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What's In and What's Out? Medicare Advantage Market Entries and Exits for 2015

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During the debate over the Affordable Care Act (ACA), some questioned whether the Medicare Advantage market would shrink in response to the reductions in payments to Medicare Advantage plans included in the ACA,¹ expressing concern that plans would exit markets across the country, leading to a drop in enrollment, similar to what occurred after the Balanced Budget Act of 1997 (BBA97).² Since 2010, enrollment has far exceeded expectations, increasing by nearly 5 million beneficiaries, continuing a steady upward climb that started a decade ago.³ Between 2010 and 2014, the total number of plans has declined modestly, but beneficiaries in 2014 still had the option to choose among 18 Medicare Advantage plans, on average.⁴

Medicare Advantage plans enter and exit markets for a number of reasons related to business strategies, local market conditions, and profitability. When Medicare Advantage plans make a decision to exit markets, beneficiaries have the option to switch to another Medicare Advantage plan offered in their area or get coverage under traditional Medicare. If they choose traditional Medicare following termination of their plan, they have a special open enrollment period for Medigap policies. In this sense, traditional Medicare serves as a back-up for beneficiaries affected by Medicare Advantage plans terminations.

This Data Note examines the availability of plans nationwide and by state in 2015, and changes in plan availability since 2011. It documents the number and share of Medicare Advantage enrollees affected by plan withdrawals each year, the characteristics of plans that will be entering the market and characteristics of those exiting the market in 2015, and also assesses the potential implications of these changes for Medicare Advantage enrollees. While the availability of Medicare Advantage plans varies within states by county, this Data Note compares plan participation at the state-level to provide a snapshot of changes in the Medicare Advantage market in 2015. Plans that consolidate (withdraw from the certain counties, but remain in others) are counted among the exiting plans for areas where they will no longer offer plans in 2015. The analysis excludes group Medicare Advantage plans, Special Needs Plans (SNPs) and other plans not available for general enrollment.

MEDICARE ADVANTAGE PLAN AVAILABILITY

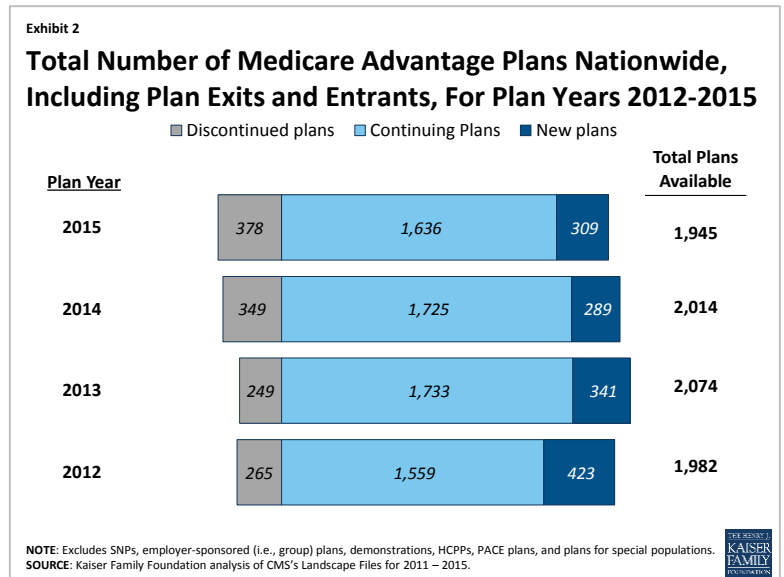
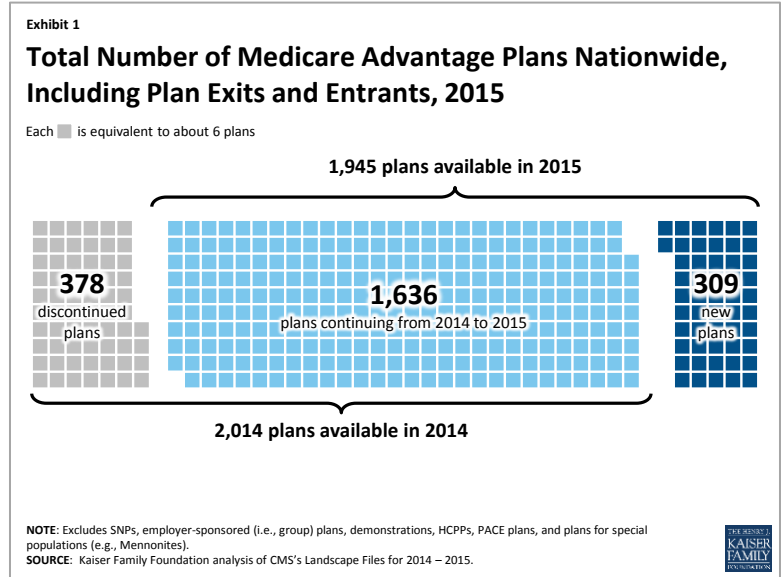
NATIONWIDE. The total number of Medicare Advantage plans will be similar to the number in 2014, declining by 3 percent from 2,014 plans in 2014 to 1,945 plans in 2015 (**Exhibit 1**). The number of plans reflects both plan exits and entries. Between 2014 and 2015, more Medicare Advantage plans will exit than enter: 378 plans will exit markets across the country at the end of 2014 while 309 new plans will enter markets in 2015. The majority of plans in 2015 (84%) are plans that were also available in 2014.

