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Michigan HMOs '10 growth hits 4.4%

Firms' average profit margin at 2.1% on \$219M of net income

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/The Detroit News

Enrollment in Michigan's health maintenance organizations grew 4.4 percent in 2010 to 2.7 million, while HMOs posted an average profit margin of 2.1 percent on \$219 million in net income, according to an industry report released Tuesday.

Medicaid HMOs in Michigan added 65,000 members in 2010, while 47,000 seniors joined HMO Medicare plans in the state, according to the Michigan Health Market Review 2011: The 15th annual report, using information that insurers file with Michigan's Office of Financial and Insurance Regulation, is published by Allan Baumgarten, a Minnesota-based health industry analyst.

HMO Medicaid plans in Michigan, which averaged a 2.4 percent profit margin on net income of \$97.4 million in 2010, could gain 300,000 to 400,000 new enrollees in the state through health care reform, Baumgarten said.

"I think it's safe to expect the majority of these will go into HMOs," he said. "It's been a business that's been consistently profitable. I think there's a significant business opportunity there either for HMOs currently in that space or for others looking at it."

About 1.9 million Michigan residents are enrolled in Medicaid — the health care program for low-income people — and the state expects a surge of 500,000 to 600,000 more through health care reform.

The employer group business for some HMOs has declined, so insurers may look to the Medicaid HMO market to expand their business, Baumgarten said.

Some health insurers are interested in Medicaid health plans because of Medicaid's growth and relatively stable funding, said Rick Murdock, executive director of the Michigan Association of Health Plans.

"There is interest in organizations participating in Medicaid managed care, including some commercial plans like HAP and Blue Cross Blue Shield of Michigan," Murdock said.

The Blues operate a Medicaid managed care program through a state contract. HAP is interested in Medicaid business "should the opportunity present itself," said Susan Schwandt, HAP's spokeswoman. HAP unsuccessfully bid in 2009 for a state Medicaid managed care contract. Entering the market now may mean buying another plan.

Michigan contracts with 14 Medicaid health plans through contracts that end in September 2012 but can be renewed for up to three additional one-year periods, the state said.

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