Options for Medicare Advantage PPO Regions

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National Health Policy Forum
September 17, 2004
Washington, DC
At the CMS public meeting in Chicago, we presented 5 possible options for MA regions:

- 50 state-based regions.
- 41 multi-state regions based on minimum PPO activity.
- 24 multi-state regions based on median PPO activity.
- 11 multi-state regions based on equal Medicare eligible population.
- 10 multi-state regions based on CMS administrative regions.

These options are intended to show a range of possibilities, and prompt discussion.

Given the limited time today, 4 options (50, 41, 24, and 10) will be discussed in detail.
CMS’s Process for Announcing MA Regions

- CMS is currently reviewing MA (and PDP) regional options and beginning the process of briefing Senior CMS and DHHS Staff.

- In the next several weeks, CMS plans to post on its website a narrower set of regional options for a second round of public comment.

- In mid October, RTI will assist CMS in evaluating the second round of public comments.

- CMS plans to announce final MA (and PDP) options by late November.
Description: 50 State-Based MA Regions

- Under this option, MA regional plan regions are defined according to the 50 States.
- Represents the largest number of regions allowed under the MMA.
- For the purposes of these options, DC is combined with Maryland since the maximum allowed number of regions is 50.
- State level data are presented for key evaluation factors that may signal necessary conditions for viable regional PPOs.
Total Number of Medicare Eligibles (MA Map 1)

- 50 state option results in regions with large variation in population.
- Low numbers of Medicare eligibles in some states (e.g., VT, HN, WY, ND, SD, MT). High numbers of Medicare eligibles in other states (e.g., CA, FL, TX, NY).
MA Map 1: 50 Regions by Total Number of Medicare Eligibles, 2004

[Map showing the total number of Medicare eligibles by state, with varying shades indicating the number of eligibles ranging from 51,196 to 4,257,579.]
Number of Commercial Risk Bearing PPOs (MA Map 2)

- Presence of commercial risk bearing PPOs may be an important “spark” for participation of MA regional PPOs.
  - In the Medicare PPO demonstration states, presence of an MCO’s commercial PPO was an important factor in deciding to participate with Medicare.
- Relatively little presence of commercial risk bearing PPOs in 8 states.
- Particularly high numbers of commercial PPOs in a number of populous states (e.g. CA, FL, NY)
MA Map 2: 50 Regions by Number of Commercial Risk-Bearing PPOs Serving States, January 1, 2003
Simulated 2005 MA Monthly Payments (MA Map 3)

- These figures combine the two primary components of current MA payments: county risk payment rates and health status scores.
  - Health status scores here were calculated on FFS beneficiaries.

- These figures offer an estimate of per enrollee payment rates for a state.

- Based on 2005 risk payment rates, and enrolling average FFS beneficiaries, eight states and D.C. might see enrollee payments of more than $750 per managed care enrollee, per month (CA, TX, LA, FL, PA, NJ, NY, MA and D.C.).

- Note that because of the MA payment methodology, these payment rates compare favorably to FFS.
MA Map 3: Simulated 2005 MA Monthly Payments

The map shows the Medicare Managed Care Payment Rate by State. The rates are color-coded as follows:

- Light Yellow: 507.79 to 629.96
- Yellow: 629.97 to 661.74
- Light Green: 661.75 to 694.99
- Green: 695.00 to 749.31
- Dark Green: 749.32 to 866.57

The map illustrates varying payment rates across different states, with some states showing significantly higher rates than others. This visualization helps in understanding the distribution of Medicare managed care payments across the United States.
Medicare Beneficiaries in Rural Areas (MA Map 4)

- At the CMS public meeting in July, there was interest in an analysis of the geographic distribution of elderly Medicare beneficiaries in rural areas.
- MA Map 4 shows the percent of elderly living outside an MSA.
- By this measure, the Northern Great Plain states represent the largest cluster of states with a majority of elderly living outside of MSAs.
In this option, regions were defined starting with places of demonstrated PPO penetration/viability.

General idea was to define possible regions around core areas with current PPO plans on the assumption that probable MA regional plan entrants would be organizations with established PPO provider networks.

Used markets with in the states with current Medicare PPO demonstration sites as a guide.
41 Regions Based on Minimum Standards in Current PPO Markets: Method

- Variables we considered in defining these core areas:
  - number of commercial PPOs serving constituents in the state
  - number of commercial PPOs based in the state
  - commercial PPO penetration of total population
  - minimum existing PPO physician network size
Median and minimum values were developed based on the Medicare PPO demonstration states. Specific values were:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Median Value</th>
<th>Minimum Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of commercial PPOs serving the state</td>
<td>29</td>
<td>17</td>
</tr>
<tr>
<td>Number of commercial PPOs based in the state</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>Commercial PPO penetration rate</td>
<td>0.383</td>
<td>0.226</td>
</tr>
<tr>
<td>PPO provider network size</td>
<td>242</td>
<td>242</td>
</tr>
</tbody>
</table>
In this option, we used minimum values for current PPO markets.

- Selected states with: number of PPOs with constituents in state ≥17 OR number of PPOs based in state ≥3 OR total penetration of all PPOs ≥0.226; AND,
  - Average physician network size ≥242.

Using minimum selection criteria, we found 44 states and DC to use as core states.

