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## HIGH-DEDUCTIBLE HMO PLANS PUSHED

### EXPENSE TO CLIMB FOR MANY WORKERS

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Thousands of employees will pay more out of their own pockets for medical care during the coming year because of a new type of health insurance plan that features **deductibles** of \$1,000 or more.

Several Massachusetts health insurers have approval for these plans already and have begun selling them to employers. But insurers are seeking approval from the Division of Insurance for even higher **deductible** HMO plans - as high as \$7,500 a year. Division officials said they're concerned that such high out-of-pocket costs could discourage workers from seeking the medical care they need. Insurers, however, said they are marketing high-**deductible** plans only because employers are demanding them as a way to cope with soaring health insurance premiums, which are expected to rise another 12 to 15 percent on Jan. 1. Insurers offer deep premium discounts on high-**deductible** plans.

"Employers understand that rising health-care costs don't look like they're going to end any time soon," said Jon Kingsdale, a senior vice president at Tufts Health Plan. "In a faltering economy they're looking at different ways they can still afford to offer health insurance to employees. We're trying to provide some options."

Most employees in Massachusetts and nationwide belong to health maintenance organizations or preferred provider organizations, two types of managed care plans. During the 1990s, workers in these plans grew accustomed to generous benefits and very low **deductibles** or none at all. But that is changing.

Next year will be the fifth straight year of rising health insurance premiums, and employers in every state are searching for ways to shift some of the cost to their workers. They also want employees to take more responsibility for choosing the type of medical care - for example, whether they receive surgery at an expensive teaching hospital or a cheaper community hospital. High-**deductible** plans are one way.

No one knows how many Massachusetts employees will end up in high-**deductible** plans: The number will depend on how many employers purchase them and how many decide to stick with traditional health plans or offer both at once.

But so far, Aetna, Blue Cross and Blue Shield of Massachusetts, and Harvard Pilgrim Health Care have received approval to sell HMOs with **deductibles** of \$1,000 for individuals. Blue Cross and Harvard Pilgrim, which have 2.4 million and 745,000 members, respectively, are two of the largest insurers in the state. Harvard

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Pilgrim began selling its high-**deductible** HMO in March and so far 43 employers and 5,400 employees are enrolled. Employers usually receive a 20 to 25 percent discount on their premiums in these plans.

Three or four companies, including Blue Cross, have applied to sell HMOs with even higher **deductibles** - most commonly \$2,000 but up to \$7,500. The division is considering these requests.

"There are a lot of changes in the market right now; employers are asking insurance companies to come up with more affordable products," said Kevin Beagan, director of the Insurance Division's bureau of managed care. "We want to make sure they're not setting up systems that hurt the quality of care. You have to ask whether a \$7,500 **deductible** would dissuade the member from getting any medical care at all because it's so unaffordable. We're being a little cautious before giving the green light."

Alan Rosenberg, Blue Cross vice president of marketing, said the company does not believe high-**deductible** HMOs will stop members from getting the care they need. "Office visits are still available without the **deductible** and we'll continue to monitor both under- and overutilization of medical services by members. We believe physicians will continue to care for members in this plan as they do in other plans."

In many cases, however, the high-**deductible** plans lower costs for the company while potentially raising them for the employee. For example, the average premium for a Massachusetts employee last year was \$5,380. Most companies pick up 80 percent of the cost - \$4,304 - leaving the worker to pay the rest, \$1,076. If the insurer discounts the premium 20 percent in a high-**deductible** plan, the company's cost drops to \$3,443. The employee's cost drops to \$861; however, the employee potentially could pay another \$1,000 in **deductible**.

The Insurance Division in recent months has approved PPO plans with **deductibles** in the thousands of dollars. Insurance officials have less authority to regulate PPOs and cannot consider quality of care when ruling on **deductibles**, giving insurers far more leeway with those plans. PPOs are generally less restrictive than HMOs because they do not require members to obtain a referral to see a specialist.

Blue Cross last month won approval for a PPO that charges individuals up to \$5,000 **deductibles** and families \$12,500 before insurance coverage kicks in. Blue Cross executives said they tried to ensure that members still receive necessary medical care by exempting preventive care such as routine physicals and mammograms from the **deductible**. Members pay the traditional \$15 copayment for these services. But emergency room care, visits to specialists, and surgery all are subject to the **deductible**. Blue Cross just started marketing the plan, which begins Sept. 1.

Tufts Health Plan has asked the Insurance Division for approval to sell PPOs with **deductibles** of up to \$1,000 and \$5,000 for individuals and \$2,000 and \$10,000 for families. Tufts plans to exempt preventive care and mental health visits from the **deductible**.

The division can disapprove plans if they are unreasonable or charge consumers excessive amounts of money, Beagan said. But, he said, the division is struggling to strike a very difficult balance: If they don't allow these products, some small employers may cancel their health insurance altogether, and then workers will end up with no coverage at all.

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