THE Fiscal TIMES
Published on *The Fiscal Times* (http://www.thefiscaltimes.com)

Hospitals Plot the End of Insurance Companies

iStockphoto/The Fiscal Times
By Rob Garver,
The Fiscal Times
March 27, 2014

The problems with the implementation of the Affordable Care Act may be masking another major change in the way health care is delivered to U.S. consumers, experts believe.

At *The Atlantic*'s Health Care Forum in Washington on Thursday, health care and business professionals said that there's an increasing trend in the industry toward cutting insurance companies out of the process entirely, as large, regional hospital systems move into the insurance business.

Related: Obamacare - Taxpayers in the Hole for $1.5 Trillion

Dr. Kenneth L. Davis, CEO and president of Mount Sinai Health System, the largest health care provider in the state of New York, said that starting next year, Mt. Sinai will begin offering its own Medicare Advantage plan. It will look for other opportunities to bring premium payments directly into the hospital system, rather than filtering them through insurance companies.

Davis said he expects organizations similar to his to move in the same direction. "Inevitably the large systems are going to move to take part of the premium dollar," he said.

For both non-profit systems like Mt. Sinai and for-profit systems, he said, retaining more and more of the health care premiums paid by

consumers is essential to providing a full spectrum of care. He said that his system's St. Luke's Hospital in New York runs a psychiatric program that loses $14 million per year.

It's "not sustainable," he said, so the system needs to cross-subsidize the money-losing services that it nonetheless must continue to provide, with income from more profitable services, such as orthopedic surgery.

Related: White House Ramps Up Final Obamacare Push

The industry, he said, is facing "an entire reformulation of how we pay for services." The point is not to squeeze more profit out of the system, but to preserve the system's ability to provide care. "If we don't put those dollars back into the underpaid discipline, you just end up with underpaid disciplines that can't be cross-subsidized."

Dr. Ezekiel Emanuel, chairman of the Department of Medical Ethics and Health Policy at the University of Pennsylvania and one of the architects of the Affordable Care Act, agreed, saying that we're beginning to see what he called the "Kaiserification" of our health care system.

He was referring to the Kaiser Permanente health care consortium, which combines a health insurance company with subsidiary hospitals and medical practices to create a fully integrated health care delivery system. He noted that large insurer Wellpoint recently completed the acquisition of a health care company in California, apparently with an eye toward replicating the Kaiser model in some form.

Emanuel said we're witnessing "the end of insurance companies as we know them" and that if they want to survive, they "will have to get into the business of providing care."

He predicted that in the world of health care, "the wave of the future is integrated delivery systems – integrating insurance with delivery function."

Top Reads from The Fiscal Times:

- **Spies Like Us: The NSA Is Intrusive and Incompetent**
- **Obamacare Spells the End of Employer-Based Coverage**
- **Yet Another Obamacare Glitch Was Just Discovered**

Rob Garver
Follow on Twitter
A longtime reporter on the intersection of the federal government and the private sector, Rob Garver is National Correspondent, based in Washington, D.C. He has written for ProPublica, The New York Times and other publications.

Source URL: http://www.thefiscaltimes.com/Articles/2014/03/27/Hospitals-Plot-End-Insurance-Companies