We also added the criterion that the Medicare eligible population in each region should be at least 200,000 beneficiaries.
41 Regions Based on Minimum Standards in Current PPO Markets: Methods

- States were assigned to regions as follows:

<table>
<thead>
<tr>
<th>Core State</th>
<th>Combined with:</th>
</tr>
</thead>
<tbody>
<tr>
<td>WA</td>
<td>ID, MT</td>
</tr>
<tr>
<td>MN</td>
<td>ND</td>
</tr>
<tr>
<td>CO</td>
<td>WY</td>
</tr>
<tr>
<td>NH</td>
<td>VT</td>
</tr>
<tr>
<td>AK</td>
<td>HI</td>
</tr>
<tr>
<td>NE</td>
<td>SD</td>
</tr>
<tr>
<td>MD</td>
<td>DE, DC</td>
</tr>
<tr>
<td>MA</td>
<td>RI</td>
</tr>
<tr>
<td>OR, CA, NV, AZ, NM, UT, KS, OK, TX, IA, MS, AR, LA, WI, IL, MI, MO, IN, OH, KY, TN, LA, AL, GA, FL, NC, SC, VA, WV, PA, NY, NJ, CT, MA,</td>
<td>None</td>
</tr>
</tbody>
</table>

(stand alone as regions)
MA Map 5: 41 Regions Based on Minimum Standards for Current PPO Markets by Number of Risk-Bearing PPOs Summed Across States
MA Map 6: 41 Regions Based on Minimum Standards for Current PPO Markets by Number of Medicare Eligibles
41 Regions Based on Minimum Standards in Current PPO Markets -- Summary

- Combines areas with low PPO penetration, few PPOs and a small physician network size with contiguous areas with higher numbers.

- Regions meet the minimum standards for numbers of PPOs and PPO penetration rates.

- Medicare eligible population is sufficient in all regions to support a regional PPO plan.

- Larger variation in risk scores and payment rates across regions, similar to the variation with the 50 state-based option.
24 Regions Based on Median Standards in Current PPO Markets

- In this option, regions were defined starting with places of demonstrated PPO penetration/viability.

- As in 41 region option, the idea was to define possible regions around core areas with current PPO plans on the assumption that probable MA regional plan entrants would be organizations with established PPO provider networks.

- In 24 region option, median (rather than minimum) values were used.
In this option, we used median values for current PPO markets.

- Selected states with: number of PPOs with constituents in state ≥29 OR number of PPOs based in state ≥17 OR total penetration of all PPOs ≥0.383; AND,
  - Average physician network size ≥242.
- Resulted in 23 states selected as core states.
- Proceeded to combine states not selected with other states, based on observed Medicare patient flows (1999 CMS data).
24 Regions Based on Median Standards in Current PPO Markets: Method

States were assigned to regions as follows:

<table>
<thead>
<tr>
<th>Core State</th>
<th>Combined with:</th>
</tr>
</thead>
<tbody>
<tr>
<td>OR</td>
<td>AK, WA, ID, MT</td>
</tr>
<tr>
<td>CA</td>
<td>NV, HI, and AZ</td>
</tr>
<tr>
<td>CO</td>
<td>UT and WY</td>
</tr>
<tr>
<td>MN</td>
<td>ND, SD, and WI</td>
</tr>
<tr>
<td>NE</td>
<td>IA</td>
</tr>
<tr>
<td>MO</td>
<td>KS</td>
</tr>
<tr>
<td>TX</td>
<td>NM, OK, AR</td>
</tr>
<tr>
<td>MA</td>
<td>ME, RI, NH, VT</td>
</tr>
<tr>
<td>MD</td>
<td>DE, DC, VA, WV</td>
</tr>
<tr>
<td>GA</td>
<td>SC</td>
</tr>
<tr>
<td>LA</td>
<td>MS</td>
</tr>
<tr>
<td>AL, FL, NY, PA, CT, NJ, IN, OH, IL, KY, NC, TN, MI</td>
<td>None</td>
</tr>
</tbody>
</table>

(stand alone as regions)
MA Map 8: 24 Regions Based on Median Standards in Current PPO Markets by Number of Risk-Bearing PPOs Summed Across States
MA Map 9: 24 Regions Based on Median Standards in Current PPO Markets by Number of Medicare Eligibles
MA Map 10: 24 Regions Based on Median Standards in Current PPO Markets by Simulated 2005 MA Monthly Payments
24 Regions Based on Median Standards in Current PPO Markets -- Summary

- Eligible population is sufficient in every region to support regional PPOs.
- States with low numbers of PPOs, commercial PPO penetration or small provider network size were combined with states with higher rates so most regions meet median criteria on these variables.
- Some variation in risk scores and payment.
10 CMS Administrative Regions

- MA Map 11 shows the 10 CMS regions by number of commercial risk-bearing PPOs.
- Enrollment in commercial PPO plans high across the regions, relative to other options.
- MA Maps 12 and 13 show Medicare eligible distribution and simulated payment levels for this 10 region option.
MA Map 11: 10 CMS Administrative Regions by Number of Commercial Risk-Bearing PPOs Summed Across States
10 CMS Administrative Region Summary

- All 10 CMS regions have sufficient eligibles to sustain PPO (MA Map 12).
  - But variation in eligibles is between 1.2 million and 8.8 million.

- Lower variation in estimated 2005 payment rates (MA Map 13) relative to the 50 state-based option.

- Option does not consider Medicare patient flows.
Additional Issues to be Considered: Multi-State MSAs and Nesting with PDP regions

- All of the MA regional options presented include multi-state MSAs that would be split.
  - 50 regions
    - 44 split MSAs
  - 41 regions
    - 40 split MSAs
  - 24 regions
    - 25 split MSAs
  - 10 regions
    - 21 split MSAs

- How should MA Regions relate – or “nest” – with PDP regions?