MEDICARE ADVANTAGE IN 2007: WHAT CONGRESS INTENDED?

by

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Overview of Findings - I

- **Changes in Medicare Advantage in the MMA reversed the prior erosion in private plan availability and enrollment under Medicare+Choice.**
- **Shift began before 2006 (Part D benefit and changes) but intensified thereafter**

Overview of Findings - II

- **PFFS accounts disproportionately for growth in MA availability and enrollment across the country.**
- **As a replacement supplement, PFFS provides attractive premiums with the promise of open access. But financial and access risk in PFFS typically is higher than in Medigap and perhaps higher than beneficiaries expect.**

Key Features of Selected MA Contracts by Type

	HMO	LPPO	RPPO	PFFS
First Authority	TERFA (1985)	BBA (1999)	MMA (2006)	BBA (1999)
Service Area	1+ Counties	1+ Counties	27 Regions 1+ States	1+ Counties
Benefits	Medicare Actuarial	Medicare Actuarial	Actuarial _____ +OOP Limit + Integrated A/B Cost Sharing	Medicare Actuarial
Benchmark	County FFS	County FFS	Blend County FFS + Bid Over Region	County FFS
Payment	Lower of Bid or 75% Benchmark	Lower of Bid or 75% Benchmark	Lower of Bid or 75% Benchmark	Lower of Bid or 75% Benchmark
CMS Risk Sharing	No	No	Yes	No
Required Part D?	1+ Plan	1+ Plan	All Plans	No
Required Network	Yes	Yes	Yes	No
Required Baseline Health Assessment and Care Coordination	Yes	Yes	Yes	No
Required HEDIS	Yes	Yes	Yes	No
Required QI/UR	Yes	Yes	Yes	No

Context of Growing Industry Interest in MA

- 1. Entire Medicare program in transition with Part D**
- 2. MMA introduced favorable rates**
- 3. Aging of products makes senior products demographically all activities**

Source: MPR firm interviews for ASPE 2006 (Gold and Peterson 2006)

Firm Strategies to Balance Resource Demands to Expand MA and PDP

- Built on Base
- Targeted “low hanging fruit”
- Favored strategies consistent with market strength
- Expand with consideration of full book of business
- Tailor level of business risk
- Respond to market strategies

Firm MA Strategies - I

2006

- Limited by resources spent developing PDPs
- Some motivated by threats to book of business vs. opportunity
- Firm decision on products strongly influenced by county MA payment rates and provider network decisions

Firm MA Strategies - II

2007 (Moratorium on new local PPOs)

- **Refining strategies in response to market competition (“tweak benefits, premiums”)**
- **Respond to growth PFFS**
- **Additional time to develop SNPs, new work product**

Source: MPR firm interviews for ASPE 2006 (Gold and Peterson 2006)

Firm Perceptions on RPPO vs. PFFS - I

RPPO

- **Resources demands high to create provider networks across large geographic areas**
- **Challenging to negotiate rates with providers**
- **Concerned about market viability of product with uniform benefits over broad areas competing with local plans**

Firm Perceptions on RPPO vs. PFFS - II

PFFS

- Ability to sidestep provider contracts by using Medicare rates
- Less need for local presence so administrative costs shared nationally
- Local rates so can vary offerings/marketing by areas
- Familiar to nationwide brokers and agents

Number of Coordinated and PFFS Contracts Available to Beneficiaries By County Type, 2007

	All Beneficiaries		Urban Beneficiaries		Rural Beneficiaries	
Percentage of Beneficiaries with:	CCP ^a	PFFS	CCP ^a	PFFS	CCP ^a	PFFS
None	1.5%	0.3%	0.7%	0.0%	4.3%	0.0%
1	12.5	2.7	5.8	3.4	36.3	0.4
2	16.0	6.1	11.1	7.5	33.9	1.6
3-5	33.9	35.9	39.3	35.2	16.7	40.0
6 or More	33.7	52.4	43.2	53.4	2.3	51.4

Source: MPR analysis of a file created from the 2007 Personal Plan Finder.

Note: Contracts reflect unique organizational sponsors. Each contract may include several plans (that is, different benefit packages). Exclude employer-only “800” plans.

^aIncludes R-PPOs which are available to most beneficiaries.

Distribution of MA Enrollment, Total and HMO 1999-2007 (millions)

Source: CMS Monthly Health Plan Summary Report. December 1999-2003; April for 2007.

^aMay include a few enrollees in PPOs/POS but excludes PPO demonstration.

Distribution of MA Enrollment, May 2007

Source: CMS Monthly Health Plan Summary Report.

^aIncludes cost, demonstration and other plans. Enrollment in MSAs was 2,261.

