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Issue Brief

Trends in Premiums, Cost-Sharing, and Benefits in Medicare+Choice Health Plans, 1999–2001

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Though only 16 percent of Medicare beneficiaries were enrolled in managed care plans in 2000, these plans continue to be attractive for several reasons. Foremost, such plans (termed Medicare+Choice plans) provide a much more affordable source of supplemental coverage than is available through such offerings as Medigap, which covers many costs that Medicare alone does not (Nelson et al. 1997; Schoen et al. 1998).

Managed care plans finance their supplemental coverage through savings they achieve in providing basic Medicare benefits or by charging premiums. Throughout the mid- to late 1990s, plans offered increasingly generous benefits to attract more enrollees. A sharp reversal of this trend occurred in 2000, however, when coverage became somewhat less comprehensive and many plans began either charging premiums or increasing premiums (Cassidy and Gold 2000). In that same year, enrollment in Medicare+Choice plans decreased for the first time (Figure 1).

This *Issue Brief* provides an early look at trends from 1999 to 2001 in plan benefits, premiums, and cost-sharing requirements. Overall, the analysis reveals continued growth in premiums in 2001 and a simultaneous continued decline in benefit comprehensiveness. Whether this erosion will persist remains to be seen. In December 2000, Congress approved legislation that increased federal payments to Medicare managed care plans effective March 2001.[1] These increases could allow plans to restore benefits or reduce premiums. A major change in this direction is unlikely, however, because most plans received relatively small increases in their capitation rates and many may opt to use funds to stabilize the benefits they offer. They could achieve this by increasing provider payments or allowing for benefit stabilization over time, which Congress has allowed.

[1] The legislation raised the minimum payment per beneficiary per month from $402 in 2000 to $525 in urban areas with 250,000 people or more and $475 elsewhere in 2001. The minimum increase in Medicare HMO monthly payments for 2001 was raised from 2 percent to 3 percent.

Premiums

As in 2000, the premiums Medicare+Choice plans charged for their supplemental benefits beyond traditional Medicare increased in 2001. The percentage of beneficiaries in managed care contracts without a premium fell from 59 percent in 2000 and nearly 80 percent in 1999 to 45 percent in 2001. The percentage of enrollees with a monthly premium greater than $50 rose from 11 percent in 2000 to 24 percent in 2001 (Table 1).

Cost-Sharing Requirements

An attractive feature of Medicare managed care benefits is their ability to offset Medicare's cost-sharing requirements, which can be considerable. Much like premiums, however, cost-sharing requirements for Medicare+Choice enrollees continue to increase. The percentage of beneficiaries with no copayment for primary care physician visits decreased from 10 percent in 2000 to 6 percent in 2001 (Table 2). Similarly, the percentage of enrollees with a copayment greater than $10 increased from 8 percent in 2000 to 32 percent in 2001.

In addition to greater physician visit copayments, more Medicare+Choice enrollees are being required to share the cost of other medical and hospital services. In 2001, 31 percent of Medicare+Choice enrollees are in contracts where the basic plan has a copayment requirement for hospital admissions, compared with just 13 percent in 2000. Outpatient hospital copayments are being required of 45 percent of Medicare+Choice enrollees in 2001, compared with only 29 percent in 2000.

Pharmacy Coverage

Medicare does not cover most outpatient prescription drugs. Thus, the availability of such coverage in Medicare managed care plans has attracted many beneficiaries. However, about a third of all managed care organizations participating in the Medicare+Choice program in both 2000 and 2001 reduced drug benefits—10 percent dropped prescription drug coverage altogether, and another 21 percent reduced the annual limit. Thus, beneficiaries' overall coverage for prescription drugs continues to decline in 2001. In 2000, 78 percent of Medicare+Choice enrollees had some prescription drug coverage, compared with 67 percent in 2001 (Table 3). Meanwhile, those retaining a drug benefit experienced cuts in the amount of coverage provided as annual limits slid to lower levels and copayments for brand-name drugs increased.

