



**MEDICARE+CHOICE:  
BENEFICIARIES WILL FACE HIGHER COST-SHARING IN 2002**

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With funding from The Commonwealth Fund, Mathematica Policy Research, Inc., is analyzing trends in benefits and premiums in the Medicare+Choice (M+C) program since 1999. These charts provide a first look at our analysis of the 2002 M+C market. Just as in 2001, we document a downward trend in benefit generosity with beneficiaries facing increased cost-sharing. While increases in monthly premiums will affect all enrollees, sicker beneficiaries will bear the brunt of big changes in the structure of prescription drug benefits and cost-sharing requirements.

The analysis is based on a database we created from publicly available data from Medicare Compare, the Centers for Medicare and Medicaid Services' (CMS) consumer-oriented summary of information on M+C plans. Medicare Compare provides information on benefits offered, beneficiary cost-sharing requirements, and service areas. We have merged this information with county enrollment data from CMS' Quarterly State/County/Plan Market Penetration Report. The analysis presented focuses on benefits in the "basic" package under a contract, defined generally as the benefit package with the lowest monthly premium. The analysis is also based on contract segments, which represents a geographic area serviced under a contract where the choice of benefit packages is uniform.

Some key findings of our analysis thus far are:

- Monthly premiums will rise significantly this year, from an average \$22.94 in 2001 to \$32.38 in 2002 (Table 1). In 2001, 19 percent of beneficiaries were in a plan with a premium greater than \$50 per month, we estimate that number will increase to 33 percent in 2002.
- The percent of enrollees with a basic plan that provides prescription drug coverage will stay roughly the same (70 percent in 2001 vs. 71 percent in 2002), however the structure of those benefits will change quite substantially. In 2002, 51 percent of plans with drug coverage will only cover generic drugs, compared with 18 percent in 2001 (Table 3).
- Sicker patients will be particularly affected by increases in cost-sharing. For instance, we estimate 80 percent of enrollees will have some form of inpatient hospital cost-sharing, compared with just 33 percent in 2001 (Table 5).
- Reflecting the fact that benefits and plan participation in less urbanized areas have bottomed out, benefit reductions appear to be greatest in urbanized areas (Table 6).

Numbers presented in these tables and charts do not reflect enrollment responses to plan withdrawals and changes in benefits. Since 2002 enrollment numbers will not be available until the spring, our estimates are based on CMS' September 2001 State/County/Plan Market Penetration Report. Therefore, our 2002 enrollment-weighted estimates include only beneficiaries who were in a health plan in 2001 that did not withdraw from the M+C program and assumes those beneficiaries stay in that health plan in 2002. We will be updating these tables later to take 2002 changes into account. We also are developing more detailed analyses of the changes in and structure of cost-sharing for particular benefits—such as prescription drugs and hospital care.

Results from our analysis of 2001 benefit packages are available in two recently released reports from The Commonwealth Fund, “Medicare+Choice 1999–2001: An Analysis of Managed Care Plan Withdrawals and Trends in Benefits and Premiums” and “Estimated Out-of-Pocket Health Spending for Beneficiaries in Medicare HMOs by Health Status, 1999–2001.” These reports document the M+C program's decline since 2000. M+C enrollment continues to decline in the wake of several years of plan withdrawals. Beneficiaries who have remained in the program face both eroding coverage and increasing monthly premiums. Our analysis of out-of-pocket spending trends by health status shows that while enrollment in an M+C plan can significantly reduce a beneficiary's out-of-pocket costs, the cost burden remains significant. Furthermore, enrollees in the poorest health spend much more than those in better health, primarily due to prescription drug costs. That difference will only grow in 2002 as more plans restrict drug coverage to generics only and raise cost-sharing requirements for services such as inpatient and outpatient hospital care.

### **Other Related Commonwealth Fund Reports**

*Medicare+Choice 1999–2001: An Analysis of Managed Care Plan Withdrawals and Trends in Benefits and Premiums* (February 2002). Lori Achman and Marsha Gold, Mathematica Policy Research, Inc.

*Estimated Out-of-Pocket Spending for Beneficiaries in Medicare HMOs by Health Status, 1999–2001* (February 2002). Lori Achman and Marsha Gold, Mathematica Policy Research, Inc.

