

THE PERFORMANCE OF THE MASSACHUSETTS HEALTH CARE SYSTEM SERIES: MANAGED CARE MEMBERSHIP IN THE MASSACHUSETTS MARKET

The Center for Health Information and Analysis' "2014 Annual Report on the Performance of the Massachusetts Health Care System" profiled the continued commercial membership shift from Health Maintenance Organization (HMO) to Preferred Provider Organization (PPO) products from 2011 to 2013.^{1,2} This Brief provides additional managed care (HMO, PPO) coverage and cost detail to inform the work of Massachusetts' health care decision-makers.

Massachusetts Commercial Membership Continues to Move from HMO to PPO Products, Largely Attributable to Shifts within Blue Cross Blue Shield

From 2011 to 2013, while the Massachusetts commercial market grew by 73,000 members (+2%), membership growth was exclusive to PPO products (+286,000, +16%); HMO membership declined (-209,000, -10%). HMO membership losses extended across both the fully- and self-insured segments of the market, and across most market sectors (employer size groups) and payers.³ By 2013, Massachusetts HMO membership declined by six percentage points to 46% of the market, as PPO membership increased to 50% (Figure 1). This shift may have implications for patient care coordination and for Alternative Payment Methodology adoption in the Commonwealth, as both are associated with HMO products.⁴

Membership changes within Massachusetts' largest commercial payer, Blue Cross Blue Shield of Massachusetts (BCBS), contributed to much of this statewide result. BCBS accounted for 86% of Massachusetts' HMO contract-membership decrease (-181,000) and 55% of its PPO increase (+159,000) over the three year period.^{6,7}

In 2013, Massachusetts commercial HMO contract-members were largely fully-insured (67%) and receiving health benefits from firms with fewer than 500 employees (55%).⁸ PPO members, meanwhile, were largely self-insured (78%) and receiving benefits from firms with 500 or more employees (81%) (Figure 2).⁹

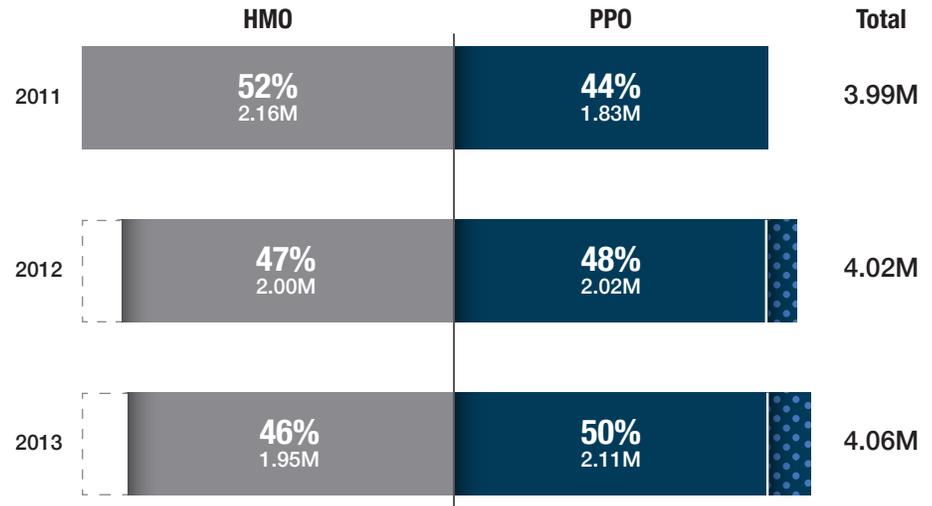


Figure 1: Massachusetts HMO and PPO Membership (2011-2013)

Note: Massachusetts "Other" membership was approximately 202,000 in 2011 (4.8%) and 199,000 in 2013 (4.7%)⁵

