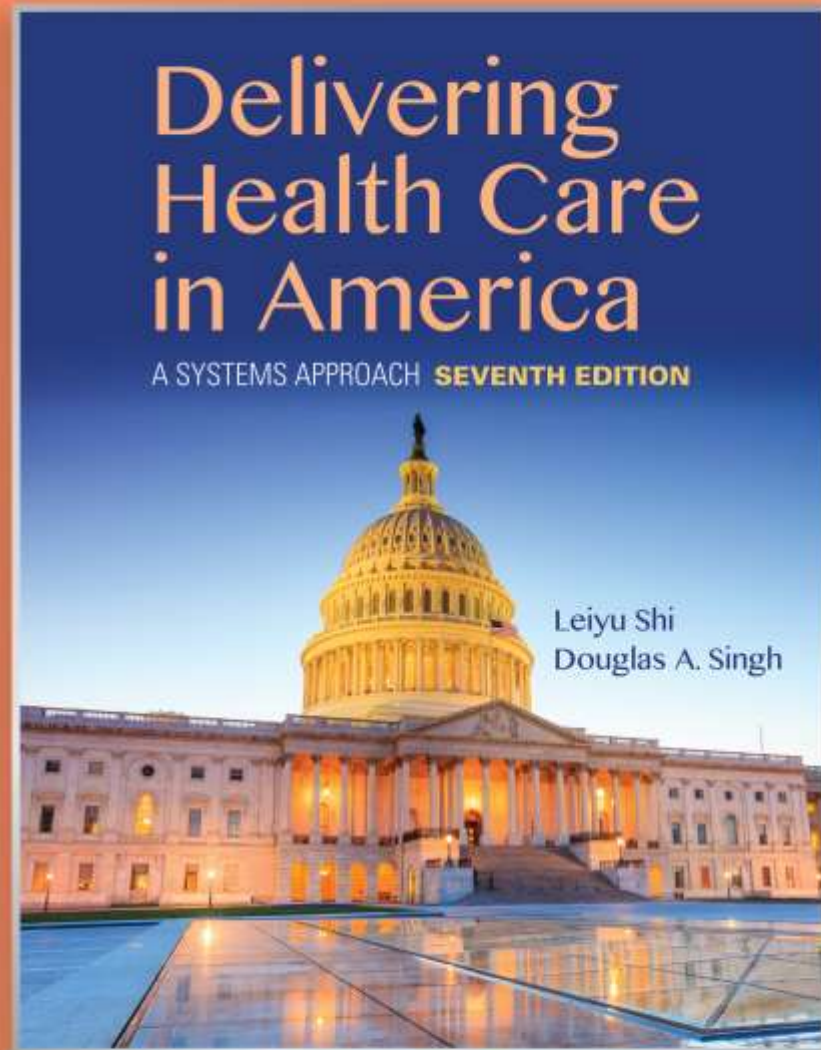


Chapter 9

Managed Care and Integrated Organizations



Learning Objectives

(1 of 2)

- Link between the development of managed care and earlier organizational forms
- Basic concepts of managed care and cost savings
- Main types of managed care organizations
- Distinguish between types of managed care organizations
- Advantages and disadvantages of different HMO models