A larger number of plans will exit the market in 2015 than any other year since 2012 (**Exhibit 2**). At the same time, more Medicare Advantage plans will enter the market in 2015 (309 plans) than in 2014 (289 plans).

BY STATE. Virtually every state (except for AK and WY) will have some change in plan offerings in 2015. Some states will see more departing plans than new plans, while other states will see more new than departing plans. In most states, the total number of plans offered in 2015 will be similar to the number in 2014. In nine states (AR, FL, GA, NC, PA, SC, VA, VT, and WI), the number of departing plans will exceed the number of new plans by at least 10 plans, while in two states (KY and TN) the number of new plans will exceed the number of departing plans by at least 10 plans in 2015. Beneficiaries in four states (CA, FL, NY, and PA) will see large numbers of both new plans and departing plans (20 or more) for 2015. Overall, relatively few states will see sizeable differences in the number of plans available between 2014 and 2015.

AFFECTED ENROLLEES

Four percent of Medicare Advantage enrollees (479,832 enrollees) are in plans that are exiting the market at the end of 2014 and will need to find an alternative source of Medicare coverage, either another Medicare Advantage plan or traditional Medicare (**Appendix Table 1**). Last year, at the end of 2013, a larger number (roughly 526,000 enrollees) and a slightly larger share (about 5%) of the Medicare Advantage population were affected by plan departures.⁵



The share of Medicare Advantage enrollees affected by plan departures ranges from less than 1 percent in 10 states and the District of Columbia to more than 10 percent in 8 states (CT, HI, ID, MD, MT, NC, NH, VT). In Hawaii, 64 percent of enrollees are in exiting plans, the largest of which is a regional PPO offered by Hawaii Medical Services Association (HMSA), a BlueCross BlueShield affiliate; HMSA will continue to offer local PPOs in all counties of Hawaii.⁶ In most states, less than 5 percent of Medicare Advantage enrollees will be affected by plan departures. In four states (CA, NC, NY, and PA), a larger number (more than 20,000 enrollees), but a relatively small share of enrollees (less than or equal to 7% in CA, NY, and PA; 17% in NC) are enrolled in plans that will not be offered in 2015. In contrast, in 13 states and the District of Columbia, fewer than 1,000 people are enrolled in plans in 2014 that will not be offered in 2015.

