



PDPs See Enrollment Surge

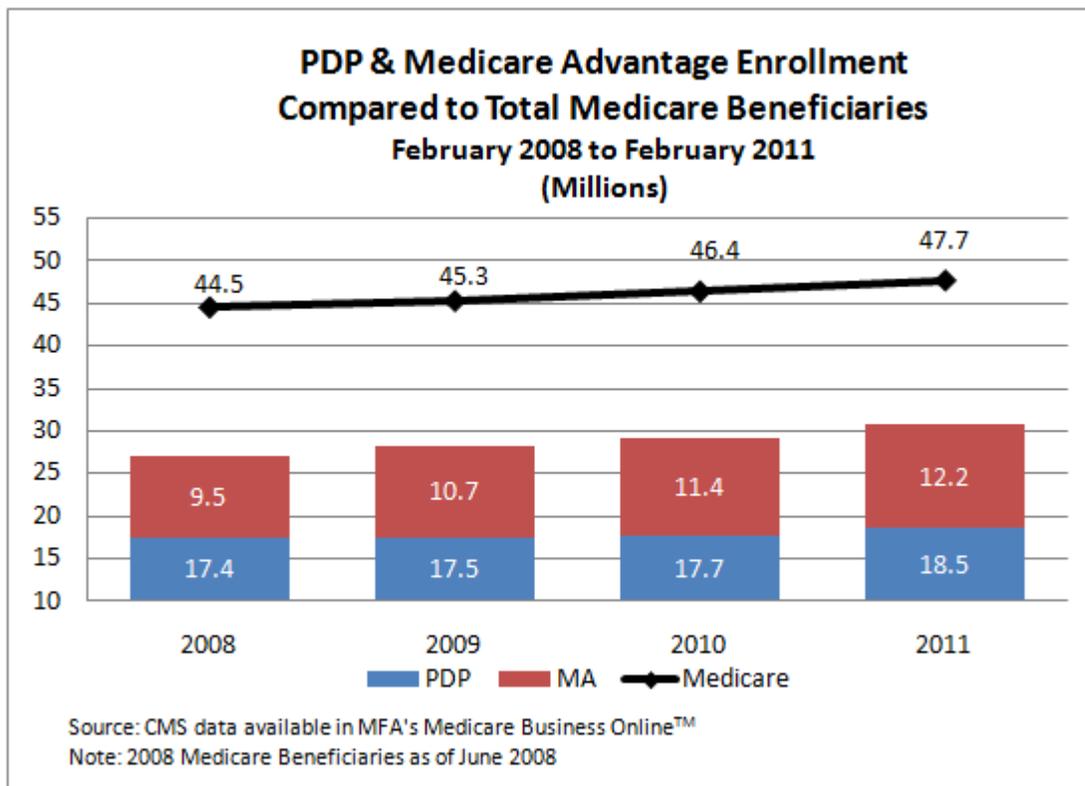
3/11/2011

by Debra A. Donahue

Stand-alone prescription drug plans (PDPs) gained more than 800,000 covered lives between February 2010 and February 2011, a 4.5% increase year-over-year. PDPs covered more than 18.5 million people as of February 1, 2011. In comparison, PDP plans gained only 92,560 net new members, a mere 0.5% gain between February 2008 and February 2009. Humana's co-branding initiative with WalMart appears to have stimulated this sluggish growth market.

PDP Enrollment Growth

As of February 1, 2011, stand-alone prescription drug plans (PDPs) enrolled 18,520,771 people, an increase of 802,257 (4.5%) from February 1, 2010. For the 70 organizations competing in this segment as of February 2011, the increase was welcome after previous increases of 1.2% between 2009 and 2010 and a mere 0.5% between 2008 and 2009. The percentage of Medicare beneficiaries served by PDPs fell from a high of nearly 40% in 2008 to 38% in 2010, but sidled back to nearly 39% in 2011. Together PDPs and Medicare Advantage plans cover 64% of the 47.7 million people eligible for Medicare in 2011, up from 60% in 2008.

