



2010 Medicare Landscape: Fewer Plans Yet Plenty of Competition

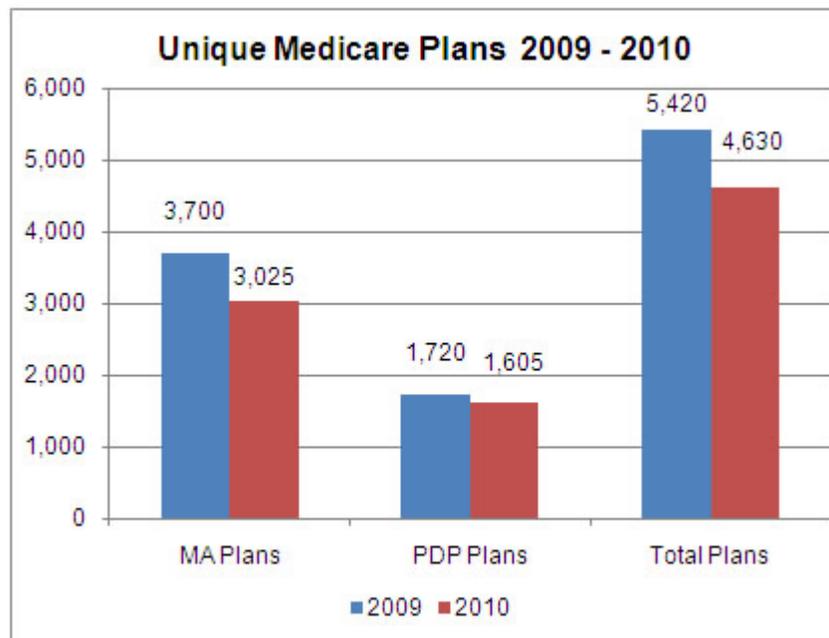
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by LuAnne Farrah

As Medicare open enrollment approaches, plans are busy analyzing their competitive position in local markets to identify opportunities. During open enrollment which starts on November 15th, beneficiaries may enroll in or disenroll from a Medicare Advantage or Part D plan. Insurers and prescription drug companies will compete for new members based on many factors. An understanding of how premiums, inpatient & outpatient coverage and copays, ancillary benefits, provider networks and prescription drug coverage stack up against the competition is the key to a successful sales strategy. The Centers for Medicare & Medicaid Services (CMS) updated online resources to make it easier for seniors to compare costs and benefits of Medicare plans within select counties and states. Mark Farrah Associates in partnership with Strenuus organized 2009 and 2010 plan information in a database designed to make it easier for competing companies to compare their products with the competition ([click here for more information about Medicare Benefits Analyzer™](#) ([../products/images/About_MedicareBenefitsAnalyzer.pdf](#))). This brief presents high-level observations about the 2010 Medicare landscape based on aggregate analysis of Medicare Advantage and stand-alone Prescription Drug Plans (PDPs). The source of the aggregate data is Medicare Benefits Analyzer™.

Fewer Plans in 2010

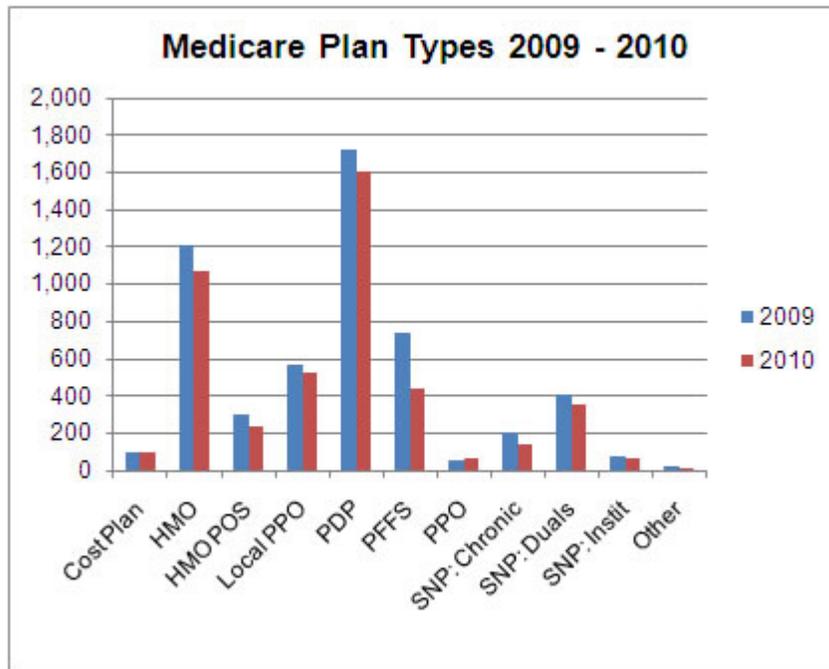
Overall, there are 18% fewer Medicare Advantage (MA) plans offered for 2010 as the number of unique plans offered nationwide declined from 3,700 to 3,025. The number of stand-alone prescription drug plans (PDPs) declined by 7% from 1,720 in 2009 to 1,605 for 2010. Declines were expected since CMS urged MA organizations in the 2010 Call Letter to eliminate plan offerings for 2010 that have little or no enrollment, and duplicative plan offerings that are not easily distinguished by beneficiaries and could cause beneficiary confusion. Many Private-Fee-For-Service (PFFS) plans also dropped out in response to new network requirements.



