

PPO plans with \$0 member premium gaining traction in Medicare Advantage

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The Medicare Advantage market has been around for 15 years, but Medicare Advantage organizations (MAOs) are still finding new ways to attract beneficiaries to enroll in their plans. One innovation that is driving enrollment growth for some MAOs is the \$0 member premium PPO.

A recent trend among Medicare Advantage-Part D (MAPD) products is the introduction of \$0 member premium preferred provider organization (PPO) plans. These \$0 PPO plans have shown substantial growth over the past few years in both the number of plans offered and the number of beneficiaries enrolled.

Many MAPD beneficiaries are "sticky" in their purchasing decisions, meaning once they select a plan they typically do not select a different plan in the following plan year, unless the beneficiary had a poor experience with the plan or something new and enticing is offered by another carrier. New \$0 PPO plans are being offered seemingly as that alluring option. Beneficiaries are enticed with a plan that charges no monthly premium while offering access to both in-network and out-of-network providers. Often, the trade-off for the \$0 premium and robust provider access is that beneficiaries face higher cost sharing when receiving services along with fewer supplemental benefits included in the plan. For healthy beneficiaries who use few services each year, a higher cost-sharing amount may not be a large deterrent. Beneficiaries selecting \$0 PPO plans appear to value the \$0 premium and broad provider access over the higher cost sharing if or when a service might be needed.

We reviewed public data released by the Centers for Medicare and Medicaid Services (CMS) for the 2016 to 2020 plan years. Our analysis is limited to general enrollment plans in the individual market, covering approximately 15 million lives in 2020. We excluded Medicare Advantage-only plans (plans that do not cover Part D), Employer Group Waiver Plans (EGWPs), Medicare-Medicaid plans (MMPs), medical savings account (MSA) plans, Medicare Cost plans, and special needs plans (SNPs). We analyzed the number of PPO contracts offering a \$0 member premium in the market each year and their corresponding MAPD memberships.

\$0 PPO plan growth is outpacing nationwide MAPD growth each year

Over the past five years, the MAPD market showed an increase in the number of \$0 PPO plans offered each year, above and beyond the nationwide growth trend. Nationally, the number of \$0 PPO plans grew by over 300 plans between 2016 and 2020. Although health maintenance organization (HMO) plans still dominate the market, PPO plans have been steadily increasing market share in both number of plans and enrollment.

Figure 1 shows, for each of the past five years, the number of \$0 PPO plans each year and the percentage of \$0 PPO plans compared to all plans. In addition, it shows the annual growth in the number of \$0 PPO plans compared to the overall plan growth in the MAPD market. This indicates that the percentage growth of \$0 PPO plans is outpacing the growth of total plans in the market by three to five times in each of the past several years

FIGURE 1: GROWTH IN NUMBER OF PLANS, 2016 THROUGH 2020

YEAR	NUMBER OF \$0 PPO PLANS	\$0 PPO PLAN COUNT % OF TOTAL PLANS	\$0 PPO PLAN GROWTH %	OVERALL TOTAL PLAN GROWTH %
2016	56	3.0%		
2017	78	4.0%	39.3%	4.3%
2018	119	5.3%	52.6%	16.3%
2019	243	9.0%	104.2%	20.4%
2020	364	11.6%	49.8%	15.7%

In recent years, \$0 PPO enrollment is growing over three times faster than the total MAPD market

The enrollment growth rate in \$0 PPO plans is also outpacing the overall growth rate of MAPD plans in the market. The addition of over 300 \$0 PPO plans to the market over the past four years enrolled over 1.2 million beneficiaries from 2017 to 2020, a roughly 25% average annual increase in enrollment. In comparison, overall MAPD growth has been around 5% to 10% annually, which suggests that some beneficiaries are moving away from other plan types in favor of \$0 PPO plans. Figure 2 shows the number of beneficiaries enrolled in \$0 PPO plans and market share as well as the annual growth compared to the overall enrollment growth in the MAPD market. Similar to the plan counts in Figure 1, \$0 PPO enrollment growth is significantly

outpacing overall market enrollment growth, especially in the most recent two years. Enrollment in \$0 PPO plans remains a relatively small percentage of the total market, at 13% in 2020, though the growth is significant. As a point of comparison, \$0 HMO plans, which are popular, have remained steady at 40% of the market between 2016 and 2020.

