

2003 Outlook for Medicare HMOs

As previously reported, 33 HMOs will withdraw from the Medicare market in 2003 affecting over 198,000 policyholders. However, the outlook is gloomy for those HMOs that still remain in the market. As 2003 rate increases have been announced, Medicare HMOs are

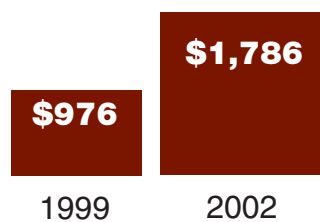
raising premiums and scaling back benefits across the board. These programs originally designed to be low-cost alternatives to original Medicare are feeling the pinch of soaring healthcare costs and passing along the expense to enrollees.

In fact, a *USA Today* article from Nov. 7 entitled “*Medicare HMOs Cut Coverage, Crank Up Costs*” reported that:

- One of the nation’s largest Medicare HMOs will raise premiums to \$139 per month. Last year’s premiums ranged from \$49 to \$79 per month.
- A couple of large Medicare HMOs will begin charging patients for chemotherapy and radiation, commonly 20% of the cost which could equal up to \$600 per treatment.
- Another HMO insurer will raise hospital fees from \$250 to \$850 per admission, and per-day payments will rise from \$50 to \$150 with a five day maximum.

Health Costs Rise

Estimated average annual out-of-pocket health costs for Medicare HMO enrollees:



Source: Mathematical Policy Research

Also in the *USA Today* article aforementioned, Robert Hayes, president of the Medicare Rights Center, said, “It (Medicare HMOs) may work in a few markets for a few people, but by and large Medicare HMOs are a bum deal.”