Marketing HMOs To Medicare Beneficiaries

Do Medicare HMOs target healthy seniors?

by Patricia Neuman, Ed Maibach, Katharine Dusenbury, Michelle Kitchman, and Pam Zupp

ABSTRACT: Medicare health maintenance organizations (HMOs) market extensively to attract beneficiaries. To assess the dynamics of this marketing, this paper examines newspaper and television ads and materials from marketing seminars that are illustrative of Medicare HMOs’ marketing activities in four major media markets. Lower costs and better benefits are pitched in the majority of the ads. Image and content analyses suggest that, in general, HMO ads appear to market to healthy seniors and not to the sick or to disabled persons under age sixty-five. Important plan information often appears in fine print. The study raises questions about the impact of marketing on beneficiaries’ insurance choices and the challenges facing the Health Care Financing Administration (HCFA) in establishing and enforcing marketing guidelines.

The number of Medicare beneficiaries enrolled in health maintenance organizations (HMOs) has increased dramatically in the 1990s. Advertising and other marketing activities have played an important role in attracting beneficiaries to Medicare HMOs. Marketing by plans may exert an even greater influence over future health coverage decisions, as the number of beneficiaries choosing Medicare HMOs increases and the number of health plan options expands as a result of the Medicare+Choice program enacted in 1997.

With the expansion of health plan choices predicted for Medicare over the next decade, it will be increasingly important for beneficiaries to have clear information about Medicare HMOs and other Medicare+Choice plans. Health insurance decisions are especially important to elderly and disabled beneficiaries, who are more likely than the general population to have chronic conditions and to be heavy users of the medical care system.

Although the Health Care Financing Administration (HCFA) will begin to provide beneficiaries with descriptive and comparative information about Medicare plans in each area, marketing activities are likely to continue to influence insurance decisions.

Medicare HMOs must comply with national marketing guidelines and submit marketing materials to HCFA for review and approval. These guidelines were established to help minimize confusion among beneficiaries and to protect against some of the well-documented marketing abuses that historically have characterized segments of the Medicare and Medicaid managed care markets. The guidelines, for example, prohibit plans from using marketing materials that are inaccurate or misleading or...
that discriminate against beneficiaries on the basis of age, health, or disability status.5

DATA AND STUDY METHODS
This paper, based on research conducted by the public relations firm Porter Novelli and commissioned by the Henry J. Kaiser Family Foundation, examines the dynamics of Medicare HMO marketing activities and considers the implications of these activities for elderly and disabled beneficiaries.6 Here we address three key questions. First, what messages do Medicare HMOs use to attract beneficiaries? Previous research suggests that declining HMO premiums and generous HMO benefits have contributed to the recent growth in Medicare HMO enrollment.7 This study examines advertising and other marketing materials to assess how plans position themselves to persuade beneficiaries to enroll.

Second, do Medicare HMOs appear to market to the healthiest segment of the Medicare population? Although Medicare HMOs are prohibited by law from rejecting members based on age or medical history, several researchers have found evidence of favorable selection in these HMOs.8 There is some concern that Medicare HMOs’ marketing activities promote market segmentation by targeting relatively healthy enrollees and by “demar- 

Third, do marketing materials present information that enables informed decision making by beneficiaries? A recent national survey of Medicare beneficiaries found that nearly two-thirds of all beneficiaries have seen Medicare HMO ads, and more than a third of all Medicare HMO enrollees first learned about their plan from ads and other sales activities.10 Because beneficiaries rely on ads, at least in part, to shape health insurance decisions, it is important to know if the information provided is readable and accurate.

METHODS. For this analysis, we re- 
viewed ads placed in newspapers and on television and analyzed the content of oral presentations and printed materials used at HMO marketing seminars.11 Data were collected between 1 January and 31 March 1997 in four media markets: Los Angeles, Miami, Cleveland, and New York. These cities were selected because they are geographically diverse and have varying levels of Medicare HMO penetration. In Los Angeles and Miami, both considered mature markets, Medicare HMO penetration is relatively high, and consumers are somewhat familiar with managed care. Cleveland and New York, by contrast, are considered emerging markets because Medicare HMOs have only recently started to compete actively for new members, and managed care penetration is still relatively low.

