



## Sept. DTR Analysis: Population differences key in to the HMO trends

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In the highest-enrollment states, not only are there higher populations generally, but the population also is more concentrated, and HMOs operated there successfully for longer periods before the anti-managed care movement began to really get legs, according to one expert.

"California, for example, historically was a leader in the founding and development of HMOs," says Cynthia Marcotte Stamer, a partner with Epstein Becker Green Wickliff & Halls' national healthlaw practice. "The concentration of facilities, providers and populations also historically allowed California to achieve better the underwriting and operational assumptions necessary to cost-effectively provide a range of care to concentrated populations," she says. "The Knox-Keene legislation formalized the existence of HMOs. The population in California also has a historically positive experience with Kaiser and other HMO and managed care arrangements."

Other states, such as Texas, and those in the Midwest, were relatively latecomers to the HMO marketplace. PPO enrollment always has exceeded HMO enrollment in these regions for a variety of reasons, according to Stamer. "Part of this likely is attributable to population differences that affect the viability of the HMO model in a wide number of states," she says. "Their populations are more geographically disbursed, making it more difficult to achieve the concentration of facilities and enrollments necessary to enroll large populations. Their populations, as a whole, also have exhibited more attitudinal resistance to closed model HMOs. Overall, people in these lower enrollment states have tended to feel less secure about giving up their choice of physicians and facilities attendant to HMOs."

These attitudinal differences are reflected in the early enactment in states like Texas of patient choice legislation, protecting the right of even HMO enrollees to opt out at the point of care. "The enactment of these and other 'anti-managed care' regulations in Texas and elsewhere in recent years has further undermined the viability of the HMO models for many vendors by restricting their ability to operate their care delivery systems in accordance with the assumptions of the HMO model," Stamer says.

In recent years, historically high-enrollment states also have seen changes in their enrollment in HMOs, as well as in the historical providers. "The experience of many states, including California and Hawaii, has been that healthcare inflation catches up with HMOs," Stamer says. "In recent years, premiums and costs for HMOs has risen in many areas at or above the rate of costs for PPO and other types of plans. HMOs also are subject to general healthcare inflation. The inflation tends to undermine the stability of their populations, undermining their ability to realize the anticipated offsetting savings that most HMO business models assume."