*Trends in Premiums, Cost-Sharing, and Benefits in Medicare+Choice Health Plans, 1999–2001* (April 2001). Marsha Gold and Lori Achman, Mathematica Policy Research, Inc.

*Medicare+Choice in 2000: Will Enrollees Spend More and Receive Less?* (August 2000). Amanda Cassidy and Marsha Gold, Mathematica Policy Research, Inc.

**Table 1: Monthly Premiums for Basic Packages in Medicare+Choice Contract Segments, 1999-2002**

	Percentage of Basic Plans				Weighted by Enrollment*			
	1999	2000	2001	2002	1999	2000	2001	2002
None	62.1	42.3	45.5	38.1	79.6	59.0	46.0	40.1
Less than \$20	3.2	5.3	5.1	2.9	3.1	8.7	8.2	4.2
\$20-\$49.99	20.5	26.9	21.5	20.6	13.5	19.3	27.1	23.0
\$50 or more	7.4	22.9	27.5	38.4	3.2	11.1	18.6	32.7
Unknown	5.9	2.6	0.5	0.0	0.6	1.8	0.1	0.0
Mean	\$13.31	\$25.73	\$28.65	\$37.98	\$6.37	\$14.43	\$22.94	\$32.38
Mean if premium does not equal \$0	\$39.08	\$45.47	\$52.75	\$61.34	\$32.11	\$36.19	\$42.52	\$54.06
Number of Contract Segments/ Number of Enrollees	443	468	396	344	6,254,616	6,094,767	5,577,787	4,937,106

Source: MPR Analysis of Medicare Compare for The Commonwealth Fund.

NOTE: Enrollment for 1999-2001 is from March of each year. Enrollment for 2002 is from September 2001 and does not include enrollee switching due to changes in benefits, premiums, and/or withdrawals.

**Table 2: Prescription Drug Benefits for Basic Plans in Medicare + Choice Contract Segments, 1999-2002\***

	Percentage of Basic Plans				Weighted by Enrollment			
	1999	2000	2001	2002	1999	2000	2001	2002
Any Drug Coverage	73.4	67.5	64.5	65.1	83.9	78.0	70.2	71.4
Annual Drug Cap								
\$500 or less*	23.3	37.1	37.5	63.8	10.6	20.8	28.2	48.4
\$501- \$750	12.0	14.4	12.1	8.0	10.1	10.6	10.8	7.4
\$751- \$1,000	27.5	23.2	19.0	13.4	26.3	17.4	10.7	19.3
\$1,001- \$1,500	12.0	13.4	11.3	3.1	9.4	12.6	12.8	4.3
\$1,501- \$2,000	13.0	9.8	9.7	5.8	17.8	20.3	22.0	15.9
\$2,001 or more	4.5	3.3	6.1	3.1	4.1	3.4	5.2	2.7
No Cap	7.8	8.8	4.4	2.7	21.7	14.9	10.4	1.9
Practices								
Formulary	81.6	91.6	89.4	82.6	80.3	92.0	90.6	86.8
Mail Orders	89.3	88.6	85.0	87.5	95.7	95.5	93.5	94.3
Quarterly Cap	14.9	23.1	20.9	18.3	12.2	13.1	15.1	11.5
Ratio of Copays								
Brand Name to Generic								
2.0 or less	45.1	38.3	22.9	20.4	55.7	44.8	30.5	11.6
2.01-3.0	32.3	32.1	32.8	28.0	24.9	32.3	35.2	52.3
3.01 or more	21.9	27.8	36.3	38.7	19.2	20.7	25.6	26.1
Positive Brand, No Generic	0.7	1.8	8.0	12.9	0.2	2.2	8.7	10.1
Copay								
Generic								
None	6.0	4.4	6.5	7.8	7.6	7.1	7.8	6.7
\$10 or less	29.3	92.2	82.5	71.2	84.4	90.4	83.4	73.0
\$10.01 or more	4.7	3.4	11.0	21.0	8.0	2.5	8.8	20.3
Brand-name								
None	5.2	2.9	2.0	0.0	6.3	5.5	2.4	0.0
\$10 or less	24.7	8.7	8.6	6.5	35.9	19.8	21.7	4.1
\$10.01 -\$20	51.7	56.7	41.4	26.9	43.8	54.3	43.6	13.6
\$20.01 or more	18.4	31.8	47.8	66.7	14.0	20.4	32.3	82.3

Source: MPR Analysis of Medicare Compare for The Commonwealth Fund.

