Southeast Michigan HMO plans
Here are net incomes for the first six months of 2009, ended June 30, compared with the same span in 2008:

Aetna Inc.
2009: $28,000
2008: $97,000
Percent change: (71%)

Blue Care Network
2009: $19.5 million
2008: $23.2 million
Percent change: (16%)

BlueCaid of Michigan
2009: $90,000
2008: ($25,000)
Percent change: 460%

Fidelis SecureCare
2009: $544,000
2008: $60,000
Percent change: 807%

Great Lakes Health Plan
2009: $2.3 million
2008: $2.1 million
Percent change: 10%

Health Alliance Plan
2009: $10.5 million
2008: $13.4 million
Percent change: (22%)

HealthPlus of Michigan
2009: $2.7 million
2008: $6.4 million
Percent change: (58%)

Health Plan of Michigan
2009: $4.8 million
2008: $2.4 million
Percent change: 100%

Midwest Health Plan
2009: $2.8 million
2008: $2.6 million
Percent change: 8%

Molina Healthcare of Michigan
2009: $2.8 million
2008: $1 million
Percent change: 180%

OmniCare Health Plan
2009: ($353,000)
2008: $142,000
Percent change: (349%)

Priority Health
2009: $5.5 million

2008: ($2.5 million)
Percent change: 320%

Priority Health government
2009: $3.8 million
2008: $2.3 million
Percent change: 65%

Pro Care Health Plan
2009: ($13,000)
2008: ($97,000)
Percent change: (87%)

Total Health Care
2009: $600,000
2008: $552,000
Percent change: 9%

Total
2009: $55.6 million
2008: $51.6 million
Percent change: 7.7%

Includes investment income and taxes paid. Blue Care Network owns BlueCaid.

Source: Michigan Office of Financial and Insurance Regulation

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Overall, HMOs see healthy half: Efficiencies, cost cutting buoy bottom lines

By Jay Greene

The financial performance of Southeast Michigan's 15 health maintenance organizations varied widely during the first six months of 2009, with six HMOs posting lower net income and nine others increasing profits. Only two plans lost money.

Taken as a whole, however, the mix of commercial, Medicaid and Medicare HMOs operating in metro Detroit increased net income 7.7 percent to $55.6 million through June 30, from $51.6 million for the same six-month period in 2008.

While net income for **Blue Care Network of Michigan**, the state's largest HMO with 530,000 members, dropped 16 percent for the first two quarters of 2009 ended June 30 compared to the same period in 2008, net investment income that included capital gains increased 13.5 percent.

On the other hand, Blue Care's underwriting net income dropped 87 percent to $820,000 from $6.2 million during the first six months of 2008, according to the **Michigan Office of Financial and Insurance Regulation**. Underwriting income is the difference between premiums collected and claims paid out.

“That is being driven by the higher costs that we didn't anticipate,” said Susan Kluge, Blue Care's CFO. “We didn't know the pharmaceutical companies would raise the costs so much on drugs.”

Kluge said behavioral health costs, elective surgeries and medical professional reimbursement also have increased this year beyond budget projections.

“We had higher utilization because people wanted to get certain procedures done before they lost their jobs,” Kluge said.

In 2008, Blue Care posted profits of $85.6 million, a 72 percent increase from $49.8 million in 2007.

Last year, the 10 largest HMOs in Southeast Michigan increased overall profits an average 11.7 percent to $183.8 million from $164.6 million in 2007.

For the first six months of 2009, **Priority Health**, a Grand Rapids-based HMO with offices in Farmington Hills, went from a $2.5 million loss to net income of $5.5 million.

“We have grown ... and we have done a good job in cutting administrative costs,” said CFO Greg Hawkins.

By automating back office work, membership enrollment and claims systems, Priority cut general administrative expenses by $2.6 million to $51 million.

Another reason for improved profitability has been more effective management of certain high-cost medical procedures, Hawkins said.

For example, after identifying a high number of back surgeries among its members, Priority began requiring them to get an opinion from a physiatrist, a physician specializing in physical medicine, before seeing an orthopedic surgeon for possible surgery.

As members become more informed about alternatives to surgery, Hawkins said, they more often choose rehabilitation therapy over surgery.

Because of lower medical payouts, Priority earned underwriting net income of $782,000 for the first six months of this year, compared with losing $9.5 million in 2008.

“Our members respond well when they are given information,” Hawkins said. “We are considering other educational programs that will help members become more informed about their medical options.”

In 2008, HMOs in Michigan increased premium rates an average 5.5 percent for commercial policies, the second-lowest percentage increase in the past 10 years, according to Allan Baumgarten, a Minneapolis-based health care consultant.

“Increased efficiencies by Michigan HMOs allowed them to improve their income last year — up to a slender 2.6 percent of premiums — despite low premium increases and declining enrollment,” said Rick Murdock, executive director of the **Michigan Association of Health Plans**.

But premiums may be going up more this year to more closely match rising costs, according to interviews with HMO executives and OFIR data.

Hawkins said Priority has increased premiums an average of about 6 percent, although the effective premium increase was lower because some companies changed benefit plans that cut costs.

Kluge said Blue Care increased premiums 7 percent to 8 percent.

Following a trend away from managed care that began a decade ago, commercial enrollment in Michigan HMOs declined in 2008 to about 1.4 million from 1.5 million, Baumgarten said.

A review of OFIR data this year indicates a continued decline in commercial HMO enrollment in Michigan.

Medicaid HMO enrollment continues to increase at a 10 percent clip because of poor economic conditions.

So far in 2009, Blue Care has lost 4 percent of its commercial members, OFIR said.

“There are a significant number of people without coverage because of the economy and job losses,” Kluge said. “We are finding people and companies no longer offering coverage (especially) in the small-group market.”

Since 2007, when Priority Health acquired **Care Choices HMO** from the Novi-based **Trinity Health** to enter Southeast Michigan, Hawkins said Priority has been steadily gaining members.

About 5,000 have been added this year, OFIR said.

Of Priority Health's 364,000 members, which include about 16,000 Medicare Advantage enrollees, about 73,000 members are in a region that spans Southeast Michigan to the Jackson County area, Hawkins said.

Health Plan of Michigan, a Medicaid HMO, also is up about 30,000 members to 197,000, OFIR said.

On the other hand, Detroit-based **Health Alliance Plan of Michigan** is down about 20,000 members to 364,000. **HealthPlus of Michigan** also is down about 8,000 members to 70,000.

Other HMOs posting strong gains in net income include Troy-based **Molina Healthcare of Michigan**. Molina is the largest Medicaid HMO in Michigan with more than 200,000 members.

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