The Medicare Improvements for Patients and Providers Act of 2008 (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. Not surprisingly, the number of PFFS plans available nationwide dropped by 40% with only 440 plans being offered for 2010, down from 738 this year.

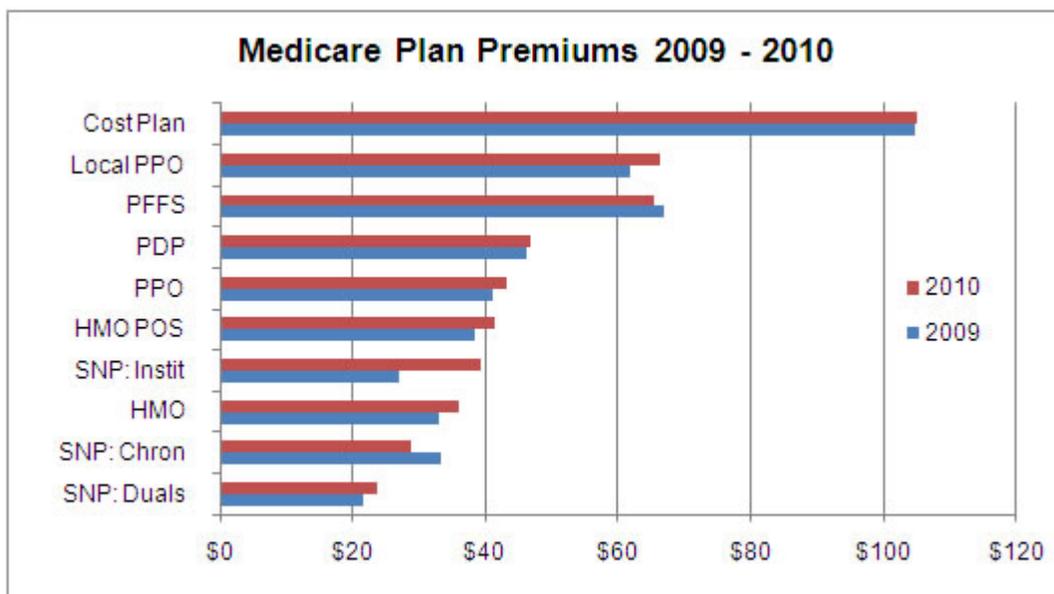
PFFS plans are still fairly dispersed geographically with 87 of the 440 plans being offered in 10 or more states. Sterling Life Insurance Company, Universal American and CIGNA appear to be strong PFFS contenders, each offering a wide array of plans in multiple states.

Companies decreased offerings to some extent across all plan types for 2010. Insurers are offering 22% fewer Health Maintenance Organization (HMO)with Point Of Service (POS) plans, 11% fewer HMOs and 11% fewer Preferred Provider Organizations (PPO) for next year. For this open enrollment season many in the industry expect Medicare Supplement plans to gain membership due to declines and changes in Medicare Advantage offerings.



Strong Price Competition

Based on MFA analysis, approximately 80% of MA plans and 18% of PDPs are available at \$0 premium levels for 2010. Across the spectrum of plans that require beneficiaries to pay a premium, increases vary by plan type. On the average, premiums for Institutional Special Needs Plans (SNPs) will be 45% higher in 2010 while SNPs for chronic or disabling conditions show a 14% decline in average premium. Premiums for HMOs increased an average of 9% from \$33 to \$36 a month. Even so, HMOs are still the least expensive option among commercial plans. Average 2010 premiums are \$43 for PPOs, \$65 for PFFS and \$66 for Local PPOs. Average premiums actually declined for PFFS plans by 2% from \$67 to \$65 a month.