\* In all years, plans with generic-only benefits are classified as having a benefit limit less than \$500 per year, regardless of the benefit limit on generic drugs. In 2002, the number of plans just offering generic drug coverage increased dramatically, from 17.7 percent of plans with prescription drug coverage in 2001 to 50.8 percent in 2002, which accounts for some of the large increase in the percent of plans with an annual limit below \$500. For a more accurate picture of prescription drug benefits, see Table 3 and Figure 3.

NOTE: Enrollment for 1999-2001 is from March of each year. Enrollment for 2002 is from September 2001 and does not include enrollee switching due to changes in benefits, premiums, and/or withdrawals. Only plans that cover brand-name drugs are included in the "Ratio of Copays" section.

**Table 3: The Structure of Prescription Drug Benefits, 2001-2002**

	Percentage of Basic Plans		Weighted by Enrollment	
	2001	2002	2001	2002
Any drug coverage	64.5	65.1	70.2	71.4
Of those basic plans with some prescription drug coverage:				
Percent covering only generic	17.8	50.9	11.5	39.4
Percent covering generic and brand-name drugs	82.2	49.1	88.5	60.6
Annual Limits for Basic Plans Covering Both Generic and Brand-Name Prescription Drugs:				
\$500 or less	26.1	26.4	20.1	14.9
\$501- \$750	14.8	16.4	12.3	12.2
\$751- \$1,000	22.7	27.3	11.7	31.8
\$1,001- \$1,500	13.8	6.4	14.6	7.1
\$1,501- \$2,000	11.8	11.8	25.1	26.3
\$2,001 or more	7.4	6.4	5.9	4.5
No Cap	3.5	5.5	10.1	3.2

SOURCE: MPR Analysis of Medicare Compare for The Commonwealth Fund.

\*The basic plan limit that applies to brand-name drugs was used for this analysis. Some plans that cover both brand-name and generic drugs have differing limits for each class of drug.

NOTE: Enrollment for 1999-2001 is from March of each year. Enrollment for 2002 is from September 2001 and does not include enrollee switching due to changes in benefits, premiums, and/or withdrawals.

**Table 4: Supplemental Benefits for Basic Plans in Medicare + Choice Contract Segments, 1999-2002**

	Percentage of Basic Plans					Weighted by Enrollment*					
	1999	2000	2001	2002	1999	2000	2001	2002	2000	2001	2002
Prescription Drugs	73.4	67.5	64.5	65.1	83.9	78.0	70.2	71.4	78.0	70.2	71.4
Preventive Dental	40.2	30.1	27.2	18.8	69.9	39.0	28.6	14.3	39.0	28.6	14.3
Vision Benefits	93.8	91.7	89.3	83.6	97.8	96.2	94.7	86.7	96.2	94.7	86.7
Hearing Benefits	82.4	85.2	75.5	61.0	91.3	92.0	77.7	53.2	92.0	77.7	53.2
Physical Exam	100.0	100.0	100.0	100.0	100.0	100.00	100.00	100.0	100.00	100.00	100.0
Podiatry Benefits	27.8	28.1	37.7	34.0	26.9	28.20	29.4	26.0	28.20	29.4	26.0
Chiropractic Benefits	19.0	8.8	10.7	6.7	20.9	6.8	6.0	3.5	6.8	6.0	3.5
Number of Contract Segments/											
Number of Enrollees	443	468	396	344	6,254,616	6,094,767	5,577,787	4,937,106	6,094,767	5,577,787	4,937,106

Source: MPR Analysis of Medicare Compare for The Commonwealth Fund.

NOTE: Enrollment is for 1999-2001 is from March of each year. Enrollment for 2002 is from September 2001 and does not include enrollee switching due to changes in benefits, premiums, and/or withdrawals.

