

# The Minnesota Marketplace: Where's the Competition?

Schering/Key

Health Care Conference

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*Presented by:*

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# Presentation Outline

- Approach to local market analysis
- Health plan trend analysis
  - Enrollment and market share
  - Financial performance
- Competition in the market
- Purchaser initiatives
- Provider integration and concentration

# Approach to Market Analysis

- Emphasis on local markets
- How different sectors interact: health plans, purchasers, providers, consumers
- How do developments have impact across sectors - example of Medicare Risk plans and provider capitation strategies

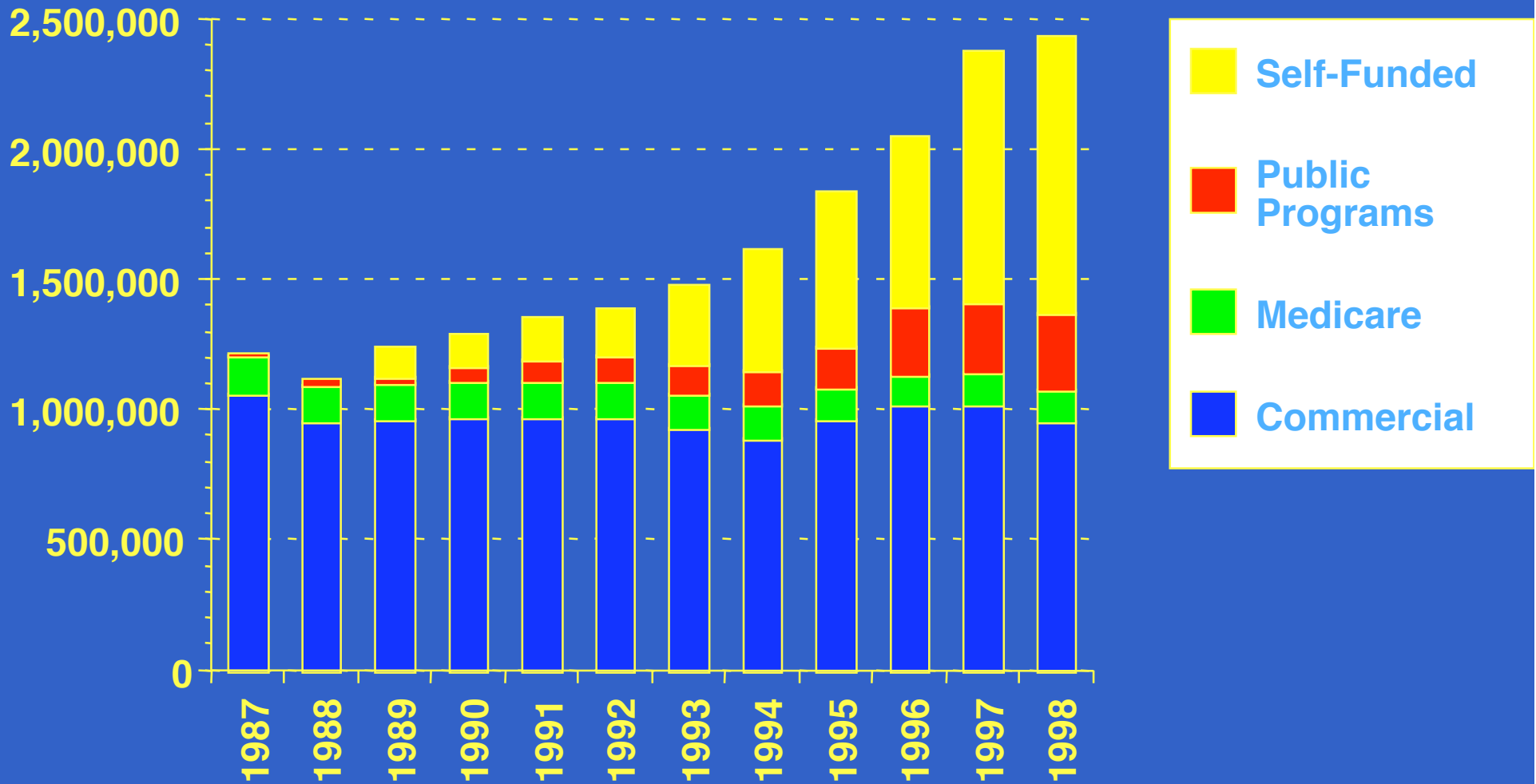
# Key Themes

- Watch **concentration** in health plans, hospitals, physicians and purchasers - but not exclusive?
- Distinguish **metro area** and outstate MN
- **Insulation** from national, for-profit HMOs and hospitals

