

## Fourth HMO to enter market

There's a new health insurer coming to town.

Group Health Inc., a large New York-based company, is encroaching on the turf of Western New York's big three carriers, planning to offer coverage for small employers in six area counties within a year.

GHI is preparing to apply to state regulators to extend its health maintenance organization into Erie and Niagara counties. It

would become only the fourth HMO available in the two counties, after those offered by HealthNow New York's Blue Cross Blue Shield of Western New York, Independent Health Association and Univera Healthcare. And it would be the first for-profit HMO in the region.

The HMO, which GHI acquired in 1999, now has 60,000 members and 16,000 providers in 28 eastern New York counties, stretching from Long Island up the

Hudson River through the Albany area to

Glens Falls. It also extends west to Binghamton, but no further, making its latest plan a major expansion.

The company intends to file its application for the two counties by the end of the year. Officials hope to have it approved and effective by the middle of 2005, although most enrollment won't occur until January 2006.

"We think having another option is a healthy thing for the marketplace," said John W. Baackes, GHI's senior vice president of the upstate region. "For those employers that need to have coverage across the state, we might be an attractive alternative."

In addition, GHI has teamed up with nonprofit health networks in Chautauqua County and in Genesee, Wyoming and Orleans counties to provide coverage in

those rural areas. It will offer its HMO under the Chautauqua Plan in that county and its preferred provider organization, or PPO, through the Lake Plains Plan in the other three counties.

Because the PPO is already a statewide product, the Lake Plains Plan is available now. Regulators must still approve the HMO for Chautauqua.

Western New York's health insurance market has long been dominated by its three locally based carriers, all of which are nonprofit and employ nearly 3,000 people here between them. Univera was acquired in 2001 by Rochester-based Excellus, now Lifetime Healthcare Companies, but it's still run separately and locally. So the arrival of GHI marks the first threat from outside the region.

It also comes after all three local firms have undergone change in leadership in the past three years. Alphonso O'Neil-White was named permanent CEO of HealthNow in July, Dr. Michael Cropp last month took over

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Independent Health from founder Frank Colantuono, and Mary Lee Campbell-Wisley succeeded Univera founder Dr. Arthur Goshin in May 2002.

"There's a little bit of a shake-up in the market there," said Micaela Brown, an analyst at HealthLeaders Research in Nashville. "If it's a crack in the armor of the big three, now's a great time for GHI to step in and expand in that area."

And GHI says it doesn't need much to declare victory. "We are under no delusion that we are going to be No. 1, No. 2 or No. 3 in that market in the near future," Baackes said. "But we believe we can be a viable fourth alternative for people who believe it makes sense."

Executives at the big three say they're not worried.

"We believe the needs of the community are already being served," said Stephen Jepson, senior vice president and chief operating officer for Blue Cross Blue Shield of Western New York.

"We've got a lot of faith in our products. We've

been growing tremendously," said Mary Lee Campbell-Wisley, regional president of Univera. "I don't see GHI coming into this community and developing the kind of presence we have here."

"It may be challenging for them to penetrate the market in Erie and Niagara counties," said Joseph Wild, Independent Health's senior vice president of sales and product development.

"Nonetheless, competition is good and always works to the benefit of the employer."

Rival health insurers have mostly stayed out of Western New York, in part because of the dominance of the three local plans, but also because of lower premiums and profit margins relative to other areas.

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The two joint ventures in Chautauqua and the three other counties are organized by nonprofit health networks established to improve the access to health care in rural markets.

Plans call for GHI to process and pay

claims, while the nonprofits market the insurance, provide disease management and wellness services, and coordinate the network of local doctors. The products are designed for small groups of two to 50 employees, although the Chautauqua Plan will administer coverage for large self-insured employers, too.

The Chautauqua Plan includes 135 doctors and all four hospitals in the county - WCA in Jamestown, Brooks Memorial Hospital in

Dunkirk, Westfield Memorial Hospital and Lake Shore Hospital in Irving. The Lake Plains plan has 150 doctors, plus Medina Memorial Hospital, United Memorial Medical Center in Batavia and Wyoming County Community Hospital in Warsaw.

"We've had a lot of dialogue with employers over several years," said Stan Lundine, former New York lieutenant governor and now head of the Chautauqua

Health Network, which sponsors the Chautauqua Plan. "A lot of them are looking at this offering and will make decisions in the next few weeks."

Founded in 1937 and concentrated in the New York City metropolitan area, GHI has been operating upstate since the 1960s, and has a network of about 2,000 participating doctors in Western New York. It offers its PPO and "exclusive provider organization" plans

upstate, with 120,000 participants. That includes about 5,000 here, of which 2,000 are federal employees.

It provides dental coverage for 500,000 customers, including 20,000 here, and mental health benefits for state workers. And it has a telemarketing unit in Buffalo, with 15 employees.

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