

# Introduction to Managed Care

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## What is Managed Care?

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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## 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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## 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

What are one of the goals of managed care?

a. Control costs

b. Improve Population Health

c. Increase preventive services

d. Improve quality

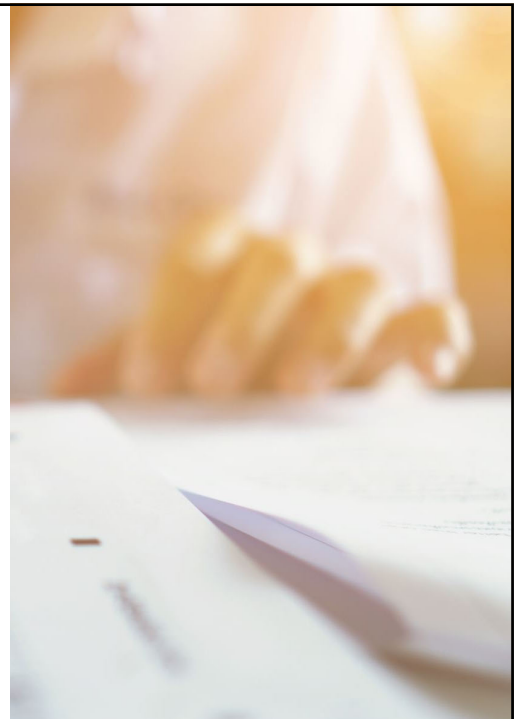
e. All of the above

f. a and b only

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## Provider Payment 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



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## Healthcare Reform in Massachusetts

- Massachusetts Health Care Reform (Romneycare) was passed in 2006 and served as the model for the Affordable Care Act (Obamacare) passed by the federal government in 2010
- Like Obamacare, Romneycare resulted in a reduction in uninsured individuals. However, it did not result in a reduction in healthcare spending as was hoped

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## Healthcare Regulation In Massachusetts

- In 2012, Massachusetts established a Health Policy Commission (HPC) as an independent government agency to lead collective efforts to make health care more affordable
- Tools at the HPC's disposal include:
  - Center for Health Information and Analysis (CHIA) – collects data on the cost of care and makes this information available to providers, payers, and regulators
  - Healthcare cost benchmark – The benchmark represents a shared goal that total health care spending by all payers in the state will not grow faster than the state's economy



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## Polling Question #3

What is one type of provider reimbursement?

a. Fee for Service

b. Bundled Payments

c. Capitation

d. Alternative Payment Models

e. All of the above

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## How is Massachusetts Doing?



Ranked 3<sup>rd</sup> highest among U.S. states for the **quality** of its Health Care System<sup>1</sup>



Ranked 3<sup>rd</sup> highest among U.S. states for the **cost** of its Health Care System<sup>2</sup>

<sup>1</sup> U.S. News & World Report <https://www.usnews.com/news/best-states/rankings/health-care>

<sup>2</sup> Becker's Hospital Review <https://www.usnews.com/news/best-states/rankings/health-care>

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## What's Next?

Medicare and Medicaid managed care

Consolidation

Consumerism

Healthcare reform?

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