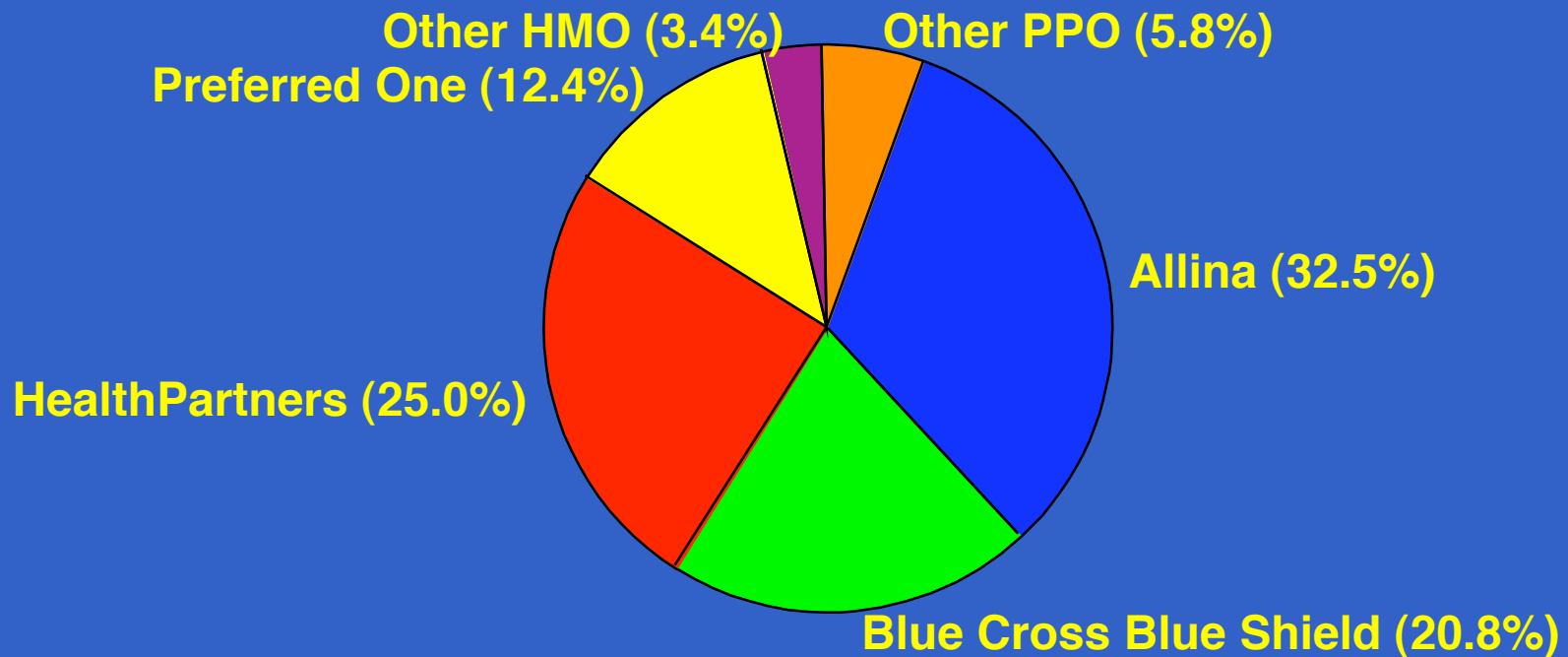
# Historic High Points

- Non-profit HMOs and hospitals
- Early waves of consolidation
- Encouragement for managed care
- State initiatives
- Wholesale and retail models - who owns the covered lives
- Absence of a competitive market

