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An Update on Medicare+Choice: Rural Medicare Beneficiaries Enrolled in Medicare+Choice Plans through October 2000

RUPRI Rural Health Panel

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Since passage of the Balanced Budget Act of 1997 (BBA), enrollment in Medicare+Choice (M+C) plans in all counties increased from 5.2 million persons in December 1997 to a peak of 6.3 million persons in November 1999, then declined to 6.2 million persons by October 2000 (based on aggregate enrollment data posted on the Health Care Financing Administration web site:

<http://www.hcfa.gov/stats/mmcc.htm>). In addition, the number of risk contracts has dropped from a peak of 347 contracts in September 1998 to 262 contracts in October 2000, in part reflecting the "nonrenewals" of some plans that occurred in the beginning of 1999 and 2000 (to be discussed later). Data in this Brief describe enrollment in rural counties through October 2000, the most recent county-specific data available.¹ The source for this data is the RUPRI Medicare County Capitation File.

I. MEDICARE+CHOICE ENROLLMENT IN RURAL COUNTIES

While enrollment in managed care by Medicare beneficiaries has increased considerably in recent years, it remains quite low in rural areas.

Total Number and Percent of Enrollment

As of October 2000:

- 201,655 (2.1%) rural (nonmetropolitan) Medicare beneficiaries were enrolled in M+C plans (Figure 1).
- In urban areas, by comparison, 19.8% of Medicare beneficiaries were enrolled in M+C plans.

In contrast, in September 1997:

- 173,359 (1.9%) rural (nonmetropolitan) Medicare beneficiaries were enrolled in M+C plans.
- In urban areas, by comparison, 16.5% of Medicare beneficiaries were enrolled in M+C plans.

Enrollment in all nonmetropolitan counties has fallen since 1999. However, enrollment in nonmetropolitan counties not adjacent to a metropolitan area was lower in October 2000 than it was in December 1997. These trends reflect, in part, the nonrenewal of M+C plans that occurred in 1999 and 2000.

¹Note that throughout this brief enrollment will be reported for the most part for the months of September or October, because enrollment counts at the beginning or the end of calendar years are less stable.

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Enrollment by Region

Map 1 displays the enrollment in M+C plans across the U.S. and shows that in October 2000:

- M+C enrollment in rural counties was:
 - highest in the Northeast region (7.3%);
 - relatively high in the West (4.6%); and
 - lowest in the Midwest (0.5%) and South (1.3%).
- M+C enrollment in the Northeast grew 43.9% from September 1997 to October 2000, in contrast to the West, where enrollment dropped 15.6% in the same period (not shown on map).

Counties with Enrollment

Table 1 shows the trend in Medicare+Choice enrollment by county for the period 1997 through 2000 and it shows that:

- in October 2000, 16% of all rural counties had M+C enrollees;
- but only 9% of the counties had 100 or more enrollees; and
- only 2% of the rural counties had 1,000 or more enrollees (see also Map 1).

These figures are in stark contrast to much broader M+C coverage in urban counties. Table 1 also shows that the percent of rural counties with M+C enrollees decreased in 2000, as compared to the 1997-1999 period when the percent of counties with enrollment was increasing.

- Of the 262 total M+C plans in existence in 2000:
 - 68 plans had enrollees in rural counties;
 - 48 plans had 100 or more rural enrollees; and
 - only 21 plans had 1,000 or more rural enrollees.
- Enrollment changes have been uneven across the U.S. Map 2 displays enrollment growth only for rural counties. In most counties in the U.S. — particularly in the middle of the country — there has been no change in M+C enrollment. Rural M+C enrollment has grown significantly in some regions (particularly in Pennsylvania, Oregon, and Texas), while enrollment has declined significantly in other areas (particularly in the West and other parts of the Northeast).

Enrollment by State

- In October 2000:
 - 40 states had rural Medicare beneficiaries enrolled in M+C plans;
 - enrollment exceeded 1,000 rural beneficiaries in only 24 states;
 - rural M+C enrollment was greatest in Pennsylvania (54,970 enrollees), Washington (18,715), Texas (15,368), and Oregon (13,335); and
 - 10 states had no rural M+C enrollees (Alaska, Iowa, Mississippi, Montana, New Hampshire, North Dakota, Nebraska, South Carolina, Vermont, and Wyoming).