Coverage of Other Supplemental Benefits

The opportunity to access supplemental benefits not traditionally covered by Medicare, such as dental, vision, and hearing care, is another reason Medicare beneficiaries enroll in managed care plans. Coverage of vision and podiatry services, as well as coverage for physical exams, has remained rather stable in 2001 (Table 4). However, drops in coverage are seen in preventive dental care and hearing care.

Availability of Coverage by Type of County

Despite payment policy changes designed to reduce the urban vs. rural disparity in managed care options, Medicare beneficiaries in metropolitan areas continue to enjoy more choices than their counterparts in nonmetropolitan areas. About 96 percent of Medicare beneficiaries living in a center-city county are being offered at least one Medicare+Choice plan, compared with only 22 percent of beneficiaries living in a nonmetropolitan, metropolitan statistical area (MSA)-adjacent county. Differences continue down to the level of available benefits. In 2001, 43 percent of Medicare beneficiaries residing in a center-city county are being offered a Medicare+Choice plan with an annual prescription drug benefit of more than $1,000, compared with only 3 percent of Medicare beneficiaries in a nonmetropolitan MSA-adjacent county (Figure 2). Similarly, while 65 percent of beneficiaries in a center-city county are being offered a zero-premium Medicare+Choice plan, only 6 percent of MSA-adjacent beneficiaries have such an option.

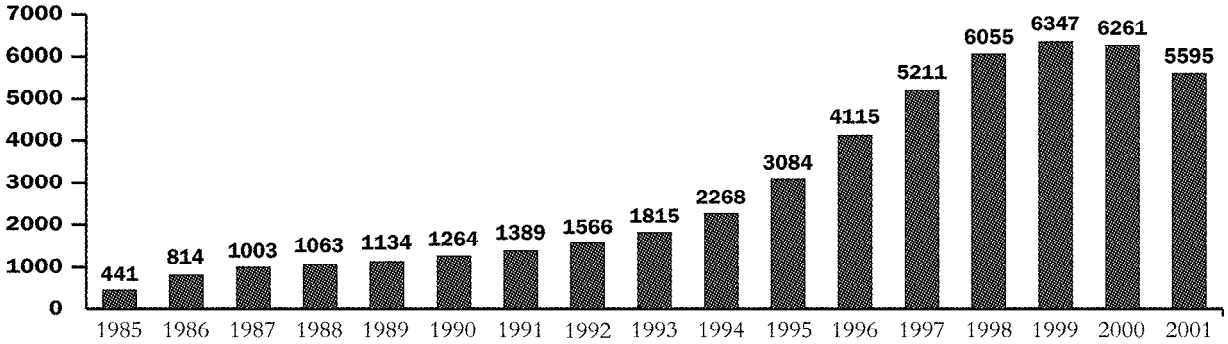
Conclusion

Medicare managed care plans continue to be an attractive source of supplemental insurance when compared with costly Medigap coverage. However, premiums are rising and benefits are declining, particularly for prescription drug benefits. The combination of premiums, cost-sharing, and

limits on benefits can result in substantial out-of-pocket costs to Medicare beneficiaries enrolled in Medicare+Choice (Kasten, Moon, and Segal 2000). Further, the availability of coverage varies dramatically across the nation. It is uncertain whether increases in capitation rates paid to plans will reverse these trends. Policymakers seeking to address the limitations in Medicare's benefit package should not assume that Medicare managed care alone is a solution to these problems.

FIGURE 1

Medicare Risk/Medicare+Choice Enrollment, 1985–2001
Enrollment in thousands



Note: All data are for December of the year indicated except 2001, which is for January. Data for 1999 and 2000 are for enrollees in Medicare managed care plans. Data for prior years are for enrollees in Medicare risk contracts.

Source: Mathematica Policy Research analysis of HCFA/Center for Health Plans and Providers data for The Commonwealth Fund.

