

Illinois Health Market Review 2012 finds:
Health Insurers and Hospitals Enjoy Strong Profits;
Implementation of Reforms Creates Opportunities and Challenges

Chicago –Illinois health plans and hospital systems enjoyed strong profits. However, inpatient hospital days are dropping even while hospitals systems invest heavily in new facilities.

These findings and others reported in *Illinois Health Market Review 2012*, Allan Baumgarten's 12th annual report analyzing trends in Illinois health care markets and organizations. Baumgarten, an independent analyst of health care finance and policy, has published annual market studies for eight other states: Arizona, California, Colorado, Florida, Kentucky, Michigan, Minnesota, New York, Ohio, Texas and Wisconsin. Sidebars in the new Illinois report compare Illinois HMOs to their counterparts in other states. The reports for Arizona, California, Kentucky and New York are available for free download. Follow the links from www.AllanBaumgarten.com

Baumgarten's new report finds:

- **Profit margins for Chicago area hospitals averaged 7.4% in both 2011 and 2010.** Based on an analysis of Medicare facility cost reports for 2011, Chicago area hospitals had net income of \$1.541 billion, or 7.4% of patient revenues of \$20.8 billion. Most profitable systems in the region were Northwestern Memorial, University of Chicago and Advocate. However,
- **Inpatient hospital utilization rates have fallen every year since 2008.** The number of inpatient days at Chicago area hospitals dropped by 1.9% in 2011, the fourth consecutive year of decline. That comes at a time when hospital systems have invested heavily in new facilities.
- **More hospitals are now members of systems, both in the Chicago area and in downstate Illinois.** The number of independent hospitals in the Chicago area has dropped from 40 to 28 in just a few years. In recent years, local systems have expanded and outside hospital managers have entered the Chicago market with a series of acquisitions.
- **Health plan profitability was very strong in 2011, driven by HMO Illinois and HMO Medicare plans.** HMOs based in Illinois reported net income of \$370.9 million in 2011, or 7.3% of revenues of \$5.06 billion. However, HMO Illinois accounted for \$300 million of that amount. An analysis of financial statements shows that Medicare plans were also strongly profitable.
- **HMO enrollment fell below 1.4 million, although Medicaid and Medicare plans are enjoying strong growth.** Enrollment in Medicaid HMO plans could grow sharply, as eligibility is expanded under the federal health reform and as the state moves to managed care arrangements for persons dually eligible for Medicaid and Medicare. However, some of the early initiatives are not using HMOs to manage care but are contracting with provider systems for medical home and care management arrangements.

Enrollment in small group and individual plans offered by HMOs and other insurers is likely to grow because of the subsidized coverage that will become available in 2014 under the Affordable Care Act. Illinois plans to partner with the federal government and jointly create and operate a health insurance exchange.

Excerpts from the report, including the popular "Illinois HMOs at a Glance" exhibit can be viewed in the State Reports section of <http://www.allanbaumgarten.com>.

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