Enrollment Growth by Payment Rate

- The payment reforms in the BBA were designed in part to spur enrollment growth in the counties that previously had the lowest M+C capitation rates. As expected, the average annual growth rate in enrollment from 1997 to 2000 has been:
 - greater in counties at the floor, where enrollment has grown from 28,414 to 36,224 enrollees (Figure 2); and

- slower in counties with higher capitation rates. In counties with rates below \$500 per month, but above the floor, enrollment has actually declined in the 1998-2000 period.

II. ENTRY AND EXIT FROM THE MEDICARE+CHOICE PROGRAM

A considerable number of M+C plans either dropped out of Medicare completely or reduced their service areas in 1999 through early 2001 (called “nonrenewals” here). In 1999, HCFA reported that these nonrenewals affected about 407,000 beneficiaries, in about 100 plans, in 372 counties (HCFA, 1998). In 2000, HCFA reported that another 99 plan nonrenewals occurred, affecting about 327,000 Medicare enrollees in 329 counties (HCFA, 1999a; HCFA, 1999b). In 2001, HCFA reported that 934,000 M+C enrollees would be affected by plans not renewing their contracts or leaving their service areas, representing about 15% of the 6.2 million people enrolled in M+C plans at that time (HCFA, 2000). Rural areas have been disproportionately affected by these nonrenewals:

Exits Affect Rural Enrollees

- In 1999, approximately 47,600 rural enrollees were affected by nonrenewals;
- In 2000, an additional 79,000 rural enrollees were affected by nonrenewals; and
- In 2001, approximately 65,200 rural enrollees are expected to be affected by nonrenewals.
- Nonrenewals have disproportionately affected rural beneficiaries. In 2000, about 12% of the persons affected by nonrenewals were enrollees from rural counties, a percentage comparable to the proportion affected by the 1999 nonrenewals (14%). However, only 3.7% of M+C enrollees live in rural areas. In 2001, 7 percent of the persons affected by nonrenewals are expected to be living in rural counties.

Less Choice for Rural Residents

- Of rural residents losing their plan, many will not have access to other M+C plans – over 13,000 enrollees in 50 counties in 1999; 27,000 enrollees in 65 counties in 2000, and about 44,000 enrollees in 2001.
- The percentage of rural and urban M+C enrollees in nonrenewing plans who had no other M+C plans to choose from in their area after their plans closed were as follows:

Percentage of M+C enrollees in nonrenewing plans who had no other M+C plans to choose from in their area		
Year	Rural percentage	Urban percentage
2001	68%	17%
2000	74%	18%
1999	28%	10%

Reduction in Benefits

The percentage of rural beneficiaries living in areas with at least one zero-premium plan declined from 63% in 1999 to 40% in 2000.

For all M+C plans the enrollment-weighted average premium for a basic plan increased from \$5.35 in 1999 to \$15.84 in 2000.

Changes have occurred in benefits for prescription drugs, including a 21% increase in the weighted average copayment from 1999 to 2000, and more restrictive annual limits in 2000 (HCFA 1999b).

New Plans in Rural Areas

Since passage of the BBA, 44 new M+C plans have been created that enrolled at least some rural residents between January 1998 and October 2000. Twenty-three of these plans had enrollees in October 2000 and these plans had a total of 18,780 enrollees. Six plans had more than 1,000 enrollees. These figures do not include the M+C plan created by the Sterling Life Insurance Company in July 2000, which had few enrollees by October 2000. This plan is targeted at rural residents and had 10,098 enrollees by February 2001.

III. FUTURE

The future of Medicare+Choice in rural areas depends on several factors. On one hand, the exodus from Medicare+Choice continued in the first part of 2001, as described above, and enrollment in M+C plans has increased only a small amount, from 173,359 to 201,655 from December 1997 to October 2000. On the other hand, late in 2000 Congress passed the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA), which will have a significant impact on the payment to M+C plans when these rates go into effect in March 2001 (see RUPRI Brief, at <http://www.rupri.org/pubs/archive/pbriefs/PB2001-1/index.html>). Although this should provide some potential for growth in M+C in rural areas, previous payment rate increases have not inspired significant growth in rural M+C enrollment (as described here), and research has indicated that other factors influence enrollment in M+C plans more significantly.

