

Health Care Financing Trends

Medicare enrollment in health maintenance organizations

by Alma McMillan, James Lubitz, and Delores Russell

Introduction

The Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 (Public Law 97-248) provided new incentives for health maintenance organizations (HMO's) to enroll Medicare beneficiaries on an at-risk basis.¹ TEFRA provisions encouraging HMO participation in Medicare on an at-risk basis sought to further the goals of promoting competition and cost effectiveness, and providing greater beneficiary choice in health care and greater autonomy to providers.

The TEFRA provisions represented a major change from the way HMO's were paid under the 1972 Amendments to the Social Security Act (Public Law 92-603). Under TEFRA, HMO's are paid a prospectively determined amount for risk enrollees. They receive 95 percent of the adjusted average per capita cost (AAPCC), which is defined as the actuarially estimated per capita amount that would be payable if Medicare services for HMO members were furnished in the local fee-for-service market. HMO's must use any difference between 95 percent of the AAPCC and their adjusted community rate (ACR) to provide additional benefits or to lower premiums. The ACR is defined as the premium the HMO would have charged Medicare enrollees for the Medicare benefit package. TEFRA also provides for cost contracts with HMO's in which case HMO's are paid for reasonable costs up to 100 percent of the AAPCC.

Under the 1972 Amendments to the Social Security Act, payments under both cost and risk contracts were subject to retrospective adjustments. This is contrary to the way HMO's are paid in the private sector where they receive a fixed premium and can appropriately budget and plan. Only four plans signed risk contracts under the provisions of the 1972 amendments.

This article describes the trends in TEFRA HMO enrollment. It compares patterns of Medicare and total HMO enrollment by State, by HMO, by type of

HMO, and by profit status. Data on extra benefits offered beyond those covered by Medicare are also presented.

There are four classes of Medicare HMO enrollees. These are:

- Risk enrollees under the TEFRA provisions.
- Cost enrollees under the TEFRA provisions.
- Risk enrollees under the 1972 Amendments to the Social Security Act.
- Enrollees in HMO demonstration projects.

Trends

In September 1985, there were 552,096 total Medicare HMO enrollees (Figure 1). Growth continued each month and by December 1986 there were 1,025,466 enrollees, representing a 4.2 percent compound rate of growth per month. As shown in Figure 1, TEFRA provisions encouraged growth in Medicare HMO enrollment. Regulations to implement the TEFRA HMO provisions were issued in January 1985, and the first contract under these provisions was signed in April 1985. By September 1985, there were 395,374 TEFRA HMO enrollees, of which 92.2 percent were enrolled under TEFRA risk contracts and 7.8 percent under TEFRA cost. Total TEFRA enrollees reached 916,995 by December 1986.

This growth in TEFRA enrollees averaged 5.8 percent monthly while enrollment in old risk plans showed a much slower rate of growth, less than 1 percent per month. Enrollment in demonstration projects more than doubled, rising from 12,387 in September 1985 to 30,404 in December 1986.

