



Healthcare Association
of New York State

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**ANALYSIS: HMO NET INCOME IN NEW YORK MORE THAN THREE TIMES
HIGHER THAN THOSE IN NEIGHBORING STATES**

New York Plans Grossly Out of Balance with Region

Employer Premiums and Patient Co-Pays Subsidizing Excessive HMO Income

Yet Majority of Hospitals Continue to Lose Money or Break Even

ALBANY, NY — An analysis of health maintenance organization (HMO) net income recently completed by a leading independent health insurance research organization has found that HMO income in New York State last year doubled and even tripled HMO income in neighboring states.

In a chart summation included in its Summer 2008 “Tri-State Health Plan Analysis,” the Health Leaders Inter-Study, a national health insurance policy analysis and reporting organization, found that 2007 HMO per member, per month net incomes were \$9.86 in New Jersey and \$6.15 in Connecticut. HMO income in New York, however, was a staggering \$21.96 per member, per month—more than double those in New Jersey and triple those in Connecticut. Net income is defined as excess revenue after paying for medical claims and other expenses.

The finding adds fuel to health care provider concerns that excessive health insurer income in New York is a primary reason why a majority of New York State hospitals cannot generate the revenue necessary to keep pace with evolving health care services. In fact, New York’s capital-starved hospital infrastructure is among the oldest in the nation.

Historically, HMO reimbursement to providers in New York has been significantly lower than reimbursement rates for the same care provided in New Jersey and Connecticut. This artificially low reimbursement significantly disadvantages New York providers, restricting their ability to invest dollars into their facilities.

A recent, separate analysis by the Healthcare Association of New York State (HANY) (www.hanys.org) found that more than half of New York’s hospitals lost money or barely broke even in 2006, the most recent year for which complete full-year hospital financial information is available. Additionally, a national analysis of hospital financial condition completed by the American Hospital Association ranked hospital operating margins in New York as the second worst in the nation. Both New Jersey and Connecticut ranked higher.

“What we are seeing in the Health Leaders Inter-Study analysis is irrefutable evidence that the health services delivery system—the facilities where people go to get the care they need—is literally being consumed by excessive health insurance income,” HANYS’ President Daniel Sisto said. “These are dollars hospitals need for new technologies, medicine, staff, energy, and other operational costs.

“Moreover, these are dollars that insurance premium payers are investing at great personal and corporate cost to make sure they have access to the care they or their employees need,” Mr. Sisto added. “When such vast sums of dollars that could go into patient care instead show up as HMO income, it only serves to bolster our belief that insurers possess the means to invest more into New York’s health care delivery system.”

Neil Abitabile, President of Northern Metropolitan Hospital Association (www.normet.org) said, “Too often there is a tendency to blame the high costs of health care on providers. These data show clearly that HMO income plays a large role in excessive health care costs. It also leaves little wonder why the health and hospital systems in New Jersey and Connecticut are in better financial condition than we are here in New York.”

HANYS, the only statewide hospital and continuing care association in New York State, represents more than 550 non-profit and public hospitals, nursing homes, home care agencies, and other health care organizations.