

*Managed Care is Dead....  
Long Live Managed Care*

A quick history and overview of  
America's private health  
insurance plans

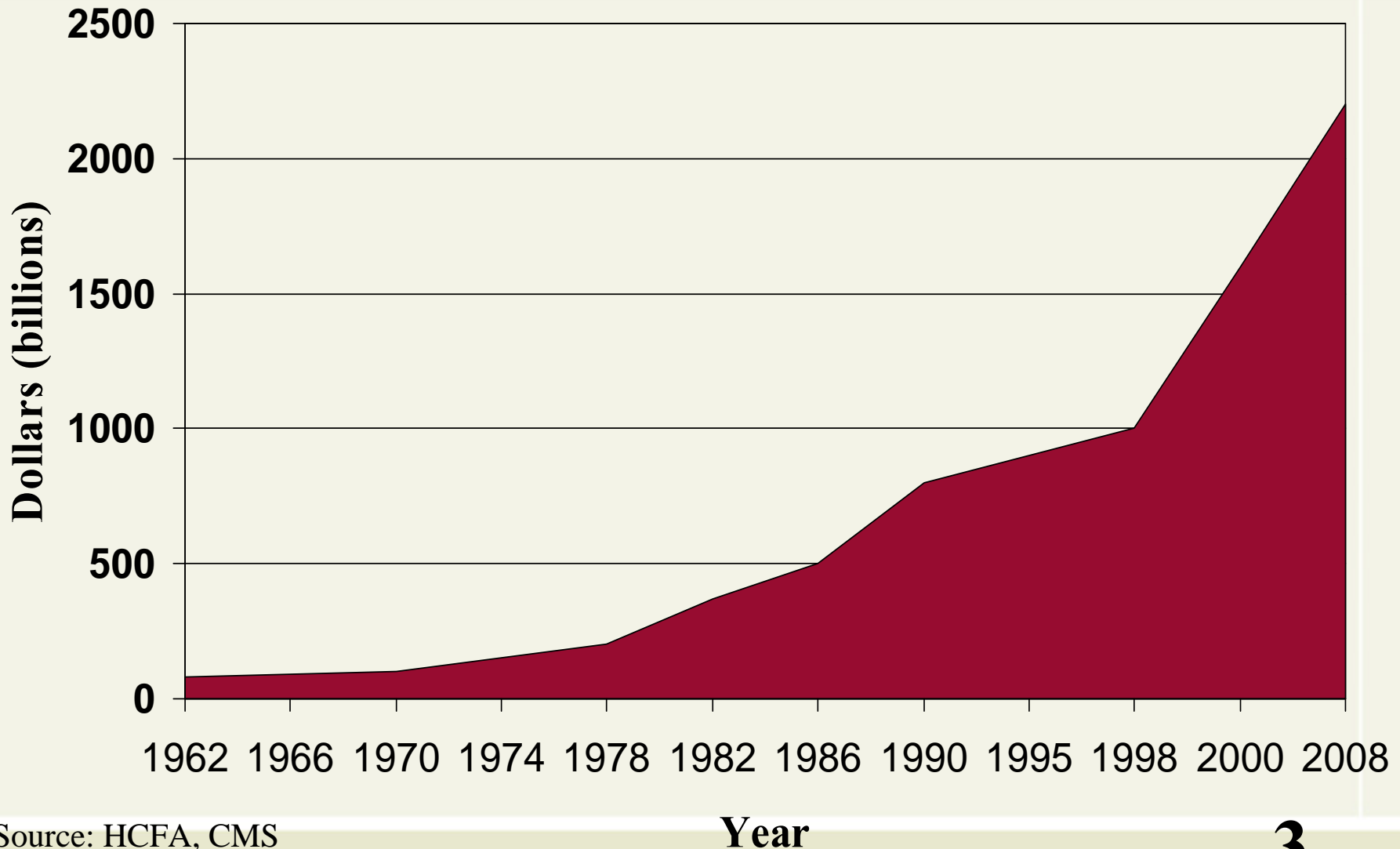
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# At lightning speed, this primer session will:

- Provide a brief history and nuts-and-bolts overview of health insurance and managed care in the US.
- Highlight some reasons for and effects of the recent “*Managed Care Backlash.*”
- Help provide a context for understanding health care reform proposals presented at this conference.