Enrollment by State

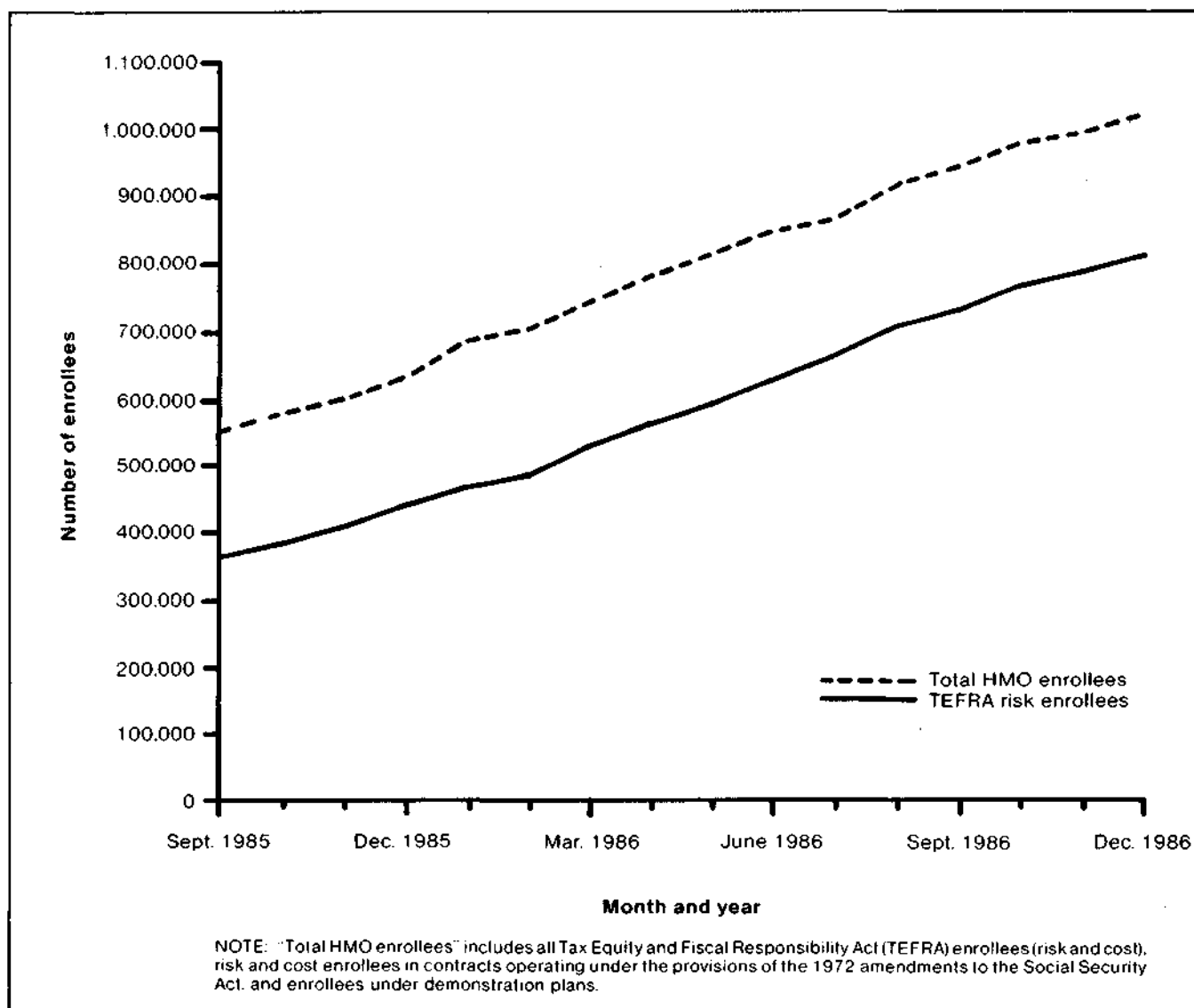
Data by State on HMO enrollment in the total population (maintained by InterStudy) are compared with data on HMO enrollment of Medicare beneficiaries (Table 1). In 1986, 23.7 million persons² or nearly 10 percent of the total U.S. population was enrolled in an HMO. Five States accounted for nearly one-half of those enrollees: California, 6.5 million or 27.3 percent; New York, 1.7 million or 7.1 percent; Michigan, 1.2 million or 5.0 percent; Minnesota, 1.0 million or 4.4 percent; and Illinois, 1.1 million or 4.8 percent. HMO enrollment in both California and Minnesota represented nearly one-fourth of those

¹TEFRA defines two types of organizations that can qualify for risk contracts, HMO's, and competitive medical plans (CMP's). HMO's are organizations meeting the HMO requirements of section 1310 of the Social Security Act; CMP's are capitated plans that meet the less extensive requirements in TEFRA. Both are referred to as HMO's in this article. Of the 149 TEFRA risk contracts in December 1986, 17 were with CMP's.

Reprint requests: Alma McMillan, Health Care Financing Administration, 2-C-16 Oak Meadows Building, 6325 Security Boulevard, Baltimore, Maryland 21207.

²In both the data on total HMO enrollment from InterStudy and the Medicare data, HMO enrollment is assigned to States according to location of the plan. Thus, the high percent of HMO enrollment in the District of Columbia represents an artifact of the data. Several HMO's having main offices in the District of Columbia have members living in the neighboring States of Maryland and Virginia.

Figure 1
Medicare health maintenance organization (HMO): September 1985-December 1986



States' total populations. Other States that had a high percent enrolled in HMO's were Wisconsin (19.4 percent), Hawaii (18.4 percent), and Massachusetts (16.6 percent).