FIGURE 2: GROWTH IN ENROLLMENT, 2016 THROUGH 2020

YEAR	NUMBER OF \$0 PPO BENEFICIARIES	\$0 PPO ENROLLMENT % OF TOTAL MARKET	\$0 PPO ENROLLMENT GROWTH %	OVERALL TOTAL ENROLLMENT GROWTH %
2016	806,605	7.1%		
2017	982,839	8.2%	21.8%	5.8%
2018	1,053,953	8.3%	7.2%	6.3%
2019	1,502,143	10.7%	42.5%	9.6%
2020	2,041,315	13.3%	35.9%	10.1%

Popularity of \$0 PPO plans varies by market

Figure 3 shows the top 10 states with the largest \$0 PPO plan market share percentage in 2020. All of the top 10 states are still seeing double-digit growth in beneficiaries selecting \$0 PPO plans in 2020, signifying these plans will likely continue to become more and more popular in these areas.

We note there is wide variation in \$0 PPO market share and growth by states. Some states, such as California, Maryland, Montana, Washington, and Wyoming, which have low \$0 PPO market share and low \$0 PPO growth, may have operational, regulatory, competitive, and revenue challenges, among other obstacles, preventing MAOs from offering \$0 PPO plans in these states.

FIGURE 3: STATES WITH THE HIGHEST \$0 PPO MARKET SHARE, 2020

STATE	\$0 PPO BENEFICIARY GROWTH*	\$0 PPO ENROLLMENT	\$0 PPO MARKET SHARE**
Iowa	23%	54,361	52%
Kansas	29%	44,749	51%
Georgia	37%	140,599	35%
Alabama	24%	90,999	34%
Tennessee	13%	128,403	31%
Oklahoma	70%	41,721	29%
Florida	13%	439,852	28%
Delaware	165%	5,764	28%
South Dakota	47%	3,249	27%
South Carolina	83%	57,321	26%

* Growth in the number of beneficiaries enrolled in \$0 PPO plans between 2019 and 2020.

** Percentage of beneficiaries enrolled in \$0 PPO plans relative to the total market.

MAOs should consider the impact of \$0 PPO plans in their markets

Because \$0 PPO plans are growing in many areas, many MAOs may be in position to consider whether it is prudent to offer their own \$0 PPO plan(s) or how \$0 PPO plans may affect the competitive landscape in their service area(s).

If an MAO considers offering a \$0 PPO plan, it should bear in mind the type of population that such a plan may attract—typically healthier, non-dual beneficiaries who value broad provider access—and how that aligns with its current positioning strategy. MAOs should:

- Consider how their current provider contracts and relationships may be impacted if a PPO contract is added to the plan portfolio
- Weigh the additional resources and marketing expenses associated with setting up new contracts and networks, if needed
- Assess whether they can offer reasonably attractive benefits and maintain sustainable margins while being able to afford to buy the plan down to a \$0 member premium

Many MAOs are likely competing against \$0 PPO plans in some of their regions, whether or not they offer their own \$0 PPO plan. These MAOs should consider what enrollment shifts may occur as a result of the introduction of a new \$0 PPO plan in their service areas and how that may impact their own population demographics and risk scores. MAOs should understand the current plan offerings in their service areas to help identify whether new \$0 PPO plans may be likely to enter the market in 2021 and beyond.

Conclusion

MAPD beneficiaries, especially those who expect to utilize few services, are likely drawn to \$0 premium plans. A \$0 PPO plan not only charges no member premium, but also offers broader provider access to allow beneficiaries to travel outside their service areas and still receive coverage if an unexpected health issue arises. Many beneficiaries have shown they are willing to trade high cost sharing and limited supplemental benefits for plans with no up-front monthly out-of-pocket premium cost and freedom to use out-of-network providers. MAOs should consider how the growth of \$0 PPO plans may impact their service areas and 2021 MAPD strategies.

Caveats and data sources

Our analysis considered the plans shown in Figure 4, across all U.S. counties.

FIGURE 4: PLANS CONSIDERED FOR ANALYSIS

CONSIDERED	NOT CONSIDERED
Plan segments as standalone plans. If a plan was segmented into multiple areas and one segment had a \$0 premium and another segment did not, then one \$0 plan was included along with the corresponding membership.	Non-\$0 segments in enrollment counts.
General enrollment population plans.	Special needs plans.
Individual products.	EGWPs.
HMO, HMO with a Point of Service option (HMO-POS), local preferred provider organization (LPPO), private fee-for-service (PFFS), and regional PPO (RPPO) plans.	Medicare Cost plans, Medicare-Medicaid plans (MMPs), and MSA plans.
Plans that covered both medical and prescription drug benefits (MAPD).	Plans that offered medical benefits only (MA-only).

This study focuses only on the growth of \$0 PPO plans in the MAPD market over the past five years.

This article represents the viewpoints and opinions of the authors and does not represent the opinion of Milliman.

This study relied upon enrollment and premium amounts for each plan in the MAPD program as published by CMS. Source information for the CMS data is as follows:

Monthly enrollment:

<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MCRAdvPartDENrolData/Monthly-Enrollment-by-Contract-Plan-State-County.html>.

MAPD premiums:

<https://www.cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovGenIn/index.html>.



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