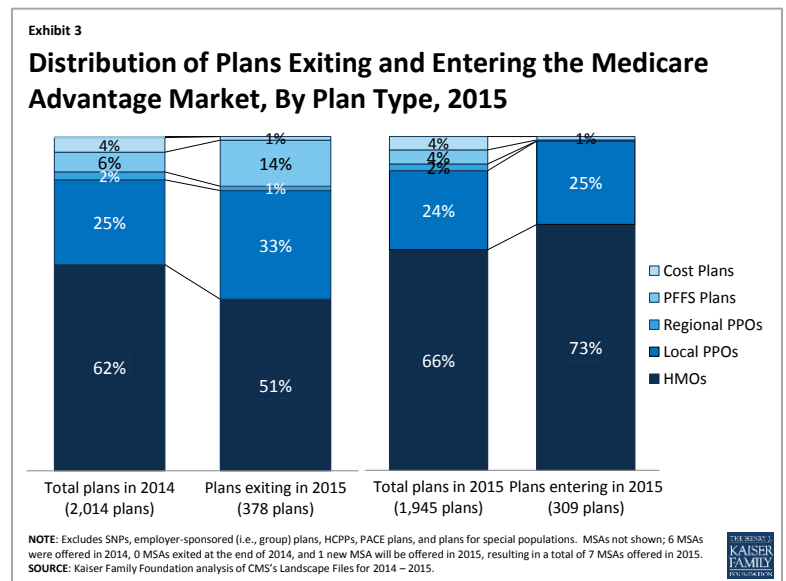
CHARACTERISTICS OF MEDICARE ADVANTAGE MARKET EXITS AND ENTRIES

PLAN TYPE. Among departing plans, local PPOs and PFFS (private fee-for-service) plans are disproportionately represented (**Exhibit 3**). Local PPOs comprise one-quarter (25%) of plans offered in 2014, but one-third (33%) of departing plans in 2015. Similarly, PFFS plans comprise only 6 percent of plans offered in 2014, but 14 percent of departing plans in 2015. In fact, more than four in ten PFFS plans (43%) and more than two in ten local PPOs (24%) are exiting the market in 2015 (**Appendix Table 2**). The reduction in PFFS plans available between 2014 and 2015 continues the trend in PFFS plan exits that has been observed since the Medicare

Improvements for Patients and Providers Act (MIPPA) of 2008 required most PFFS plans to adopt provider networks. PFFS plans have attracted fewer enrollees over the years, dropping from a high of more than 2 million in 2009 to about 300,000 in 2014 – confirming the waning role of PFFS plans in the Medicare Advantage market.

As in prior years, PFFS plans departing the market are expected to be replaced by other plan types. HMOs are disproportionately represented, and comprise 73 percent of the new plans that will be offered in 2015, and comprise 66 percent of all Medicare Advantage plans offered in 2015 (**Exhibit 3**). In contrast, both regional PPOs and PFFS plans are underrepresented among new plans. These proportions may be reflective of plan choices made by new enrollees in recent years, and business decisions of insurers about the viability and profitability of these products.

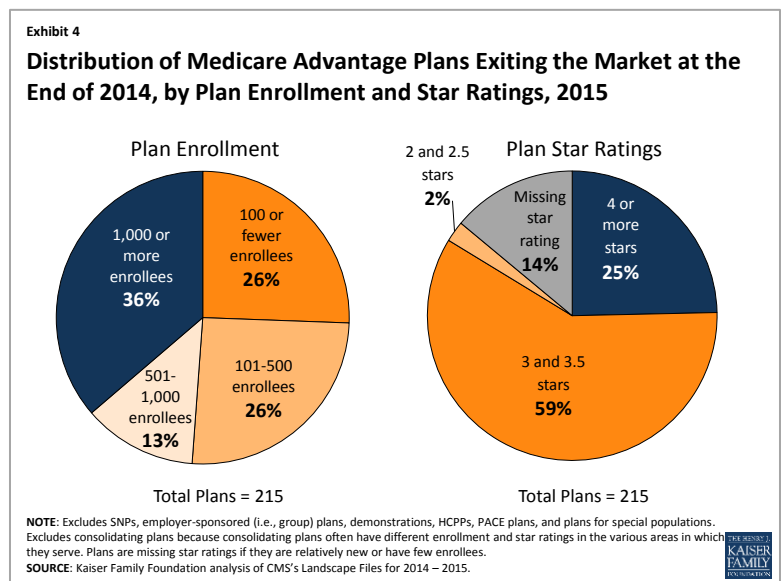
TAX STATUS. The majority of plans departing the market at the end of 2014 are for-profit plans (79%), a share which is similar to the proportion of plans that were for-profit in 2014. Similarly, most new plans are for-profit plans (70%) in 2015. Overall, there were no meaningful differences in the tax status of plans exiting or entering the market.