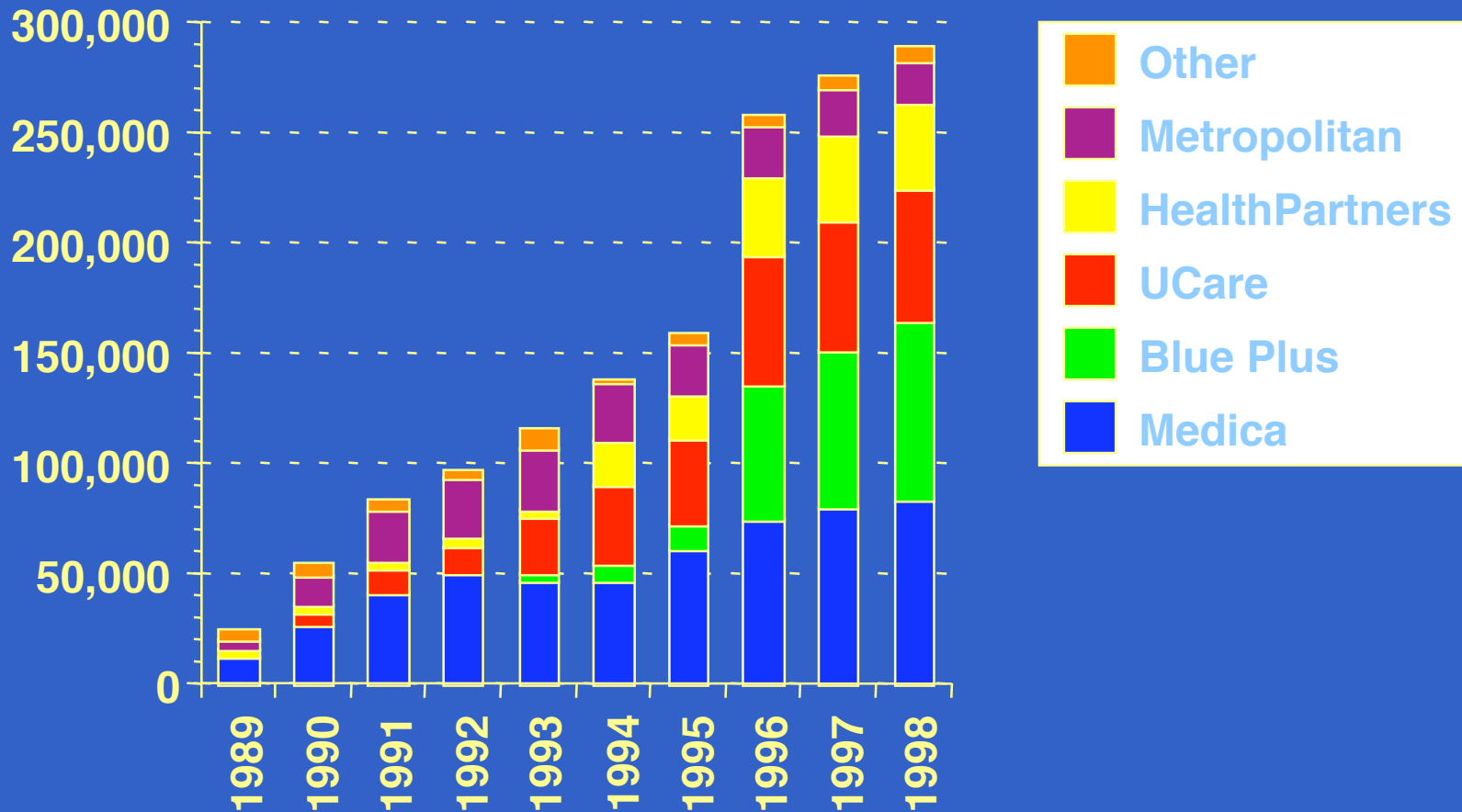
# HMO Enrollment, 1987-1998



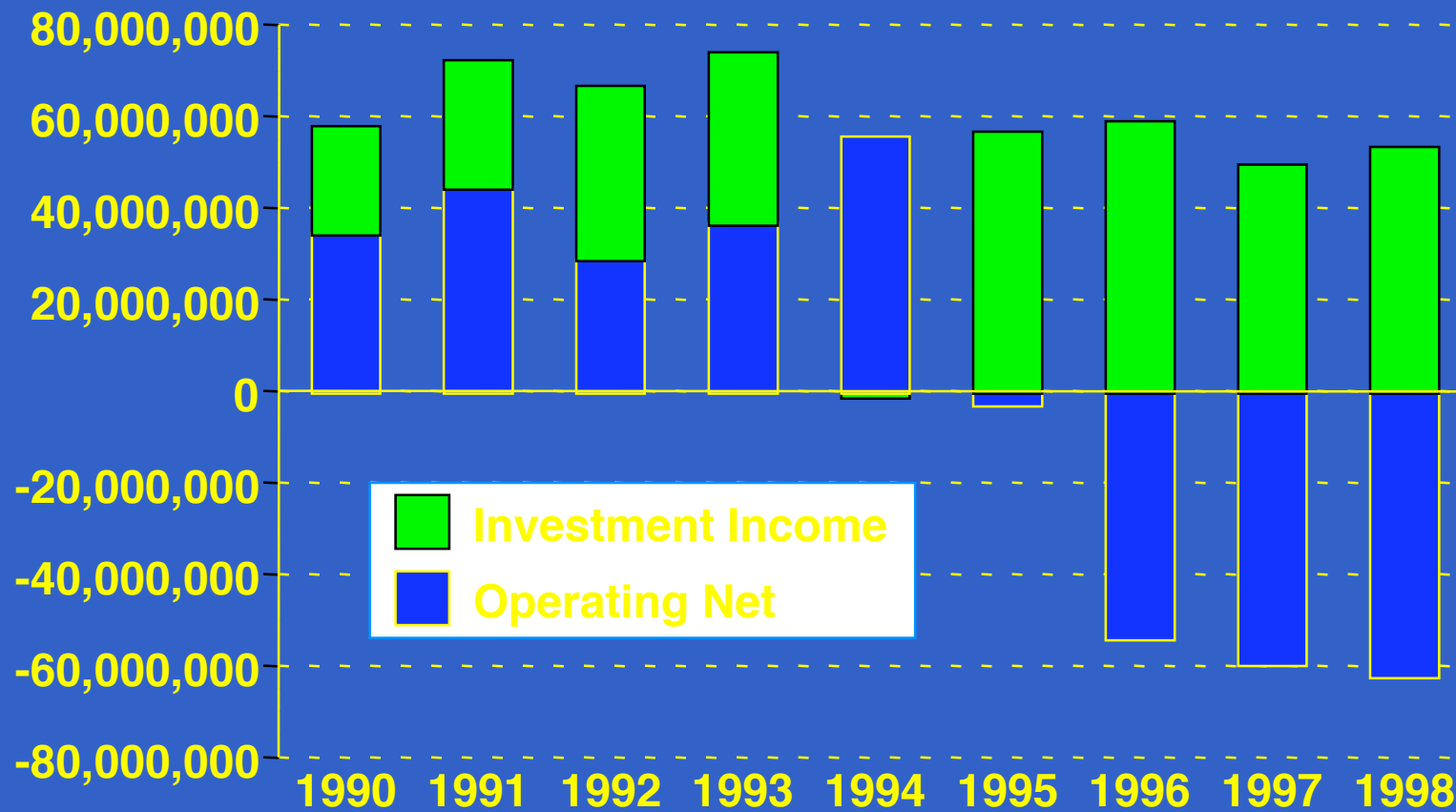
# Managed Care Market Share Metro Area



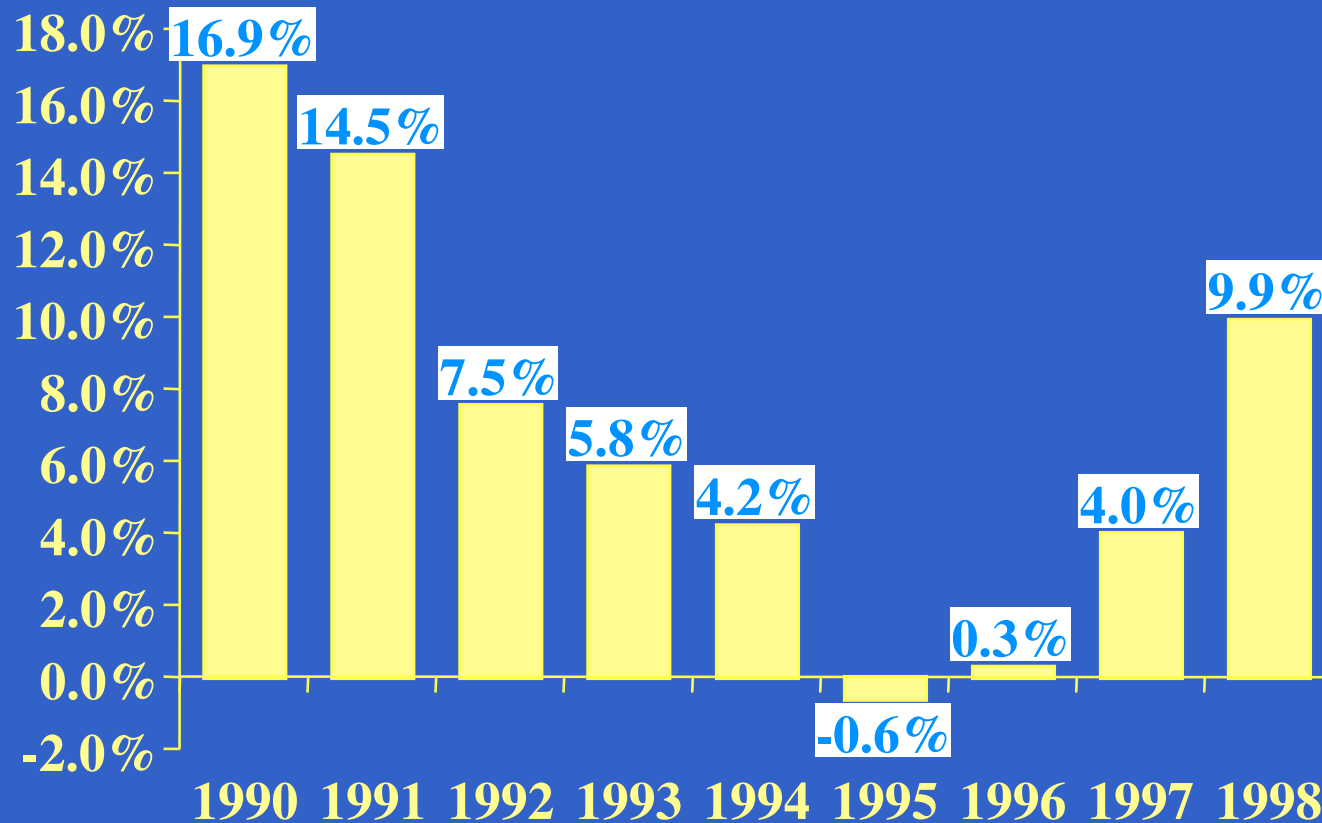
# Growth in Public Plans



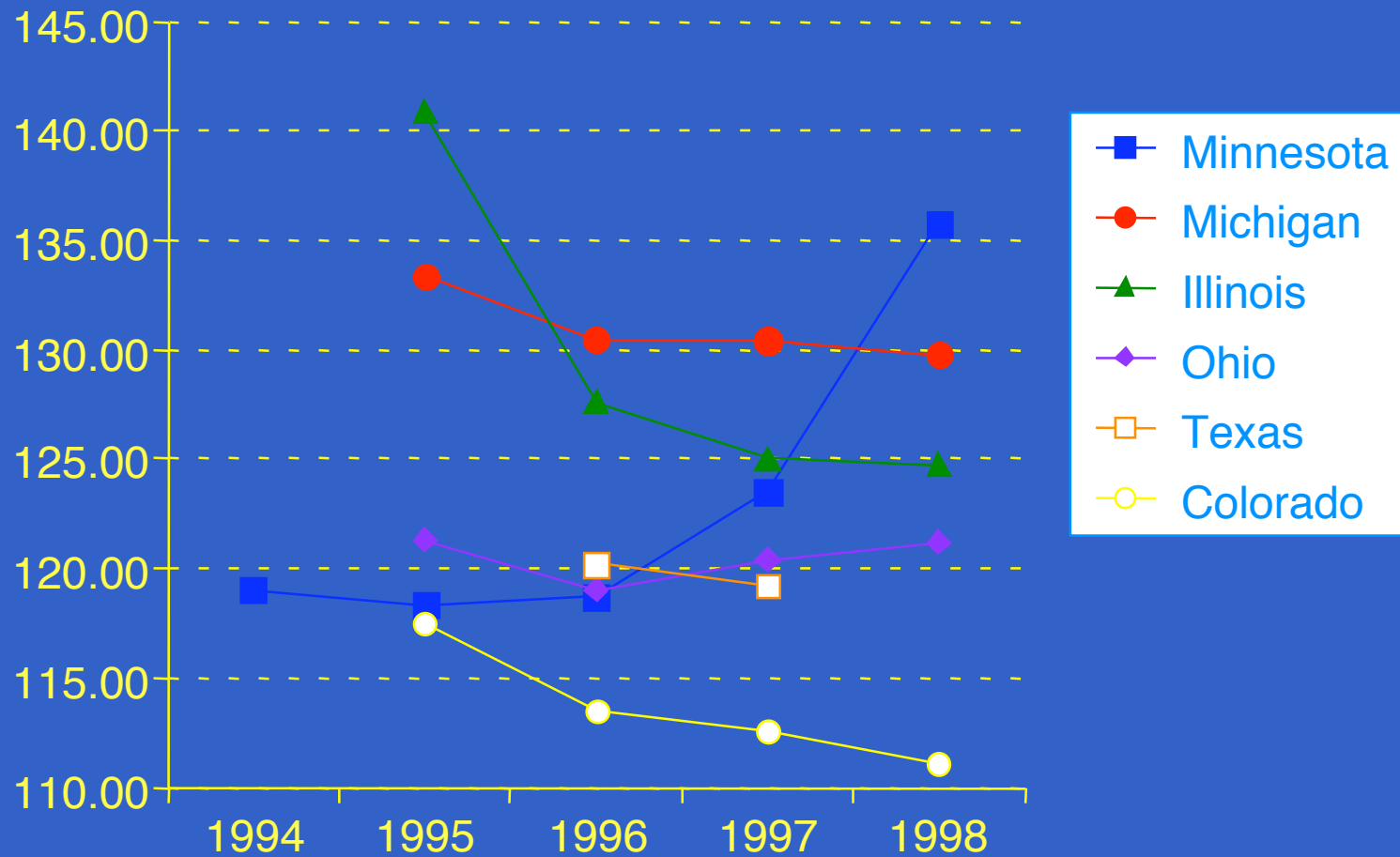
# HMO Profits: From Investment Income or Operations?



# HMO Premium Revenue Growth, Per Member Per Month



# HMO Premium Revenue, PMPM



# HMO Cost Issues

- Pharmaceutical costs
- Inpatient utilization
- Cost of open access and provider choice
