



## Medicare Advantage Plans Peak at 11.5 Million Members

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by Debra A. Donahue

As Medicare Advantage plans assimilate health reform legislation impacting 2011 and beyond, the final results of the 2010 Medicare Advantage (MA) enrollment season are in. The 261 companies active in MA enrolled nearly 11.5 million Medicare beneficiaries as of March 2010, up nearly 621,000 members from March 2009. Despite conservative growth strategies, stricter marketing regulations and legislation which reined in popular Private-Fee-For-Service plans (PFFS), Medicare Advantage companies experienced moderate growth rates. This brief, using enrollment data through March 2010, released by The Centers for Medicare and Medicaid Services (CMS), takes a look at how companies have performed in the last year and what is in store for the future.

### Market Overview

Total Medicare Advantage (MA) plan enrollment as of March 1, 2010 stood at 11,459,288, with a gain of 620,834 net new members from March 2009 to March 2010. The 5.7% growth rate was down from 12.6% for the same timeframe one year ago. Ten organizations cover 60% market share, however there were several changes in the line-up. As of March 2009 there were 10 companies with more than 250,000 Medicare Advantage members, today only 8 companies have that distinction. Coventry, Blue Cross Blue Shield Michigan (BCBSM) and WellCare all lost market share during the period and Universal American gains were enough to advance it to the leader board. Currently, UnitedHealth Group and Humana together control almost 33% of the market, up 3.0% from one year ago.

| <b>March 2010 Top MA Organizations with Greater than 250,000 Members</b> |                  |                  |                             |                     |                                       |
|--------------------------------------------------------------------------|------------------|------------------|-----------------------------|---------------------|---------------------------------------|
| <b>Parent</b>                                                            | <b>Mar-09</b>    | <b>Mar-10</b>    | <b>Growth<br/>2009-2010</b> | <b>%<br/>Change</b> | <b>Mar-10 MA<br/>Market<br/>Share</b> |
| UnitedHealth                                                             | 1,728,113        | 2,002,397        | 274,284                     | 16%                 | 17%                                   |
| Humana                                                                   | 1,456,069        | 1,735,632        | 279,563                     | 19%                 | 15%                                   |
| Kaiser Foundation                                                        | 917,622          | 966,472          | 48,850                      | 5%                  | 8%                                    |
| WellPoint                                                                | 439,714          | 466,714          | 27,000                      | 6%                  | 4%                                    |
| Aetna                                                                    | 414,716          | 440,439          | 25,723                      | 6%                  | 4%                                    |
| Highmark                                                                 | 278,655          | 307,385          | 28,730                      | 10%                 | 3%                                    |
| Universal American                                                       | 228,263          | 279,595          | 51,332                      | 22%                 | 2%                                    |
| Health Net                                                               | 279,936          | 272,879          | -7,057                      | -3%                 | 2%                                    |
| <b>Subtotal &gt;250,000</b>                                              | <b>5,743,088</b> | <b>6,471,513</b> | <b>728,425</b>              | <b>13%</b>          | <b>56%</b>                            |
| All Other                                                                | 5,095,366        | 4,987,775        | -107,591                    | -2%                 | 44%                                   |

|                                                                                                                                    |                   |                   |                |           |             |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|----------------|-----------|-------------|
| <b>Total</b>                                                                                                                       | <b>10,838,454</b> | <b>11,459,288</b> | <b>620,834</b> | <b>6%</b> | <b>100%</b> |
| Source: Mark Farrah Associates (MFA) analysis of CMS enrollment data; data is available in MFA's Medicare Business Online™ product |                   |                   |                |           |             |

As of March 2010 there were 261 companies offering MA plans, one more than last year; fourteen companies joined the fray and thirteen left the market. Over 60% of the companies doing business in this market as of March 2010 have less than 10,000 members. Fifteen organizations saw growth of more than 20,000 members between March 2009 and March 2010.