Learning Objectives

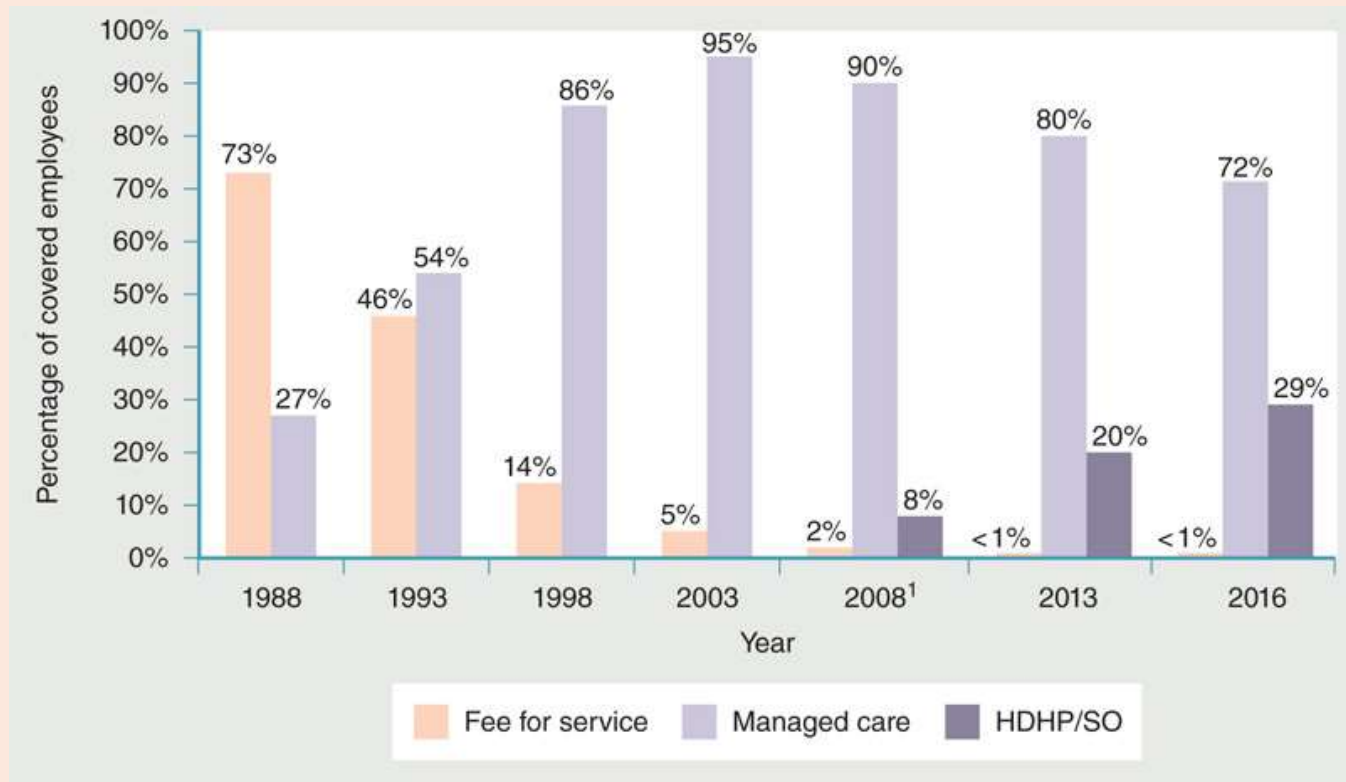
(2 of 2)

- Why managed care did not achieve its cost-control objectives
- Driving forces behind organizational integration and integration strategies
- Describe highly integrated health care systems

Introduction

- Managed care fundamentally transformed the delivery of health care in the U.S.
- ACA did not obliterate managed care.
- Employer-sponsored insurance enrolled fewer than 1% of employees.
- Managed care originated in the U.S. and its tools spread internationally.

Figure 9-1: Percentage of worker enrollment in health plans (selected years).

