



## Medicare Prescription Drug Plans See Revitalization

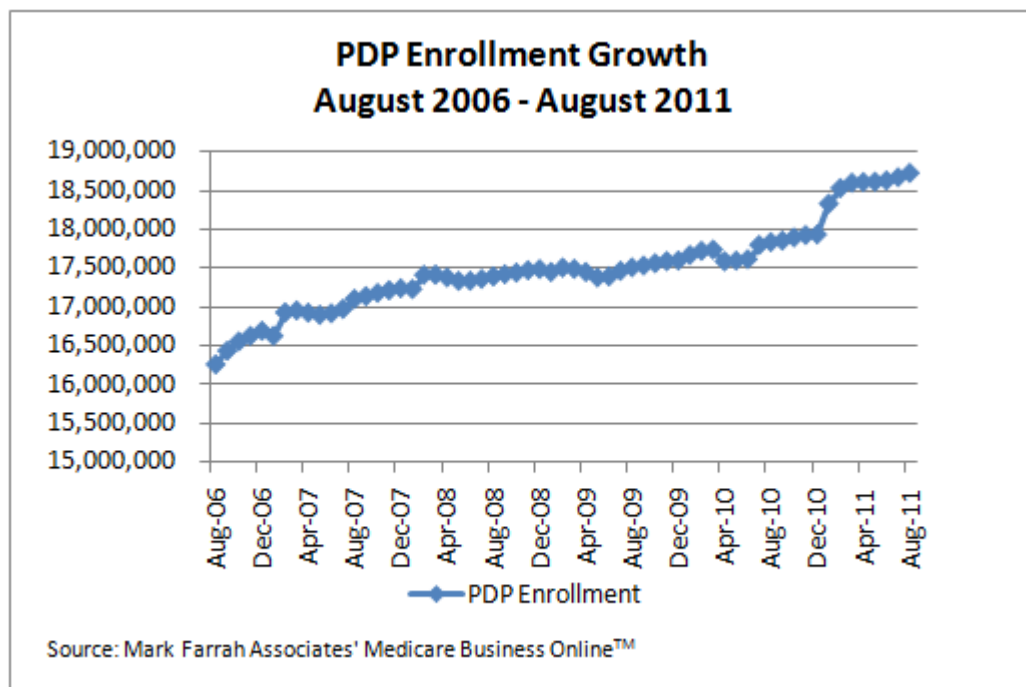
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by Debra A. Donahue

Demographic changes and industry consolidation are two trends contributing to the revitalization of the Medicare Part D marketplace. Stand-alone Part D plans, also known as Medicare prescription drug plans (PDPs), gained nearly 886,000 covered lives between August 2010 and August 2011, a 5.0% increase year-over-year. According to data from the Centers for Medicare & Medicaid Services (CMS), PDPs covered more than 18.7 million people as of August 1, 2011, about 39% of the 48.3 million people nationwide eligible for Medicare for the same time period. Consolidation, particularly among the top Part D insurers, continues to rock the PDP competitive landscape.