Commercial media monitoring services were retained to monitor and record Medicare HMO newspaper and television advertising in each of the four markets.12 In addition, an investigator or trained Medicare-eligible research assistant attended one seminar conducted by each Medicare HMO that offered marketing seminars in each market.13 Seventy distinct newspaper ads and twenty-seven distinct television ads were identified and reviewed, and twenty-one marketing seminars were attended and recorded for analysis (Exhibit 1). These ads and marketing materials, while not nationally representative, are illustrative of Medicare HMO marketing practices.

A content coding sheet was developed to assess and document the key elements of advertising content: marketing strategy; eligibility requirements; benefits, financial costs, and restrictions; ways to establish contact with the HMO, and layout and design, including type size and images. The coding sheet was designed to capture the presence or absence of specific elements, thus minimizing the need for qualitative judgments. Researchers coded all ads; interrater reliability for all content categories exceeded 90 percent. All data were entered into a Statistical Package for the Social Sciences (SPSS) database for tabulation and analysis.

RESULTS
MARKETING MESSAGES. Lower costs and better benefits are pitched in the majority of ads, across markets and media. Eighty percent of all newspaper ads and 63 percent of all tele-
vision ads highlight low costs, stating that beneficiaries who join the plan will not be required to pay an additional monthly premium (Exhibit 2). Marketing materials also emphasize specific benefits that the Medicare HMO covers. More than two-thirds of all newspaper and television ads convey coverage of outpatient prescription drugs (77 and 70 percent, respectively). Preventive care and hospital benefits are mentioned in more than half of all newspaper ads and a third of television ads.

More than half of all newspaper ads, a third of all television ads, and almost all (nineteen of twenty-one) marketing seminars make favorable comparisons to the traditional Medicare program, asserting that the HMO offers more generous benefits, has lower costs, or both. For example, one newspaper ad states in large, bold letters, “More Coverage than Medicare. For Less Money.” Another includes a table that compares the HMO’s benefits with “Medicare alone,” inviting readers to see which plan is more generous.

Medicare HMOs also compare themselves with Medicare supplemental insurance policies, known as Medigap policies, in newspaper and television ads and at marketing seminars. These appeals claim that Medicare HMOs have more generous benefits, have lower monthly premiums, or both. In one of the television ads, for example, an elderly man considers whether to keep his Medigap policy or enroll in a Medicare HMO and is apparently convinced that the Medicare HMO is the better deal, saying, “Just because I can afford extra coverage doesn’t mean I like paying for it. A buck is a buck.”

Messages used in HMO ads in mature and emerging markets were compared to see if the level of managed care penetration affects the way in which plans position themselves. The majority of newspaper ads in both emerging and mature markets emphasize generous benefits and low premiums. Medicare HMO newspaper ads in emerging markets, however, are more likely than those in mature markets to compare themselves with the traditional Medicare program (70 and 50 percent, respectively) and with Medigap policies (48 and 28 percent, respectively).

**ENCOURAGING CONTACT.** Marketing is generally used to motivate customers to make a purchase decision. In the case of Medicare HMOs, marketing is used to encourage beneficiaries to become members of the plan. Because beneficiaries generally enroll in Medicare HMOs individually, rather than as a group, plans must direct potential customers to contact the plan. The most common approach, observed in newspaper and television ads and at marketing seminars, is to provide a toll-free number to encourage beneficiaries to call the plan. Newspaper ads also encourage

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**EXHIBIT 1**
Advertisements Reviewed And Seminars Attended, By Media Market, 1997

<table>
<thead>
<tr>
<th>Market</th>
<th>Number of Medicare HMOs in market</th>
<th>Number of distinct ads found</th>
<th>Number of newspapers reviewed</th>
<th>Number of distinct ads found</th>
<th>Number of stations monitored</th>
<th>Number of seminars attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>16</td>
<td>30</td>
<td>55</td>
<td>14</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Miami</td>
<td>9</td>
<td>9</td>
<td>20</td>
<td>8</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Cleveland</td>
<td>6</td>
<td>13</td>
<td>15</td>
<td>1</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>New York City</td>
<td>13</td>
<td>18</td>
<td>79</td>
<td>4</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>70</strong></td>
<td><strong>169</strong></td>
<td><strong>27</strong></td>
<td><strong>26</strong></td>
<td><strong>21</strong></td>
</tr>
</tbody>
</table>