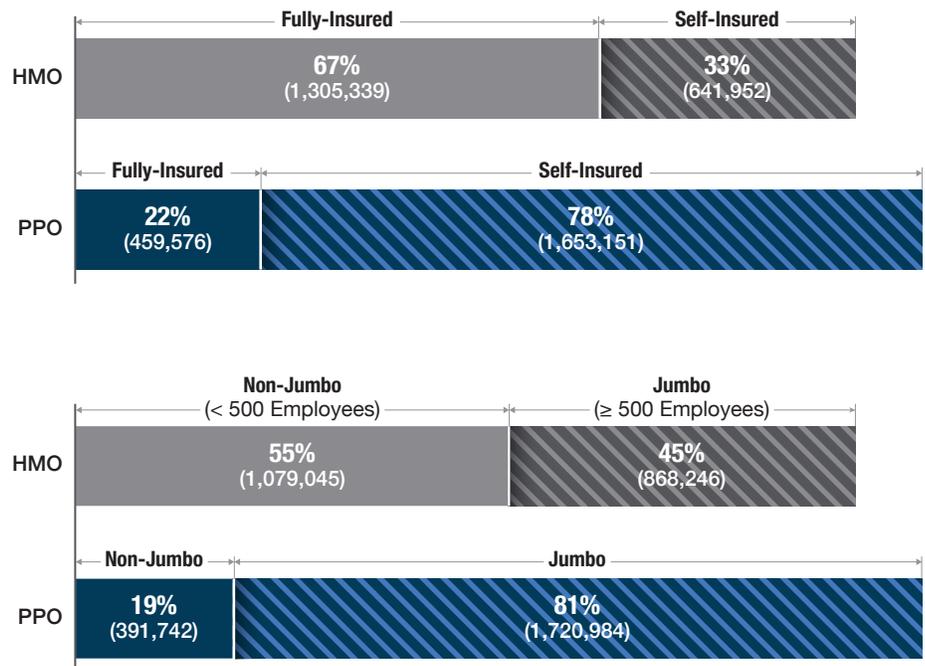


Figure 2: Massachusetts HMO and PPO Membership (2013)

On Average, Massachusetts HMO Members Pay Higher Premiums, but Receive Higher Benefit Levels and Incur Lower Medical Cost-Sharing than PPO Members

While not consistent across all payers and market sectors, average premiums for Massachusetts HMO members (\$435 PMPM) exceeded those for PPO members (\$415 PMPM) by 5% in 2013,¹⁰ a departure from national averages (Figure 3).¹¹ Massachusetts HMO members did, however, on average, have consistently higher benefit levels and lower medical cost-sharing than their PPO counterparts.¹² The average Massachusetts HMO member paid 25% less in medical cost-sharing (\$45 PMPM) than the average PPO member (\$60 PMPM) in 2013. Adjusting for benefit level differences and membership characteristics in 2013, average HMO member premiums were effectively equivalent to PPO member premiums.¹³

For more information on HMO and PPO contract-membership, premiums, and cost-sharing by payer and market sector, see the [DataBook](#).

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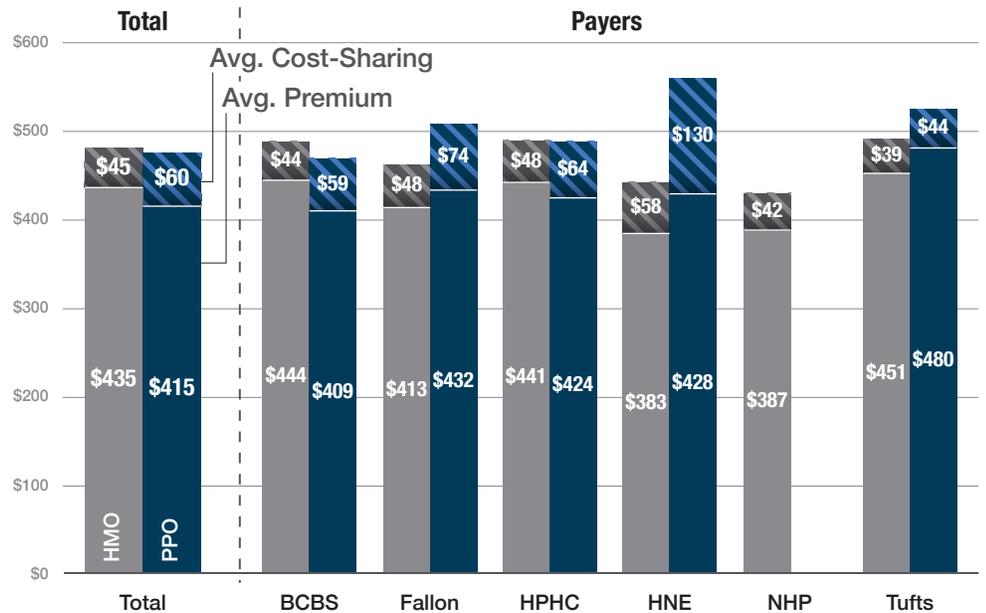


