



RESEARCH PAPER 4

THE MEDICARE+CHOICE PROGRAM IN MISSOURI: CONSIDERABLE TURMOIL SINCE 1997

By: **Timothy McBride**, Ph.D., Associate Professor of Economics, Public Policy & Gerontology; **Courtney Andrews**, Research Specialist, Public Policy Research Center; and **Micah Hughes**, Graduate Research Assistant, Department of Economics, University of Missouri-St. Louis

Publications and communications activities are coordinated by **Mary Ann Savage**.

The Medicare+Choice program has been plagued by a considerable number of plans that have dropped out of the program entirely or dropped portions of their service areas over the 1998-2001 period.

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FOR MORE INFORMATION
(314) 516.5273 **TEL**
(314) 516.5268 **FAX**
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8001 Natural Bridge Road
St. Louis, Missouri 63121-4499

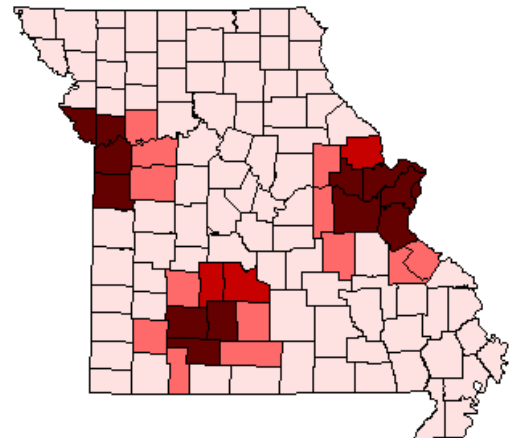
The Medicare+Choice program was created by the Balanced Budget Act (BBA) of 1997 (Public Law 105-33), signed into law by President Clinton in August 1997. The legislation created Medicare Part C (the other name for Medicare+Choice) and changed the method for computing capitation rates paid to Medicare+Choice plans, beginning in January 1998. The changes in the policy for setting payment to plans were much anticipated, for reasons that included its potential to spur growth in managed care in areas that previously had lower rates, especially rural areas.

This brief provides a fuller picture of what has been happening to enrollment in the Medicare+Choice program in Missouri. Although enrollment in Medicare+Choice increased by over 40,000 persons in the state of Missouri since 1997, there has been considerable turmoil in the Medicare+Choice program throughout the Nation. The Medicare+Choice program has been plagued by a considerable number of plans that have dropped out of the program entirely or dropped portions of their service areas over the 1998-2001 period. In this period eight plans stopped servicing communities in Missouri, and Medicare+Choice enrollment fell by about 4,000 enrollees. This brief discusses some reasons why Medicare+Choice has faced such turmoil, and concludes with some discussion of the implications of these trends for the future.

MEDICARE+CHOICE ENROLLMENT

In March 2001, roughly 124,000 people were enrolled in Medicare+Choice plans, representing roughly 14.1 percent of Medicare beneficiaries in the state (see Table 1). While this enrollment rate is higher than that observed in the rest of the Midwest region (7.6 percent), it is roughly equivalent to the enrollment rate in the U.S. as a whole (14.1 percent).

Map 1. Medicare+Choice Enrollment as a Percent of the Medicare Eligible Population March 2001



M+C Enrollment as a Percent of the Medicare Eligible Pop., 03/01
Zero
0 - 5%
5 - 10%
10% or Greater
Source: RUPRI Center for Rural Health Policy Analysis

Table 1.

Total Medicare+Choice enrollment by state, September 1997 through March 2001

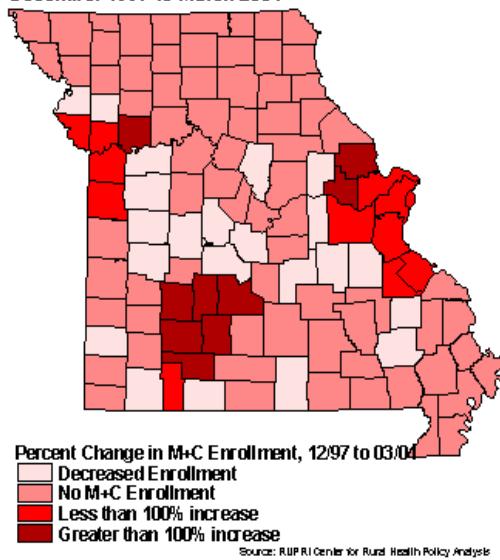
	State	U.S. Total	Midwest	Missouri
Mar-01	Enrollees	5,629,895	720,487	124,103
	Percent (a)	14.10%	7.60%	14.10%
Oct-00	Enrollees	6,182,608	787,369	128,303
	Percent (a)	15.50%	8.20%	14.60%
Oct-99	Enrollees	6,207,777	775,510	128,509
	Percent (a)	16.00%	8.10%	13.90%
Sep-98	Enrollees	5,967,388	703,905	110,592
	Percent (a)	15.20%	7.30%	11.90%
Sep-97	Enrollees	5,279,316	563,452	85,935
	Percent (a)	12.90%	5.50%	9.20%

Only 0.3 percent of Medicare recipients are enrolled in Medicare+Choice in rural Missouri counties, as compared to an enrollment rate of 2 percent in rural counties across the United States.