**SOURCE:** Authors’ data.

**NOTE:** By the end of the study period (1 January–31 March 1997) there were fifteen Medicare health maintenance organizations (HMOs) in Los Angeles and twelve in New York City, as a result of mergers.

a Monitored by Burrelle’s Press Clipping Service.

b Monitored by Nielsen Media Research’s Monitor-Plus Service.
EXHIBIT 2
Percentage Of Newspaper And Television Advertisements Promoting Specific Medicare HMO Features, 1997

<table>
<thead>
<tr>
<th>Feature</th>
<th>Newspaper</th>
<th>Television</th>
</tr>
</thead>
<tbody>
<tr>
<td>No additional premium</td>
<td>53%</td>
<td>80%</td>
</tr>
<tr>
<td>Covers prescription drugs</td>
<td>77%</td>
<td></td>
</tr>
<tr>
<td>Covers preventive care</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>Covers hospital care</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Compares favorably to Medicare</td>
<td>33%</td>
<td>57%</td>
</tr>
<tr>
<td>Compares favorably to Medigap</td>
<td></td>
<td>22%</td>
</tr>
<tr>
<td>Requires little paperwork</td>
<td></td>
<td>30%</td>
</tr>
<tr>
<td>Claims to have satisfied enrollees</td>
<td>13%</td>
<td>22%</td>
</tr>
<tr>
<td>Compares favorably to other Medicare HMOs</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Permits access to out-of-network providers</td>
<td>7%</td>
<td>33%</td>
</tr>
</tbody>
</table>


NOTE: HMO is health maintenance organization.

Contact by inviting beneficiaries to informational seminars (forty-six of seventy ads), directing beneficiaries to write the plan for more information (nineteen of seventy ads), and offering a home visit by a health plan representative (six of seventy ads). One HMO newspaper ad lists the HMO’s Internet address.

Marketing materials also offer incentives to encourage beneficiaries to take action, including refreshments at forthcoming seminars, gifts such as medical dictionaries and health-related newsletters, and free health services such as blood pressure screenings. One South Florida plan’s television ad offers any new enrollee free sunglasses and an annual health club membership.

**TARGETED AUDIENCES.** The analysis of visual imagery and written statements used in Medicare HMO marketing materials suggests that Medicare HMOs may be targeting relatively healthy seniors. Nearly half of all television ads include images of physically active seniors, in the midst of strenuous activities such as mountain biking, swimming, and jogging up stairs. Although newspaper ads are more likely than television ads are to include still portraits of seniors (twenty-nine of seventy ads), five of the seventy ads feature seniors pursuing physically demanding activities such as hiking and skiing. Also, more than a third of all television ads and 13 percent of all newspaper ads include images of seniors engaged in social activities or hobbies, such as traveling, making pottery, surfing the Internet, and playing with grandchildren.

None of the newspaper and television ad images includes beneficiaries in hospital beds or wheelchairs or with walkers, canes, or obvious handicaps or illnesses. Only three of the newspaper ads, none of the television ads, and nine of the seminars explicitly state that enrollment in a Medicare HMO cannot be re-
fused because of the applicant’s health status. Two of the three newspaper ads that mention this do so only in fine print.

Almost one-third of the seminars attended were held in places that are not wheelchair accessible. During the study period three different Medicare HMOs in southern California conducted marketing seminars at the same nonaccessible restaurant. The selection of this site for seminars may discourage beneficiaries with physical handicaps from attending and, possibly, from enrolling in a plan.

Beneficiaries under age sixty-five and entitled to Medicare on the basis of disability do not appear to be targeted by Medicare HMO marketing activities. None of the visual images in the newspaper or television ads includes a beneficiary who appears to be under age sixty-five and disabled. Less than a third of the newspaper ads, only five of the television ads, and fewer than a third of the marketing seminars state that disabled Medicare beneficiaries under age sixty-five are eligible to enroll. When stated in the ad, eligibility for the under-age-sixty-five disabled population uniformly appears in fine print. In addition, eight of the newspaper ads incorrectly state that beneficiaries must be age sixty-five or older to enroll. Even the names of many HMO plans—ElderPlan, Senior Care, Senior Choice—give the impression that only seniors are eligible to become members.

