

# Risk Management News

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## Part 5: The News -- Both Good And Bad On The Managed Care Front

As the Chairman of Michael Maglaras & Company's fiftieth birthday approaches inexorably, we have to note that the ranks of those in the U.S. aged 65 and over will rise to more than 70 million by the year 2030. By then, old timers (such as our Chairman) will comprise 20% of the population rather than the 13% which this group represents now. Based on the HCFA numbers we've seen, Medicare spending will increase 80% over the next ten years. Take a look at this forecast and you'll know where the dollars are going.



### Managed Care-- Don't Come and Get It!

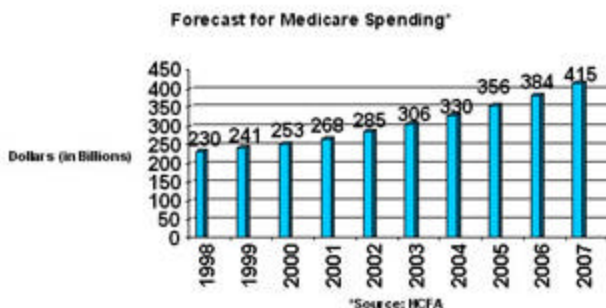
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HMO's are still, for the most part, trying to get their act together to serve this graying and increasingly needy population, but the numbers look bleak. At the end of 1998, most HMO's had either a very thin or no margin at all. The smell of rather substantial rate increases was in the air and when you look at the numbers below, you'll see why.



Humana, the big managed care organization, which we think is a bellwether indicator of how the market is going, is having a very tough year so far. Income is down 30% below predictions and even with an average 11% to 12% rate increase in its big health plans and 15% to 16% for its smaller groups of less than 100 members, the ink will still be red for Humana by the end of the second quarter. It's clear that Humana and many other big and

small managed care organizations just can't figure out far enough in advance what their costs are going to be. As the population ages and as all our needs begin, how shall we say it, to reflect a more "geriatric" focus, we all need to be worried about the difference between what we want in healthcare and what we can really afford.

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