Of the 29 million aged and disabled Medicare enrollees, 3.5 percent are enrolled in HMO's, with most, 2.8 percent, under TEFRA risk contracts. (The number of contracts is larger than the number of plans because a plan may have several contracts, for example, one for each service area within a State. Plans are used synonymously with contracts in this article.) Concentrations (50,000 or more) of TEFRA risk enrollees were heavy in five States: Florida, 175,192 or 9.0 percent of its Medicare population enrolled under TEFRA risk contracts; California, 164,296 or 5.9 percent of its Medicare population; Minnesota, 137,390 or 25.6 percent; Massachusetts, 51,509 or 6.5 percent; and Illinois, 53,525 or 3.8 percent of its Medicare population. These States accounted for 71.5 percent of the TEFRA risk

enrollees in December 1986.

The five States with the highest percents of Medicare enrollees covered by TEFRA risk plans were Minnesota (25.6), Hawaii (18.2), Nevada (15.3), Florida (9.0), and New Mexico (8.8). Minnesota and Hawaii, as noted earlier, also had high HMO penetration in the total population. Medicare TEFRA risk enrollment in California (5.9 percent of the Medicare population) had not yet reached the level of HMO penetration in that State (24.0 percent). In four States (Florida, Minnesota, New Mexico, and Nevada) the HMO penetration in the Medicare population was greater than the HMO penetration in the general population.

Largest plans

Of the 813,712 TEFRA risk HMO enrollees in December 1986, 72.6 percent were covered by the 30 plans with the most Medicare enrollees that comprised

Table 1

Population, total health maintenance organization (HMO) enrollees, Medicare enrollees, and HMO Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 risk Medicare enrollees, by State

State	National			Medicare			
	Population in thousands July 1986	HMO enrollees in thousands June 1986	HMO enrollees as percent of population	Medicare enrollees in thousands January 1986	HMO TEFRA risk enrollees December 1986	TEFRA risk enrollees as percent of Medicare enrollees	TEFRA risk contracts December 1986
United States	241,077	23,664	9.8	29,421	813,712	2.8	149
Alabama	4,053	70	1.7	510	0	0.0	0
Alaska	534	0	0.0	17	0	0.0	0
Arizona	3,317	444	13.4	398	11,420	2.9	1
Arkansas	2,372	16	0.7	354	0	0.0	0
California	26,981	6,465	24.0	2,805	164,296	5.9	14
Colorado	3,267	413	12.6	294	11,396	3.9	5
Connecticut	3,189	316	9.9	424	2,422	0.6	1
Delaware	633	54	8.5	75	0	0.0	0
District of Columbia	628	308	49.2	68	0	0.0	0
Florida	11,675	859	7.4	1,949	175,192	9.0	11
Georgia	6,104	247	4.0	629	0	0.0	1
Hawaii	1,062	195	18.4	97	17,653	18.2	3
Idaho	1,003	0	0.0	115	0	0.0	0
Illinois	11,553	1,124	9.7	1,392	53,525	3.8	7
Indiana	5,504	308	5.6	683	9,906	1.5	2
Iowa	2,851	163	5.7	428	2,600	0.6	1
Kansas	2,461	152	6.2	335	13,371	4.0	12
Kentucky	3,728	110	3.0	474	0	0.0	0
Louisiana	4,501	113	2.5	452	0	0.0	0
Maine	1,174	2	0.2	166	0	0.0	0
Maryland	4,463	361	8.1	458	2,681	0.6	3
Massachusetts	5,832	966	16.6	789	51,509	6.5	15
Michigan	9,145	1,187	13.0	1,105	38,550	3.5	12
Minnesota	4,214	1,047	24.8	537	137,390	25.6	11
Mississippi	2,625	0	0.0	326	0	0.0	0
Missouri	5,066	394	7.8	715	139	0.0	1
Montana	819	0	0.0	103	0	0.0	0
Nebraska	1,598	47	2.9	222	3,244	1.5	1
Nevada	963	96	10.0	98	14,970	15.3	3
New Hampshire	1,027	92	9.0	122	0	0.0	0
New Jersey	7,620	580	7.6	996	14,246	1.4	5
New Mexico	1,479	125	8.5	144	12,605	8.8	4
New York	17,772	1,686	9.5	2,314	16,681	0.7	7
North Carolina	6,331	265	4.2	754	337	0.0	1
North Dakota	679	28	4.1	90	0	0.0	0
Ohio	10,752	988	9.2	1,365	3,312	0.2	5
Oklahoma	3,305	124	3.8	403	4,285	1.1	3
Oregon	2,698	428	15.9	365	21,221	5.8	2
Pennsylvania	11,889	752	6.3	1,769	21,296	1.2	4
Rhode Island	975	154	15.8	144	2,506	1.7	1
South Carolina	3,378	190	5.6	366	938	0.3	1
South Dakota	708	1	0.1	101	0	0.0	0
Tennessee	4,803	148	3.1	608	2,361	0.4	1
Texas	16,685	789	4.7	1,544	1,900	0.1	6
Utah	1,665	215	12.9	131	1	0.0	2
Vermont	541	0	0.0	68	0	0.0	0
Virginia	5,787	214	3.7	609	0	0.0	0
Washington	4,463	408	9.1	521	0	0.0	0
West Virginia	1,919	41	2.1	279	0	0.0	0
Wisconsin	4,785	927	19.4	652	1,759	0.3	3
Wyoming	507	1	0.2	44	0	0.0	0