**Table 5: Copayments for Medical and Hospital Services for Basic Plans in Medicare + Choice Contract Segments, 1999-2002**

	Percentage of Basic Plans				Weighted by Enrollment			
	1999	2000	2001	2002	1999	2000	2001	2002
<b>Primary Care Physician</b>								
None	7.7	6.1	4.6	5.6	18.0	10.0	5.3	6.4
\$5 or less	43.1	33.6	25.6	16.1	44.5	34.1	21.7	11.9
\$5.01-\$10.00	41.8	49.6	45.5	52.2	32.1	47.8	43.6	57.0
\$10.01-\$15.00	6.9	9.2	20.0	18.8	5.1	7.2	26.7	19.7
\$15.01 or more	0.5	1.5	4.4	7.3	0.3	0.8	2.8	5.0
<b>Specialist</b>								
None	7.2	5.3	5.4	4.4	15.9	8.0	5.7	3.1
\$5.00 or less	38.1	25.4	17.6	6.7	39.6	28.0	16.4	6.0
\$ 5.01-\$10.00	36.1	34.0	33.2	28.5	26.8	35.8	37.1	35.6
\$10.01-\$15.00	11.4	18.9	24.5	18.5	9.9	19.3	19.3	14.7
\$15.01 or more	2.2	9.2	19.4	41.9	1.2	6.5	21.5	40.6
Varies	5.0	7.2	0.0	0.0	6.6	2.3	0.0	0.0
<b>Emergency Room</b>								
None	3.7	2.0	4.6	3.9	6.5	3.4	3.4	1.9
\$20.00 or less	12.1	6.6	7.2	1.2	24.5	14.0	11.9	0.4
\$20.01-\$40.00	31.2	28.1	20.8	10.7	30.5	33.9	30.9	11.9
\$40.01-\$50.00	52.7	63.4	67.4	84.3	38.2	48.7	53.8	85.9
Over \$50.00	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0
<b>Any Copayment</b>								
Hospital Admission	9.4	20.0	45.5	73.4*	4.3	12.8	32.7	80.4*
Hospital Outpatient	21.5	22.6	36.9	52.3	30.7	28.6	43.7	69.9
X-Ray	6.2	11.7	17.1	15.7	7.5	11.3	17.2	15.5
Lab	3.2	5.7	15.3	11.2	3.9	6.4	16.4	10.6

Source: MPR Analysis of Medicare Compare for The Commonwealth Fund.

\* 13 basic plans (covering 88,821 M+C beneficiaries) are missing information on the inpatient hospital benefit in Medicare Compare and were therefore excluded from this analysis. Together, these plans represent 3.8 percent of contract segments and 1.8 percent of enrollees in the full analysis.

NOTE: Enrollment for 1999-2001 is from March of each year. Enrollment for 2002 is from September 2001 and does not include enrollee switching due to changes in benefits, premiums, and/or withdrawals.