TABLE 1

Monthly Premiums for Basic Plans in Medicare+Choice Contract Segments, 1999–2001

	Percentage of Enrollees*		
	1999	2000	2001
None	79.6%	59.0%	44.7%
Less than $20.00	3.1%	8.7%	8.6%
$20.00–$49.99	13.5%	19.3%	23.0%
$50.00 or more	3.2%	11.1%	23.6%
Unknown	0.6%	1.8%	0.1%
	Premium Amount		
Mean	$6.37	$14.43	$25.04
Mean if premium does not equal $0	$32.11	$36.19	$45.34

** 1999 numbers are weighted by March 1999 enrollment; 2000 and 2001 information is weighted by March 2000 enrollment.*

Note: Data for 2001 are for January to February and do not reflect any changes effective March 2001 as a result of the Benefits Improvement and Protection Act (BIPA) of 2000. A contract segment consists of all or some counties in the service area of a Medicare managed care plan (called coordinated care plans, or CCPs) contract for which a standard basic benefit package applies. In 2001, there are 175 CCP contracts with a total of 382 contract segments. Of these 382, 158 (about 41%) offered more than one plan. We focus here on the basic plan or package. HCFA does not break down enrollment across packages, so enrollment includes both the basic package and other packages.

Source: Mathematica Policy Research analysis of HCFA's "Medicare Compare" database for The Commonwealth Fund.

TABLE 2

Copayments for Medical and Hospital Services for Basic Plans in Medicare+Choice Contract Segments, 1999–2001

	Percentage of Enrollees*		
	1999	2000	2001
Primary Care Physician			
None	18.0%	10.0%	5.6%
$5.00 or less	44.5%	34.1%	22.4%
$5.01–$10.00	32.1%	47.8%	40.2%
$10.01–$15.00	5.1%	7.2%	28.7%
$15.01 or more	0.3%	0.8%	3.1%
Any Copayment			
Hospital admission	4.3%	12.8%	31.0%
Hospital outpatient	30.7%	28.6%	45.2%
X-ray	7.5%	11.3%	14.6%
Laboratory	3.9%	6.4%	14.6%

** 1999 numbers are weighted by March 1999 enrollment; 2000 and 2001 information is weighted by March 2000 enrollment.*

Note: Data for 2001 are for January to February and do not reflect any changes effective March 2001 as a result of the Benefits Improvement and Protection Act (BIPA) of 2000.

Source: Mathematica Policy Research analysis of HCFA's "Medicare Compare" database for The Commonwealth Fund.

TABLE 3

Prescription Drug Benefits for Basic Plans in Medicare+Choice Contract Segments, 1999–2001

	Percentage of Enrollees*		
	1999	2000	2001
Any Drug Coverage	83.9%	78.0%	67.2%
Annual Drug Cap			
$500 or less	10.6%	20.8%	26.5%
$501–$750	10.1%	10.6%	12.1%
$751–$1,000	26.3%	17.4%	9.6%
$1,001–$1,500	9.4%	12.6%	10.0%
$1,501–$2,000	17.8%	20.3%	25.6%
$2,001 or more	4.1%	3.4%	5.1%
No cap	21.7%	14.9%	11.2%
Uses a Formulary	80.3%	92.0%	90.6%
Brand-Name Copayment			
None	6.3%	5.5%	2.7%
$10.00 or less	35.9%	19.8%	23.8%
$10.01–$20.00	43.8%	54.3%	47.2%
$20.01 or more	14.0%	20.4%	26.3%

** 1999 numbers are weighted by March 1999 enrollment; 2000 and 2001 information is weighted by March 2000 enrollment.*

Note: Data for 2001 are for January to February and do not reflect any changes effective March 2001 as a result of the Benefits Improvement and Protection Act (BIPA) of 2000.

Source: Mathematica Policy Research analysis of HCFA's "Medicare Compare" database for The Commonwealth Fund.

TABLE 4

Supplemental Benefits for Basic Plans in Medicare+Choice Contract Segments, 1999–2001

	Percentage of Enrollees Covered*		
	1999	2000	2001
Preventive Dental	69.9%	39.0%	26.7%
Vision Benefits	97.8%	96.2%	94.1%
Hearing Benefits	91.3%	92.0%	78.8%
Physical Exam	100.0%	100.0%	99.7%
Podiatry Benefits	26.9%	28.2%	30.3%
Chiropractic Benefits	20.9%	6.8%	5.2%

