

Few Options Available for the Nearly One Million Seniors to be Dropped from HMOs by Year-End

Only 22 Remaining Medicare HMOs are Financially Strong

By year-end 2000, nearly 934,000 seniors on Medicare will be dropped from their HMOs, on top of the 700,000 that were dropped in 1998 and 1999. But unlike the experience of previous years, when most seniors could still find alternative HMOs that might accept them, next year they will have few remaining options, according to a study by Weiss Ratings, Inc.

Among the 237 HMOs reviewed by Weiss that opened their doors to Medicare beneficiaries in recent years, 147 will have fully or partially abandoned the business by Dec. 31. This leaves only 90 HMOs (17 percent of the HMOs rated by Weiss) that are continuing to maintain their current Medicare business, for now.

Among these remaining 90 HMOs, 37 are losing money. They lost a total of \$645 million in 1999, plus another \$82 million in the first quarter of 2000. At the same time, 34 have earned a Weiss Safety Rating of D+ ("weak") or lower. Only 22 have earned a Weiss rating of B- ("good") or better.

"Seniors who have been dropped from their HMO should not rejoin another," commented Martin D. Weiss, Ph.D., chairman of Weiss Ratings, Inc. "The latest Medicare withdrawals greatly narrow the viable choices available to seniors down to just a handful of profitable and financially healthy Medicare HMOs, and even many of these may soon be dropping out of the business."

In 1998 and 1999, Weiss Ratings also advised consumers to avoid re-joining HMOs if possible because of continuing losses that were expected to cause HMOs to drop many more Medicare patients in future years. But at that time, a Medicare HMO was considered to at least be a viable choice for those who could not afford more expensive alternatives; today, it is not.

Dr. Weiss warns that most seniors will be forced into one of three difficult situations: Sub-



standard health care under some form of welfare; Burdensome spending out-of-pocket for bills that Medicare fails to cover; or Medicare supplement insurance (Medigap) that can often be overpriced.

Technology Is Key to Reducing Healthcare Costs

As politicians continue to argue over the solution to affordable health care, many are missing the point, according to a health care executive.

"Technology is the key," said Gregory J. Borca, CEO of Doral Dental USA. "Public and private healthcare entities must begin investing more heavily in technology that impacts major cost centers."

Technology can be used to significantly reduce the cost of administering claims. Doral Dental USA, an administrator of government and commercial dental programs, provides all dentists in Doral-administered programs with proprietary software for filing claims. "Use of the software provides almost 100 percent error-free data," said Borca. "Claims are processed more quickly, and as a result, dentists are paid on a more timely basis."

The focus on technology allows Doral to administer dental programs at a cost that is significantly below industry standards and has helped launch a decisive attack on fraud. According to the Health Care Financing Administration (HCFA), annual healthcare costs in the United States now exceed \$1 trillion. A study of private insurers, conducted by the National Health Care Anti-Fraud Association (NHCAA), estimated annual losses due to fraud at 3 percent to 5 percent of total health care expenditures, or approximately \$30 billion to \$50 billion a year.

Losses in governmental programs are equal-

ly compelling. In 1995, for example, the U.S. Department of Health and Human Services launched Operation Restore Trust, a pilot program in five states to fight fraud and abuse in Medicaid and Medicare. According to a HCFA fact sheet, during the first two years of the project, the program identified \$23 in overpayments for every \$1 spent in certain areas of Medicare.

Doral Dental uses data obtained through computerized claims to flag potential cases of fraud, waste, and abuse. "We measure quality and quantity components for individual dentists and offices, and compare them to other dentists within the same state or HMO," said Borca.

For example, Doral employs three separate statistical analyses that evaluate dentist behavior in a weighted format, individually as well as collectively. Dentists who score high in one report or have a high cumulative score are examined more closely.

"The first statistical evaluation utilizes a proprietary qualitative measurement tool that measures 31 relationships among dental procedures," said Borca. "This measurement compares the outcomes of various treatments that an office performs with the average outcomes of all offices in the network."

When evaluating dentists, one measurement counts the number of times a filling is redone on a tooth by the same office in a specific time period. Another measures how many teeth are extracted right after they receive fillings. A high level of variance warrants a closer look.

Finally, Doral also measures the relationship among various codes submitted for treatment. This measurement looks for upcoding, a common form of fraud.

"Despite the healthcare industry's slow acceptance of technology as a means of combating fraud, technology has never been more essential to stopping wrongful behavior and recouping losses," Borca concluded. "But the recovery of dollars lost to fraud will help maintain affordable premiums for those with private healthcare insurance, and provide more services for those in government-sponsored programs. That alone is a reason to take advantage of the benefits technology provides."