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**BCBSF's Response to Points in St. Petersburg Times Article
"Report: HMOs cost millions less" -- 03/18/93**

On March 18, 1993, the St. Petersburg Times published an article on a few points from a 65-page Auditor General report on "preliminary and tentative audit findings" of the State employees' health care plans. BCBSF's responses to these points (as quoted in the article) follow:

Point: "The State could save \$45 million a year by insuring its employees through health maintenance organizations or HMOs, rather than through a traditional insurance program."

Response: BCBSF agrees that HMOs are dramatically reducing the cost of health care services. BCBSF's Health Options -- one of Florida's largest HMOs covering covers State employees in 23 counties -- has reduced its annual medical cost inflation rate to 6%, as compared to a Florida HMO average of 14% and a national HMO average of 16%.

BCBSF believes that the draft report's claim of \$45 million in cost savings is unlikely to be realized:

- (1) HMOs can not be made available to all State employees in every Florida county. In fact, HMOs have already been established in nearly every area in which cost-effective HMOs can be established. Furthermore, additional HMO capacity would be needed in some areas.
- (2) The State's self-insured program's population is older and less healthy than those employees who choose to join an HMO. If every State employee were put into an HMO, the HMO population would be of relatively higher risk and the premiums HMOs charge would increase.
- (3) There are clear tradeoffs to be made in encouraging State employees to accept more managed care features in their health plan (e. g., access to care vs. more cost control). BCBSF supports providing reasonable and fair incentives to State employees to encourage enrollment in health plans with more managed care options.

Point: "The auditors said 72% of those in HMOs were satisfied with their coverage, while 52% of those in the other plan said they were satisfied."

Response: BCBSF is pleased that HMO enrollees are satisfied with their coverage since many State employees have chosen Health Options. These findings support the fact that member satisfaction does not have to be sacrificed when providing cost-effective health plans.

State employees are also very satisfied with their self-insured plan:

Response: 80337 (table and narrative) reports the savings of the State. 80337 a savings has been made which is 80337 a other large amount who have found the savings to be significant.

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- (1) An independent research firm found in December 1992 that 90% of State employees in the self-insured plan are satisfied with the plan.
- (2) More than 70% of State employees residing in those counties with HMOs choose to remain in the self-insured programs (according to the draft, preliminary Auditor General report) despite the fact that self-insured benefits have been reduced in recent years.
- (3) The draft, preliminary Auditor General report found that only 7% of State employees were dissatisfied with the self-insured plan.

The draft, preliminary Auditor General report found that the #1 reason why State employees chose the self-insured plan is the "freedom of choice/more choice of providers". Therefore, State employees' high satisfaction with the self-insured plan using BCBSF's PPC provider network is easily understandable as it:

- is operational in 65 of Florida's 67 counties;
- is accessible to more than 98% of Florida's population;
- includes more than 15,400 physicians, 140 hospitals, and 112 independent laboratory sites.

Point: "The report said the HMO option is clearly saving taxpayers' money, while the self-insured plan is draining taxpayers' dollars year after year."

Response: The Trust Fund for the self-insured plan has a surplus in FY 92-93 (not a deficit). Much of the surplus can be attributed to the low medical inflation rate (9%) of BCBSF's PPC network in comparison to other States' employee plans (13%), the Florida average (13%), and the national average (19%). Also, the population in the self-insured plan is older and less healthy than the HMO enrollees.

Point: "The audit said the Department of Management Services, which coordinates State pay and benefits, has established insufficient controls 'to provide reasonable assurance that BCBSF has fairly and accurately reported the cost savings achieved as a result of its cost-control activities'."

Response: BCBSF fairly and accurately reports its cost savings to the State. BCBSF's savings reports have been audited by BCBSF's other large customers who have found the reported savings to be accurate.

BCBSF welcomes -- and has repeatedly offered to finance -- an independent audit (by a Big 6 accounting firm selected by the State) of the State's self-insured plan to verify BCBSF's cost savings.

Although auditing how employees receive their State money, the savings will be considerably less than the \$45 million figure reported by the Auditor General in his preliminary report to the state. The mathematical calculation cited in the report does not result in an accurate estimate of the amount of money that will be received by employees because it does not take into account the fact that the Auditor General's report is based on a sample of employees in 1970. The Auditor General's report is based on a sample of employees in 1970. The Auditor General's report is based on a sample of employees in 1970.