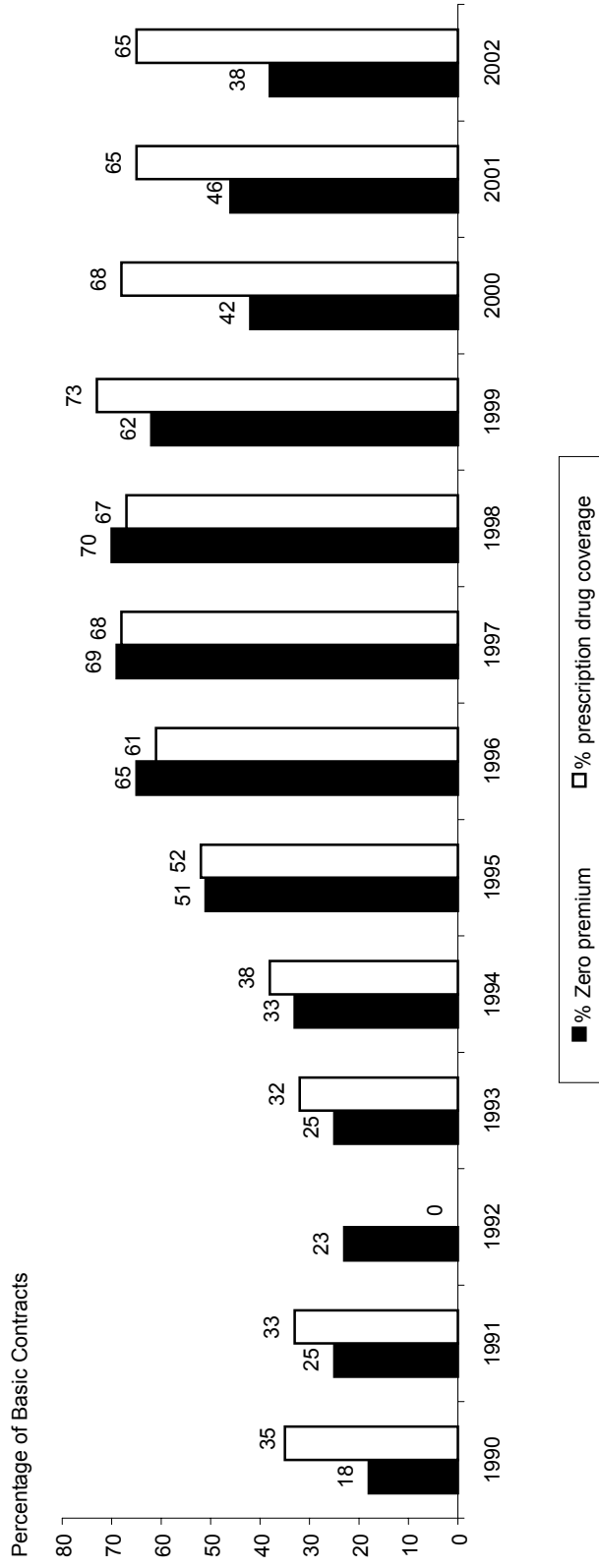


**Table 6: Availability of Medicare + Choice Plans to Medicare Beneficiaries  
by County of Residence, 1999-2002**

	All Counties	Metropolitan		Non- metropolitan	
		Center City	Other	MSA Adjacent	Other
Distribution of Medicare Beneficiaries Nationally					
	100.0	40.7	35.3	13.3	10.8
Percent of Beneficiaries Offered at Least One M+C Plan					
1999	71.6	99.0	71.4	37.7	10.4
2000	68.5	97.1	67.4	32.4	7.8
2001	63.9	96.5	59.4	22.4	6.6
2002	60.5	94.9	53.8	18.9	5.4
Percent of Beneficiaries Offered a Basic M+C Plan with Prescription Drug Coverage					
1999	61.5	92.1	56.9	24.4	5.5
2000	54.7	89.7	44.5	16.3	2.3
2001	46.9	78.3	39.0	8.6	1.4
2002	44.0	74.2	36.3	7.0	1.3
Percent of Beneficiaries Offered a Basic M+C Plan with a Prescription Drug Limit Greater Than \$1,000/Year					
1999	35.8	58.3	26.8	10.6	1.5
2000	35.9	63.3	23.2	6.3	0.0
2001	22.0	42.2	13.5	2.5	1.0
2002	14.2	30.0	8.4	2.0	1.0
Percent of Beneficiaries Offered a Zero Premium Basic M+C Plan					
1999	61.4	92.7	56.2	25.4	3.0
2000	52.6	90.0	39.1	14.5	1.9
2001	40.2	70.7	29.9	6.5	0.3
2002	31.9	55.1	25.6	4.4	0.0