Major PFFS Firms in MA, 2007

	Percent of Beneficiaries with Available Plan	Enrollment	
		November 2006	March 2007
All Firms	97%	819,098	1,329,296
Firms with 5,000 + Enrollees			
Humana	83%	468,064	572,058
UnitedHealthcare/Pacificare	40%	176,180	102,064
Wellpoint (Unicare, Anthem)	68%	75,462	98,575
Sterling	High	48,222	67,902
BCBS of Michigan	Low	28,677	149,095
Heritage Health Systems ^a	High	15,955	96,087
Coventry ^b	High	0	75,664
Universal Health Care ^c	Medium	0	72,793
Aetna	4%	0	37,064
Wellcare	Medium	0	17,721
Harvard Pilgrim	Low	0	16,133

Source: MPR analysis of files created from CMS data on enrollment by contract and county.

^aIncludes American Progressive Life and Pyramid Life Insurance Company.

^bIncludes First Health Life, Coventry, and Cambridge Life.

^cAny, Any, Any Plan.

Distribution of March 2007 Enrollment by Payment Level

County Benchmark	All	HMO	Local PPO	R-PPO	PFFS
Rural Floor (\$662)	8.6%	2.8%	7.2%	11.7%	29.4%
\$663 - \$731	2.3	0.9	2.4	6.5	6.0
Urban Floor (\$732)	29.9	26.4	36.4	22.8	42.9
\$733 - \$795	17.1	19.8	13.2	22.8	9.7
\$796 - \$895	21.6	25.0	15.9	25.8	6.9
\$896 and more	20.5	25.2	24.9	10.4	5.1
Total Enrollment (1,000s)	(7,606)	(5,204)	(389)	(113)	(1,329)

Source: MPR analysis of files created from CMS data on enrollment by contract and county.

Note: Excludes enrolls in Puerto Rico and the territories and any SNP only contracts.

PFFS “Selling Points”

- **“One Stop” Shopping (if Rx)**
- **Premiums substantially less than Medigap**
- **Reconfigured Medicare A/B cost sharing (but poorly understood)**
- **Potential access to “any willing provider”**
- **Some additional benefits- largely preventive**

Benefits in HMO Versus PFFS MA-PD Plans, 2006

	HMOs		PFFS	
	All	Lowest Premium	All ^a	Lowest Premium
Average MA Total Premium Per Month	\$39	\$22	\$48	\$44
Percent with Zero Premiums	44%	64%	19%	24%
Percent Rx Benefits in Gap	31%	26%	0%	0%
PCP copay over \$25	1%	1%	0%	0%
Spec copay over \$25	22%	29%	57%	73%
Median Three Day IP Stay	--	\$300	--	\$540
Median Three IP Stays ^b	--	\$1,300	--	\$2,340

Source: MPR analysis of a file created from CMS's November 2005 Personal Plan Finder.

^aFigures only for MA-PDs. 70 percent of PFFS plans had drug coverage; premiums for MA only plans are \$38 per month on average, with 20 percent having no premium. Among all PFFS plans, 38 percent have a specialist copay of \$25 or more.

^bTwo 2 six day stays and one three day stays.

Estimated Out-of-Pocket Costs Per Enrollee for Hospital and Physician Services in MA-PD Plans by Type, 2006

Estimated Annual Out-of-Pocket Costs Per Enrollee for Hospital and Physician Services, by Health Statuses	All	HMO	Local PPO	PFFS	Regional PPO
All MA-PD (Except SNPs)					
All	\$268	\$239	\$303	\$337	\$432
Healthy	\$831	\$72	\$104	\$81	\$180
Episodic Needs	\$686	\$621	\$749	\$911	\$983
Chronic Needs	\$1,656	\$1,487	\$1,819	\$2,254	\$2,382
Number of Contract Segments	1,349	909	269	126	47

Source: MPR analysis of CMS's November 2005 Personal Plan Finder using HealthMetrix cost sharing methodology . SNP plans are excluded. The method is based on assumptions of use of hospital and physician services by beneficiaries in three categories of health status. Out-of-pocket costs are based on application of actual plan benefits to these assumptions. The "all" category weights the three groups by the data from the Medicare Current Beneficiary Survey on the share of beneficiaries with at least good, with fair, and with poor health status.

