The Future of HMOs & Managed Care

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Summary

- What is managed care?

- What are the various forces at work and what are their roles?

- Product trends
  - what does the future hold?

- Conclusions
Managed Care
Perception Vs. Reality

- “Backlash” issue

- Definition: system of HC delivery and financing in which targeted clinical outcomes are achieved using an optimal level of resources.
  - Some think it is “managing doctors”

- More perception than reality
  - Created by press, politicians, others
Managed Care Perception Vs. Reality

- Satisfaction surveys poorly constructed and results misused
- Many people don’t even know what kind of plan they have
- “Managed Care” getting all the blame
- Perception that less services is not good
What Is Right With Managed Care?

- Legitimate attempt to provide value and meet needs of purchasers
  - met a market need but providers weren’t responding
- Held providers more accountable for actions
- Slowed cost trends
  - Negotiated fees, did lower the cost per service
- Reduced unnecessary utilization
  - lower days per thousand
What Is Right With Managed Care?

- Numerous quality initiatives (mostly unrecognized)
  - disease management
- Scorecards
- Wellness, reminder cards
- Changed practice patterns
  - ex)movement from IP to OP
- Offered potential for systematic change
What Is Wrong With Managed Care?

- Lost PR battle to anecdotal stories
  - cost reductions vs quality
  - *thinking it was an either/or situation*

- Poor interfaces with constituents
  - claims payment, contract language

- Became mainstream
  - employees lost choice
What Is Wrong With Managed Care?

- Major flaws in system
  - employers don’t give enough plan choice, provider networks too large, leaves out consumer
- Never got enough cooperation from providers
- Focused too greatly on managing providers *rather than the care itself*
The Health Care Balancing Act

Gov’t

Consumer

Employer

Insurer

Provider

Drug Co
The Health Care Balancing Act

- Consumers
  - Learn greater cost consciousness
  - Hold more realistic expectations
  - Take more personal responsibility
  - Use collective power to make change
The Health Care Balancing Act

- **Insurers**
  - Pursue efficiency
  - Build appropriate financial incentives into plan design
  - Reward providers for quality and prevention
  - Educate consumers on appropriate use of resources
  - Do a better job explaining their role to the public
  - Less “black box”
The Health Care Balancing Act

- **Employers/Purchasers**
  - Give employees the right incentives
  - Design responsible cost-sharing plans
  - Educate employees
  - Join forces with other purchasers
The Health Care Balancing Act

- *Government*
  - Provide balanced information to guide expectations
  - Reduce mandates
  - Create payment mechanisms that provide proper incentives
The Health Care Balancing Act

• Providers
  • Accept ownership of quality issues
  • Pursue collaborative problem solving with insurers rather than lawsuits
  • Accept accountability for resource management
  • Learn and practice demand and expectation management
  • Offer multiple means of patient contact
The Health Care Balancing Act

- Pharmaceutical and Medical Technology Companies
  - Curb development of “me too” drugs
  - Pursue responsible direct-to-consumer marketing
  - Reduce direct marketing to physicians
  - Collaborate with one another and with providers
Technology To The Rescue?

- Tools to Improve Relationships
  - Providers – on-line claims payment, simplified claims payment, electronic medical record, online access to coverage
  - Members – online enrollment, access to claims status, provider directories
  - Telemedicine, risk adjusters, clinical info interfaces
Technology To The Rescue?

- Web/Internet Role
  - Significant
  - Started already but will take some time

- Hurdles?
  - HIPAA privacy regulations
  - Money
  - Acceptance- providers, consumers, employers
Product Trends

- Are PPOs the “future”?
  - preference toward out of network access
  - offering OON doesn’t need to cost more
  - more easily push costs to members

- Coming full circle
  - back to indemnity
  - less controls rather than more
  - leads to more cost increases
Product Trends

- Open Access HMOs
  - no gatekeeper

- Increase in multi option plan offerings
  - give employee the option to spend more
  - vary cost sharing by provider to account for cost differences, immunize health plan from consumer choice
  - multilevel networks
Product Trends

- Much less risk sharing occurring
  - Providers unable to succeed, more FFS
  - May make a comeback if timing is right

- Defined Contributions
Key Conclusions

- Society has to deal with tough issues facing health care system – any solution involves tradeoffs
- System structural changes needed
  - Consumer skin in the game- dollars, choice, lifestyle
  - Employers offer greater choice to EEs
  - Providers must be committed to change and improvement
  - Gov’t needs to be part of the solution
- System must be actuarially sound
Key Conclusions

- Rising costs will not be tolerated by employers creating need for some fiscal responsibility
  - Who will pay?
  - This is “The Healthcare Balancing Act”

- Lots of pressure on rising costs
  - Medical inflation, aging baby boomers
  - Educated consumer; Internet
  - Provider backlash
  - Relaxing managed care features

- Managed Care can have a positive role!