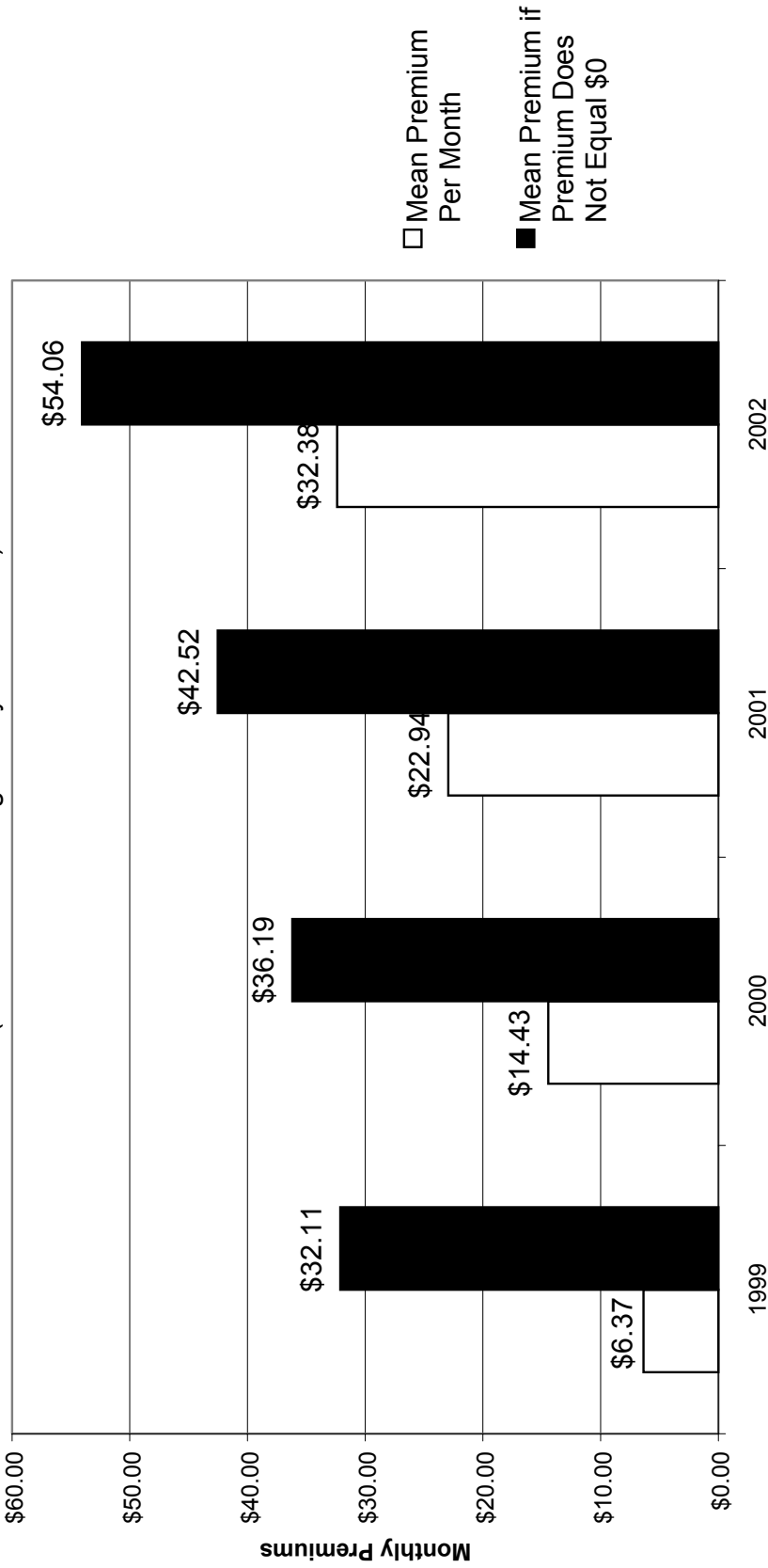
Source: MPR Analysis of Medicare Compare for The Commonwealth Fund