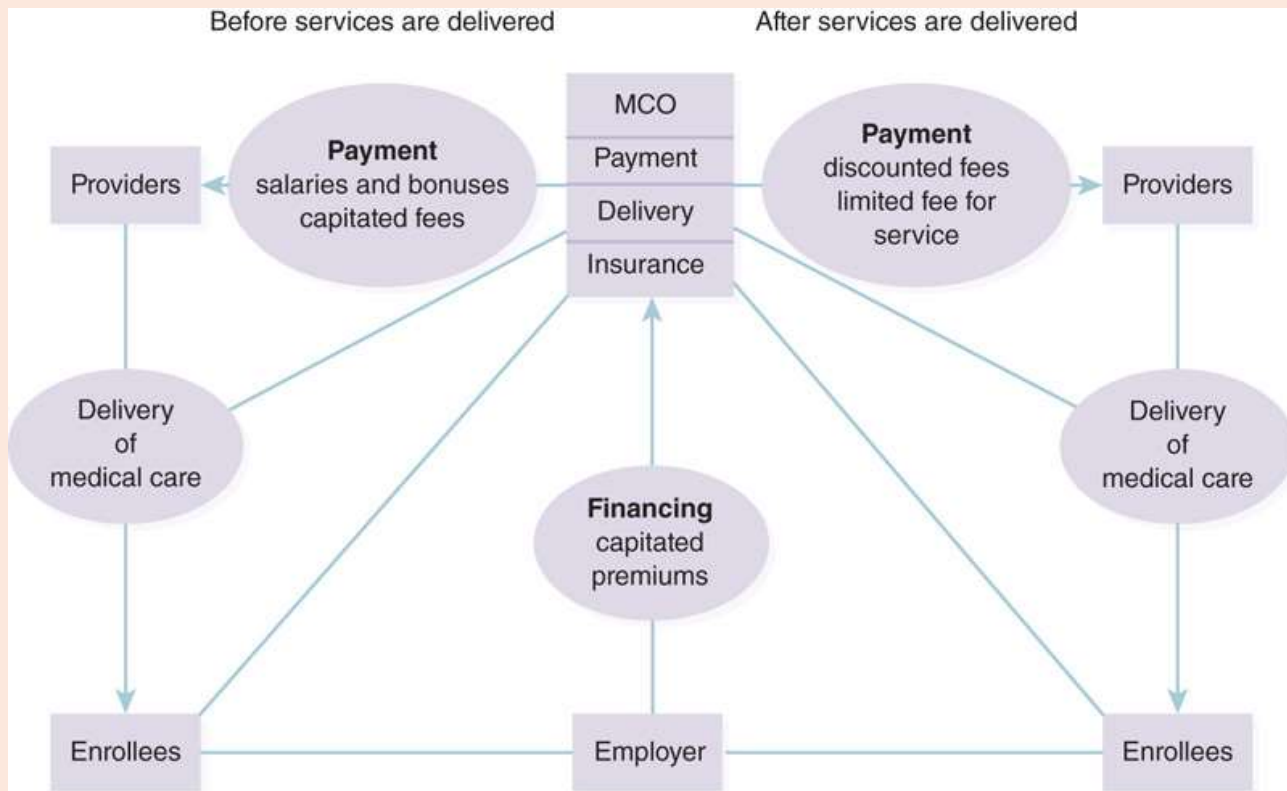


Data from Kaiser Family Foundation and Health Research and Educational Trust (Kaiser/HRET). 2003. Employer health benefits: 2003 annual survey. Menlo Park, CA: Author; Kaiser Family Foundation and Health Research and Educational Trust (Kaiser/HRET). 2016. Employer health benefits: 2016 annual survey. Menlo Park, CA: Author.

What Is Managed Care?

- Integration of financing, insurance, delivery, and payment within one organization
- Formal control over utilization
- Financing
- Insurance
- Delivery
- Payment

Figure 9-2: Integration of health care delivery functions through managed care.



