

Medicare HMOs hit for lavish spending

By Julie Appleby
USA TODAY

Some Medicare HMOs, which recently cut benefits and raised premiums, are spending "exorbitant" amounts on administrative costs, including parties, gifts and tickets to sporting events, two federal reports released Thursday say.

In one report, researchers found \$4.7 million in questionable administrative costs among nine Medicare HMOs, including lobbying and gifts.

► One insurer spent \$249,283 on food, gifts and alcoholic beverages.

► Four HMOs spent \$106,490 for sporting events and theater tickets, and another leased a luxury box at a sports arena for \$25,057.

► Customers, insurance brokers and employees at one HMO were treated to \$37,303 in wine, flowers and other gifts.

"We don't think any reasonable person would believe that Medicare should pay for sporting event tickets, gift baskets or holiday parties," said June Gibbs Brown, inspector general for the Department of Health and Human Services.

In a broader study of 232 plans, Brown's office found wide discrepancies in how much is set aside to administer Medicare HMOs, which often offer more benefits to the elderly and disabled than traditional Medicare. Of every dollar the government pays Medicare HMOs, some spend as little as 3% on running their plans. Others spend up to 32%.

"The administrative costs for some Medicare managed care plans are clearly exorbitant," Brown said.

The reports recommend a 15% cap on administrative spending, which would have saved \$1 billion in 1998. But officials at the agency that oversees Medicare call a cap premature and prefer to first evaluate the effect of new cost guidelines.

The reports, which are contested by the industry, come during fierce debate over how much the government should pay Medicare HMOs.

Insurers say the government isn't paying them enough, which has forced them to withdraw from some regions of the country.

A major insurance industry group questions whether the reports fairly capture the reasons for the wide disparity in spending.

Some small insurers might be spending to expand into underserved rural areas, said Susan Pisano of the American Association of Health Plans. In addition, she said, some plans had to spend more to meet new federal regulations.

On reports of gifts used as administrative costs, Pisano said: "We believe it's unfounded. But if the (the government) is correct, then having these kinds of costs passed on to Medicare is wrong."

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