In addition to plan type and tax status, the analysis looked at whether plans that are exiting the market are disproportionately low enrollment and have lower quality ratings. This part of the analysis includes the 215 plans that are terminating their contract with CMS at the end of 2014, but excludes the plans that will consolidate into new plans, because the plans that are consolidating often have different enrollment levels and star ratings in the various areas in which they serve, which cannot be separately analyzed.

ENROLLMENT. Most of the plans that are departing from the market (excluding those that consolidated into new plans) at the end of 2014, have relatively low enrollment: nearly two-thirds (64 percent) have less than 1,000 enrollees, and about half (51%) have fewer than 500 enrollees in 2014 (**Exhibit 4**). Plans with fewer than 100 enrollees are disproportionately represented among plans exiting the market; almost three in ten plans with fewer than 100 enrollees (29%) are exiting the market in 2014 (**Appendix Table 3**). The average number of enrollees in a plan was 5,268 in 2014. Overall, most plans that are exiting the market at the end of 2014 have relatively few enrollees, and few beneficiaries will be affected by the market exits.

QUALITY RATINGS. The majority of plans exiting the market at the end of 2014 have average or below average ratings (**Exhibit 4**). Most (59%) of the plans terminating their contracts with CMS at the end of 2014 received 3 or 3.5 stars – ratings for which plans received bonuses in 2014 but will not receive bonuses in 2015 or future years. Among plans with 3 or 3.5 stars, 15 percent are exiting the market at the end of this year. Plans with below average ratings (2 or 2.5 stars) represent a small share of all departing plans, but a disproportionate share (25 percent) of these plans are exiting (**Appendix Table 3**). In 2015, Medicare beneficiaries will see fewer plans with average or below average ratings.⁷



DISCUSSION

While the total number of Medicare Advantage plans offered in counties across the country will be slightly lower in 2015 than in 2014, the vast majority of plans offered in 2015 (84%) were also offered in 2014. As in previous years, some plans will terminate their contracts with Medicare before the end of the year, while others will enter new markets, creating new options for Medicare beneficiaries in those areas.

Plans with relatively low enrollment and plans with average star quality ratings or below comprise the majority of plans exiting the markets. These changes are primarily weeding out plans that did not attract many enrollees and plans that received relatively low quality ratings. The CMS quality-based bonus demonstration will draw to a close at the end of 2014, and only plans with above average ratings (4 or more stars) will receive bonuses in 2015 and future years. This could make it more challenging for plans with fewer stars to compete with higher-rated plans, unless they improve their ratings.

Despite concerns that the ACA would result in a major contraction of Medicare Advantage plans, the 2015 market continues to look robust. While some plans have terminated their contracts with Medicare, most have decided to continue to operate, and others are launching new plans across the country in 2015. Companies may have adjusted their business strategies and tightened their belts in response to the changes in the ACA and the sequestration of Medicare spending put in place under the Budget Control Act of 2011. Virtually all Medicare Advantage enrollees will have the option to stay in the same plan in 2015; just 3 percent of enrollees are in plans that are exiting the market at the end of this year, though this rate will vary somewhat by county. In all likelihood, beneficiaries affected by plan exits will have other Medicare Advantage options available, including new plans vying for beneficiaries, in addition to traditional Medicare.

This brief was updated (October 2014) to adjust for the departure of plans from counties and to use September 2014 enrollment; the prior version focused on the departure of plans from states and used enrollment from March 2014. Due to these adjustments, the total number of enrollees affected by plan departures increased from 318,717 to 479,832 Medicare Advantage enrollees nationally, with corresponding changes by state, reflected in Appendix Table 1.