2010 MA premiums vary widely, dependent upon plan type, richness of benefits and geographic location. For example, the monthly premium for Health Net Green HMO in Connecticut is \$5 but members pay \$15 per in-network primary care physician visit, \$25 to see in-network specialists and additional copays also apply. On the high premium end, Health Partners Classic HMO in Minnesota costs \$427.20 a month. Health Partners caps the out of pocket limit for this plan at \$3,000, includes \$0 copays for in-network doctor visits and also includes several ancillary benefits. Looking at stand-alone PDPs, PICA Alante in Puerto Rico charges \$1.50 a month for very basic drug coverage. At the other extreme, Washington DC's Blue Rx Enhanced costs \$120.20. Members of Blue Rx will pay a \$10 copay for a 30-day supply of generics, \$30 for preferred brands and will also have access to generics through the gap.

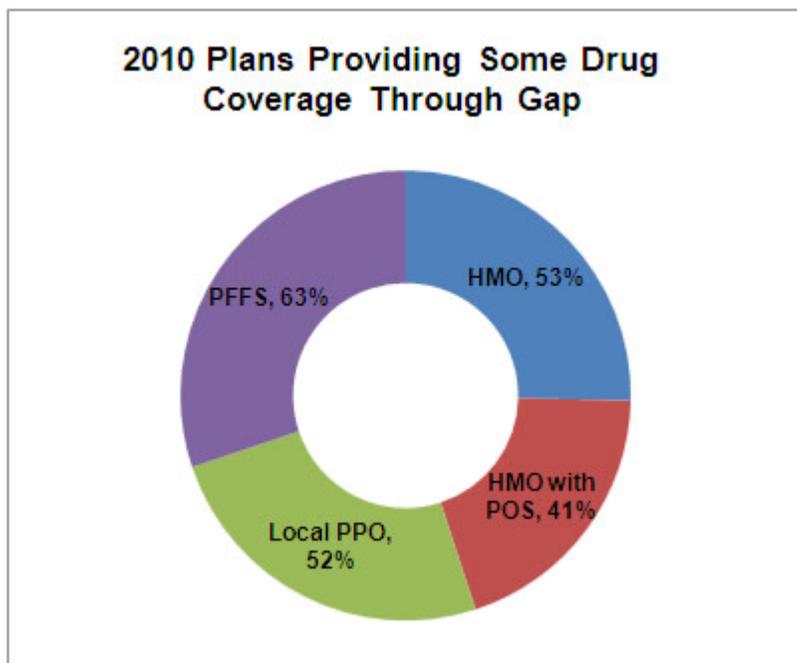
The industry will very likely see considerable shifting from one plan to another, with some companies gaining and others losing membership and market share based on premiums alone.

Other Interesting Observations

Beyond premium, seniors will be evaluating inpatient and outpatient copays, coverage for preventive services and of course coverage and costs for prescription drugs taken on a regular basis.

MFA found some shifts in the percentage of plans offering access to in-network preventive services at the \$0 copay level. For example, 87% of MA plans will cover annual mammograms for no copay in 2010, up from 84% in 2009. Eighty-eight percent of plans will cover in-network prostate cancer screenings at \$0 copay, up from 86% last year. However, the percentage of plans covering colorectal cancer screenings at \$0 copay declined from 83% to 82%.

A quick look at drug coverage across MA plans showed that 63% of 2010 PFFS plans will include some prescription drug coverage through the gap. Fifty-three percent of HMOs, fifty-two percent of Local PPOs, and 41% of HMO POS plans will provide some gap coverage.



MFA will continue to analyze the 2010 Medicare market throughout open enrollment to provide competitive insights. It will be interesting to see which companies gain market share and how Medicare Advantage plans fare in light of less PFFS competition. Furthermore, the industry will be watching closely to see if stand-alone PDPs and Medicare Supplement plans will benefit from press about proposed cuts to Medicare Advantage in healthcare reform bills.

About the Data

The source of the data analyzed in this brief is the Medicare Benefits Analyzer™, an online database offered by Mark Farrah Associates (MFA) in partnership with Strenuus. This product organizes 2009 and 2010 Medicare Advantage and Part D benefits information in an easy-to-use application designed for competitive and market analysis. [Click here \(./products/images/About_MedicareBenefitsAnalyzer.pdf\)](#) for more information or call MFA at 207.985.8484 to request a sample dataset or online demonstration.

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 redistributor of NAIC data. MFA's Medicare Business Online™ (MBO) product simplifies the tracking of Medicare Advantage and PDP growth and competition on a monthly basis. MBO coupled with Medicare Benefits Analyzer™ provides a full suite of business intelligence for the competitive Medicare Advantage market. Committed to simplifying analysis of health insurance business, our products include Medicare Business Online™, Medicare Benefits Analyzer™, the Health Coverage Portal™, Health Insurer Insights™ and Health Plans USA™.

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