¹InterStudy: 1986 June Update. A mid-year report on HMO growth.

²Health Care Financing Administration, Bureau of Data Management and Strategy: Aged and disabled with Part A and Part B, Data from the Medicare Statistical System.

³Health Care Financing Administration: Data from the Office of Prepaid Health Care.

NOTES: In both the data on total HMO enrollment from InterStudy and the Medicare data, HMO enrollment is assigned to States according to location of plan. Thus, the high percent of HMO enrollment in the District of Columbia represents an artifact of the data. Several HMO's having main offices in the District of Columbia have members living in the neighboring States of Maryland and Virginia.

the top quintile (i.e., the top 20th percentile) of the 149 plans (Table 2). The second quintile covered another 16.7 percent of enrollees, and the third quintile covered 7.3 percent, leaving the remaining 3.4 percent of enrollees distributed among 59 plans that had small numbers of Medicare enrollees.

In June 1986, there was a national total of 595 HMO's that had 23.7 million enrollees. As shown in Table 3, the 20 largest HMO's accounted for 9.3 million enrollees or 39.2 percent of total HMO enrollment. Five of these HMO's were in California

Table 2

Percent of Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 risk Medicare enrollment, by quintile of health maintenance organization (HMO) plans: December 1986

Quintile of HMO plans	Cumulative plans	Percent	Cumulative percent
1st	30	72.6	72.6
2nd	60	16.7	89.3
3rd	90	7.3	96.6
4th	120	3.1	99.7
5th	149	0.3	100.0

NOTE: The total number of plans was 149 with 813,712 enrollees.

SOURCE: Health Care Financing Administration, Office of Prepaid Health Care.

and accounted for 5.0 million enrollees. As of December 1986, only 11 of the largest 20 HMO's had enrolled some Medicare persons under a TEFRA risk contract. Medicare enrollment in one HMO, International Medical Centers of Miami, represented 74.8 percent of its total enrollment.

The 20 largest TEFRA risk HMO's as of December 1986 are shown in Table 4. These 20 HMO's had 517,268 or 63.6 percent of the total enrollees. International Medical Centers of Florida had the largest number of enrollees, 129,499 or 15.9 percent, and Family Health Plan, Inc. of California followed with 48,420 or 6.0 percent. Five of the top 20 plans are in California: Family Health Plan, Inc., Pacificare, United Health Plan, Bay Pacific, and Inland Health Plan.

HMO characteristics

Multi-State networks of HMO's linked by common ownership or management have contributed greatly to the rapid growth in HMO enrollment (InterStudy, 1986). The five largest TEFRA risk multi-State or chain operations are shown in Table 5. These 5 multi-State organizations operated under 20 different contracts and accounted for 30.7 percent of TEFRA

Table 3

Number of enrollees and percent distribution in the 20 largest health maintenance organizations (HMO's) and the percent of Medicare Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 risk enrollees and rank: June 1986