¹ Neuman, Tricia and Gretchen Jacobson. Medicare Advantage: take another look. Kaiser Family Foundation. Menlo Park (CA): 2014. <http://kff.org/medicare/perspective/medicare-advantage-take-another-look/>

² Gold, Marsha. Medicare+Choice: an interim report card. *Health Affairs*, 20, no.4 (2001): 120-138. <http://content.healthaffairs.org/content/20/4/120.full>

³ Jacobson, Gretchen, Tricia Neuman, and Jennifer Huang. Projecting Medicare Advantage enrollment: expect the unexpected? Menlo Park (CA): 2013. <http://kff.org/medicare/perspective/projecting-medicare-advantage-enrollment-expect-the-unexpected/>

⁴ Gold, Marsha, Gretchen Jacobson, Anthony Damico, and Tricia Neuman. Medicare Advantage 2014 spotlight: plan availability and premiums. Menlo Park (CA): 2013. <http://kff.org/medicare/issue-brief/medicare-advantage-2014-spotlight-plan-availability-and-premiums/>

⁵ Gold, Marsha, Gretchen Jacobson, Anthony Damico, and Tricia Neuman. Medicare Advantage 2014 spotlight: plan availability and premiums. Menlo Park (CA): 2013. <http://kff.org/medicare/issue-brief/medicare-advantage-2014-spotlight-plan-availability-and-premiums/>

⁶ In 2015, 14 Medicare Advantage plans will be offered in Hawaii; 8 plans are departing at the end of 2014 and 5 new plans will be available in 2015.

⁷ All new contracts in 2015 will be missing star ratings due to insufficient data with which to rate the plans.

Appendix Table 1. Plan Entries and Exits in the Medicare Advantage Market, 2014-2015

State	Total plans in 2014	Plans departing by January 2015	Plans continuing in 2015	New plans in 2015	Total plans in 2015	Number of 2014 market enrollees in departing plans	Percent of 2014 market enrollees in departing plans
Total U.S.	2014	378	1636	309	1945	479,832	4%
Alabama	23	1	22	3	25	206	0%
Alaska	0	0	0	0	0	-	0%
Arizona	44	6	38	3	41	12,440	5%
Arkansas	39	13	26	2	28	7,022	9%
California	201	33	168	34	202	45,151	3%
Colorado	49	1	48	2	50	1,047	1%
Connecticut	18	2	16	7	23	13,595	11%
Delaware	7	2	5	1	6	275	4%
District of Columbia	10	1	9	2	11	24	1%
Florida	188	54	134	20	154	14,640	1%
Georgia	53	24	29	3	32	11,693	5%
Hawaii	17	8	9	5	14	44,740	64%
Idaho	34	2	32	6	38	11,784	14%
Illinois	66	15	51	17	68	2,945	2%
Indiana	47	11	36	4	40	7,244	4%
Iowa	40	10	30	2	32	700	1%
Kansas	33	4	29	2	31	1,391	3%
Kentucky	24	3	21	14	35	3,579	3%
Louisiana	29	2	27	4	31	4,008	2%
Maine	37	10	27	5	32	2,404	5%
Maryland	22	9	13	2	15	12,148	28%
Massachusetts	50	8	42	4	46	798	1%
Michigan	53	2	51	5	56	991	0%
Minnesota	32	2	30	3	33	14,258	4%
Mississippi	26	10	16	1	17	3,065	5%
Missouri	54	11	43	3	46	3,549	1%
Montana	13	4	9	4	13	9,360	31%
Nebraska	14	2	12	4	16	934	3%
Nevada	23	1	22	4	26	336	0%
New Hampshire	19	10	9	1	10	1,699	15%
New Jersey	30	5	25	13	38	8,335	6%
New Mexico	25	5	20	2	22	986	1%
New York	168	33	135	26	161	55,295	7%
North Carolina	46	21	25	11	36	57,424	17%
North Dakota	11	1	10	0	10	111	3%
Ohio	85	15	70	19	89	12,953	3%
Oklahoma	34	5	29	6	35	1,570	2%
Oregon	78	9	69	13	82	6,605	3%
Pennsylvania	163	65	98	20	118	33,768	5%
Puerto Rico	36	11	25	3	28	1,179	1%
Rhode Island	8	0	8	3	11	-	0%
South Carolina	31	13	18	2	20	12,594	10%
South Dakota	14	1	13	0	13	22	0%
Tennessee	41	2	39	16	55	8,292	3%
Texas	126	25	101	18	119	7,467	1%
Utah	13	0	13	3	16	5,186	5%
Vermont	17	11	6	1	7	718	10%
Virginia	80	31	49	12	61	5,851	3%
Washington	70	10	60	3	63	16,869	6%
West Virginia	29	11	18	2	20	2,529	6%
Wisconsin	73	24	49	1	50	10,052	3%
Wyoming	3	0	3	0	3	-	0%

