

From the 9th Annual National Comprehensive Cancer Network Conference

HMO profits soar, healthcare falters

At the 9th Annual Conference of the National Comprehensive Cancer Network, Patricia J. Goldsmith, Vice President for Institutional Development, Public Affairs and Marketing at H. Lee Moffitt Cancer Center and Research Institute in Tampa, Florida, presented a broad overview of economic factors currently affecting oncology practice. Among the most important:

- The managed care or health maintenance organization (HMO) industry is both consolidating and becoming more profitable.
- The number of uninsured patients under age 65 is increasing.
- Employers are shifting more costs to consumers.
- The number of insurance scams is rising.

Ms. Goldsmith said that the number of HMOs has decreased to about 500 from 652 in 1997. There are 71.8 million Americans enrolled in HMOs, down from a high of over 100 million, and 112.9 million Americans are enrolled in preferred provider organizations.

Higher premiums, fewer insured

"HMO premiums rose an average of 21% in 2003 and are projected to increase 18% this year. Five of the largest insurers in this country now control 75% or more of the healthcare markets in 19 states and 95% of the markets in 7 states. Industry giants are emerging," Ms. Goldsmith said.

For example, UnitedHealthcare posted revenues for 2003 of \$28.8 billion, a 15% gain over 2002. Earnings were \$2.9 billion for 2003 and \$810 million of that came in the last quar-

ter of 2003. The projections are that UnitedHealthcare will enjoy a 22% revenue growth in 2004 to \$36 billion and a 15% annual growth over the next 5 years, according to Ms. Goldsmith. Interestingly, UnitedHealthcare just dropped all individual health insurance policies in Florida, Kansas, Missouri, and Illinois on the grounds that they were not profitable enough.

Humana Healthcare had earnings of \$66.3 million in the fourth quarter of 2003, in contrast to a loss of \$1.7 million during the fourth quarter of 2002. The company took in \$1.4 billion from premiums and administrative fees from the federal government to cover Medicare, up 8.7% from 2002. Earnings were \$228.9 million in 2003, up from \$142.8 million in 2002. "Their Medicare population is down 4.5% from 2002, but profitability is up," Ms. Goldsmith said.

Enrollment in Florida's HMOs declined to 4.2 million, from a high of 4.9 million, but Florida's 26 HMOs reported net income of \$383 million for the first 9 months of 2003, four times the net income they reported the previous year. These changes typically reflect a decrease in the amount of money spent on medical care and on administrative costs, leaving greater profit.

Changing demographics

Ms. Goldsmith said that between 2001 and 2002 the number of uninsured patients under the age of 65 increased by 2.4 million to 43.3 million in the US and that 90% of that growth came from low- and middle-income Americans, 80% from working families, and 70% from households with at least one full-time worker. "Fifty-six percent of the uninsured worked full time for

all of 2002," Ms. Goldsmith said.

Twenty-four percent of the public indicated that not being able to afford health insurance or healthcare was their biggest economic concern, second only to losing their jobs. Fifty-four percent reported paying more for health insurance premiums, and 55% reported more out-of-pocket costs. "The majority of employers are planning to increase employee contributions to their premiums and will also increase employee cost sharing," Ms. Goldsmith said.

"Most consumers spend far more time shopping for a car than they do for cancer care, which is often their life. But I guarantee you that when consumers are faced with the prospect of paying more than \$5, \$10, or \$15 out of pocket, they absolutely will become much more engaged in this process. That is going to drive how we position ourselves, how we market our practices, and some of the things that we do," Ms. Goldsmith commented.

Among the fastest growing health insurance offerings are what are called limited benefit plans, which typically provide an annual benefit of only \$1,000 or \$2,500, with a basic deductible of around \$50 and physician visit co-pays of \$15. Premiums are about \$10 a week. "Imagine a cancer patient with a policy like this. How many minutes in an infusion chair would this policy buy?" Ms. Goldsmith said.

She also predicted a proliferation of healthcare consumers' right-to-know legislation, which will mandate that providers and hospitals estimate charges prior to treatment. "On the surface this is absolutely great, but what we all know as providers is that there's no such thing as apples to apples, and is the consumer ready to

deal with and evaluate this information?” Ms. Goldsmith said.

These economic stressors have attracted a raft of new scam artists. Ms.

Goldsmith cited a General Accounting Office (GAO) report that found 144 unauthorized entities selling bogus insurance policies to 15,000 employ-

ers that cover 200,000 policy holders. The GAO estimated that \$252 million has been left in unpaid medical claims as a result of these frauds.