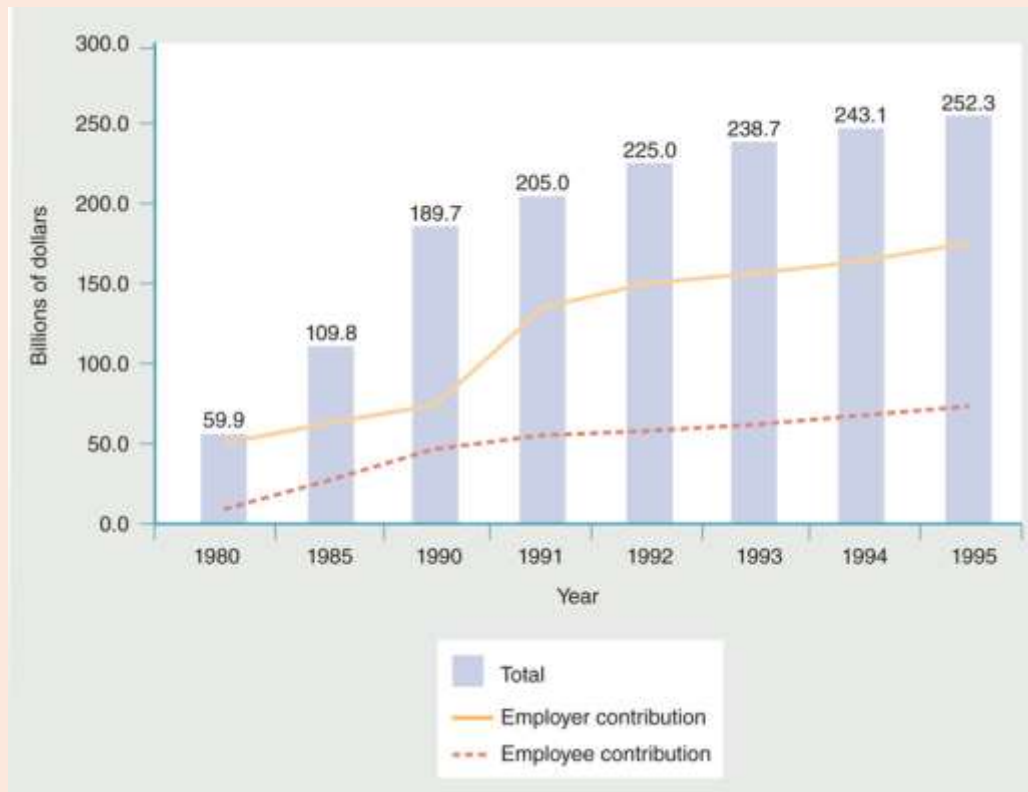
Evolution of Managed Care

- Contract practice takes capitation further by incorporating a defined group of enrollees.
- Prepaid group practice
 - Principles of capitation, bearing of risk by provider, group of enrollees financed by employer
 - Delivery of comprehensive services
- Accreditation of managed care organizations.
- Quality assessment in managed care.

Growth of Managed Care

- Flaws in the fee-for-service model
 - Uncontrolled utilization
 - Uncontrolled prices and payment
 - Focus on illness rather than wellness
- Employers' response to rise in premiums
- Weakened economic position of providers

Figure 9-3: Growth in the cost of U.S. health insurance (private employers), 1980–1995.



Data from National Center for Health Statistics. 1998. Health, United States, 1998. Hyattsville, MD: U.S. Department of Health and Human Services. p. 348.

Efficiencies and Inefficiencies in Managed Care

- Integrating the quad functions of health care delivery.
- MCOs control costs by sharing risk with providers or extracting discounts.
- Cost savings.
- Administrative inefficiencies created for providers.
- Contracts with providers exclude some services.

Cost Control in Managed Care

(1 of 3)

- Choice restriction
 - Closed-panel
 - Open-panel
- Care coordination

Figure 9-4: Care coordination and utilization control through gatekeeping.

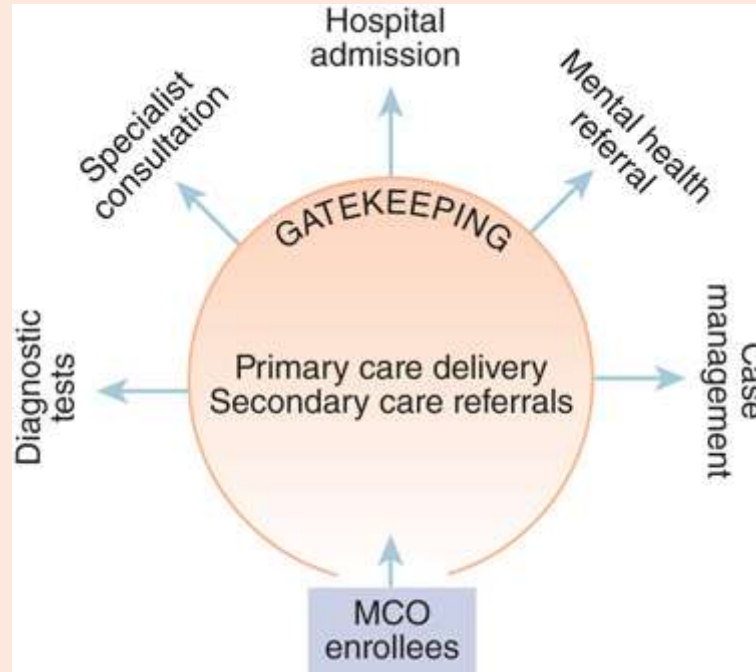
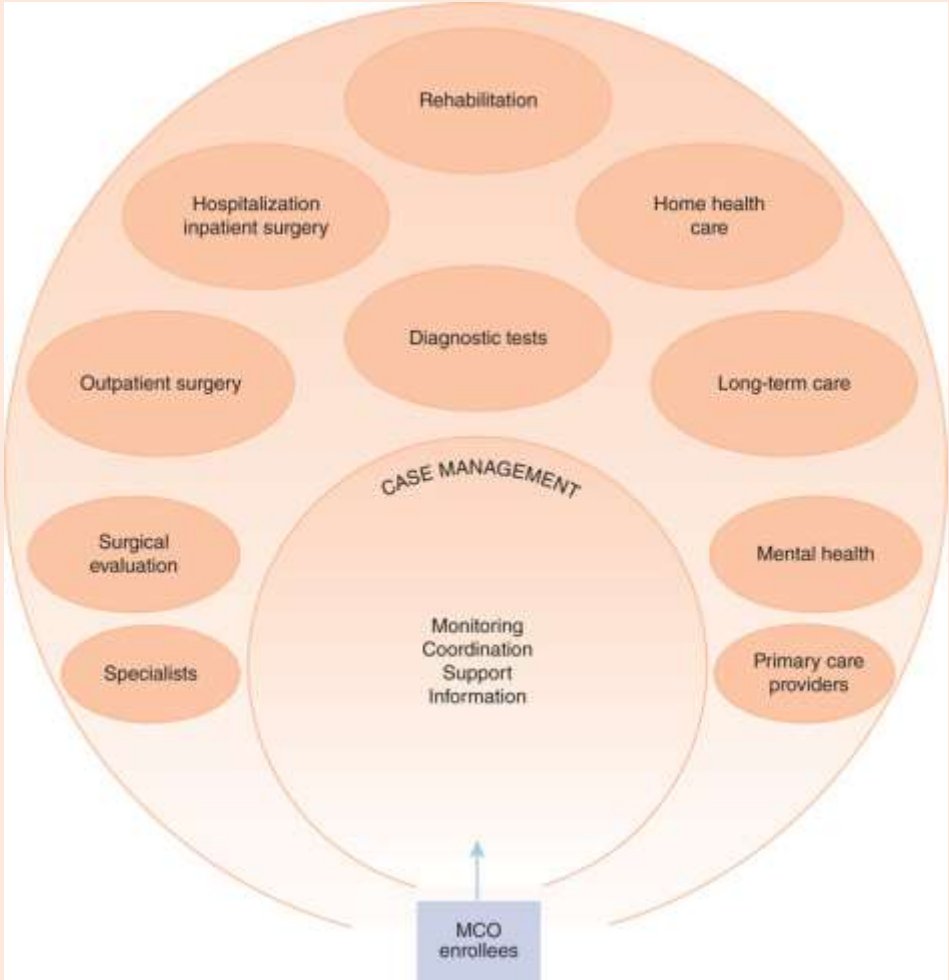