Name of HMO	Total number of HMO enrollees June 1986 ¹	Percent distribution	Percent Medicare TEFRA risk enrollees June 1986	Rank among Medicare TEFRA risk December 1986 ²
Total	23,663,626	100.0	2.7	—
Top 20	9,263,310	39.2	(*)	—
1. Kaiser Foundation Health Plan—Oakland	1,997,207	8.4	(*)	(*)
2. Kaiser Foundation Health Plan—Pasadena	1,841,806	7.8	(*)	(*)
3. Health Insurance Plan—Greater New York	902,934	3.8	(*)	(*)
4. Health Net—Van Nuys, California	443,860	1.9	(*)	(*)
5. HMO of Pennsylvania—Blue Bell	412,012	1.7	3.2	8
6. CIGNA Healthplans of California—Glendale	395,386	1.7	(*)	(*)
7. Physicians Health Plan of Minnesota	330,758	1.4	9.3	4
8. Group Health Corporation of Puget Sound	325,289	1.4	(*)	(*)
9. Maxicare—South California	298,182	1.3	3.2	22
10. Kaiser Foundation Health Plan of Northwest Oregon	289,197	1.2	5.0	9
11. Medcenters Health Plan—St. Louis Park—Minnesota	238,033	1.0	5.9	10
12. HMO Illinois—Chicago	226,045	1.0	1.6	(*)
13. HMO of New Jersey—Paramus	219,884	0.9	2.4	18
14. Harvard Community Health Plan	218,534	0.9	1.6	51
15. Group Health—Minnesota/St. Paul	209,198	0.9	3.4	20
16. CIGNA Health Plan of Arizona	201,724	0.8	(*)	(*)
17. Health Alliance Plan of Michigan	189,302	0.8	(*)	(*)
18. Compcare Health Services Insurance Corporation—Wisconsin	181,500	0.8	(*)	(*)
19. International Medical Centers—Miami	180,360	0.8	74.8	1
20. Kaiser Foundation Health Plan of Colorado—Denver	162,099	0.7	0.6	30
All others	14,400,316	60.8	—	—

¹ InterStudy: 1986 June Update. A mid-year report on HMO growth.

² Health Care Financing Administration: Data from the Office of Prepaid Health Care.

³ Includes 49,361 persons enrolled in 3 plans on Guam.

⁴ No TEFRA risk enrollees.

Table 4

Number of Medicare Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 risk health maintenance organization (HMO) enrollees and percent distribution, in the 20 HMO's that had the most Medicare enrollees: December 1986

Name of HMO	HMO Medicare enrollees	
	Number	Percent
Total, TEFRA risk	813,712	100.0
Top 20 TEFRA risk	517,268	63.6
1. International Medical Centers—Florida	129,499	15.9
2. Family Health Plan, Inc.—California	48,420	6.0
3. PacifiCare Inc., California	45,779	5.6
4. Physicians Health Plan of Minnesota	45,384	5.6
5. SHARE Health Plan Minnesota	42,082	5.2
6. Comprehensive American Care—Florida	18,218	2.2
7. SHARE Illinois	17,502	2.2
8. HMO—Pennsylvania	16,735	2.1
9. Kaiser—Northwest Oregon	15,747	1.9
10. Medcenters Health Plan—Minnesota	15,672	1.9
11. United Health Plan (Watts—California)	15,003	1.8
12. Blue Care—Michigan	14,943	1.8
13. Hawaii Medical Service Association—Hawaii	14,897	1.8
14. Fallon Community Health Plan—Massachusetts	12,559	1.5
15. Bay Pacific—California	11,880	1.5
16. Inland Health Plan—California	11,487	1.4
17. Family Health Plan—Arizona	11,420	1.4
18. HMO—New Jersey	11,085	1.4
19. Health Plan of Nevada	10,549	1.3
20. Group Health Inc.—Minnesota	8,407	1.0

SOURCE: Health Care Financing Administration: Data from the Office of Prepaid Health Care.

risk enrollees in December 1986. All except U.S. Health Care Systems of Pennsylvania are headquartered in California. United Health Plan had the largest number of enrollees in TEFRA risk contracts in four States that had a total combined enrollment of 65,428 or 8.0 percent of TEFRA risk enrollees; Family Health Plan, Inc. ranked second in TEFRA risk contracts in three States that had a total combined enrollment of 65,319.

HMO's may use one or more organizational models to deliver services to the enrollees. The four current types of HMO models and the number of enrollees in each type are shown in Table 6. The majority of all HMO's operate under the independent practice association (IPA) arrangement—58.0 percent of total HMO's and 56.4 percent of Medicare TEFRA risk plans. Under an IPA arrangement, an HMO contracts directly with physicians in solo or group practice. This type of model allows the enrollee whose physician signs with an HMO to keep this physician as his/her personal doctor in the HMO, perhaps contributing to their growing popularity.