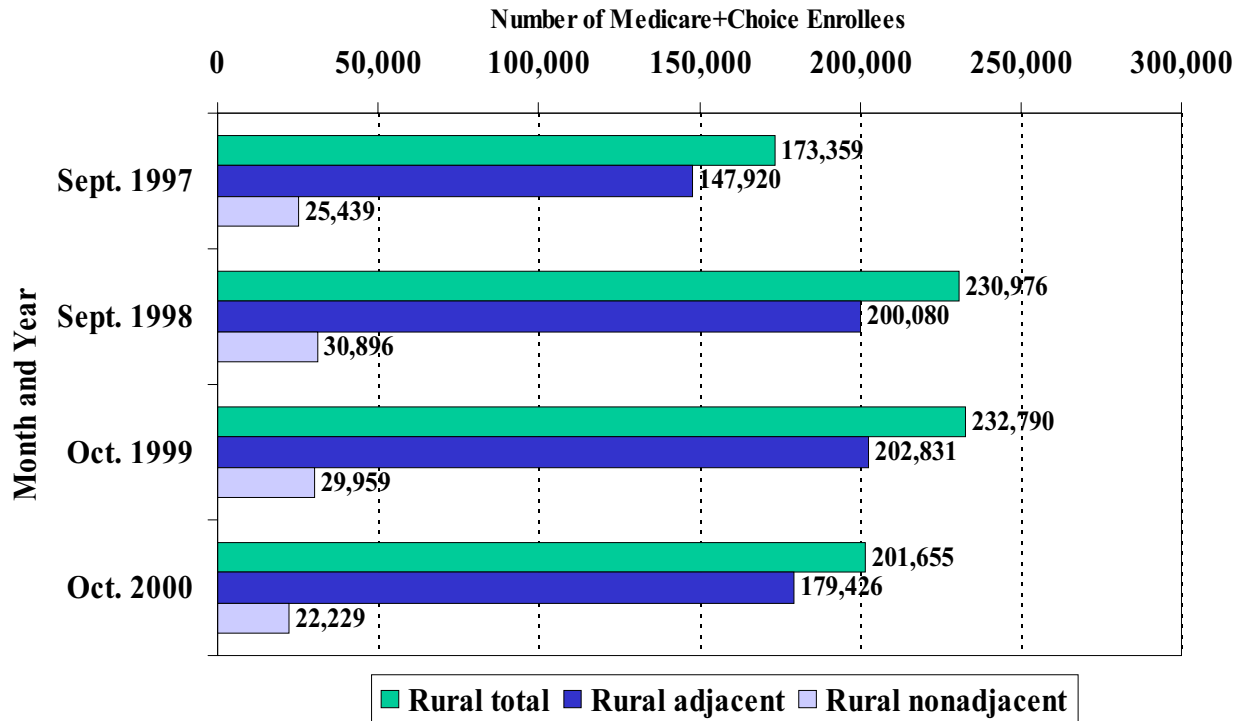
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Table 1.					
Percent of counties with Medicare+Choice Enrollment: 1997 through 2000					
		Rural counties			
		Rural Total	Rural nonadjacent	Rural adjacent	Urban Total
Percent of counties with any M+C enrollment:					
	October 2000	16.3%	6.7%	28.7%	67.5%
	September 1999	18.3%	7.7%	32.0%	70.3%
	September 1998	17.7%	7.1%	31.2%	69.9%
	September 1997	14.2%	5.4%	25.4%	63.6%
Percent of counties with 100 or more M+C enrollees:					
	October 2000	9.1%	2.5%	17.6%	60.0%
	September 1999	10.7%	3.6%	19.7%	62.6%
	September 1998	10.5%	3.3%	19.7%	62.2%
	September 1997	8.6%	2.7%	16.1%	55.0%
Percent of counties with 1000 or more M+C enrollees:					
	October 2000	2.3%	0.5%	4.6%	45.6%
	September 1999	2.9%	0.8%	5.6%	47.5%
	September 1998	3.0%	0.9%	5.6%	45.8%
	September 1997	2.8%	0.8%	5.4%	38.4%
Number of counties		2,289	1,286	1,003	836

Figure 1.

