



Businesses Are Looking At HMOs

Presented by



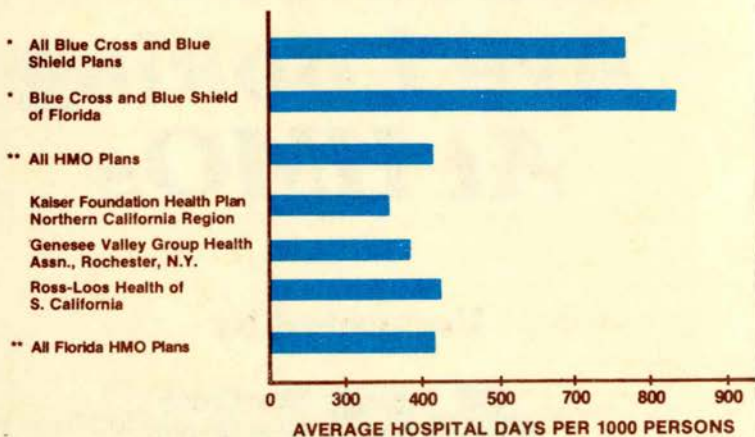
**Blue Cross
Blue Shield**
of Florida

HMOs: Are They The Answer?

Rising health care costs are forcing all of us -- businessmen, insurers, and consumers alike -- to look at ways to contain these costs. One alternative to the traditional health insurance program is the Health Maintenance Organization (HMO) which has proven popular for many years on the West Coast of the United States and is gaining momentum in other areas of the country, including Florida.

Blue Cross and Blue Shield of Florida is committed to seeking cost containment alternatives to health care delivery and financing and believes the HMO concept is one which merits careful study and consideration. Data to date show that those enrolled in HMOs experience approximately 30 - 50% fewer hospital days per 1,000 persons than comparable populations having traditional health insurance. Reduced hospitalization can be reflected in overall health costs.

COMPARISON OF HOSPITAL UTILIZATION RATES (HOSPITAL DAYS PER 1000) BETWEEN NATIONAL TRENDS, BC/BS COVERAGE AND SELECTED HMOs



* First Quarter 1980 rate for all groups

** Annualized median rate as of June 30, 1979

SOURCE: Blue Cross and Blue Shield Association: July 1980

U.S. Department of Health, Education and Welfare: June 1979

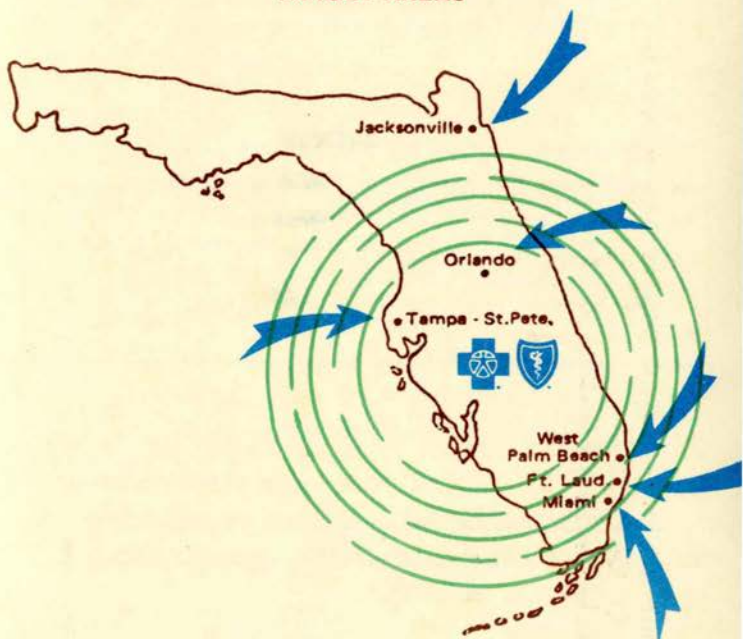
Blue Cross and Blue Shield of Florida's Approach to HMOs

Employer groups, representing the major purchasers of health care, are seeking alternatives to the traditional health care delivery and financing mechanisms. In response to the business community's concern for cost containment efforts, we feel an obligation to study the HMO concept.

We are presently conducting a business venture analysis to determine if a Blue Cross and Blue Shield sponsored HMO is feasible.

First, a target area analysis will include an employer survey of the major health care purchasers in six metropolitan areas of the state. In this analysis, employers' potential interest and receptiveness toward a Blue Cross and Blue Shield sponsored HMO will be evaluated.

TARGET AREAS



Second, a detailed study will be conducted in a selected geographic area, based on the results of the target area analysis. We will perform analyses related to the acceptance of HMOs by employers, employees, physicians, hospitals and many other community organizations. Similarly, we will investigate all legal issues and most importantly, the financial viability of the HMO organization. Blue Cross and Blue Shield will not commit resources to HMO sponsorship until we are assured that the venture can be successful.

We feel our best chances for success will result from exploring one area at a time. Subsequent geographic locations may be selected on a prioritized basis for future studies.

**BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.
HMO BUSINESS VENTURE ANALYSIS
TASK IDENTIFICATION**

| TASK | TIME | | | | | | |
|---------------------------------------|------|------|---|---|---|--|------|
| | 1980 | 1981 | | | | | 1982 |
| Market Analysis | | ■ | ■ | | | | |
| Financial Analysis | | | ■ | ■ | | | |
| Provider Analysis | | | ■ | ■ | | | |
| Legal Analysis | | | | ■ | | | |
| Management & Decision Making Analysis | | | | ■ | | | |
| Recommendations | | | | | ■ | | |

The business venture analysis should be completed by early 1981. At that time, a recommendation will be made to the Board of Directors regarding the feasibility of the Florida Plan's sponsorship and participation in an HMO.

Major Employer Concerns

As a result of our preliminary work to date, we have documented a number of concerns that employers may have regarding HMOs. You may share some of these as well as have additional ones. We do not profess to have all the answers, but feel it is important to begin a dialogue by addressing the concerns listed below:

- Will an HMO reduce my present health care benefit costs?
- Is there a difference between a state licensed and federally qualified HMO?
- Do I have to contribute any more to an HMO benefit package than to the traditional program I now offer my employees?
- Under what conditions must I offer an HMO to my employees?
- If I offer an HMO, do I have to arrange for payroll deductions?
- What is the major cause of HMO failure? How many HMOs have failed?
- What role does the Federal Government play in HMO development and operations of existing HMOs?
- Is the HMO program subject to ERISA reporting requirements?
- Are HMO premiums experience or community rated?
- What protection do HMOs and enrollees have against insolvency?
- How is the HMO organized to deliver health care? How many physicians are involved?
- Can an employee convert on a non-group basis?
- Can an employee and spouse separate coverage?
- What assurances does the enrollee have of receiving high quality health care from an HMO?
- Can an employer offer an HMO exclusively as the company's health benefit program?

If you have not already thought about these, you may wish to begin now. If we can be of assistance at any time concerning our work on this subject, please contact us.

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