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Humana Medicare HMO to split with Baptist Health

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Two healthcare giants that usually keep their business dealings behind closed doors have gone public about a potential break-up that could affect more than 100,000 Medicare patients in South Florida.

Humana, whose Medicare managed-care plans have the largest enrollments of any health insurer in Miami-Dade and Broward counties, was first to inform its members that starting Aug. 15 Baptist Health South Florida hospitals and physicians would no longer be included in their provider network.

Less than a week later, Baptist Health — the largest healthcare system in the region — issued a letter to customers blaming Humana for the split.

Nancy Hanewinckel, a Humana spokeswoman, declined to elaborate on the disagreement, but left room for a resolution in the coming month.

“We are hoping to reach an agreement with Baptist before the August deadline,” Hanewinckel wrote in an email to the Herald on Wednesday.

But Baptist Health issued a statement shortly afterward, accusing Humana of walking away from their partnership.

“Humana made an unexpected and unilateral decision to terminate its contract with Baptist Health,” read the statement from Eric Shatanof, Baptist Health’s corporate vice president of managed care, network development and medical management. “We were not in contract negotiations, and the contract wasn’t even up for renewal. We have had a longstanding relationship with Humana since 2001, and Baptist Health did not increase its rates to Humana last year.”

In a letter to Baptist Health patients insured by Humana, Shatanof said the change would be effective Aug. 14 for Baptist Health hospitals, and Sept. 14 for Baptist Health Medical Group, the hospital system’s physicians group.

While neither Humana nor Baptist revealed the source of their disagreement, hospital systems and health insurers primarily negotiate one thing: reimbursement rates, or the amount the insurer is willing to pay a hospital or physician for services provided to the insurer’s members.

Insurers typically negotiate discounted rates for service with hospitals and physicians, who in turn expect that insurers will deliver members to their facilities.

Baptist Health has seven hospitals in Miami-Dade and Monroe counties, and more than 30 outpatient facilities in Miami-Dade and Broward.

The larger the hospital system and the greater its dominance of a geographic area, the more leverage that hospital system can exert to extract higher reimbursements from insurers, who then may pass those increases on to employers and consumers with higher premiums, higher deductibles and higher co-insurance rates.

Those prices are kept secret, however, by hospitals, doctors and insurers, who often hide their contracted rates behind confidentiality agreements.

But while those prices are secret, Florida's Agency for Health Care Administration reports that Baptist Health facilities have among the highest average charges in Miami-Dade.

In Miami-Dade, three Baptist Health hospitals ranked among the top 10 in average charges for their facility type in the county.

Doctors Hospital in Coral Gables had average charges of \$66,913, second in the county behind University of Miami Hospital, which had average charges of \$70,601.

Baptist Hospital of Miami had average charges of \$56,590 — fifth in the county — and South Miami Hospital ranked 10th with average charges of \$49,018.

But Baptist doesn't hold all the cards in its negotiations with Humana, a formidable health insurer in South Florida, particularly in Medicare, the federal health insurance program for senior citizens.

According to federal data, Humana had more Medicare patients enrolled in a managed care plan through May than any other health insurer in Miami-Dade or Broward.

The company's Medicare HMO and PPO plans enrolled 43,888 members in Miami-Dade, the federal data show. In Broward, Humana's Medicare HMO and PPO plans enrolled 62,024 members.

Baptist Health facilities rely significantly on Medicare managed care, according to state hospital data, with Baptist Hospital of Miami charging \$485.5 million, or 22 percent of its total 2012 charges, from Medicare HMOs and PPOs.

Doctors Hospital charged \$109 million, or 26 percent, of its total charges to Medicare managed care plans in 2012, the state data show, while South Miami Hospital charged \$144 million, or 15.6 percent, of its total charges to the program.