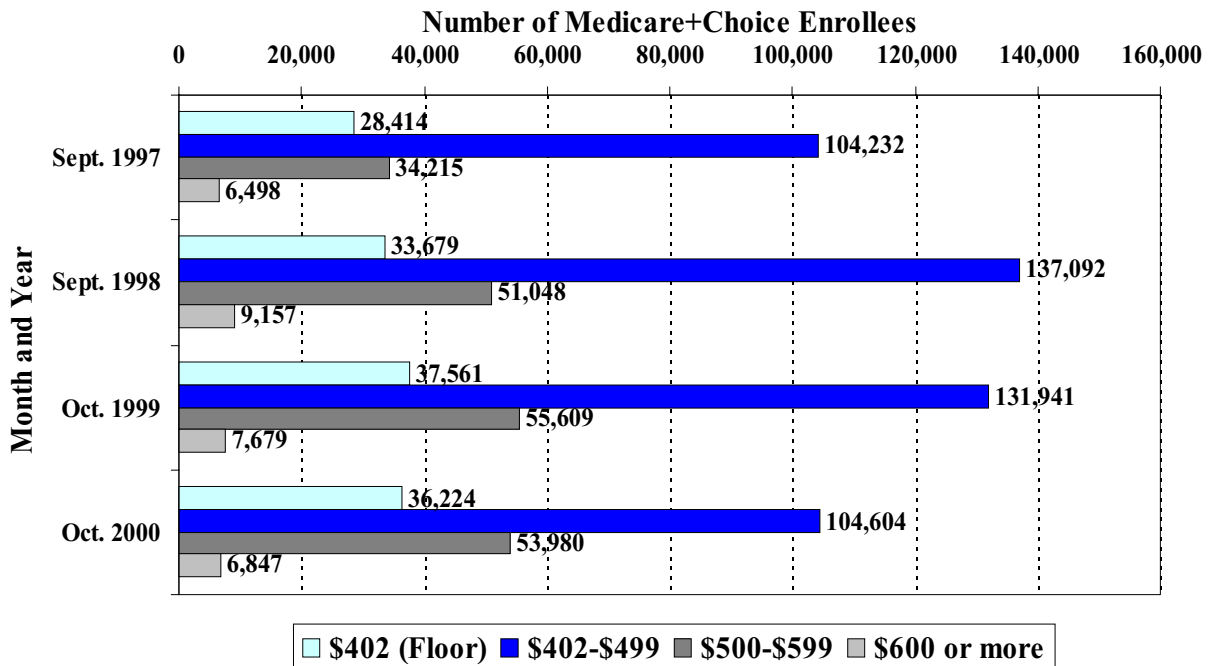
Medicare+Choice Enrollment in Rural Counties: 1997-2000



Source: RUPRI Center for Rural Health Policy Analysis, RUPRI Medicare County Capitation Files

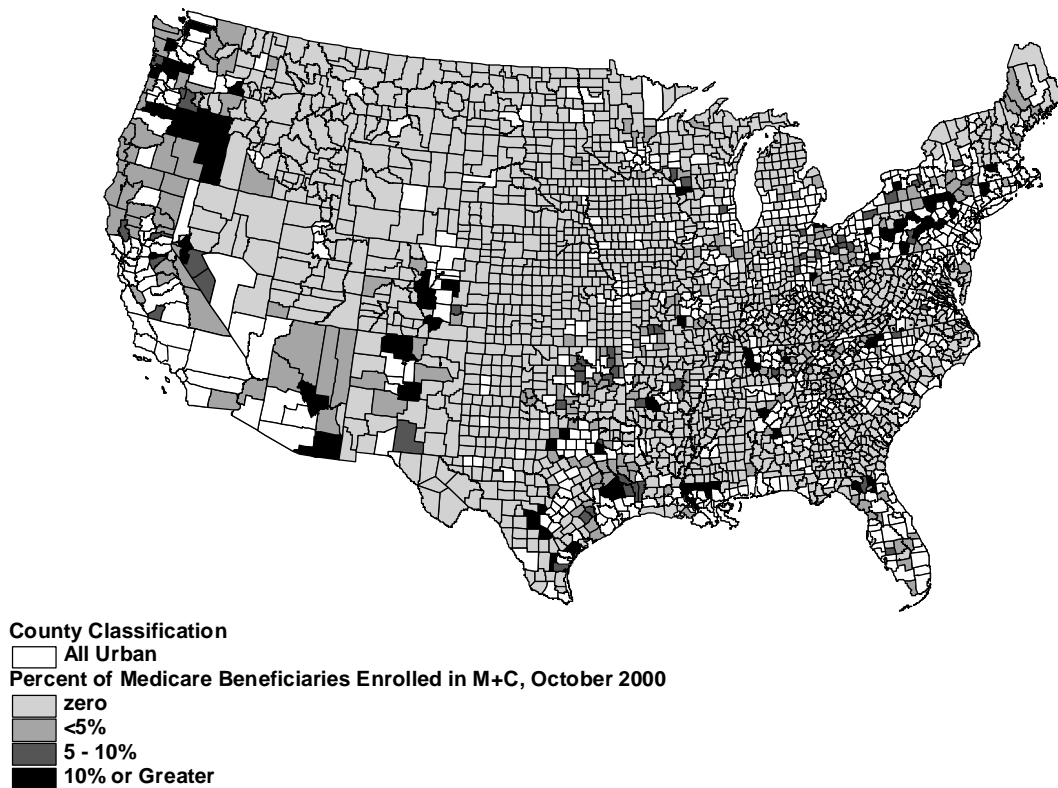
Figure 2.