Total enrollment in HMO's with IPA arrangements grew from 1.6 million or 15 percent of total HMO enrollment in June 1981 to 8.5 million or 36 percent in June 1986. Medicare enrollment under TEFRA risk

Table 5

Number of plans and number and percent of Medicare enrollees in the 5 health maintenance organization (HMO) chains that had the most Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 risk enrollees: December 1986

HMO chain and participating States	Number of plans	Number of enrollees	Percent of enrollees
Total, TEFRA risk	149	813,712	100.0
Risk, top 5 chains	20	250,215	30.7
United Health Plan (Minnesota, Illinois, Iowa, Nebraska)	4	65,428	8.0
Family Health Plan, Inc. (New Mexico, Arizona, California)	3	65,319	8.0
PacifiCare, Inc. (California, Oregon)	2	51,253	6.3
Maxicare (Pennsylvania, Florida, Illinois, Michigan, Indiana, California)	8	35,809	4.4
U.S. Health Care Systems of Pennsylvania (New Jersey, Pennsylvania, Illinois)	3	32,406	4.0

NOTE: All plans are headquartered in California except U.S. Health Care Systems of Pennsylvania.

SOURCE: Health Care Financing Administration: Data from the Office of Prepaid Health Care.

Table 6

Number and percent of total health maintenance organization (HMO) and Medicare Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 risk plans and enrollees, by type of model

Type of model	Plans		Enrollees	
	Number	Percent	Number	Percent
Total HMO's ¹	595	100.0	23,663,626	100.0
IPA	345	58.0	8,454,157	35.7
Group	86	14.5	7,118,377	30.1
Staff	71	11.9	3,135,830	13.3
Network	93	15.6	4,955,262	20.9
Medicare TEFRA risk ²	149	100.0	813,712	100.0
IPA	84	56.4	344,022	42.3
Group	33	22.1	224,165	27.5
Staff	24	16.1	108,360	13.3
Network	8	5.4	137,165	16.9

¹ As of June 1986, InterStudy: 1986 June Update. A mid-year report on HMO growth.

² As of December 1986. Health Care Financing Administration: Data from the Office of Prepaid Health Care.

IPA models from September 1985 through December 1986 grew from 65,631 or 18.0 percent of total TEFRA risk to 344,022 or 42.3 percent. More Medicare HMO enrollees are in IPA's than in any other model.

Network models (i.e., those HMO's that contract predominately with two or more independent

Table 7

Number and percent distribution of total health maintenance organization (HMO) and Medicare Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 risk plans and enrollees, by profit status

Profit status	Number of plans		Number of enrollees	
	Number	Percent	Number	Percent
All HMO's, June 1986 ¹	2595	100.0	23,663,826	100.0
For-profit	348	58.5	9,037,890	38.2
Nonprofit	237	39.8	14,552,955	61.5
Medicare TEFRA risk—October 1986 ³	149	100.0	813,712	100.0
For-profit	63	42.3	383,882	47.2
Nonprofit	86	57.7	429,830	52.8

¹InterStudy: 1986 June Update. A mid-year report on HMO growth.

²Health Care Financing Administration: Data from the Office of Prepaid Health Care.

³Includes 10 plans not reporting profit status.

practices) ranked second among HMO's nationwide in June 1986 and accounted for 15.6 percent of HMO's and 20.9 percent of enrollees. In contrast, network models under TEFRA risk plans in December 1986 accounted for only 5.4 percent of plans and 16.9 percent of enrollees.

Group models (HMO's that contract predominately with one independent group practice) ranked third among HMO's nationwide and accounted for 14.5 percent of all HMO's. Although the group models were fewer in number than network models, they accounted for a larger proportion, 30.1 percent, of enrollees. In comparison, group models under TEFRA risk plans in December 1986 accounted for 22.1 percent of plans and 27.5 percent of enrollees.

Nationwide in June 1986, HMO's operating under staff models (those that deliver health services through a physician group that is controlled by the HMO) accounted for 11.9 percent of HMO's and 13.3 percent of enrollees. In December 1986, the proportion of staff models and enrollees under TEFRA risk plans were not very different from the nationwide figures mentioned, 16.1 percent of plans and 13.3 percent of enrollees.