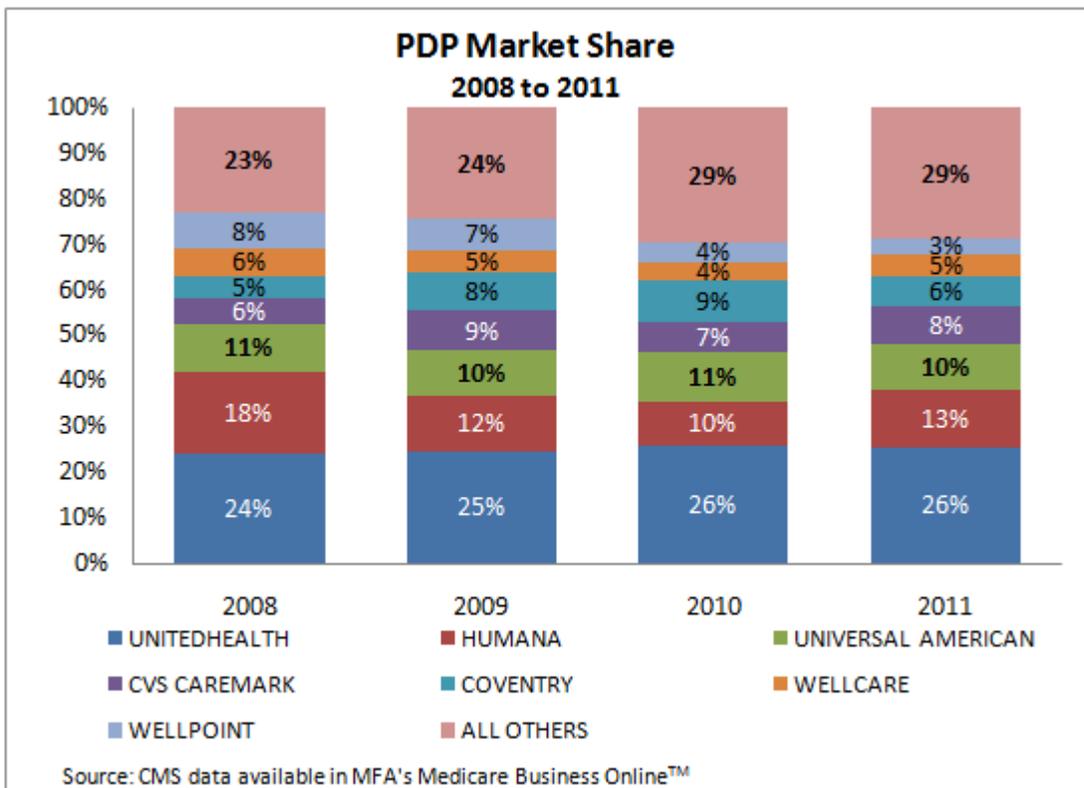


A dynamic competitive environment surrounds PDPs and this setting has enabled significant market share shifts between organizations from one year to the next. UnitedHealth with 4.7 million PDP subscribers serves roughly a quarter of all PDP enrollees. Four additional companies covered more than 1 million PDP members each as of February 2011, Humana, Universal American, CVS Caremark, and Coventry.

PDP Enrollment Growth					
Top Parent Organizations	2010	2011	Net Change	% Change	2011 Market Share
UnitedHealth	4,551,433	4,734,766	183,333	4.0%	25.6%
Humana	1,761,465	2,329,384	567,919	32.2%	12.6%
Universal American	1,894,108	1,866,184	-27,924	-1.5%	10.1%
CVS Caremark	1,193,645	1,551,177	357,532	30.0%	8.4%
Coventry	1,599,184	1,163,150	-436,034	-27.3%	6.3%
Subtotal	10,999,835	11,644,661	644,826	5.9%	62.9%
All Others	6,718,679	6,876,110	157,431	2.3%	37.1%
Total	17,718,514	18,520,771	802,257	4.5%	100%
Source: Medicare Business Online™ referencing CMS February 1 data					

Humana, the second largest PDP insurer, lost more than 1.367 million members between 2008 and 2010, but gained nearly 568,000 new PDP members between 2010 and 2011. Humana's co-branding strategy with WalMart was successful in increasing membership. The new product offered significant savings on plan premiums and prescription medicines for Medicare Part D beneficiaries. The Humana WalMart-Preferred Rx Plan (PDP), available to Medicare Part D eligible beneficiaries nationwide, enrolled nearly 809,000 members as of February 2011. This new product appears to have been the spark that accelerated growth in the PDP market.

