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PRICELESS

HCFA says HMOs to drop more than 933,000 Medicare beneficiaries

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 pullouts 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 unless they opt to join another Medicare HMO, if one serves their area," *USA Today* said. "Either could mean having to switch doctors."

Analysts expect more Seniors to explore alternative medical plans

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

"Turmoil 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 HMO alternative healthcare plans expect

the withdrawals to create an environment ripe for their Medicare products, like United American'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."

The Time is Now

2001 Medicare HMO Withdrawals

Here is a list of the companies who will pull out of counties in each state with the number of enrollees affected, according to the Health Care Finance Administration. Number of dropped beneficiaries with no remaining HMO alternative is in parenthesis.

Alabama	2,530 (2,530)
Health Partners	2,530
Arkansas	284 (53)
HMO Partners	284
Arizona	24,327 (7,661)
CIGNA	4,328
Intergroup	7,464
PacifiCare	197
United Healthcare	12,338

California	52,464 (3,108)
Aetna	14,495
Blue Cross of CA	5,866
CA Physicians' Services	4,340
CIGNA	16,433
Health Net	3,410
Maxicare	2,957
National Med	5,233
Colorado	4,454 (1,676)
Mutual of Omaha	499
PacifiCare	3,955
Connecticut	51,185 (3,648)
Aetna	14,511
Anthem BC/BS	23,490
CIGNA	10,506
Physicians' Health	2,678
Delaware	3,560 (0)
CIGNA	3,560

District of Columbia	932 (0)
CIGNA	239
Free State Health	693
Florida	87,727 (25,979)
Aetna	6,858
AvMed	944
CIGNA	15,904
Humana	25,634
Physicians Healthcare	281
Preferred Medical Plan	206
Prudential	30,917
United Healthcare	6,983
Georgia	19,689 (2,303)
Aetna	6,671
CIGNA	9,958
HMO GA	287
United Healthcare	2,773

Illinois	18,144 (9,409)
Aetna	6,391
Humana	7,176
Mercy of MO	359
United Healthcare	4,218
Indiana	9,081 (2,623)
Aetna	539
Anthem	2,474
Maxicare	6,071
Kentucky	9,153 (0)
Aetna	3,774
Humana	2,655
PacifiCare of OH	2,724
Louisiana	25,131 (4,620)
Aetna	5,194
Gulf South	4,620
HMO LA	9,420
Ochsner	5,895

Maine	1,632 (1,632)
NYLCare	1,632
Maryland	21,781 (0)
CIGNA	7,297
Free State	30,662
United Healthcare	15,079
Massachusetts	21,781 (0)
Fallon Community	901
Harvard Pilgrim	10,801
United Healthcare	10,079
Michigan	146 (0)
Care Choices	146
Minnesota	14,278
Medica	14,278
Missouri	10,112 (1,658)
Group Health Plan	3,541
HMO MO	4,783
Humana	1,788

North Carolina	3,872 (0)
Wellpath	3,791
QualChoice	81
New Hampshire	498 (498)
Harvard Pilgrim	498
New Jersey	12,411 (0)
Amerihealth	760
CIGNA	4,405
Oxford	7,048
QualMed	198
New Mexico	15,810 (8,226)
Lovelace	5,753
Presbyterian	2,366
QualMed	2,136
St. Joseph	5,555

New York	64,329 (4,022)
Aetna	34,915
CIGNA	7,237
Health Svc. Med Corp.	2,300
HIP	11,294
MDNY	5,483
Physicians Health	2,100
Ohio	65,617 (2,680)
Aetna	33,340
Community Health	2,364
Humana	8,451
Kaiser	745
PacifiCare	2,506
Paramount	2,858
Prudential	14,361
SummaCare	603
Oklahoma	7,216 (2,110)
Community	3,569
Bluelincs	3,647

Oregon	5,767 (5,767)
Providence	5,767
Pennsylvania	89,641 (14,585)
Aetna	18,093
Healthamerica	3,436
Healthcentral	5,925
Healthguard	5,200
HMO of Northeastern PA	30,723
Keystone	6,129
Penn State Geisinger	16,648
QualMed	3,487
Rhode Island	1,694 (0)
United Healthcare	1,694
Tennessee	19,865 (7,967)
Health 1-2-3	13,701
Healthsource	2,862
TN Healthcare Network	3,302

Texas	180,749 (24,496)
CIGNA	2,524
Humana	20,472
MethodistCare	5,096
NYLCare	127,866
PacifiCare	5,007
Presbyterian	5,392
Prudential	6,809
Seton	6,119
TX Healthchoice	1,474
Virginia	14,618 (13,666)
CIGNA	14,618
Washington	32,177 (1,746)
Aetna	10,607
First Choice	3,571
Healthplus	7,135
PacifiCare	1,410
Providence	1,572
Regencecare	7,880

Wisconsin	1,410 (0)
Network Health of WI	1,410

2001 Total Affected:
933,687

2000 Est. Total Affected:
327,000

Two-Year Total
More than 1.2 million

Source: HCFA (www.hcfa.gov)