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HMOs see positive financial signs

Elizabeth Slowik
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Priority Health's Health Maintenance Organization reported a swing into positive territory for the first six months of 2009, as compared to 2008, according to financial statements filed this month with the state Office of Insurance and Financial Regulation.

Meanwhile, Grand Rapids' Grand Valley Health Plan, Michigan's only staff-model HMO, reported losing more money through June 2009 than in the same period last year. But GVHP President and CEO Ron Palmer is optimistic about the second half of the year.

The Priority Health HMO turned a $2.5 million net loss in the first half of 2008 into a positive $5.5 million for the same period of 2009. From January through June last year, underwriting losses amounted to $9.4 million. But for the first half of 2009, underwriting posted a gain of $782,504.

Priority Health also trimmed administrative costs by more than $2.5 million, to $50.9 million.

CFO Greg Hawkins noted that the HMO saw an increase in member months. The administrative cost ratio to total revenue clocks in at 9.2 percent, which Hawkins said is "pretty efficient. We're more efficient with a greater number of members. That helps our bottom line."

The net underwriting gain provided a thin "operating margin" of just one-tenth of 1 percent, Hawkins noted. But he pointed to slight growth in Southeast Michigan and in Medicare Advantage products for the more positive overall outlook.

"Our total net income is eight-tenths of a percent of revenue. That's lower than we'd like, but it's a better position than last year and we're happy with that."

Priority Health's HMO membership grew by about 1.5 percent from the beginning of the year to 346,462. Group membership experienced a minor dip to 346,562.

While Priority Health, which is majority-owned by Spectrum Health, also offers PPO and Medicaid programs, the HMO makes up the majority of its business.

GVHP reported a net income loss for the first six months of 2009 at $302,521. The nonprofit posted an annual loss of $1.84 million for 2008, following positive years in 2006 and 2007.

Membership in the award-winning plan has dropped by 9.7 percent since the first of the year, to 7,519. The biggest loss was in group memberships. The plan operates five family practice locations in Kent County.

Palmer said the numbers don't reflect the current state of the business.

"Whenever you're looking at a financial statement, there is always this lag in what's really happening," Palmer said. "Things have been really rapidly improving."

He said the run on high-cost cases that weighed on financials last year is over and new companies are joining the plan.

“It’s been a very positive financial picture,” he said, noting that even doubling the loss reported so far this year would be significantly better than 2008.

GVHP cut costs by asking staff to reduce weekly hours from 40 to 32, and half accepted the offer, he said. The nonprofit also is holding off on filling vacant positions.

At Blue Care Network, the HMO subsidiary of Blue Cross Blue Shield of Michigan, net income for the first six months of 2009 was reported at $19.5 million, off from $23 million in the same period last year. Growth in investment gains was not enough to offset a more dramatic decline in underwriting gains, from $6.2 million in the first six months of 2008 to $820,280 through June 30 of this year.

Total membership is down around 4 percent to 530,418 for the first six months of 2009.