According to a national HMO census from InterStudy (1986), the number of for-profit HMO's surpassed the number of nonprofit plans for the first time during the latter half of 1985. In June 1986, 58.5 percent of the HMO's reporting profit status were for-profit plans and accounted for 38.2 percent of enrollees; 39.8 percent were nonprofit with 61.5 percent of enrollees (Table 7).

The proportion of for-profit plans under TEFRA risk contracts was less than that for all HMO's (42.3 percent versus 58.5 percent). The proportion of enrollees in for-profit plans, however, was considerably greater than that for all HMO's (47.2 percent versus 38.2 percent).

Table 8

Number and percent of Medicare Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 risk health maintenance organizations (HMO's) providing benefits in addition to Medicare, and number and percent of enrollees, by type of benefit: December 1986

Type of benefit	Plans		Enrollees	
	Number	Percent	Number	Percent
Total	149	100.0	813,712	100.0
Extended hospital days	120	80.5	630,447	77.5
Extended SNF ¹ days	56	37.6	249,875	30.7
Preventive care	123	82.6	695,864	85.5
Drugs	105	70.5	689,560	84.7
Eye care	103	69.1	596,099	73.3
Ear care	55	36.9	337,120	41.4
Dental care	23	15.4	310,386	38.1
Extended mental health	52	34.9	137,192	16.9
Miscellaneous	54	36.2	421,448	51.8

¹SNF is for skilled nursing facility.

SOURCE: Health Care Financing Administration: Data from the Office of Prepaid Health Care.

Benefits above Medicare

All TEFRA risk HMO's cover Medicare deductibles and coinsurance. All TEFRA risk HMO's offered Medicare beneficiaries one or more benefits in addition to the services covered by Medicare, such as additional hospital days, preventive care, prescription drugs, and routine eye examination or eyeglasses. Some services require a copayment amount. For example, some HMO's may require a copayment for each drug prescription. In December 1986, 120 or 80.5 percent of the 149 TEFRA risk plans offered coverage of hospital days in addition to those covered by Medicare; 123 or 82.6 percent covered some preventive care such as routine physicals; 105 or 70.5 percent offered coverage for prescription drugs; and 103 or 69.1 percent offered some eye care coverage such as routine eye examination and eyeglasses (Table 8).

Most TEFRA risk enrollees, 77.5 percent, were enrolled in HMO's that offered extended hospital days, 85.5 percent were in ones that offered preventive care, and 84.7 percent were in ones that offered a prescription drug benefit. Also, most enrollees, 73.3 percent, were enrolled in HMO's that offered some type of eye care.

In December 1986, the basic premium charge under TEFRA risk HMO's ranged from no charge to \$50.76 per month. Twenty-one HMO's or 14 percent had no premium charge for their basic plan and most of these offered extended hospital days and/or preventive care and eye care. Of the 21 plans that had no basic premium charge, 15 had a copayment charge on at least one type of service and 6 did not have a copayment charge. Sixteen HMO's or 11 percent had basic premiums of \$40.00 or more. All but one of

these HMO's offered extended hospital days, 8 offered extended skilled nursing facility days, and 14 offered preventive care. Eleven of these plans required a copayment on at least one type of service, and five did not.

Future study

In view of the steady growth in Medicare HMO enrollment and the strong interest in HMO's as an alternative delivery system for Medicare beneficiaries, it will be increasingly important to analyze patterns of Medicare enrollment in HMO's. An indepth analysis of trends in HMO enrollment is now in progress. That study will examine enrollment by demographic variables such as age, sex, and race; length of enrollment, geographic area, and type of plan; and several other variables.

Acknowledgments

The authors wish to thank Lois Landolina and Cathy Carter of the Office of Prepaid Health Care for their assistance in making available much of the data presented in this article. A special thanks to Marian Gornick for her valuable suggestions provided during the preparation of this article.

References

- InterStudy: 1986 June Update*. A mid-year report on HMO growth. Excelsior, Minn., 1986.
- InterStudy: National HMO Census 1985, Annual Report on the Growth of HMO's*. Excelsior, Minn., 1986.
- Trieger, S., Galblum, T. W., and Riley, G.: *HMO's: Issues and Alternatives for Medicare and Medicaid*. HCFA Pub. No. 03107. Office of Research, Demonstrations, and Statistics, Health Care Financing Administration. Washington. U.S. Government Printing Office, April 1981.