

## **HMO Enrollment Falls as Premiums Increase and Medical Costs Rise**

The number of Florida residents enrolled in HMOs decreased in the first half of 2000, as plans consolidated and raised prices. Major hospital systems were able to exert more power in bargaining with HMOs, though physicians saw little improvement from their organizational changes. Hospitals generally lost money on operations, but most posted profits because of additional revenues from investments and government subsidies.

These are among the findings of Florida Managed Care Review 2000, Allan Baumgarten's new report analyzing trends and issues in the Florida health care market. The report, released here today, combines detailed comparisons of HMOs and hospital systems in the state with an analysis of the impacts of market developments and initiatives. He also publishes annual reports on managed care in seven other states, Colorado, Florida, Michigan, Minnesota, Ohio, Texas and California (new this fall).

Among the report's findings:

- HMO enrollment increased by only 1.2 percent in 1999 and fell by 8,000 members in the first half of 2000. Three HMOs were closed during that period, and enrollment declined in Medicare plans as HMOs withdrew from parts of the state.
- Florida HMOs showed improved financial results in the first half of 2000. Five of the largest HMOs made money as well as 11 smaller ones. No specific information was available for Prudential Health's Florida operations, which lost more than \$226 million from 1997 to 1999. Humana saw its profits go down while AvMed, Health Options and United HealthCare all saw their finances improve in the first half of this year.

Florida HMOs don't have that much of a financial cushion to fall back on. At the end of 1999 they had average net worth equal to less than one month (0.78) of operating expenses, less than in other states.

The improved financial outlook comes as employers and individual enrollees have begun to pay significant premium increases.

Average monthly premium revenue for commercial enrollees increased by 9.6 percent in 1999, from \$119.82 to \$131.36. At the same time, HMOs have been confronted by rising medical costs. The average medical loss ratio (portion of premium revenues spent on health care costs) has increased from 83.4 percent in 1995 to 89.3 percent in 1999. -- As health plans have merged or failed, the health plan market in Florida has become more concentrated.

The four largest HMOs have about 63 percent of the total enrollment in Florida, employers are showing more interest in health benefit plans that are less restrictive than HMOs.

Hospital profits have generally been strong, but physicians are under continued pressure. Hospital systems have regained some of the economic clout they lost as HMOs grew. Although many hospitals lost money on operations, revenues from investments and other sources made most systems profitable in 1998.