



# Introduction to Managed Care

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## What is Managed Care?

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A medical delivery system that attempts to manage the quality and cost of medical services that individuals receive.

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## Goals of Managed Care

- Control costs
  - Negotiate lower provider fees
  - Reduce inappropriate use of services
  - Increase competition
- Improve quality
- Improve population health
- Increase preventive services

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## History of Managed Care

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Early 20th century: Prepaid Health plans, e.g., LA-DWP, Kaiser

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1960's: Calls for health maintenance organizations to deal with rising costs of healthcare

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1973 HMO Act: Created organized health systems

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1980's and 1990's: Dramatic growth in Health Maintenance Organizations (HMO)

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1990's: Public backlash against restrictions created by HMO's

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Current: Nearly all working individuals with coverage are insured through some form of managed care

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Polling  
Question  
#1

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What year did the HMO Act  
create organized health systems

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a. 1960

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b. 1973

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c. 1990

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Polling  
Question  
#2

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What are one of the goals of managed care?

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a. Control costs

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b. Improve Population Health

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c. Increase preventive services

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d. Improve quality

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e. All of the above

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f. a and b only

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## Types of Managed Care

### Health Maintenance Organization (HMO)

- Primary Care Provider (PCP) acts as gatekeeper
- Non-emergent care requires prior approval

### Preferred Provider Organization (PPO)

- Member has freedom to select provider
- Out of Pocket costs used to encourage utilization of lower cost providers

### Point of Service (POS)

- At time of need, member selects HMO or PPO pathway

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## Provider Reimbursement Types

- Fee for Service – Negotiated rates for individual services
- Bundled Payments
  - Per Diems – Amount paid per day patient is in hospital
  - DRG's – Payment based on diagnosis of patient
  - APC's – Payment based on bundle of services rendered
- Capitation – Fixed amount paid per member per month
- Alternative Payment Models

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## Polling Question #3

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What is one type of provider reimbursement?

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a. Fee for Service

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b. Bundled Payments

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c. Capitation

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d. Alternative Payment Models

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e. All of the above

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## What's Next?

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Medicare and Medicaid managed  
care

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Consolidation

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Consumerism

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Health Equity

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