Source: Rural Policy Research (RUPRI) Institute Health Policy Center and UM-St. Louis Public Policy Research Center.

Note: (a) Medicare+Choice enrollees as a percent Medicare enrollees in the county.

Map 2. Percent Change in Medicare+Choice Enrollment: December 1997 to March 2001



Medicare+Choice enrollment in Missouri is concentrated in three metropolitan areas: St. Louis, Kansas City, and Springfield (see Map 1). In the St. Louis area, 25 percent of Medicare recipients are enrolled in the Medicare+Choice program, as compared to 27 percent in Kansas City and 11 percent in Springfield. In contrast, only 0.3 percent of Medicare recipients are enrolled in Medicare+Choice in rural Missouri counties, as compared to an enrollment rate of 2 percent in rural counties across the United States.

Since 1997, enrollment in Medicare+Choice plans in Missouri has increased by 43.3 percent. The strongest clustered increase in enrollment was in the southwest region of the state in the area surrounding the city of Springfield, where enrollment increased 132 percent (see Map 2). Enrollment increased 40 percent in the area surrounding Kansas City and 44 percent in the area surrounding St. Louis. However, enrollment increased only 20 percent in St. Louis City; excluding St. Louis City the average increase in this area was 50 percent. Twelve Medicare+Choice plans operated in the state of Missouri in 2000 and all of these plans had their offices located within the metropolitan areas of Kansas City and St. Louis City, even if their enrollment was scattered across other counties.

Table 2.

Missouri Medicare+Choice Plans, as of October 2000

Name	City	Contract Date	October 2000	December 2001	March 2001
Humana Kansas City, Inc.	Kansas City	1990	15,172	14,196	13,089
Blue Cross Blue Shield of Kansas City	Kansas City	1990	1,103	1,067	5,451
Good Health HMO, Inc.	Kansas City	1994	4,676	4,623	0
HMO Missouri, Inc.	St. Louis	1995	2,541	1,722	0
Group Health Plan, Inc.	St. Louis	1995	22,633	20,824	9,559
Mercy Health Plans of Missouri, Inc.	St. Louis	1997	6,511	6,646	6,819
Mercy Health Plans of Missouri	St. Louis	1998	11,352	1,616	0
United Healthcare of the Midwest, Inc.	St. Louis	1998	42,397	44,583	51,747
Coventry Health Care of KC., Inc.	Kansas City	1999	3,164	3,650	3,783
Healthnet	Kansas City	1996	10,992	11,053	11,769

Source: Rural Policy Research (RUPRI) Institute.

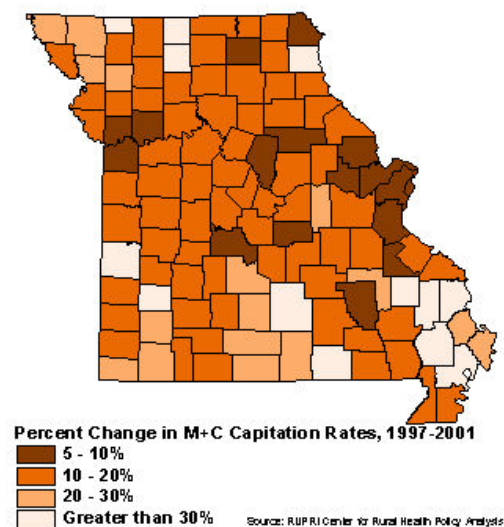
ENTRY AND EXIT FROM THE MEDICARE+CHOICE PROGRAM

Across the U.S., a considerable number of M+C plans either dropped out of Medicare completely or reduced their service areas in the period covering 1999 through 2001 (roughly 100 plans were affected by these changes each year from 1999 to 2001). Over 1.6 million enrollees were affected by these exits from the Medicare+Choice program (about 407,000 in 1999, about 327,000 in 2000, and about 934,000 in 2001). People living in rural areas have been disproportionately affected by these nonrenewals.