 CONTENT AND CLARITY. Despite the limitations of space and time in print and broadcast advertising, a considerable amount of information about Medicare HMOs is presented in their newspaper and television ads. For example, a majority of newspaper and television ads state correctly that enrollees must be entitled to Medicare Part A/Social Security (sixty of seventy newspaper ads, twenty-two of twenty-seven television ads, and eighteen of twenty-one seminars). Most ads also state that enrollees must continue to pay the Medicare Part B premium while they are enrolled in a Medicare HMO (sixty-seven newspaper ads, nineteen television ads, and thirteen seminars).

In addition, Medicare HMO ads typically include information about one or more covered benefits, such as prescription drugs, preventive care, and hospitalizations. However, important related information—whether copayments apply to the benefits, for example—is frequently omitted or included only in fine print.

Presenters at seminars, who have fewer time or space constraints, generally provide relatively comprehensive information about benefits covered by the Medicare HMO. Such coverage, for example, was discussed more fully in seminars than in newspaper or television ads. Virtually all seminar presenters indicated limitations in prescription drug coverage, such as whether a copayment applies (twenty seminars) or whether there is a dollar limit on coverage for prescribed medications (eighteen seminars). A list of preferred medications was provided at fifteen seminars.

In addition, seminar presenters reviewed copayments for visits with primary care physicians (all twenty-one seminars), doctor referral processes (twenty seminars), copayments associated with preventive care (seventeen seminars), and costs for out-of-plan care (seventeen seminars). At all but two of the seminars there was a discussion of whether enrollees have to sign up directly with one of the plan’s primary care physicians.

 FINE PRINT. In many cases, important information about benefits and financial obligations is disclosed only in the fine print of newspaper and television ads. For example, while prescription drug coverage is mentioned in the majority of ads, important limitations in coverage—whether beneficiaries must go to a designated pharmacy, whether benefits are limited to generic drugs, what copayments apply—are typically noted in fine print. All six
of the newspaper ads that say that prescription drugs must be purchased from a contracting pharmacy do so only in fine print. All five of the television ads that mention that limitations apply to prescription drug coverage, or that benefits vary by service area, note these restrictions only in fine print.

Nearly all of the fine print of newspaper and television ads is smaller than the minimum size recommended for materials designed for people ages sixty-five or older. Although experts recommend use of type sizes no smaller than twelve or thirteen points for older readers and HCFA strongly recommends use of larger-than-normal type for the senior population, sixty newspaper ads include important information in nine-point type or smaller (Exhibit 3). Only three newspaper ads use a type size for their fine print that is greater than nine-point type, and only seven of the reviewed ads had no fine print at all. Several television ads also included important information in print that is so small and so brief that the investigators needed to view each ad several times in order to read the content. Seminar visual materials, in contrast, are generally easy to read and printed in a larger type size.

QUALITY OF INFORMATION. Inaccurate or incomplete information is presented in several Medicare HMO ads. As noted earlier, eight newspaper ads state that people must be age sixty-five or older to apply for Medicare HMOs, which is inaccurate and may be misleading for under-age-sixty-five disabled beneficiaries who are legally eligible to enroll in a Medicare HMO. One newspaper ad provides conflicting information about copayments imposed for out-of-network physician visits, stating in the body of the ad that there are no copayments, while stating in the fine print that copayments apply under certain circumstances.

Two of the nineteen presenters at marketing seminars compared the HMO to traditional Medicare and overstated the out-of-pocket expenses associated with the traditional fee-for-service program. One presenter incorrectly stated that fee-for-service doctors can charge patients as much as they want, while in fact physician payments are based on a fee schedule and physicians are prohibited from charging beneficiaries more than 15 percent above those rates.

Enrollment and disenrollment procedures also were inaccurately described or not fully explained at many of the seminars. For example, three seminar presenters incorrectly stated that enrollees may disenroll by calling their health plans, when in fact beneficiaries must submit a written request to the HMO for disenrollment and must then wait until the first of the next month before their coverage is fully terminated. Twelve present-
ers stated that signing an enrollment form is equivalent to enrolling in the health plan, without clarifying that there may be a delay before coverage under the plan actually begins.

