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On the Hot Seat

Challenges mount for health plans



(John L. Ioven Jr./Globe Staff)

Lora M. Pellegrini, president, Massachusetts Association of Health Plans

Lora M. Pellegrini took over last year as president and chief executive of the Massachusetts Association of Health Plans and has been the industry's leading voice in its fight against the Patrick administration's insurance rate caps for small businesses and individuals. She previously served on the staffs of two governors, as chief adviser for government affairs for Deval Patrick and on the legislative staff of Michael Dukakis. Pellegrini spoke with Robert Weisman, the Globe's health care business reporter, last week at the association's offices across from Government Center.

How's the health insurance business doing in Massachusetts today?

Over the past several years, plans have not been making money. They've been operating in the red. It's a very challenging environment. And it's been made even more complex by the recent actions of the governor with the rate caps and the

beginning of implementing federal health reform efforts, which are going to put a lot of strain on the system.

Do you see consolidation among the state's health plans?

I don't at this time. Each plan really offers something very unique, particularly the smaller regional players. But you never know. After seeing what just happened with Caritas [the sale of Caritas Christi Health Care to private equity firm Cerberus Capital Management], it's a changing environment. But at this time, I don't see any consolidations on the radar screen.

Early this year, Attorney General Martha Coakley issued a report pointing to the market clout of the best-paid hospitals as a major driver of health care costs. Do you agree?

I absolutely do. Anecdotally, we knew this prior to the report. But after she subpoenaed thousands of documents, that's the same conclusion she came to. I think this is the definitive report on what's driving health care costs in the Commonwealth. Unfortunately, the governor and some policy makers have chosen to ignore it. But if you really want to get to lowering health care costs, it starts with people reading the attorney general's report and the Division of Health Care Finance and Policy report, which both point to the same thing: market power.

Coakley's report also said Massachusetts health insurers pay some hospitals and doctors twice as much as others for the same patient care. Why do insurance carriers do that?

It's really so their members are not put in the middle. There are relationships that members have with some of these high-paid institutions. And to all of a sudden pull the plug and not contract creates major disruption for members. It's very difficult, particularly if they have ongoing care, to have to make a decision like that. So I think the plans try to get to "yes." In the early part of 2000 when Tufts Health Plan came to a crossroads with Partners [owner of Massachusetts General and Brigham and Women's hospitals], we saw the reaction from both the employer community and members who didn't want to see their service disrupted. And that really forced Tufts to go back to the table. So it's really complicated. It's not as easy as just saying "no." Because people's lives and their care are in jeopardy.

You've said you believe Governor Patrick's cap on insurance rates for small businesses and individuals was politically motivated. Do you expect the cap will go away after the election?

It's hard to say. The plans prevailed on the law. There were threats that the Division of Insurance wouldn't go away, so a lot of plans settled as a business decision. But they were legally right on the merits. For our plans, which were making no money, it was kind of ironic to cap their rates. And it was really disingenuous of the governor to cap the rates when he really could have used the bully pulpit to drive the agenda set out by the attorney general in her report and bring hundreds of millions of dollars of savings to the health care market and to consumers and small businesses rather than the pennies he saved.

The push for health care payment reform got derailed in the last legislative session. What are its prospects now?

I think Governor Patrick, if he's reelected, will make this really central. But the phrase "the devil's in the details" fits so appropriately when you think about payment reform. Because in concept, the idea of paying providers on a global budget, rewarding quality, is absolutely the right way to go. But in practice, it's going to be very, very difficult to change behavior.

Harvard Pilgrim Health Care recently dropped its Medicare Advantage plan, a form of supplemental insurance for people over 65. Will others follow suit? And is this because the US government is cutting back reimbursements to fund its health care overhaul?

It's hard to say what carriers in Massachusetts will be doing when it comes to Medicare Advantage, but I think there will be extraordinary pressure on all carriers throughout the country as they try to preserve the program . . . I worked at Harvard Pilgrim for 13 years, and I worked on this issue and spent a lot of time in Washington. And I think for several years we saw death by a thousand cuts. There was not really support from a Democratic Congress for the program. So I'm not surprised that Harvard Pilgrim had to pull out of the Medicare Advantage product. It was a terrific product for seniors, and we had great testimonials. But they did use Medicare Advantage to fund part of federal health reform.

Health care providers have cited insurers' administrative costs as a factor in pushing up medical prices. What do you say?

We're working very hard to rein in administrative spending. But it's not where the money is. The money's in the 90 percent [of the health care dollar] on the medical side, not in administrative spending. I can understand why the hospital association and others want to change the conversation and focus on administrative spending. But I think the AG's report showed where we need to be focused if we really want to get medical costs under control.

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