Question 1

- **If the major accomplishment post-MMA is that over half of all Medicare beneficiaries + 0 now chose among plans from 6+ PFFS sponsors—and PFFS enrollment growth accounts for a large share of the growth in MA—is this a success?**

Question 2

- **Beneficiaries are concerned about financial protection but many struggle/cannot afford Medigap. Minorities are disproportionately affected though economic concerns touch most beneficiaries. What is the best solution to this issue?**

For Additional Information

- **Marsha Gold. “Medicare Advantage in 2006-2007: What Congress Intended? *Health Affairs* Web Exclusive May 15, 2007. See www.healthaffairs.org**
- **Marsha Gold. “Private Plan in Medicare: A 2007 Update.” Washington, DC: Kaiser Family Foundation, March 2007. See www.kff.org for this and earlier papers.**
- **Marsha Gold and Stephanie Peterson. “Analysis of the Characteristics of Medicare Advantage Participation.” Report prepared for the Assistant Secretary for Planning and Evaluation. US Department of Health and Human Services, 2006. See www.mathematica-mpr.com for this and other papers on M+C/MA.**

BONUS SLIDES

Where Do SNPs Fit?

- HMOs, PPOs, PFFS = Contract Types
- Available historically any beneficiary
- May offer 1+ plans (different benefits and premiums)
- SNPs = are distinct Plans offered under diverse contract types. Enrollment is available only (or disproportionately) to subgroups of beneficiaries (duals, institutionalized, chronic illness)
- SNPs CANNOT be PFFS
- Most SNPs are HMOs or prior demonstrations. Some are PPOs or R-PPOs.

Percentage of Beneficiaries in Urban and Rural Areas with Available MA Plan, 2005-2007

Percent with	Urban			Rural		
	2005	2006	2007	2005	2006	2007
Any MA Plan	96	100	100	78	93	94
Any Local HMO/PPO/PSO	78	89	91	18	38	42
Any PFFS	38	76	100	51	94	96
Any R-PPO	0	88	88	0	84	84
Any MSA	0	0	73	0	0	66

Source: MPR Analysis of files created from CMS data on Geographic Service Area Report (2005) and Medicare Personal Plan Finder (2006, 2007).

Percent of Beneficiaries with Available MA Plan by Selected Firm and Contract Type, 2007

	Any Contract ^a	Local HMO	Local PPO	Regional PPO	PFFS	MSA
Humana	83%	11%	13%	59%	83%	0
United Healthcare	73%	37%	10%	14%	40%	0
Wellpoint/Unicare ^b	68%	9%	5%	8%	28%	60%
Non-Wellpoint/BCBS	54%	29%	23%	14%	8%	10%
Aetna	28%	23%	11%	5%	4%	0
Kaiser-Permanente	15%	12%	0	0	0	0

^aAlso includes cost contracts.

^bUnder UniCare (a non-Blue branded entity), Wellpoint also offers MSAs to 60 percent of beneficiaries, PFFS plans to 24 percent, and HMOs to one percent. UniCare products by Wellpoint are included in the “other” category because they are not Blue branded. In total, Wellpoint products (including UniCare) were available to at least 68 percent of all Medicare beneficiaries.

PFFS Enrollment Growth, Selected Dates, 2001-2007

December 2000	1,178	February 2007	1,338,026 ^a
December 2001	19,835	March 2007	1,379,277 ^a
December 2002	22,728	April 2007	1,494,955 ^a
December 2003	25,890	May 2007	1,558,371 ^a
December 2004	51,214		
December 2005	208,990		
December 2006	864,100		

Source: CMS Monthly Report, various years.

^aIncludes cost, demonstration and other plans. Enrollment in MSAs was around 2,200.

Growth in Enrollment By County Payment Rate, All MA, and PFFS, 2005-2007 (in 1,000s)

County	All MA				PFFS			
	Dec. 2005	Nov. 2006	March 2007	Change	Dec. 2005	Nov. 2006	March 2007	Change
Benchmark								
All Counties	5,466	6,962	7,606	+2,140	199	819	1,329	+1,130
Rural Floor	529	533	652	+123	77	294	390	+313
Between Floors	61	127	178	+117	7	36	80	+73
Urban Floor	1,545	2,067	2,271	+726	96	397	570	+474
Above Floors	3,331	4,235	4,506	+1,175	18	92	289	+271

Source: MPR analysis of files created from CMS data on enrollment by contract and county.

Note: Excludes enrolls in Puerto Rico and the territories and any SNP only contracts.

Cost Sharing/Additional Benefits in Medicare and Medigap, 2006

	Medicare Only	Medigap C/F
Hospital Inpatient		
Deductible	\$952	None
Coinsurance	\$230/day (61-90) \$476/day (91-150)	None
Limits	150 days/year +60 Lifetime Days	None
Physician		
Deductible	\$124	C = \$124 F = None
Coinsurance	20%	None (F covers excess)
Out-of-Pocket Limit	None	None (but little cost sharing)