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Medicare reform depends on HMO success

By DARRIN SCHLEGEL

Staff

If the massive undertaking to mend Medicare is to have its desired effect, much will depend on the staying power of private health plans.

That, after all, is one of the reasons Congress is funneling billions of dollars to insurers in an effort to increase choices and benefits.

With higher payments for services, the thinking goes, private plans such as health maintenance organizations will be enticed to stay in a market like Houston and offer coverage above and beyond traditional Medicare .

But "staying power" hasn't often been used in the same sentence with "private Medicare plans" in recent years.

In Harris County alone, eight Medicare insurers have bailed out of the market since 2000, mimicking an epidemic nationwide that's left millions of seniors scrambling for alternative coverage.

And few seem certain that the new Medicare law President Bush signed last month will fix that problem.

"This is one of the most complex pieces of legislation ever passed, and it's going to take a long time to digest what it means," said Dr. George Smith, a regional vice president for Humana.

For one thing, insurers will have to be lured back into the fold.

In Harris County, for example, only two major Medicare HMOs remain, leaving little choice for the county's 310,000 eligible beneficiaries.

And there's no guarantee that seniors will be eager to enroll, even if more health plans enter the market.

Roughly 76,000 Houstonians were enrolled in private Medicare plans in 1999. Today that number is down to about 27,000, a result of plan withdrawals and seniors who no longer trust them.

"We've been surprised at how hard it is to generate leads," said Herb Fritch, chief executive officer of Texas HealthSpring, a Medicare HMO that started operations in Houston a little more than a year ago.

"And we've certainly gotten feedback from a number of people who say, 'Geez, I've tried these things two or three times and they keep abandoning me so I'm just going back' " to traditional Medicare.

Don't count Robert Buddy among them.

Like other Houstonians, Buddy and his wife, Gwendolyn, have been forced to change plans a few times.

But, even though he was initially skeptical of the plans, he now credits them for helping catch his prostate cancer and glaucoma early enough to thwart full-blown problems.

"I think the early detection programs they offer and treatment is a crucial aspect of what they do," said Buddy, now one of 15,000-plus members of Texas HealthSpring. "Also, there is greater emphasis on wellness, and greater emphasis on disease management.

"As a result, I've been able to enjoy a pretty productive life. I'm 77 and hope to have another good 10 to 15 years."

Beginning in March, the new legislation will start paying Medicare plans higher rates to serve beneficiaries. The effort, which calls for injecting \$1.3 billion into the program over the next two years, is as much about attracting new plans as it is retaining them.

"I think the increase in payment alone is going to be a positive benefit to those Medicare organizations that are already providing service and may even encourage the creation of more provider-sponsored organizations that haven't gotten into it because the reimbursement level was, in their view, too low," said Elizabeth Rogers, a health care attorney for Vinson & Elkins in Austin.

Supporters say the new rates, which will be announced Friday, will go a long way toward correcting reimbursement deficiencies created by the Balanced Budget Act of 1997.

After that act lowered re-imburement rates, insurance industry officials say, Medicare HMOs struggled to keep pace with rising health care costs.

As a result, many plans were forced to slash benefits, raise premiums or pull out of markets altogether, they say, thereby cheating seniors out of coverage options.

"It wasn't a question of our plans and insurance companies wanting to be in the program," said Karen Ignagni, president of the American Association of Health Plans, an industry trade group. "It was a question of being forced out."

The increased funding, Ignagni said, should solve that problem and let health plans use cost-saving techniques to boost benefits.

In return for the higher payment rates, HMOs must earmark the money for benefit enhancements or use it to reduce premiums. They may also use it to pay providers in their network or put it in a rainy day fund for future use.

Some insurers, however, aren't sure that increased re-imburements are a cure-all.

SelectCare, Harris County's second-largest Medicare HMO with more than 11,000 members, estimates the new payments will increase to 5 percent in Houston this year.

"Is 5 percent, with the chronic underfunding for years, enough to get people back in the marketplace?" Stephen Zeger, senior vice president and executive director of SelectCare, asked, referring to insurers. "I don't know. I just don't know if there is enough money in the marketplace for somebody to come back in."

Part of the problem, Zeger said, lies in education. Many seniors aren't aware of the benefits that come with membership in a health plan.

A recent SelectCare survey of the Houston market found that less than one-third of seniors here understood the benefits that Medicare HMOs offer, Zeger said.

Some, however, say that HMOs only have themselves to blame for that.

"I think beneficiaries have been served best by the traditional program, which they can understand, which is stable,

and which exists similarly throughout the state they live in and throughout the states," said Judith Stein, executive director of the Center for Medicare Advocacy.

"Managed care programs have been less stable, more difficult to understand, and they differ from parts of states and certainly from state to state."

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