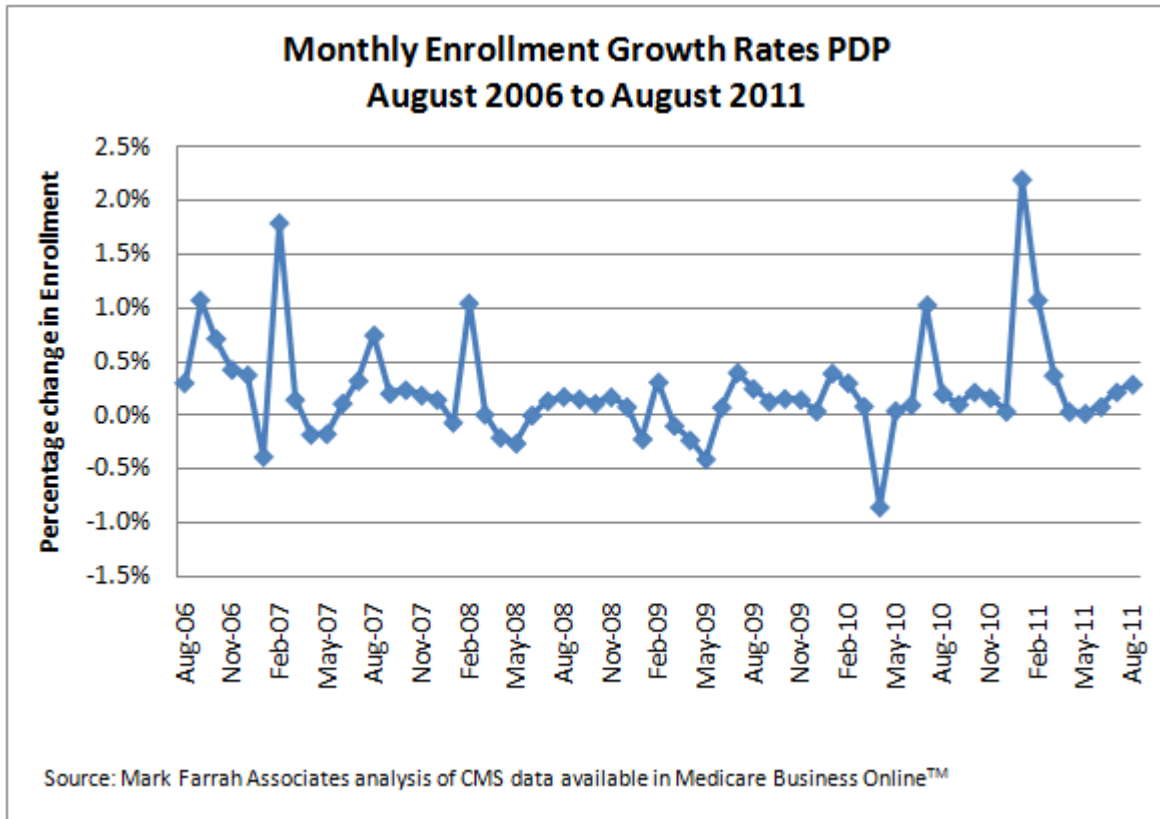
### PDP Enrollment Growth

Stand-alone Medicare prescription drug plans (PDPs) gained nearly 886,000 covered lives between August 2010 and August 2011, a 5.0% increase year-over-year. According to data from the Centers for Medicare & Medicaid Services (CMS), PDPs covered 18,713,143 people as of August 1, 2011.



PDP enrollment grew at a fairly steady pace from August 2006, just after the inception of the Medicare Part D program, to the current period. A membership decline was noted between March and April 2010, primarily due to CMS' termination of Fox Insurance from the Medicare Part D program. Fox Insurance was one of the fastest growing PDP companies in 2009 and had nearly 200,000 members at the time of its ouster. Fox's termination marked the first time Medicare banned an insurer from selling stand-alone prescription drug plans. It appears no alternative was offered to Fox's enrollees at the time their PDP ceased and they may have waited until the next open enrollment period to re-enroll.

While enrollment increases appear fairly steady, the percentage of growth between one month and the next for PDPs varies significantly. Open enrollment results obviously influence the January and February percentage increases. However, there appears to be a secondary increase in the May to August time frame. The most recent open enrollment period generated the largest gains for PDPs since August 2006, with a gain of 2.2% in January 2011.



### Consolidations Rock the PDP Landscape

Currently there are 66 organizations competing in the PDP market as of August 2011, down from 90 in 2006. The top eleven PDP organizations are responsible for 87% of the market. Only four companies remain with more than 1 million PDP members after CVS Caremark's acquisition of Universal American's PDP business. The Universal American PDP business acquisition, on April 29, 2011, catapulted CVS Caremark into second place ahead of Humana.

Humana, now the third largest PDP insurer, lost more than 1.367 million members between 2008 and 2010, but gained nearly 780,000 new PDP members between December 2010 and August 2011. Humana's co-branding strategy with WalMart was successful in increasing membership. It will be interesting to see if Humana sees similar results in 2012 from its new co-branding agreement with the Readers Digest Association, Inc.

HealthSpring Inc.'s acquisition of Bravo Health Inc. nearly doubled HealthSpring's PDP enrollment and placed it among the top PDP plans in the country. If the proposed Express Scripts acquisition of Medco Health Solutions is approved, it would add a fifth organization to those with more than 1 million PDP members. Barring any unforeseen issues, WellCare should also make it to 1 million PDP members as of January 2012.

PDP MARKET SHARE BY PARENT AS OF AUGUST 2011		
Parent	Enrollment August 2011	Market Share
UnitedHealth	4,817,183	26%

CVS Caremark	3,419,171	18%
Humana	2,458,710	13%
Coventry Health Care	1,152,580	6%
Wellcare Health Plans	965,367	5%
Healthspring	845,918	5%
Medco Health Solutions	709,230	4%
WellPoint	626,808	3%
CIGNA	540,987	3%
Aetna	429,482	2%
Express Scripts	391,443	2%
Top PDP Companies	16,356,879	87%
All Others	2,359,264	13%
Total	18,716,143	100%
Source: Mark Farrah Associates' Medicare Business Online™		

According to data from CMS, and available in Mark Farrah Associates' Medicare Business Online™ product, PDPs cover about 39% of the 48,339,760 people eligible for Medicare nationwide as of August 2011. PDP penetration rates vary widely by county. For instance, Greensville County in Virginia has the highest PDP penetration in the nation as of August 2011, with 82.1% of the counties' Medicare eligibles enrolled in PDPs. Texas' Hidalgo County, with 62.8% of its Medicare eligibles enrolled in a PDPs, has the highest PDP penetration rate for counties with more than 50,000 Medicare eligibles. Hidalgo County, located near the southern tip of Texas, is also one of the fastest growing counties in the United States. Allegheny County in Pennsylvania, with a population of more than 232,000 people eligible for Medicare, has one of the lowest rates of PDP penetration at 16.7%. Understanding the demographic and economic factors that influence the purchase of PDP products are major marketing challenge for insurers. However, as more people become eligible for Medicare, PDP enrollment should continue to escalate.

## About this Data

This brief is based on an analysis of enrollment data for PDPs released by The Centers for Medicare and Medicaid Services (CMS). Medicare Advantage and PDP enrollment, premium and product data is available in Mark Farrah Associates' [Medicare Business Online™ \(/products/medicare-business-online.aspx\)](#) and Medicare Benefits Analyzer™ products. Mark Farrah Associates offers these products to make analysis of local markets, trends and competition easier. The Medicare Business Online™ database is updated monthly as soon as CMS releases new data to save organizations from having to aggregate and organize data themselves. Mark Farrah Associates recently added new tools to Medicare Business Online™ that enable historic trending of the Medicare eligible population and current penetration rates by state and county for both Medicare Part C and D products, as well as 60+ population projections through 2030 on a state level for each year of age and by age brackets.

## About Mark Farrah Associates (MFA)

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