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HMOs Call For Individual Market Protection

A notable loser under the Blue Cross Blue Shield of Michigan (BCBSM)-backed small market reform legislation, as currently drafted, is the state's health maintenance organizations (HMOs), said Richard **MURDOCK**, executive director of the Michigan Association of Health Plans (MAHP).

HMOs and other managed care organizations only make up 1.7 percent of the growing individual health care market and that sliver will shrivel up unless HMOs are given an exemption to specifically tailor competitive packages as BCBSM and commercial insurance carriers are allowed to do, Murdock said.

Currently, the individual health care market makes up 5.44 percent of the state's health care market, but Murdock said he agrees with BCBSM officials that the number could grow to 10, 15 or even 20 percent of the market in the coming years.

But barring equal flexibility in the formation of health care plans, HMOs will not be a player in this market.

"This will largely create a major barrier for us to be competitive in that market," Murdock said. "We need to be able to compete across the board."

HMOs and other managed care organizations make up 17.57 percent of the state's total health insurance market and have traditionally been restricted to complete health plans that are required to cover a broad swath of services. Murdock said this requirement should be waived when it comes to the individual health care market or else his members will not be able to provide a financially competitive package.

This level of guaranteed coverage used to be the major selling point of an HMO, but Murdock said that over time managed care organizations have become more known for how it "manages the care that is provided," its data collection and its quality

assurance activity, among other things.

"Does Michigan want to nurture and cultivate a competitive market or does it want a monopoly or near monopoly condition for health care?" he asked. "You can see in other states and other industries that when you have monopolies price competition goes out the door and you're locked into a carrier that may or may not be efficient."

The individual health care plan proposed through [HB 5282](#) and [HB 5283](#) would restrict the rates health insurance companies could charge for individual health policies while creating a BCBSM-managed "risk pool" for the unhealthy that all of the state's insurance carriers would need to kick money into.

Murdock said rate bands may work in the long run, but MAHP is opposed to the high-risk pool, in that he believes it's unfair to ask BCBSM's competitors to underwrite the losses the Blues currently sees in this market being the provider of last resort.

Contrary to a BCBSM-funded study, Murdock said he believes the Blue's current losses in the individual health care market are closer to \$6 or \$7 million and questions BCBSM's claims that it gives \$391 million as part of its "social mission" while receiving \$80 million in tax breaks (See "[Blue Cross Paid-Study ...](#)" 1/30/08).

MAHP puts BCBSM's market share in the health insurance industry at 70.14 percent, but the Blues put the number at 62 percent. Either way, Murdock was critical of how he said BCBSM uses its enormous market share to leverage "super discounts" with providers that, in turn, creates uncompensated care.

He said it seemed "disingenuous" for BCBSM to pick up the tab for this "uncompensated care" when the "donation" combined with its regular payment equals less than what HMOs pay for similar claims.

"They get to call it their 'social mission.' We get to call it a claim," Murdock said.

Murdock brought up the argument to emphasis that creating a true "level playing field" doesn't mean making other insurers pay BCBSM for losses in the market that it currently eats as the tax-exempt insurer of last resort.

Murdock said he'd also like to see the definition of "individual" in the legislation changed. Currently, anyone who doesn't receive at least 50 percent of their premiums from an employer is an "individual," but the HMOs believe this nationally unique definition would encourage more businesses to skimp on employee health coverage.

The MAHP is also asking for an independent research firm or university to create an unbiased three-year study of the bills' overall impact.