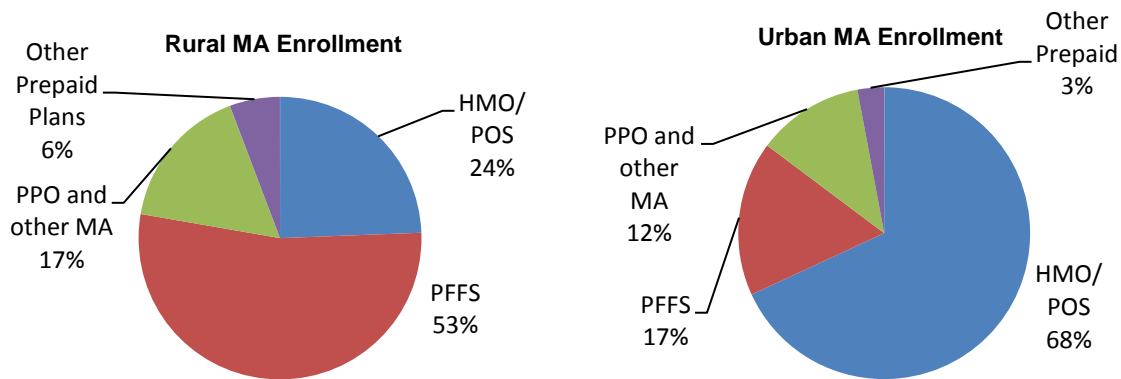
Enrollment in MA Plans

- Enrollment in MA and other prepaid plans in rural areas continues to climb, with over 1.36 million enrolled, a five-fold increase since December 2005.
- In May 2009, over 14% of rural Medicare beneficiaries were enrolled in an MA plan, a much smaller share of Medicare beneficiaries than were enrolled in MA plans in urban areas (27%).
- In May 2009, rural enrollment rates in MA and prepaid plans were 20% or greater in nine states—Hawaii (36.9%), Michigan (22.3%), Minnesota (31.6%), New York (21.8%), Oregon (25.9%), Pennsylvania (28.7%), Utah (22.3%), Wisconsin (27.6%), and West Virginia (21.3%).

Distribution of Enrollment

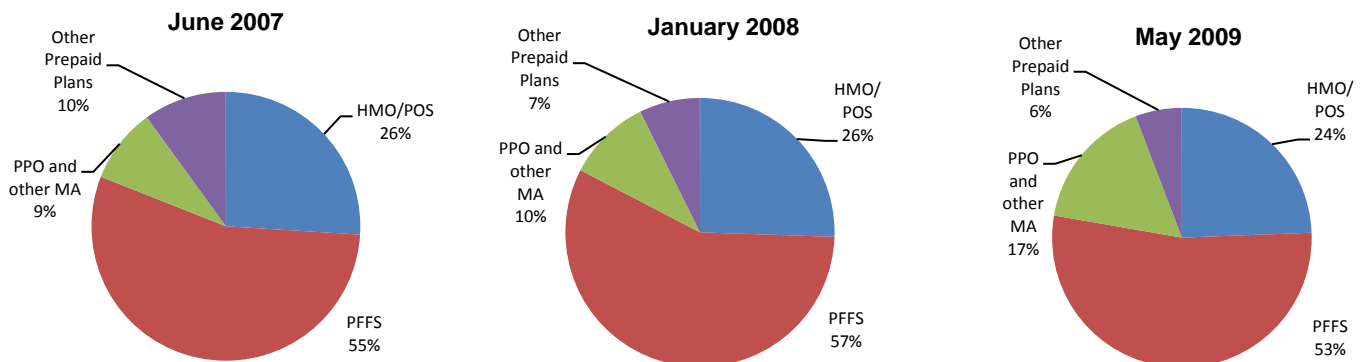
- Health maintenance organization (HMO) plans dominate urban enrollment in MA, with over 68% of the beneficiaries enrolled in MA plans; PFFS plans dominate rural enrollment, with over 53% of beneficiaries (Figure 2).
- PPO and other prepaid plans have similar market shares in MA enrollment in both rural and urban areas.

Figure 2. Enrollment in Medicare Advantage and Other Prepaid Plans by Area, May 2009



- From January 2008 to May 2009, PPO enrollment in rural areas grew from 10% to 17% of total MA enrollees in rural areas, while enrollment in PFFS plans fell from 57% to 53% of the market share (Figure 3). This decline reverses a recent trend of continuing increases in market share for PFFS plans in rural MA enrollment.
- HMO/point of service (POS) and other prepaid plans have lost market share in MA enrollment areas from June 2007 through May 2009. Enrollment in HMO/POS and other prepaid plans continues to climb in rural areas although they are growing at a pace slower than that of PPO and PFFS plans.

Figure 3. Rural Enrollment in Medicare Advantage and Other Prepaid Plans by Type of Plan, 2007-2009



Funded by the Federal Office of Rural Health Policy, Health Resources and Services Administration, U.S. Department of Health and Human Services (Grant #1U1G RH07633)

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