In Missouri, from 1998-2001 a total of eight plans exited from the Medicare+Choice program, or reduced their service areas. At the beginning of 1999, two plans (Kaiser Foundation HP of Kansas City, Inc. and Group Health Plan, Inc.) reduced their service areas, affecting a total of about 200 enrollees in seven counties (Cass, Clay, Franklin, Jackson, Jefferson, Platte and Ray counties). Both plans continued to service other areas and did not completely withdraw from the program. At the beginning of 2000 two additional plans reduced their Medicare+Choice service areas. Cigna Healthcare completely withdrew from the Medicare+Choice program in Missouri affecting

about 1,200 enrollees in the counties of Cass, Clay, Jackson and Platte. United Healthcare of the Midwest exited from the counties of Clay, Jackson, and Platte, discontinuing service for about 400 enrollees, but did continue to service other areas in Missouri. In early 2001, four plans appear to have reduced their Medicare+Choice service areas: Good Health HMO, Inc.; HMO Missouri, Inc., Humana Kansas City, and Mercy Health Plans of Missouri. These disenrollments will affect approximately 8,000 enrollees in 11 counties in Missouri. Two of these plans -- Good Health HMO and HMO Missouri -- appear to have withdrawn from the Medicare+Choice program in Missouri entirely. In addition, it appears as though Group Health Plan has lost over 11,000 enrollees. However, Group Health Plan has indicated that they are not reducing any service areas and are not exiting the Medicare+Choice program.

Map 3. Percent Change in Medicare+Choice Capitation Rates, 1997 to 2001



WHAT EXPLAINS THE CHANGES IN MEDICARE+CHOICE?

Managed care plans across the U.S. have blamed the turmoil in Medicare+Choice on the slow growth in payment rates since passage of the BBA. However, analysis at the national level by PPRC researchers

shows that a number of factors are associated with the decision of Medicare+Choice plans to exit. Medicare+Choice plans were more likely to exit from a particular county if the plan: has low enrollment in the county, has a small share of the total enrollment in the county, has seen payment rates grow slowly, has been in existence only a short time, or is a for-profit plan.

But controversy has focused on the payment rates to Medicare+Choice plans. Prior to the passage of the BBA, payment rates to Medicare managed care plans were based on the average of previous expenditures in fee for service payments received by Medicare beneficiaries in each county (McBride et al, 1997). The relatively low payment rates paid in many rural counties as compared to urban counties, and the volatility in these rates from year to year,

were frequently cited as one of the primary explanations for lower enrollment in Medicare risk plans in some areas of the country (Dowd, Feldman, and Christianson, 1996; Serrato, Brown, and Bergeron, 1995; McBride, Penrod, and Mueller, 1997). The BBA changed payment policies so that the county rates are based on the greater of "blended" capitation rates (a weighted average of local area and national average capitation rates), a payment "floor" (initially set at \$367 in 1998 and indexed for Medicare per capita spending growth thereafter, to roughly \$415 in 2001), or a "hold harmless" rate (102 percent of the capitation rate in the previous year).

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These changes in policy led to significant changes in payment rates to Medicare+Choice plans after 1997. As shown in Map 3, the rate of growth in payment to Medicare+Choice plans in Missouri over the 1997-2001 period has been below 10 percent in most counties where M+C enrollment is concentrated, in a period when overall health spending in the U.S. has approached 20 percent.

CONCLUSION AND POLICY IMPLICATIONS

One goal of the Balanced Budget Act of 1997 was to spur growth in the enrollment of Medicare+Choice. Enrollment in the Medicare+Choice plan in Missouri increased significantly from September 1997 through October 2000, increasing by roughly 48 percent. However, Missouri enrollment in Medicare+Choice stagnated after 1999, and decreased by about 4,000 persons (3.3 percent decline) in early 2001. This suggests that Medicare+Choice may not have a significantly increased role in the future in Missouri. Enrollment remains clustered in four urban areas in Missouri (St. Louis, Kansas City, Columbia, and Springfield), and the BBA did not spur growth in Missouri's rural areas.

The trends in Medicare+Choice enrollment in Missouri present a cautionary tale for the future of Medicare reform proposals, especially proposals such as the "premium support" proposal which would attempt to further expand the private options available to Medicare recipients. If the goal of reform is to increase the choices of benefits of Medicare recipients, the recent experience with Medicare+Choice suggests that expanding benefits under the traditional Medicare program would be more likely to help beneficiaries.

REFERENCES AND MATERIAL FOR FURTHER READING

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LIVABLE communities don't just **HAPPEN**.
They are **CREATED** by the **PEOPLE** who **LIVE** in them.