Market share shifts are not uncommon in this price and product sensitive market place. Rising PDPs one year can be side tracked the next, either deliberately through a product control strategy or unexpectedly by sanctions imposed by the Centers for Medicare and Medicaid Services (CMS). WellPoint, one of the leading PDPs in 2008 and 2009, saw enrollment plummet from a high of 1.373 million in February 2008 to 628,000 in February 2011. Coventry's PDP enrollment peaked in February 2010 at nearly 1.6 million; however, the company lost 436,034 covered lives by February 2011. Coventry experienced the greatest membership loss among all organizations offering PDP products between February 2010 and February 2011. Universal American, another rising company over the last few years, found itself under suspension by CMS during the recent open enrollment for its Medicare Advantage products but not its PDP options. However, while retaining most of its existing enrollment, Universal American did not grow as expected between 2010 and 2011.



PBM-based (Pharmacy benefit management) PDPs, such as CVS Caremark and Express Scripts continue to see significant gains. Humana's partnership with WalMart is another example of how pharmacy-based PDPs appeal to the senior market. Pharmacy and PBM-based companies have many competencies that aid them in managing PDP products. These skills coupled with brand recognition have resulted in some impressive gains.

PDP Top Growth Companies in 2011					
Top Parent Organizations	2010	2011	Net Change	% Change	2011 Market Share
Humana	1,761,465	2,329,384	567,919	32.2%	12.6%
CVS Caremark	1,193,645	1,551,177	357,532	30.0%	8.4%
Express Scripts	112,647	385,685	273,038	242.4%	2.1%
WellCare	738,231	932,472	194,241	26.3%	5.0%
UnitedHealth	4,551,433	4,734,766	183,333	4.0%	25.6%
Bravo Health	271,704	406,663	134,959	49.7%	2.2%
Subtotal	8,629,125	10,340,147	1,711,022	19.8%	55.8%
All Others	9,089,389	8,180,624	-908,765	-10.0%	44.2%
Total	17,718,514	18,520,771	802,257	4.5%	100%
Source: Medicare Business Online™ referencing CMS February 1 data					

Employing brand recognition is a key tactic for success in this market, a competitive advantage UnitedHealth continues to capitalize on as a result of its marketing agreement with AARP. While leading companies such as Humana, CVS Caremark and UnitedHealth saw large increases, mid-sized players, such as WellCare and Bravo (formerly Elder Health, Inc.), also reported sizeable gains. Wise marketing efforts, controlling prices and remaining compliant with CMS' policies and procedures are keys to success in the PDP market place. Strategies that anticipate and adjust to competitors' countermoves, shifting customer demands, and regulatory changes help even smaller players to achieve success.

With over 550,000 people becoming eligible for Medicare during 2011 and another 400,000 in 2012, this will continue to be a growth segment for most health plans. Planning is underway for the 2012 season. PDP companies are evaluating how their 2011 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 2011 benefit packages and developing strategies to offer 2012 products that will attract and benefit seniors while ensuring the company is not adversely selected.

The senior market segment is poised for growth due to demographic trends yet challenged by legislative changes. MFA is once again partnering with Strategic Solutions Network to provide insights about this growing market at Medicare Innovations 2011 which will take place July 19-21, 2011 in Newport Beach, California. The 2011 agenda will not only cover marketing strategies but will also include select regulatory sessions that deliver more comprehensive solutions to guide your Medicare strategy for 2012 and beyond. [Click here \(http://medicaremarketinnovations.com/\)](http://medicaremarketinnovations.com/) to register and bookmark this site to track speaker and agenda updates. The 2011 program will be finalized soon. Call Mark Farrah Associates (207-985-8484) if you're interested in getting involved as a presenter or marketing partner.

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). 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™, Medicare Benefits Analyzer™, Health Coverage Portal™, Health Insurer Insights™ and Health Plans USA™.

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Debra A. Donahue is Vice President Market Analysis and Online Products for Mark Farrah Associates



Mark Farrah Associates
Phone: 724.338.4100
Web: www.markfarrah.com

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