

. LARGEST MANAGED CARE  
DRGAMZATIONS

Ch

By PETER Kenn

Even without Federal health-care reform, the nation's \$300 billion health insurance industry is on the verge of a transformation. Many of the nation's 500 or more health insurers are expected to be driven out of the field in the next few years as the industry shifts its business away from traditional insurance and toward the delivery and management of health care.

This process will undoubtedly speed up under a health-care plan expected from the Clinton Administration. Analysts predict that such a plan would drive tens or hundreds of thousands of health insurance agents out of their jobs and speed the pace at which Americans are compelled to join health maintenance organizations.

invested in HMO's:

In the end, they say, the health-care changes would also come as a tremendous boon to the industry's giants: Prudential, Cigna, Aetna, Metropolitan Life and Travelers as well as the nonprofit Blue Cross and Blue Shield plans. Those companies stand to benefit because they have already invested billions of dollars in health maintenance organizations, a way of controlling costs that is favored by the President's health policy planners.

The impact of such changes on the PPHC is hotly debated. Small companies say that the increased concentration expected to result from the Clinton Plans would eventually hurt consumers by centering too much power and business in large companies. The '80s Companies are not as innovative or responsive to the public. The small

, 1

Hi

i

f;

65.

companies say.

But the live his commercial insurers, which have formed their own lobbying group to support the Administration's approach, dismiss such arguments. They say that many traditional indemnity insurers that have looked to insure only the healthiest customers would hardly be missed. Whatever happens in Washington, economists, analysts and insurance company leaders say most Americans in the next few years will find themselves changing health insurers or dealing with insurers that have changed vastly.

"The traditional indemnity health insurance industry is biologically ex-

tinct," said Alain C. Enthoven, a Stanford economist and one of the architects of the type of health-care change embraced by Mr. Clinton and known as managed competition.

"Those changes are already under way. It will just happen faster if managed competition comes into being."

Besides the giants that have committed themselves to becoming operators of H.M.O.'s, the industry is made up of a hodgepodge of companies. They range from relatively large insurers like the Guardian Life Insurance Company of America, which insures more than a million people, to tiny operations like the Universe Life Insurance Company of Lewiston, Idaho - many of whose 150,000 rural customers found their insurance through associations of and poultry farmers.

As medical costs have spiraled upward, some insurers have invested billions of dollars in H.M.O.'s and other systems designed to control what services are used and what patients are charged.

-45

The New York Times

By last year, 41 million Americans had already enrolled in H.M.O.'s, up from 19 million in 1985, according to the Group Health Association of America, a trade organization of H.M.O.'s. Of all H.M.O.'s, 42 percent are owned by commercial insurance companies or Blue Cross-Blue Shield. Some H.M.O.'s employ doctors in a clinic or hospital-like buildings. Others run networks of hundreds or thousands of doctors who practice in their private offices. In either case, people joining H.M.O.'s must usually abandon the traditional system of choosing any doctor they want and being reimbursed from health insurance plans. . . .

H.M.O.'s Ready to Grow

Kenneth S. Abramowitz, an analyst at Sanford C. Bernstein, a Wall Street research firm, said that even without any new Federal health-care changes, the percentage of Americans with private health insurance who are enrolled in H.M.O.'s would grow from the current 24 percent to 34 percent in the year 2000. The process, he added, would be much faster under managed competition. He would envision the insurance companies transforming themselves into H.M.O.'s or getting out of the business," Mr. Abramowitz said.

The precise impact on the health insurers would depend on the structure of the health alliances, and there is still much debate over which insurer-