Analysts expect more Seniors to explore alternative medical plans

A mass exodus of HMOs from the Medicare market is expected to create a boom for companies selling other forms of Senior healthcare insurance.

“Turnmoil in the Medicare health maintenance organization program could help sales of HMO alternatives,” the June 19, 2000 issue of National Underwriter magazine said. “Aetna Inc., Hartford, (CT) and CIGNA Corp., Philadelphia, are already talking about cutbacks and other carriers are expected to follow their leads.

“The changes could leave some communities without any Medicare HMOs and increase skepticism about the surviving HMO’s stability.”

Providers of Medicare alternative healthcare plans expect the withdrawals to create an environment ripe for their Medicare products, like United America’s Medicare Supplement policies.

The drop in Medicare HMO enrollment proves industry experts’ assertions that more and more Seniors are choosing Med-Supp policies over HMOs. Medicare HMO enrollment is flat this year, down from a 36 percent growth rate in 1997, according to the Health Insurance Association of America in Washington.

“Congress has cut HMO reimbursement levels, especially in rural areas, and enacted tough complicated fraud laws,” the National Underwriter report stated. “Meanwhile, because HMOs are less flexible than Medigap plans, they have an even harder time making up for cuts with higher premiums.”

Many senior policyholders forced to find new healthcare plans, change doctors

At least 933,000 Medicare HMO members will be forced to switch plans, doctors or both at the end of 2000 as many HMOs joined the third – and by far the largest – annual exodus from the Medicare HMO program.

At least 18 HMOs are pulling out of the Medicare business next year, according to the American Association of Health Plans, the industry trade group. Aetna, the nation’s largest healthcare provider, will drop more than half of its Medicare HMO business. The pullout will affect more than 350,000 people in 11 states. Other large providers including Cigna and Foundation have also announced cutbacks.

“The plans that remain are likely to continue this year’s trend of raising premiums and reducing some of the benefits that attracted 6.2 million patients to enroll in Medicare HMOs ...” said the June 30, 2000 edition of USA Today.

The story also said those HMOs that chose to continue providing Medicare coverage are likely to increase premiums again for 2001. The newspaper said those increases have ranged from 2 to 13 percent in past years.

Medicare HMOs have asked the government for assistance in dealing with claims costs by boosting the program’s funding. According to the USA Today story, the American Association of Health Plans has asked the government to add an additional $15 billion in funding over five years. However, that appears unlikely.

More modest proposals of $2 billion to $3.5 billion are being floated in bills that would add prescription drug coverage to traditional Medicare. No proposal has surfaced from either the White House or from Congress that would come even close to the $15 billion requested by the HMOs.

Patients whose HMOs are withdrawing will be covered until Dec. 31, 2000. “All affected members will be automatically enrolled in traditional Medicare.” USA Today said. “Either could mean having to switch doctors.”

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