Medicare+Choice Enrollment in Rural Counties in 1997-2000 by 2000 Medicare+Choice Capitation Rate

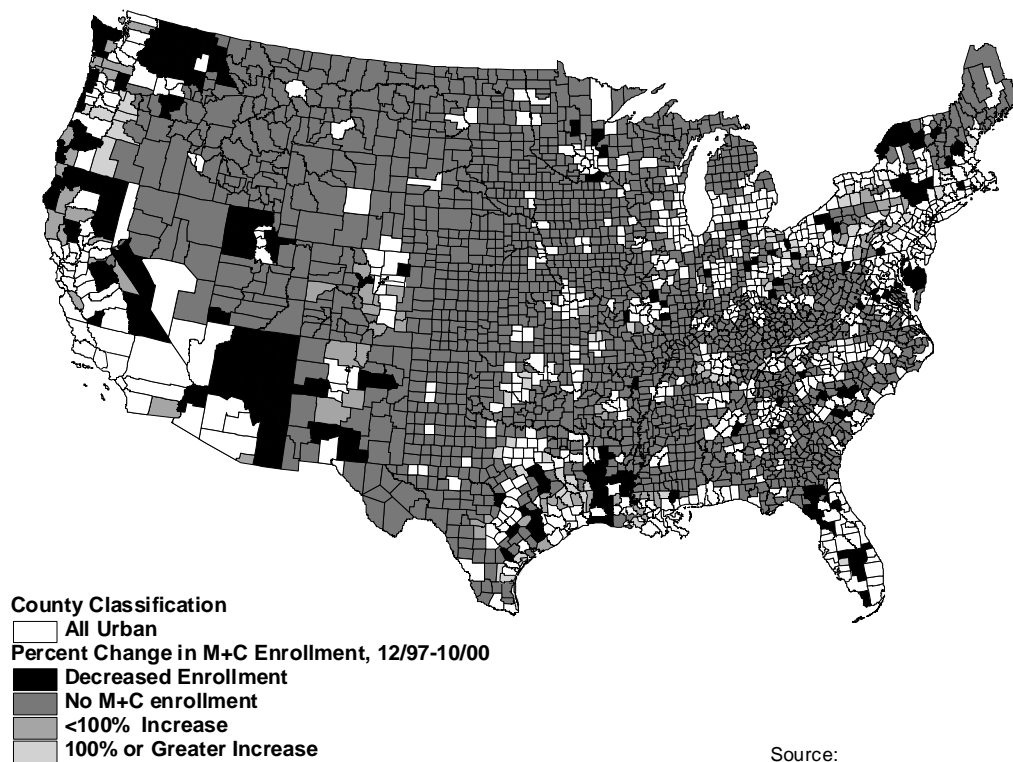


Source: RUPRI Center for Rural Health Policy Analysis, RUPRI Medicare County Capitation Files

Map 1. Medicare+Choice Enrollment as a Percent of the Medicare Eligible Population: October 2000



Map 2. Percent Change in Medicare+Choice Enrollment December 1997 to October 2000



Source:
RUPRI Center for Rural Health Policy Analysis