**FIGURE 1**  
**PHARMACY BENEFITS AND ZERO PREMIUM PRODUCTS IN MEDICARE RISK/M+C CONTRACTS, 1990-2002**



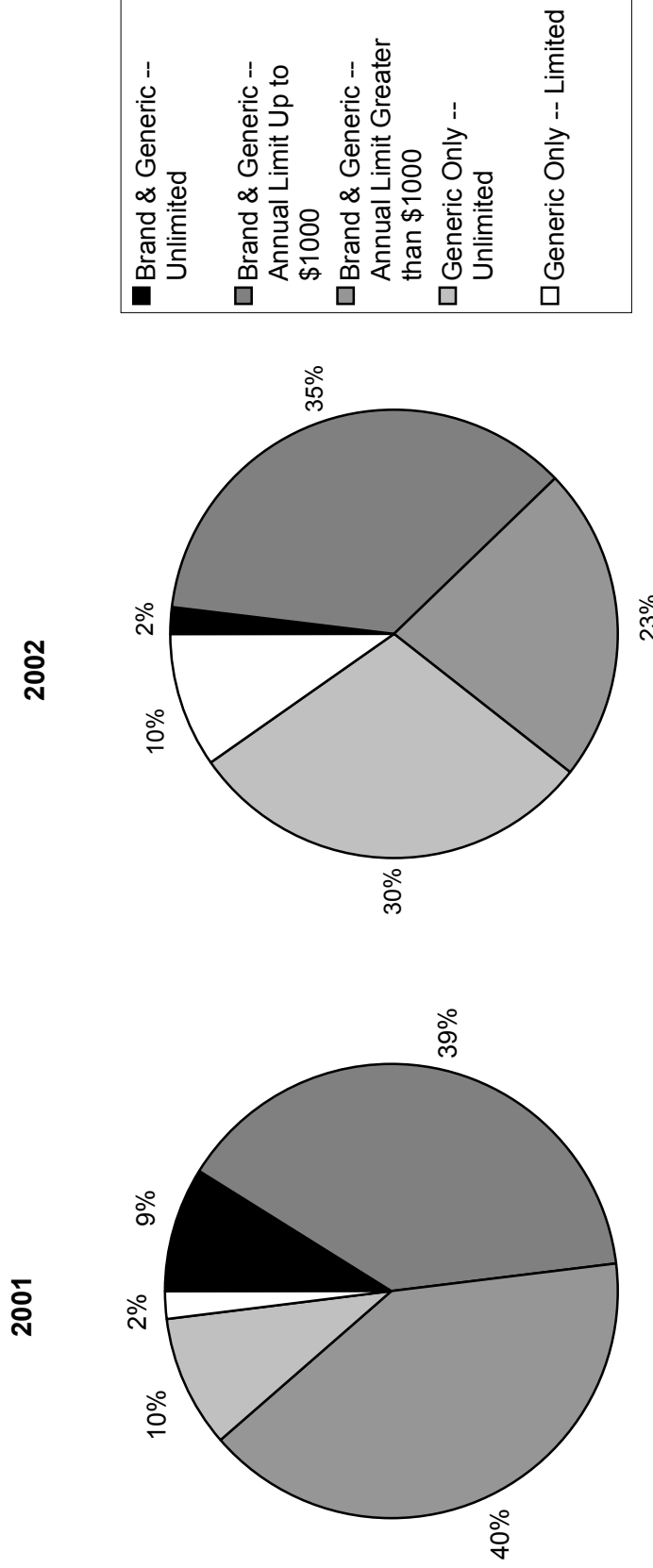
Source: MPR compilation of HCFA Monthly Report data (1990-1998) and Medicare Compare (1999-2002), for The Commonwealth Fund. Data for 2001 is post-BIPA.  
 \* Not presented (data problematic).

**Figure 2: Mean Premiums for Basic Packages  
in Medicare+Choice Contract Segments, 1999-2002**  
(Numbers are weighted by enrollment)



Source: MPR Analysis of Medicare Compare for The Commonwealth Fund.  
NOTE: Enrollment for 1999-2001 is from March of each year. Enrollment for 2002 is from September 2001 and does not include enrollee switching due to changes in benefits, premiums, and/or withdrawals.

**Figure 3: Structure of Prescription Drug Benefits for M+C Enrollees with Some Prescription Drug Coverage, 2001-2002**



SOURCE: MPR Analysis of Medicare Compare for The Commonwealth Fund.

NOTE: In 2001, 3,832,973 M+C enrollees had some prescription drug benefit. In 2002, we estimate 3,526,595 M+C enrollees will have prescription drug coverage. Since enrollment numbers for 2002 are not yet available, our estimate is based on the assumption that everyone who was in an HMO that did not leave the market stayed in that health plan for 2002. The numbers do not account for switching due to changes in benefit packages or health plan withdrawals.