| <b>MA Organizations with the Largest Gains from March 2009 to March 2010</b>    |                  |                  |                         |                       |
|---------------------------------------------------------------------------------|------------------|------------------|-------------------------|-----------------------|
| <b>Parent</b>                                                                   | <b>Mar-09</b>    | <b>Mar-10</b>    | <b>Growth 2009-2010</b> | <b>Percent Change</b> |
| Humana                                                                          | 1,456,069        | 1,735,632        | 279,563                 | 19%                   |
| UnitedHealth                                                                    | 1,728,113        | 2,002,397        | 274,284                 | 16%                   |
| CIGNA                                                                           | 46,861           | 144,191          | 97,330                  | 208%                  |
| Universal American                                                              | 228,263          | 279,595          | 51,332                  | 22%                   |
| Kaiser Foundation                                                               | 917,622          | 966,472          | 48,850                  | 2%                    |
| <b>Total</b>                                                                    | <b>4,376,928</b> | <b>5,128,287</b> | <b>751,359</b>          | <b>17%</b>            |
| Source: Mark Farrah Associates (MFA) analysis of Medicare Business Online™ data |                  |                  |                         |                       |

## Shifting Network Models

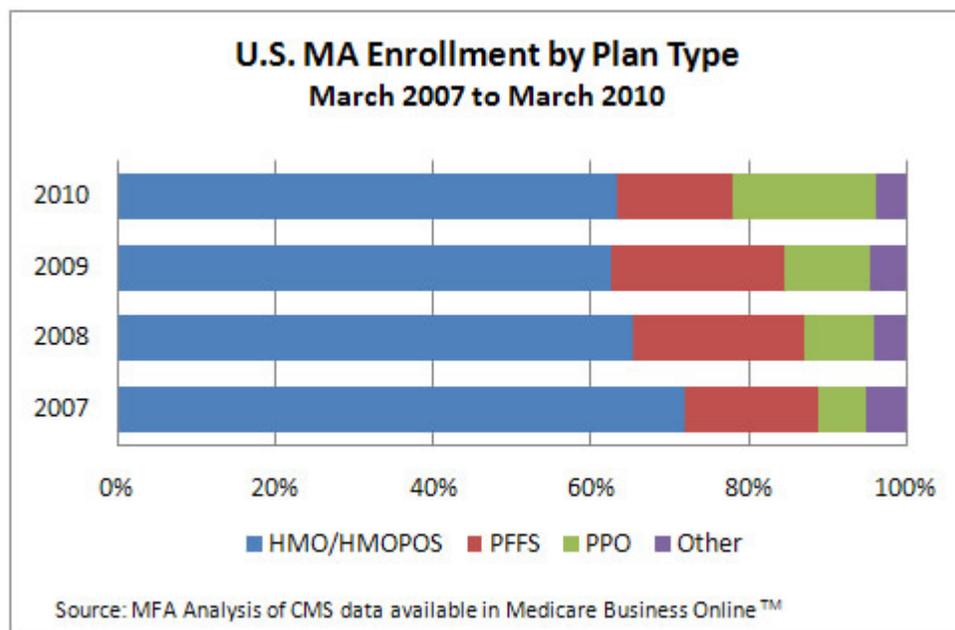
Humana saw the largest gains, increasing total MA membership by almost 280,000. Humana added 323,258 members in its preferred provider organization (PPO) products and 51,900 seniors in its health maintenance organization (HMO) and HMO Point of Service (HMOPOS) options, more than offsetting the loss of 95,595 private-fee-for-service members (PFFS).

Humana, like many other MA companies, is in the process of shifting enrollment from PFFS plans to network-based options such as PPOs and HMO or HMOPOS plans. Congress, concerned about the alarming growth rate of PFFS plans and the lack of consumer and provider understanding regarding the limitations of PFFS plans, voted on July 15, 2008 to override President Bush's veto of H.R. 6331, the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA).

MIPPA requires PFFS plans to have contracts with hospitals and providers in most areas beginning in 2011. In addition, the legislation requires PFFS plans to report data on the same quality measures as reported by other MA plans, which is intended to help patients in choosing a plan, beginning January 1, 2010. Rather than modify PFFS plans to comply with the legislation, several companies have opted to terminate this product line and transition members to PPO and HMO options.