Figure 9-5: Case management function in care coordination.



Cost Control in Managed Care

(2 of 3)

- Disease management
- Pharmaceutical management
 - Three strategies
 1. Use of drug formularies
 2. Use of tiered cost sharing
 3. Use of pharmacy benefits managers (PBMs)

Cost Control in Managed Care

(3 of 3)

- Utilization review
 - Prospective utilization review
 - Concurrent utilization review
 - Retrospective utilization review
- Practice profiling

Types of Managed Care Organizations

(1 of 2)

- Health maintenance organization (HMO)
 - Staff model
 - Group model
 - Network model
 - Independent practice association model

Types of Managed Care Organizations

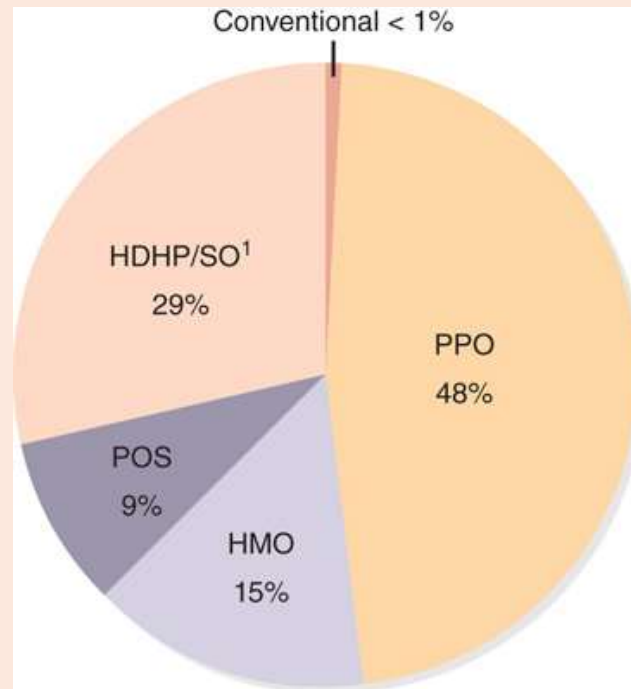
(2 of 2)

- Preferred provider organization
 - Establishes contracts with a select group of physicians and hospitals
 - Allows an open-panel option
 - Discounted fee arrangements with providers
 - Fewer restrictions to the care-seeking enrollees
- Point-of-service plans
 - Combine HMO and PPO options

Trends in Managed Care

- Employment-based health insurance enrollment
- Medicaid enrollment
 - Primary care case management (PCCM)
- Medicare enrollment and payment reforms

Figure 9-10: Share of managed care enrollments in employer-based health plans, 2016.



