



## *Michigan Association of Health Plans*

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For More Information  
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### **2008 Michigan HMO rate increases among lowest in a decade, report shows**

A new report on Michigan HMOs shows the average monthly premium increase for commercial policies was 5.5 percent, the second lowest in the last 10 years. The report, issued by Allan Baumgarten, a Minneapolis-based health care consultant, also showed that overall enrollment in managed health care plans decreased in 2008.

“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. “It is important to realize that as many Michigan HMOs are non-profit organizations, and reinvest any income into programs that benefit our members, including improved information technology, disease management and proven wellness programs.”

An estimated 2.5 million Michigan residents receive health coverage from HMOs. HMOs provide efficient care that benefits members by developing care management programs that help seek to increase wellness to avoid illness, then care promptly for conditions to keep them from becoming more serious. The annual filings reviewed in the report show that the HMO industry continues to have low administrative expense, meaning more of each premium dollar goes to covering cost of health care of subscribers.

The report showed net income was up from \$109.4 million in 2007 to \$184.8 million in 2008. Murdock noted that nearly half of that was attributed to one HMO, the Blue Cross Blue Shield of Michigan subsidiary Blue Care Network, which had net income of \$85.5 million. The other 17 HMOs, which are members of Michigan Association of Health Plans, divided \$98 million among them.

The number of persons enrolled in commercial HMOs declined again, to below 1.4 million, as employers sought less expensive ways to provide coverage to employees. State laws require HMOs to provide a number of services that employers are deciding they cannot afford. Murdock noted that the current legislation proposed by both the Michigan House and Senate for individual market reform would enable HMOs to provide more flexible options for individual purchasers.

According to the report, an important source of income for HMOs was providing benefits to Medicaid beneficiaries. In Michigan, HMOs compete to provide managed care to Medicaid recipients on a per-recipient basis, and swelling roles increased overall premiums and net income to \$101.3 million in 2008.

Murdock noted that Michigan HMOs have been recognized nationally for their work controlling cost increases per Medicaid patient, with Michigan Medicaid cost increases regularly among the lowest in the nation thanks to the careful cost management of HMOs. More importantly for the state budget, the Michigan Medicaid managed care program has saved the state and federal government more than \$3.6 billion since FY 2000, a fact omitted in the Baumgarten study.

Overall, Michigan's HMOs are recognized as among the best in the nation by the National Center for Quality Assurance. In the most recent rankings printed in U.S. News and World Report, 5 of the top 50 commercial HMOs, 12 of the top 50 in Medicaid HMOs and 2 of the top 50 Medicare HMOs were from Michigan.