

Managed Care Benefits Consumers

Prior to managed care, health care costs in the United States were out of control and there was no system for monitoring quality. Managed care has contributed to the health care system and benefited consumers by improving quality, making coverage more affordable, and broadening benefits offered to consumers. As a result, there is more innovation in the health care marketplace and consumers are more satisfied with their health care coverage. Despite this progress, a number of restrictive legislative proposals would undermine the evolving health care environment in the name of consumer protection.

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Contributions of Managed Care

Quality

Before managed care, quality assurance and improvement activities were very limited. Medicine was routinely practiced contrary to best medical evidence, and involved tremendous underuse, overuse and geographic variation. However, with the development of management and operational activities prevalent in managed care, such as quality assurance, peer review, and the promotion of clinical practice guidelines, health plans have begun to address these quality issues that plagued the traditional fee-for-service system. The research findings confirm this – numerous peer reviewed studies have found managed care quality equal to or better than FFS.²

Costs

Health plans have made health coverage more affordable for workers and their families. One study shows that between three and five million Americans who would have lost their employer-sponsored health insurance were able to keep it because health plans brought out-of-control health care costs under control.³ In addition, health plans have helped achieve increased wages for covered workers and savings for families.⁴ These savings would be lost if health care costs were allowed to increase uncontrollably.

Broader Benefits

In addition to providing high quality care at a lower cost, health plans also offer consumers a broader range of benefits. These benefits include preventive benefits such as well-baby care, immunizations and mammograms, as well as disease management and specialty care for diseases such as asthma, cardiology, and cancer. Lower out-of-pocket costs are an additional benefit. Health plan enrollees typically pay \$5 or \$10 copayments, compared to a 20% cost-sharing requirement generally under FFS. In addition, health plan enrollees typically pay no deductible, compared to deductibles ranging from \$229 to \$574 under FFS.⁵

Innovations

Health plans have responded to consumers by creating innovative programs to meet their needs. For example, health plans in dynamic markets are directly responding to consumer preferences with a variety of streamlined referral initiatives, as well as offering women members the option of an Ob/Gyn as their primary care physician.⁶ Many health plans have also developed coverage options that include coverage of doctors and hospitals outside a selected network.⁷ Health plans have been proactive in designing programs that focus on patient education, care coordination, and a team approach to patient care. In addition, as part of their commitment to consumers, AAHP member health plans have adopted a *Code of Conduct*, including a voluntarily-adopted policy on dispute resolution that includes the opportunity for independent medical review of health plan coverage determinations based on a treatment's medical necessity or experimental or investigational status.

Satisfaction

The contributions of health plans have not gone unappreciated – numerous consumer satisfaction surveys show that the majority of consumers rank their satisfaction level for managed care plans within the same range as those for FFS plans. For example, one report indicated that those 65 and under who were identified as in either poor or fair health, 77% of HMO, 78% of PPO, and 77% of FFS members were satisfied with their health care.⁸

The Current Debate

From these examples of how health plans are improving the quality and affordability of care for Americans, it is clear the current debate is going in the wrong direction. The debate has failed to look at the key health care system problems of improving quality, increasing access to health care services, and containing costs, and instead has relied on inaccurate assumptions and incomplete information about health plans.

For example, one of the biggest misconceptions in the debate is that managed care plans are not regulated. In fact, managed care plans are regulated at both the federal and state levels in numerous areas, including quality and access. Additional requirements are imposed by private accrediting bodies and private purchasers.⁹

Two prime examples of how current legislative proposals fail to look at the key health care system problems of increasing quality, increasing access to health care services, and containing costs are the expansion of health plan liability and the establishment of rules that undermine utilization review and quality assurance activities.

Expanding Liability

Expanding liability will not help patients and will not improve quality, but rather would turn back the clock to a failed FFS system. The President's Commission on Health Care Quality stated in its final report that the current liability system applicable to physicians is "perhaps the most significant deterrent to the identification and reduction of errors in the threat of costly, adversarial malpractice litigation." Expanding a system that deters reduction of medical errors cannot benefit consumers. Moreover, expanding liability will have a direct impact on consumers' health care costs. The Barent's Group estimated that expanding liability would increase costs by 2.7%-8.6%. This cost translates into an increase in the number of uninsured of between 561,300 and 2 million.

Undermining Utilization Review and Quality Assurance Activities

Some proposals would require health plans to cover services based on a "generally accepted principles of professional medical practice" standard. These proposals would have the unintended consequence of returning our health care system to the lowest common denominator of medical practice and sending us back to the geographic variation, underuse, overuse and misuse of medical services characteristic of the old-style fee-for-service system. Legitimate plan activities, which are used to improve the quality of care patients receive, such as using evidence-based guidelines, disease and case management, quality assurance, utilization management, and provider profiling, would be compromised.

Conclusion

To move forward, we need to look beyond the myths and misconceptions presented in the name of consumer protection to the facts about how health plans have benefited consumers. The current debate ignores the key issues that challenge our health care system, and in doing so, threatens to dismantle a system that has resulted in improved quality, lower costs, broader benefits, increased innovation, and consumer satisfaction.

Endnotes

¹ Vice President, Public Policy and Research

² For example, the Journal of the National Cancer Institute, November 1997. HMO breast cancer patients have survival rates equal to or better than FFS patients, are more likely to receive recommended treatment, and have their cancer detected earlier than FFS patients. For a summary of studies on quality of care in HMOs, see the American Association of Health Plans' Research Brief on Quality of Care and Health Plans, August 1998.

³ The Lewin Group, 1997. The average wage gain attributed to managed care for covered workers in 1996 was \$228-\$356, and the total savings attributed to managed care for married couple families in 1996 were \$408-\$549.

⁴ The Lewin Group, 1997. Savings due to managed care means 3-5 million additional Americans would have insurance.

⁵ KPMG Survey of Employer-Sponsored Health Benefits, 1998.

⁶ GHAA/Kaiser Family Foundation, 1994.

⁷ AAHP analysis of Barents Group data, September 1997.

⁸ National Research Council Survey, 1998. For a summary of studies on consumer satisfaction by health plan type, see the American Association of Health Plans' Research Brief on Consumer Satisfaction Surveys and Health Plans, December 1998.

⁹ American Association of Health Plans, The Managed Care Debate: Correcting the Errors and Omissions, April 1998.