

STATE RESPONSES TO HMO FAILURES

Abstract

In 1986, Maxicare Health Plans, with over 2 million members in 26 states, was touted as the best-managed health maintenance organization (HMO) in the industry. Within 3 years, its founder had resigned, it had filed for bankruptcy protection, and it had been placed on a list of the 10 most poorly managed companies in the US. Because Maxicare operated in 26 states, its bankruptcy had widespread repercussions. It dispelled the myth that HMO failure was restricted to new HMOs with few enrollees. Combined with other HMO failures in the late 1980s, it has motivated state policymakers, in particular, to reexamine the adequacy of their statutes and administrative rules relating to HMO formation, financial performance, and enrollee protection. Data are presented on trends in HMO failures over time, the characteristics of plans that fail, and the attempts by states to address the adverse consequences of HMO failures. In addition, the complex and often competing interests that must be balanced in these policy responses are discussed.

Full citation:

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