Figure 3: Average Premiums & Cost-Sharing PMPM by Payer (2013)¹⁴

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¹ See "The 2014 Annual Report on the Performance of the Massachusetts Health Care System" and "Supplement 10: Commercial Health Insurance Coverage". Data were provided by Blue Cross Blue Shield of Massachusetts, CIGNA, Fallon Health, Harvard Pilgrim Health Care, Health New England, Neighborhood Health Plan, Tufts Health Plan, and WellPoint (UniCare). United Healthcare was unable to provide reliable enrollment and premiums data in 2014. Data based on contract-membership for fully- and self-insured contract-lives, regardless of member state residency. Membership estimated by dividing reported member months by 12. Premiums and cost-sharing data were only available for the fully-insured segment of the market and are shown post-MLR rebates. WellPoint's premiums data are not included in this analysis.

² HMO products were defined as having a closed network of providers, outside of which coverage is not provided without permission, except in emergencies, with member care usually coordinated through a primary care provider. PPO products were defined as having an identified network of "preferred providers," but as products that allow members to obtain coverage outside of that network to typically higher levels of cost-sharing; enrollees may not be required to select a primary care provider. See [Technical Notes](#).

³ See [DataBook](#).

⁴ APMs were almost exclusively used by HMO plans (see "Supplement 11: Alternative Payment Methodologies").

⁵ 5% of reported Massachusetts commercial membership from 2011 through 2013 did not belong to an HMO or PPO product. This "Other" category comprised mainly of traditional indemnity plans. In 2013, WellPoint's (UniCare) self-insured, Group Insurance Commission (GIC) membership represented 80% of "Other" enrollees. For information about the GIC see its [Annual Report](#).

⁶ 76% of BCBS' HMO membership losses from 2011 to 2013 were in its self-insured business. Excluding

BCBS from the analysis, Massachusetts HMO membership still declined by 29,000 members (-3%) from 2011 to 2013, while its PPO membership increased by 128,000 members (+16%), a four percentage point shift over the three years.

⁷ CIGNA was responsible for 29% of Massachusetts' PPO gains (+83,000).

⁸ Employers were segregated into "market sector" categories by size. See [Technical Notes](#) for definitions.

⁹ 50% of Massachusetts PPO contract members lived outside of MA, compared to only 7% of HMO contract members. This may indicate that PPO plans, with their less restrictive networks, are preferred by larger, multi-state employers.

¹⁰ Consistent from 2011 to 2013 as average Massachusetts HMO and PPO premiums grew at 2.5%, rates in-line with the market average (2.2%). See [Technical Notes](#).

¹¹ According to [Kaiser's 2014 Employer Health Benefit Survey](#), the average HMO and PPO premiums PMPM for an individual were almost identical (\$519 vs. \$518). These premiums were unadjusted for benefit levels and member characteristics.

¹² From 2011-2013 almost all payers reported higher average benefit levels for HMO members than PPO members, with Tufts the exception for 2013 alone. HMO member cost-sharing was lower across all payers and all market sectors, though the disparity narrowed as the employer group size increased: while HMO members paid \$41 PMPM less in cost-sharing than PPO members in the Individual segment of the Merged Market, they paid only \$9 PMPM less within the Jumbo Group.

¹³ Premiums were adjusted by benefit level and by several demographic characteristics of the covered populations (area, age, and gender) to yield "adjusted premiums." See [Technical Notes](#). Average Massachusetts 2013 adjusted premiums were \$552 PMPM for PPO members and \$546 PMPM for HMO members.

¹⁴ CIGNA's small fully-insured population data excluded from visual. See [DataBook](#).