- Demographics is destiny? Can HMOs keep up with demographic trends? Why not?
- More money for providers? Not!

# Clinical Performance Measurement and Reporting

- Use of information by:
  - consumers
  - employers
  - physicians
- Which demand do you respond to?

# Purchasers - Buyers Health Care Action Group

- Purchasing collaborative or health plan?
- An agenda for health reform?
- Issues:
  - Number of lives sufficient to move agenda?
  - Employer commitment to enroll, steer employees
  - Evolution of care systems

# Medicaid: HMOs or County Purchasing?

- Medicaid has been profitable for HMOs
- Counties are concerned about cost-shifting, lack of integration with public health and social services
- Medicaid enrollment dropping overall

# Provider Integration and Consolidation

- Trying to regain economic power
- PHOs and GPWWs fell short. What next?
- Multi-specialty groups dominate outstate
- Consolidation of metro-area specialists
- Toward further physician consolidation?

# Trends in Provider Payment

- Most HMOs pay less than 25 percent of health expenses through capitation
- Pendulum swings - providers lose interest in accepting risk

# Naming/Branding Your Organization

- In Colorado: Exempla, Centura, Antero, ProActa and Millennial
- In Ohio: the Meridia Hospitals will put the Cleveland Clinic name on
- In Minnesota: Fairview or Allina
- Angina: The Cardiac Care Network

# For More Information

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