



## EXCLUSIVE REPORTS

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### Benefits firm launches HMO

**Abri Health is first new HMO since 1996**  
Erik Brooks

A Thiensville employee benefits administration company is forming a Medicaid health maintenance organization with plans to roll out a full commercial HMO by 2005.

Abri Health Plan Inc. will likely begin insuring Medicaid recipients in Milwaukee and Waukesha counties by Oct. 1, said Jim Wick, president of KeyLink Solutions Inc., which is forming the HMO.

With state approval, Abri would likely be available for all residents in those areas by the end of the year, Wick said. If that occurs, Abri would join major insurers UnitedHealthcare of Wisconsin Inc., Humana Inc. and Compcare Health Services Insurance Corp. as the only general HMOs available in the Milwaukee area.

"We had heard that the state was looking to see more competition, especially in the Medicaid marketplace," Wick said. "We thought now was a good opportunity."

The state Office of the Commissioner of Insurance has approved Abri's license as a Medicaid HMO in southeastern Wisconsin. Abri is now awaiting approval from the Wisconsin Department of Health and Family Services, which contracts with HMOs to administer Medicaid, the government insurance program for the poor and disabled. Medicaid is funded by state and federal funds.

Further state approval is necessary if Abri seeks to become an HMO available to the general public.

Abri is the first new commercial HMO in Wisconsin in eight years, according to the insurance commissioner's office.

Wisconsin has 21 HMOs, including 13 that serve Medicaid recipients. Only UnitedHealthcare, Independent Care Health Plan and Managed Health Services Insurance Corp. offer Medicaid HMOs in Milwaukee.

#### Local ownership

Abri will differentiate itself because of its local ownership, Wick said.

"The money is not going to some other state to cover management fees or large corporate offices or a large corporate management staff," Wick said.

The HMO will be an equal partnership between Wick; his wife, Jayne, vice president and chief information officer of KeyLink; and Ron Scasny, vice president and chief financial officer of KeyLink. Scasny will be the HMO's president.

A local pharmacy benefits management company will also invest in Abri, Wick said. He declined to name the firm.

Wick said negotiations continue with doctors and hospitals that will be part of the HMO. He declined to specify which physician groups and hospitals have agreed to join the network.

KeyLink is a 4-year-old company that administers companies' self-funded benefits, including health insurance plans, and develops and markets the software necessary to do it. The firm employs 32 people.

Wick said the idea for starting the HMO hatched six months ago as KeyLink began considering exiting the increasingly "cutthroat" third-party benefits administration business.

The addition of a new HMO is a rarity in an industry that has become "more an area for mergers and acquisitions," said Alan Baumgarten, a Minneapolis consultant who has studied the Wisconsin insurance market.

"It's a risky place to make a startup," he said.

#### **Facing challenges**

Baumgarten said negotiating provider discounts without enrollees likely will be Abri's toughest challenge.

"It's sort of the chicken and egg thing," he said. "They'll go to the providers and major hospital systems and say, 'We want favorable rates, so we can go sell this to employers.' They will say, 'How many lives do you have?'"

Getting into the Medicaid HMO business is equally difficult, Baumgarten said.

The number of Medicaid HMO plans is declining in part because of the at-times burdensome amount of infrastructure and oversight necessary to operate a Medicaid HMO, said Mike Fox, associate director of state Bureau of Managed Health Care Programs.

Declining state payments to Medicaid HMOs also have been an issue for insurers. However, all but one of the state's 13 HMOs that cover Medicaid recipients were profitable in 2003, according to state data.

"Anybody can make money on Medicaid," Wick said. "The current players are making a ton of money."

Meanwhile, the number of Medicaid recipients continues to increase, as does the number of people in Medicaid HMOs. State figures showed 358,487 Medicaid HMO members during the first quarter, up 8.9 percent from 2003.

Enrollment in an HMO is mandatory for Medicaid recipients in Milwaukee County and other counties that have two or more Medicaid HMOs available, so the formation of Abri is a good thing, Fox said.

"Anytime you can increase member choice, that is a positive," he said.

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