

Health Insurers Bid to Take Elderly Poor Out of U.S. Plans

By Alex Wayne - Oct 11, 2011 9:01 PM PT



Physical therapists assist a patient at the Lifelong Medical Marin Adult Day Health Care Center on February 10, 2011 in Novato, California. Photographer: Justin Sullivan/Getty Images



A person eligible for Medicare and Medicaid has most acute medical services, such as hospitalization, doctors' visits and prescription drugs, paid for by Medicare. Medicaid pays for co-payments, nursing homes and other long-term care. Photographer: Justin Sullivan/Getty Images

The U.S. may save as much as \$125 billion over a decade if health insurers manage care for about 9 million people now covered by Medicare because of their age and Medicaid because they're poor, the companies have told Congress.

America's Health Insurance Plans, or AHIP, the Washington-based trade group for insurers, is lobbying the congressional supercommittee studying debt reduction to allow states to hire health plans such as [UnitedHealth Group Inc. \(UNH\)](#) to direct care for the indigent elderly and disabled, whose medical needs now cost taxpayers as much as \$230 billion a year.

More than half of this group suffers from five or more chronic conditions, and their care costs twice as much on average as patients just covered by Medicare, a study published by the insurers' group found. The cost gap is occurring because the programs don't coordinate medical services, said Ken Thorpe, the study author and chairman of health policy at Emory University's Rollins School of [Public Health](#) in Atlanta

Managed care would be "by far a better model of care, and provide better quality, as opposed to what goes on now, which is nothing," Thorpe said in a telephone interview. "You're pretty much on your own, and there's not much coordination at all."

The supercommittee, created by the debt-limit law enacted in August, is seeking about \$1.5 trillion in spending cuts over 10 years. While the committee hasn't indicated where it will make cuts, Medicare, the U.S. health plan for the elderly and disabled, and Medicaid, the joint U.S.-states program for the poor, cost the nation \$876 billion in 2009.

Medicare Pays Most

A person eligible for Medicare and Medicaid has most acute medical services, such as hospitalization, doctors' visits and prescription drugs, paid for by Medicare. Medicaid pays for co-payments, nursing homes and other long-term care.

Only about 100,000 of the elderly poor are now in managed-care plans, said [Karen Ignagni](#), AHIP's president and chief executive officer. Her group's proposal suggests that Congress create a new medical program to replace Medicare and Medicaid for people eligible for both, and pay insurers a per-person fee to provide services.

If such a proposal were passed, the industry payoff "could be in the billions," said [Les Funtleyder](#), a health-care analyst with Miller Tabak & Co. in [New York](#).

"There probably is plenty of opportunity in terms of dollars saved to deal with these very sick people," Funtleyder said in a telephone interview. "The payoff is the delta between what these high utilizers currently cost, and what they could cost if they were getting 'optimal' care."

Cost Concerns

The idea was opposed by [Patricia Nemore](#), a senior policy attorney at the Center for Medicare Advocacy. Putting the indigent elderly and disabled into managed care because of cost alone concerns risks harm to them if insurers cut back on services, she said in a telephone interview.

"There is little evidence that managed care for people who require a lot of medical services is either very good for them or saves much money," Nemore said.

State lawmakers, too, may resist enrolling this group of patients into managed care because of historical distrust of insurers and because most savings would accrue to the federal government, said Joy Johnson Wilson, health policy director at the National Council of State Legislatures in [Washington](#), D.C.

States also would have to pay to administer the managed-care contracts, Wilson said in a telephone interview. "There's really no incentive for states to save Medicare a lot of money if it's going to cost Medicaid a lot of money."

Savings 'Credit'

The AHIP proposal would be more attractive to states if the federal government agreed to pay them a "credit" for Medicare savings, Wilson said.

The program should be voluntary for states, Ignagni said in a telephone interview. They could choose less dramatic forms of managed care, for example hiring insurers to simply coordinate services in the traditional Medicare and Medicaid systems, she said.

“We have the skills and tools and programs that can support better care for this population,” she said.

“Quite a lot of this is making sure people have appointments, that they get to their appointments, that they have transportation support and that one specialist knows what the other is doing.”

Better care coordination could reduce hospital visits, for example, by ensuring patients don't take drugs that cause side effects when used in combination, said Thorpe of Emory. Medicare pays for hospitalization, so a reduction would save money for the federal government.

To contact the reporter on this story: Alex Wayne in Washington at awayne3@bloomberg.net.

To contact the editor responsible for this story: Adriel Bettelheim in Washington at abettelheim@bloomberg.net.