NOTE: Columns do not sum to the Total U.S. due to plans offered in more than one state. Plans with service area reductions were categorized as departing plans in states in which they will no longer operate, as continuing plans in states in which they will continue to operate, and as new plans in states in which they will operate for the first time. Plan counts and enrollment excludes SNPs, employer-sponsored (i.e., group) plans, demonstrations, HCPPs, PACE plans, and plans for special populations (e.g., Mennonites).

SOURCE: Kaiser Family Foundation analysis of CMS's Landscape Files for 2014 – 2015.

Appendix Table 2. Plan Type and Tax Status of Discontinued and New Plans in 2014 and 2015

	Total number of plans in 2014	Plans departing by January 2015		Plans continuing in 2015	New plans in 2015		Total number of plans in 2015
		Number	Percent of total plans in 2014		Number	Percent of total plans in 2015	
Total	2,014	378	19%	1,636	309	16%	1,945
Plan Type							
HMOs	1,242	194	16%	1,048	227	18%	1,275
Local PPOs	511	123	24%	388	77	17%	465
Regional PPOs	48	5	10%	43	0	0%	43
PFFS plans	120	52	43%	68	1	1%	69
Cost plans	87	4	5%	83	3	3%	86
MSA plans	6	0	0%	6	1	14%	7
Tax Status							
Not-for-profit	524	78	15%	446	59	12%	505
For-profit	1,488	298	20%	1,190	215	15%	1,405
Unknown tax status	2	2	100%	0	35	100%	35

NOTE: Excludes SNPs, employer-sponsored (i.e., group) plans, demonstrations, HCPPs, PACE plans, and plans for special populations. Tax status not known for plans not included in the 2014 Plan Directory. n/a denotes cells not applicable.

SOURCE: Kaiser Family Foundation analysis of CMS's Landscape Files for 2014 – 2015.

Appendix Table 3. Enrollment and Ratings of Discontinued Plans in 2014 and 2015

	Total number of plans in 2014	Plans departing by January 2015	
		Number	Percent of total plans in 2014
Total	2,014	378	19%
Consolidating Plans	n/a	163	n/a
Non-consolidating, departing plans	n/a	215	n/a
Number of Enrollees, Among Non-Consolidating Plans			
100 or fewer enrollees	191	55	29%
101-500	337	55	16%
501-1000	242	27	11%
1000+	1,244	78	6%
Star Rating, Among Non-Consolidating Plans			
4 or more stars	938	53	6%
3 and 3.5 stars	838	127	15%
2 and 2.5 stars	20	5	25%
Missing star rating	218	30	14%

NOTE: Excludes SNPs, employer-sponsored (i.e., group) plans, demonstrations, HCPPs, PACE plans, and plans for special populations. Consolidated plans were excluded from this analysis because they often have different enrollment levels and star ratings in the various areas in which they serve, which cannot be analyzed separately. Plans that are relatively new or have few enrollees are not rated and thus are missing star ratings. n/a denotes cells not applicable.

SOURCE: Kaiser Family Foundation analysis of CMS's Landscape Files for 2014 – 2015.