Data from Kaiser Family Foundation and Health Research and Educational Trust (Kaiser/HRET). 2016. Employer health benefits: 2016 annual survey. Menlo Park, CA: Author.

Impact on Cost, Access, and Quality

- Influence on cost containment
 - Backlash from enrollees and providers prompted MCOs to end aggressive cost-control measures.
- Impact on access
 - Medicaid-insured patients may have difficulty accessing medical care services.
- Influence on quality of care
 - HMO and non-HMO plans provided roughly equal quality of care.

Managed Care Backlash, Regulation, and the Aftermath (1 of 2)

- Three reasons for discontentment toward managed care
 1. Employers switch to manage care to restrain costs of health insurance premiums.
 2. Insureds did not see a reduction in their premiums or out-of-pocket expenses.
 3. Physicians hostile toward managed care.

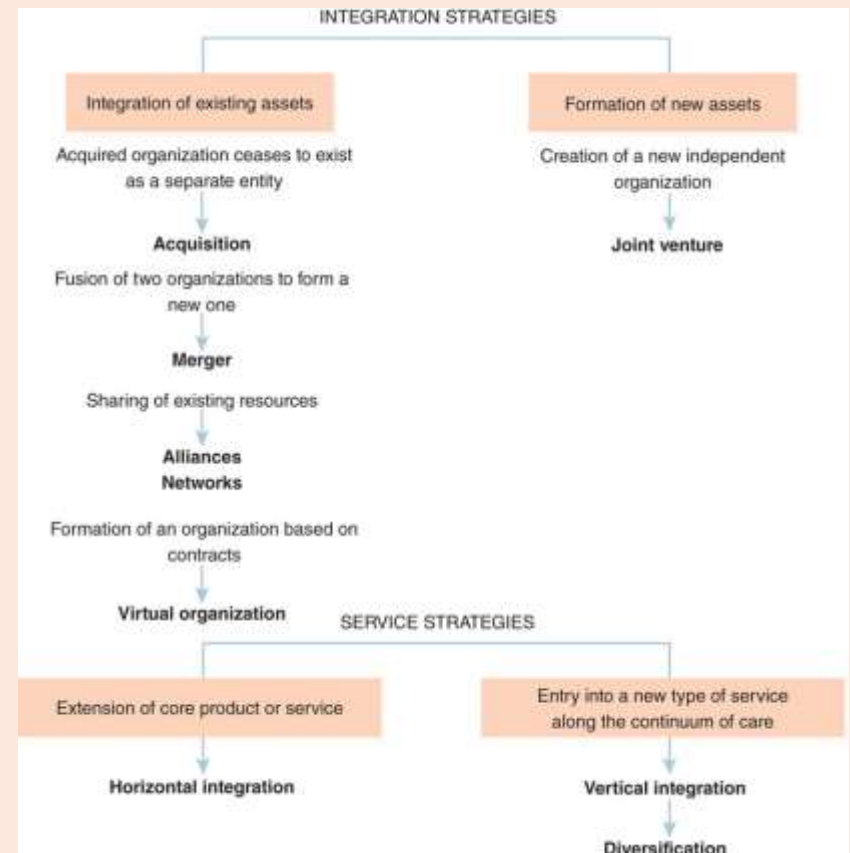
Managed Care Backlash, Regulation, and the Aftermath (2 of 2)

- Regulation of managed care
 - Two types of state-legislated statutes
 - Any willing provider laws
 - Freedom of choice laws
- Aftermath

Organizational Integration

- Integration strategies
 - Mergers and acquisitions
 - Joint ventures
 - Alliances
 - Horizontal integration
 - Vertical integration

Figure 9-11 Organizational integration strategies.



Basic Forms of Integration

- Major participants in organizational integration have been physicians and hospitals.
 - Clinical and nonclinical entities may be involved.
- Management services organizations.
- Physician–hospital organizations.
- Provider-sponsored organizations.

Highly Integrated Health Care Systems

- Integration in the U.S. health care system continues to intensify.
 - Organizational integration does not negatively affect the quality of care.
- Integrated delivery systems.
- Accountable care organizations.
- Payer–provider integration.

Summary

- Participation in the HEDIS program improved the quality of services provided by MCOs.
- Growing power of managed care triggered integration among health care providers.
- Highly integrated organizations are held accountable.
 - Must achieve specific objectives related to costs, quality, and consumer satisfaction