

Wary Health Insurers See Some Promise In Obama Reform Plans

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You'd think talk of forced competition and reduced reimbursements would panic health insurers in Connecticut and around the nation, but they're trying to sound a hopeful note — at least for now — about potential opportunities in the president's health care reforms.

The ideas in President Barack Obama's budget, released Thursday, are a mixed bag for insurers, doctors and hospitals, and without many details yet it's hard to tell who the winners and losers will be. Investors reacted with alarm, sending insurance stocks down sharply.

Insurers, striving to be seen as progressive, welcomed Obama's broad goals, such as stemming the relentless increase in costs throughout the health care system.

"We support the broad objectives of the administration and Congress to get everyone covered and to improve the quality and affordability of that coverage," said Mohit Ghose, Aetna's vice president of public affairs. "It is the right thing to do and is the first step toward addressing the distortions in the system that are costly to everyone."

The budget creates a \$634 billion reserve fund over 10 years, financed by tax increases for the affluent and government spending cuts, to help pay for expanded health care in a nation of some 46 million uninsured.

The president's plan includes changes in the way physicians and hospitals are paid to encourage quality care, more focus on preventive care, and efforts to lower drug costs. There are also incentives promoting electronic medical records, meant to reduce medical errors and avoid unnecessary health care spending.

One budget feature setting the insurance industry abuzz would affect private Medicare Advantage health plans, which cover more than 10 million Americans and are sold by Humana, UnitedHealth Group, Aetna and others. The federal government pays the companies about 14 percent more to care for people than the traditional Medicare program does. The administration wants to require insurers to bid for the right to sell the plans in each geographical area, and aims to reduce Medicare Advantage reimbursement.

America's Health Insurance Plans, a trade group, and companies such as WellPoint warned that lower reimbursement will backfire on senior citizens.

"We believe that a significant portion of his proposed savings will come at the expense of high

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quality, high value health care coverage for millions of America's seniors," said Cheryl Leamon, a spokeswoman for WellPoint, which includes Anthem Blue Cross and Blue Shield in Connecticut.

Insurers are expected to raise premiums on their Medicare plans, reduce benefits, or both to cope with lower reimbursements.

Investors worried about Medicare Advantage and possibly other reform proposals sent health insurance stocks tumbling again Thursday, even for companies that don't do much of that business.

Aetna had only 366,000 members in such plans as of Dec. 31, but its stock fell 11 percent. Shares of Humana, one of the leaders in Medicare Advantage enrollment, plunged 19.5 percent, and CIGNA, with little stake in the business, dropped 8.5 percent.

Some analysts say investors are overreacting and that the potential for more revenue could help companies deal with somewhat smaller profit margins.

Matt Perry, an analyst with Wachovia Securities, said that for most companies, Obama's Medicare plans will mean only a "modest reduction in earnings" beginning in 2011. "It's not a severe blow to this industry."

Ghose said Aetna believes it has "the right business model to continue to succeed. We are well diversified and not overly dependent on any one line of business."

There's one major reform idea Obama advocated during the election campaign that's not mentioned in the budget but looms large for the industry: a proposed public insurance plan that would compete with private insurers for employers and individuals.

"That could be a difficult hurdle to overcome," said Bill Hoagland, CIGNA Corp.'s vice president of government affairs and previously top aide to former Senate Majority Leader Bill Frist. The concern, Hoagland said, is that Obama's public plan could undercut the prices of private insurers and undermine an industry that considers itself an innovator in wellness and preventive care.

Meanwhile, doctors and hospitals have some concerns, too.

Laurence A. Tanner, president and CEO of the Hospital of Central Connecticut, applauded Obama for tackling health reform but worried that plans to pay for it could hurt health providers.

One target is the frequency of Medicare patients being readmitted to hospitals within 30 days of being discharged, which happens in nearly 18 percent of cases, according to the budget proposal. Obama's plan would give hospitals a certain amount of money to cover both the hospitalization and care a patient receives within 30 days of release, rather than paying the hospital more money

if the patient is hospitalized again. That would save roughly \$26 billion over 10 years, according to budget figures.

If hospitals are penalized when patients are readmitted, there must be a way to determine whether the readmission was caused by the hospital or by something else, such as patients' failing to take proper medication, Tanner said. "You have to really differentiate between what was in our control and what wasn't," he said. "You can't just hit us over the head."

A portion of health reform funds would come from changes to the way the government pays doctors and hospitals, using a "pay for performance" model to emphasize quality, not quantity, of care.

Because Medicare payments do not cover the full cost of providing services now, Tanner said he worries that a "pay for performance" model could ultimately mean less Medicare funding overall.