**DISCUSSION AND RECOMMENDATIONS**

With the surge in the number of Medicare HMOs, and the emergence of new plans established under the Medicare+Choice program, a growing number of Medicare beneficiaries will have the option to choose coverage in a plan other than the traditional Medicare program. Medicare HMO marketing materials are likely to have a significant impact on insurance decisions and remain a key source of information for beneficiaries who want to learn more about plans that are available in their service area.

The findings of this study suggest that the content and clarity of marketing materials could be improved to help beneficiaries make informed choices. Important information about benefits, provider networks, and eligibility requirements is often conveyed in fine print that is difficult for older people to read. Television ads also convey important information that is difficult to read, either because the print displayed on the screen is too small or because it appears too briefly on the screen. Information presented in advertising materials should be displayed in sufficiently large type—and, in the case of television, remain on the screen for an adequate length of time—to be read easily by the target audience.

Some ads, although not inaccurate, were confusing even to a trained researcher. Ads must be reviewed by HCFA to ensure that they are accurate and do not “mislead or confuse beneficiaries.” Marketing materials may need a more thorough review by HCFA to guarantee that claims made by HMOs are indeed accurate and relatively easy to understand. Given HCFA’s limited resources, this will be especially challenging in the years ahead as a growing number of plans file marketing materials for review.

Our research also finds that, in general, Medicare HMO ads appear to target physically and socially active seniors, but not beneficiaries in relatively poor health or beneficiaries who are under age sixty-five and disabled. Not one of the ads reviewed pictured a person with a cane or walker or in a hospital bed. Although physically active beneficiaries may be drawn to an HMO that features appealing images of bikers or joggers in its ads, those who are in poor health may feel that such a plan is not suitable for someone like them.

One-third of the seminars were held at sites that were not wheelchair accessible, creating additional barriers for persons with disabilities. There is much interest in encouraging more beneficiaries, including those with health problems, to join HMOs. To achieve this goal, marketing activities could be conducted more effectively to reach a broader audience, including persons with physical limitations and extensive medical needs.

In the future, beneficiaries are likely to be bombarded with information about their health insurance options from a variety of sources. Medicare HMOs and other Medicare+Choice plans will likely use advertising and other marketing activities to attract a growing share of the Medicare population. The challenge facing policymakers will be to establish and enforce marketing guidelines to promote informed health insurance choices.

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NOTES


5. Health Care Financing Administration, Medicare Health Maintenance Organization/Competitive Medical Plan Manual (Baltimore: HCFA, January 1992), Part 2, chap. 3. During the study period HCFA approval of marketing materials was based on the guidelines established in this manual. In August 1997 HCFA released the Medicare Managed Care National Marketing Guide to supplement the marketing chapter of the manual. HCFA is in the process of revising the marketing guidelines for the new Medicare+Choice plans.


11. Billboards, bus and subway panels, and direct mail solicitations were not reviewed because of financial constraints. An attempt was made to analyze radio ads using Video Monitoring Service’s Creative Execution Monitoring. Five unique radio ads were identified, four in New York and one in Miami. The monitoring service was unable to document the total number of radio placements during the study period. Because radio did not appear to be an important marketing vehicle, radio ads were not analyzed in this study.

12. Daily, weekly, and biweekly newspapers were monitored by Burrelle’s Press Clipping service. In each market, professional readers scanned newspapers to locate ads placed by any Medicare HMO. Each ad was clipped and tagged with the date, name, and circulation of the newspaper source.

All network and several independent television stations were monitored daily by Nielsen Media Research’s Monitor Plus Service, which uses a proprietary “computerized pattern recognition” system to identify commercials based on their unique audio and visual content. The service monitored stations with at least a 3 percent share of television households during three consecutive “sweep” periods.

13. Because only one Medicare HMO in Miami offered marketing seminars, an investigator collected the data. Medicare-eligible research assistants attended seminars in New York, Cleveland, and Los Angeles.


15. Newspaper ads in emerging markets were less likely to mention eligibility for under-age-sixty-five disabled beneficiaries than were newspaper ads in mature markets (10 percent and 44 percent, respectively).