PFFS plans shed nearly 773,000 members during the 2010 open enrollment period. Coventry, BCBSM and Aetna dropped 327,484; 224,817 and 151,105 members respectively, between December 2009 and March 2010. CIGNA took an alternate course, choosing to expand its PFFS offering during the 2010 open enrollment period and picked up 90,094 members before notifying CMS and brokers that it had achieved its goals and would close access to its Medicare Access (PFFS) plans as of February 1, 2010.

HMOs still remain the most popular type of managed Medicare plan with almost 7.3 million members however, they have lost market share to other types of MA organizations over the years. When the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) took effect in 2006, HMO's covered 78% of the managed Medicare market. As of March 2010, HMO market share was up slightly to 63.4% from 62.6% in March 2009.



Both local and regional PPO plans saw significant gains during the last year, adding 808,493 combined members between March 2009 and March 2010. PPOs added 1.7 times as many members during that period than HMO plans did. Local PPO plans added 421,252, while the five regional PPOs added 387,241. Aetna and Health Net

closed their regional PPO plans for 2010. However, Blue Cross Blue Shield of Florida picked up over 10,000 members in its new regional PPO plan between December 2009 and March 2010.

## 2011 and Beyond

As health plans aggressively move Medicare beneficiaries into more managed care type products, it is too early to predict the savings this might reap. Unfortunately Congress did not wait to see the fruit of MIPPA and many industry insiders are wondering if Medicare Advantage plans will follow the path of Medicare + Choice, by exiting the market en masse. With many provisions in the newly passed 2010 health reform bills focused on reducing Medicare costs by eliminating subsidies and increasing benefits such as prescription drug coverage, it remains to be seen how Medicare Advantage plans will adjust as new regulations are put in place.

In the meantime, planning is underway for the 2011 season. MA companies are evaluating how their 2010 results compared to expectations and to the local competition by using tools such as Mark Farrah Associates' (MFA) Medicare Business Online™ and Health Coverage Portal™. Using MFA's Medicare Benefits Analyzer (MBA), they are comparing and revising 2010 benefit packages and developing strategies to offer 2011 products that will attract and benefit seniors while ensuring the company is not adversely selected. Networks are being analyzed using Strenuus, the leader in delivering network competitive intelligence services ([www.strenuus.com](http://www.strenuus.com)) (<http://www.strenuus.com>), network comparison tools. Managed Medicare plans have shown resilience in the past to changing legislation and those committed to the concept will persevere.

The senior market segment is poised for growth due to demographic trends and legislative changes. MFA will present the latest market and competitive insights about this growing market at the Medicare Market Innovations Forum on July 13 -14, 2010, in Newport Beach, CA. To learn how health plans and provider organizations are working together to offer seniors a variety of sustainable Medicare products without compromising care, please consider attending this important and informative conference. [Click here](#) (<http://medicaremarketinnovations.com/>) for a full list of speakers and information about how to register.

#### About This Data

This brief is based on an analysis of enrollment and premium data for Medicare Advantage plans released by The Centers for Medicare and Medicaid Services (CMS). Enrollment, premium, product and even corrective and enforcement action data can be accessed through the CMS website or Mark Farrah Associates' [Medicare Business Online™](#) (</products/medicare-business-online.aspx>) product. Mark Farrah Associates offers Medicare Business Online™ to make analysis of local markets, trends and competition easier. The database is updated monthly as soon as CMS releases new data to save organizations from having to aggregate and organize data themselves.

#### About Mark Farrah Associates (MFA)

Mark Farrah Associates (MFA) is a leading data aggregator and publisher providing health plan market data and analysis tools for the healthcare industry. We are a licensed distributor of NAIC data. MFA's Health Coverage Portal™ includes both risk-based and administrative services only (ASO) membership and financial data by plan, parent, state, region and nationally. Committed to simplifying analysis of health insurance business, our products include Medicare Business Online™, the new Medicare Benefits Analyzer, Health Coverage Portal™, Health Insurer Insights™ and Health Plans USA™.

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