

Conversation Starters

Are health insurers really on the way out? Not so fast

by **Tim Frischmon**



A recent op-ed in the New York Times by two former advisers to the Obama administration has caused a stir in healthcare circles with its assertion that health insurers will be “extinct” by 2020 due to the introduction of accountable care organizations (ACOs). Some industry have weighed in with rebuttals but, as someone who speaks with industry leaders on both the payer and provider side on a daily basis, I think there are a few points that need to be made.

There is a basic truth to the article by Ezekiel J. Emanuel and Jeffrey B. Liebman. The number of people who are enrolled in a fully insured HMO benefit plan has been diminishing and will continue to be squeezed by the development of health exchanges and ACOs. With 60% of the employer market in self-funded/Administrative Service Only products, the health insurance industry has been responsive to the needs of large employers looking for new and more innovative ways to increase quality of care while helping to

minimize costs (i.e., Wellness, Disease Management, greater consumer involvement in key health care decisions).

But too many of Emanuel and Liebman’s arguments are knee-jerk attempts to throw dirt at insurance companies, and too much of their praise of ACOs ignore the fact that ACOs aren’t truly functioning yet.

The writers fall back on the cliché that insurers “discourage patients from receiving care they need, as well as impose administrative burdens on doctors and patients.” The reality is this: An insurance company is administering the healthcare benefits that the employer agreed to with the benefit design. If the health plan were truly inappropriately withholding care or doing wrong, the employer would be screaming – not just the individual. Bottom line: The insurance company is there to be the bad guy and say no to some requests on behalf of the employer who didn’t want to pay for it.

There are plenty of opinions about the effects of reform on our health-care system, but one that most parties can agree with is this: the fee-for-service environment has created perverse incentives, and

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(Continued from Previous Page)

most hospitals and physicians have been built up around volume regardless of their operational efficiency and quality. But ACOs certainly can't take credit for this; they are simply one possible solution in retooling a system that's needed it for a long time.

Emanuel and Liebman may see themselves as provocateurs, but they come off as a bit naïve when they charge that ACOs will certainly deliver on the failed promise of HMOs: "In the 1990s, we lacked the information technology and proven models of integrated care delivery that we have now. These advances will be crucial in developing a foundation that will allow ACOs to simultaneously improve health outcomes and reduce costs." They speak as if these providers/ACOs are fully prepared and have been doing this for a generation. In reality, most ACO leaders are waiting to see how their new order will perform in its debut, even though some of the ACO concepts are déjà vu to those of us who have been observing

managed care for two decades. There is going to be an enormous learning curve for ACOs, through Primary Care Centered/Clinical Integrated Care, to be able to efficiently manage these populations while maintaining the utmost quality. This shift from an FFS-volume mindset to a capitated population health mindset is going to be a huge cultural change. And as we know, change brings pain, naysayers, and those who will fight to the finish.

The Times article says "a few health insurers see the asteroid coming." In truth, I think the majority have anticipated some type of significant change coming for a long time, and the wisest ones have been working furiously to transform their business models. The payer side of the healthcare industry has seen rumors of its demise exaggerated at least as much as Mark Twain, but their leaders have been remarkably adept at adaptation.

If you really want to learn about the future of health insurers, take a long look at the leaders, and

follow the money. Even as I write this, they are making enormous calculated bets on where the industry will be when the dust settles. No one knows what that will look like, but I expect to see the revamped insurers still standing in eight more years. **FG**



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