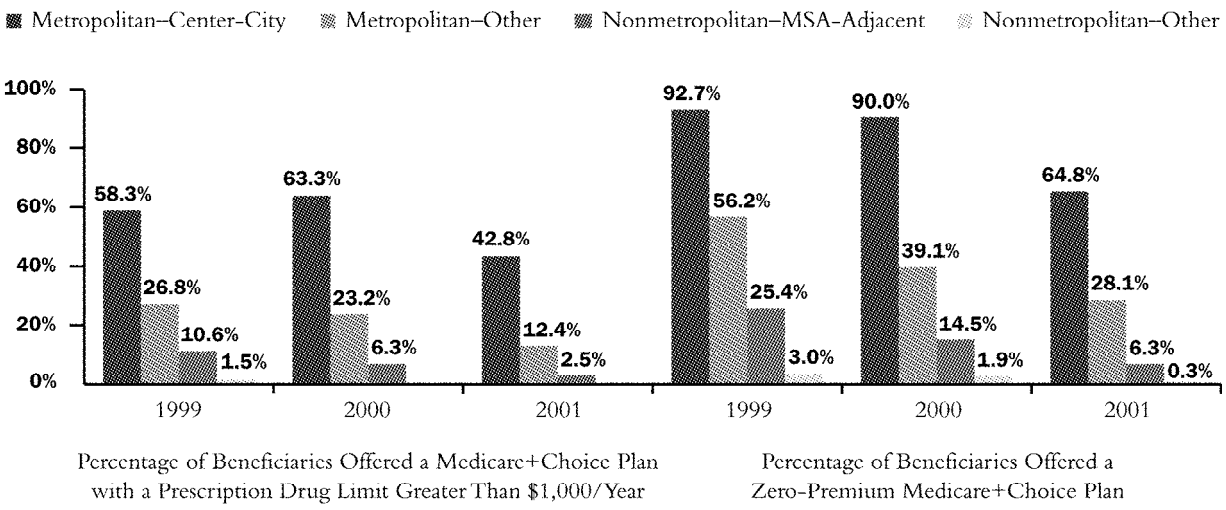
** 1999 numbers are weighted by March 1999 enrollment; 2000 and 2001 information is weighted by March 2000 enrollment.*

Note: Data for 2001 are for January to February and do not reflect any changes effective March 2001 as a result of the Benefits Improvement and Protection Act (BIPA) of 2000.

Source: Mathematica Policy Research analysis of HCFA's "Medicare Compare" database for The Commonwealth Fund.

FIGURE 2

Availability of Medicare+Choice Plans by County of Residence, 1999–2001



Note: Data for 2001 are for January to February and do not reflect any changes effective March 2001 as a result of the Benefits Improvement and Protection Act (BIPA) of 2000.

Source: Mathematica Policy Research analysis of HCFA's "Medicare Compare" database for The Commonwealth Fund.

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Cathy Schoen, Patricia Neuman, Michelle Kitchman, Karen Davis, and Diane Rowland, *Medicare Beneficiaries: A Population at Risk: Findings from the Kaiser/Commonwealth 1997 Survey of Medicare Beneficiaries* (New York and Menlo Park, Calif.: The Commonwealth Fund/Henry J. Kaiser Family Foundation, December 1998).

Methodology

This analysis is based on a file constructed from data included in the Medicare Compare database maintained by the Health Care Financing Administration (HCFA). The basic unit of analysis is the "contract segment," in which we compare benefits and premiums for the basic plan, which tends to provide the most-affordable coverage. In 2001, there are 382 contract segments, each of which has a basic plan. (When a contract segment has two or more plans, the basic plan is that with the lowest premium.) Of these 382, 158 (about 41%) offered more than one plan. When data are weighted by enrollment, the enrollment totals include all persons in any of the managed care organizations' plans within a contract segment (HCFA does not break out enrollment for different plans under a single contract). Enrollment data for 2000 and 2001 come from HCFA's March 2000 State/County/Plan Market Penetration file. The 2001 estimates, therefore, do not reflect any shifts in enrollment in response to benefit changes. Our previous analysis of such shifts from 1999 to 2000 shows that while some shifting occurred, enrollees generally still faced substantial declines in benefits.