# Of course its all about the money -- US health care spending: 1962-2008

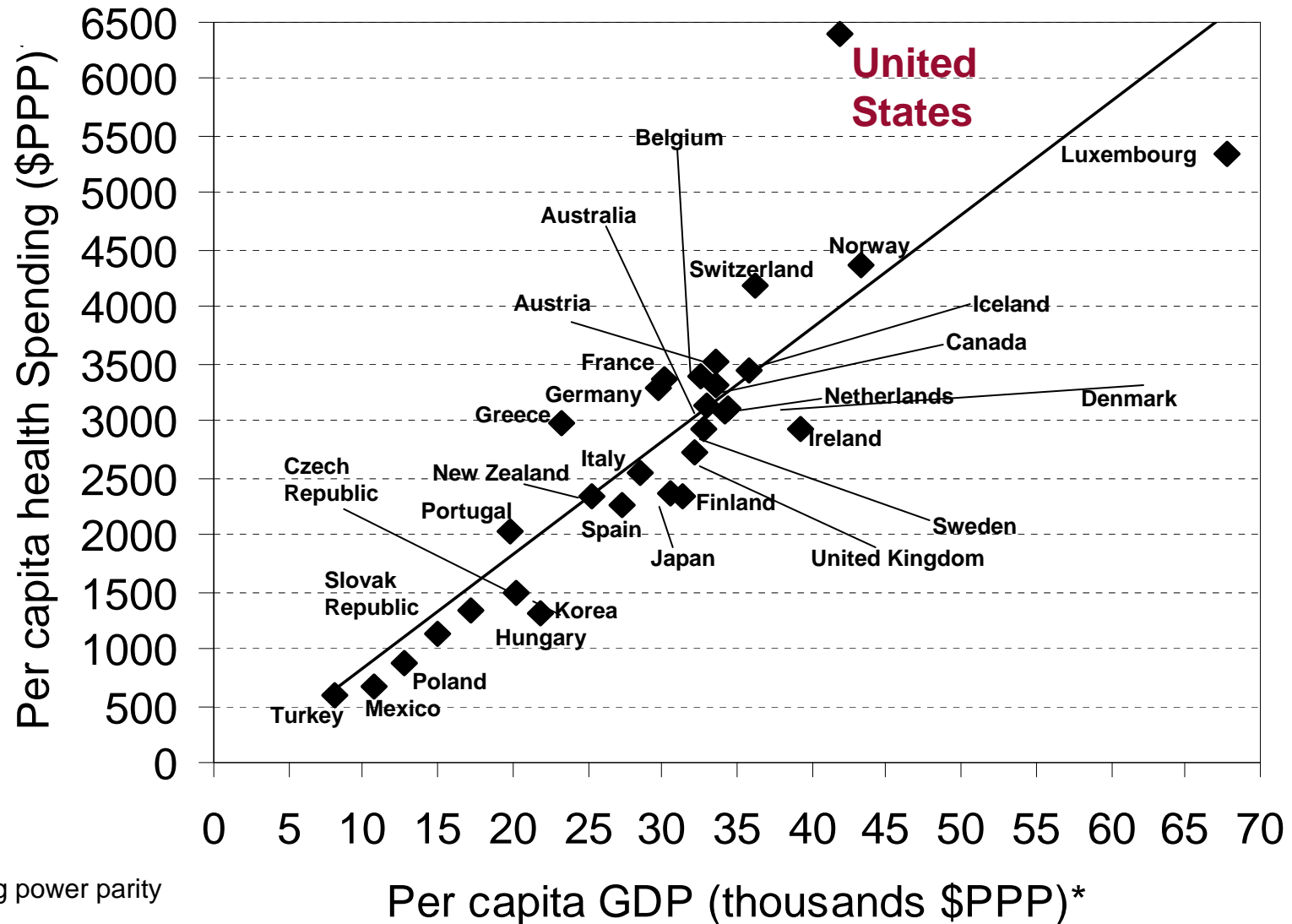


Source: HCFA, CMS

Year

3

# Health spending vs GDP in OECD nations: The US is the outlier



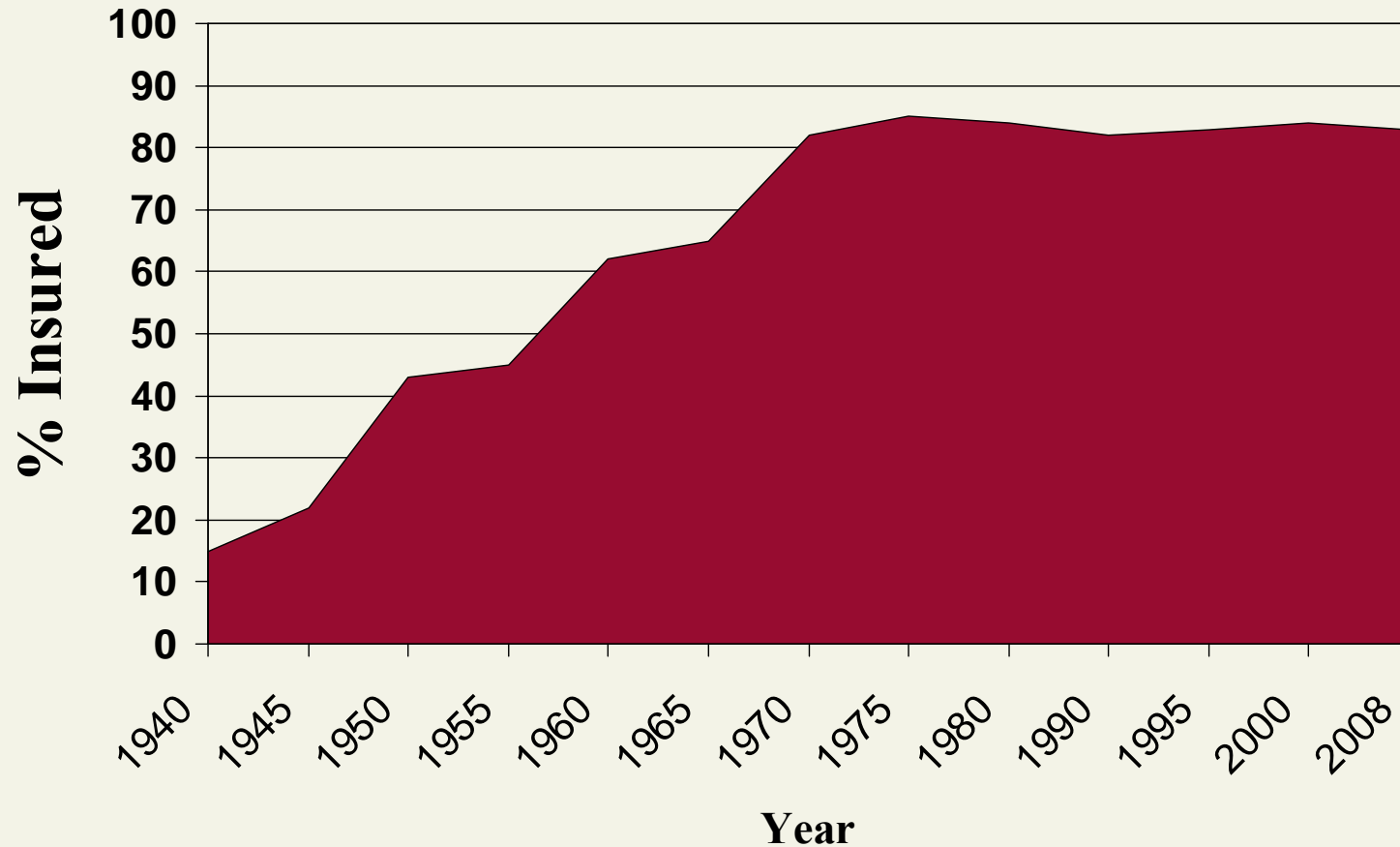
\*Purchasing power parity

Source: OECD in Figures, 2006, 2007

# Alternative approaches for financing / organizing health care

- **Government employed providers**
- **Government “social insurance”**
  - **Mandatory buy-in**
  - **Entitlement for special populations**
- **As “benefit” of employment**
  - **Insurance**
  - **Direct care or access to contract providers**
- **Union/worker collectives**
- **Privately purchased health insurance**
- **Out of pocket / private pay**
- **Charity care**

# Proportion of Americans with health insurance: 1940-2008



# US Health Insurance: Some Historical Highlights

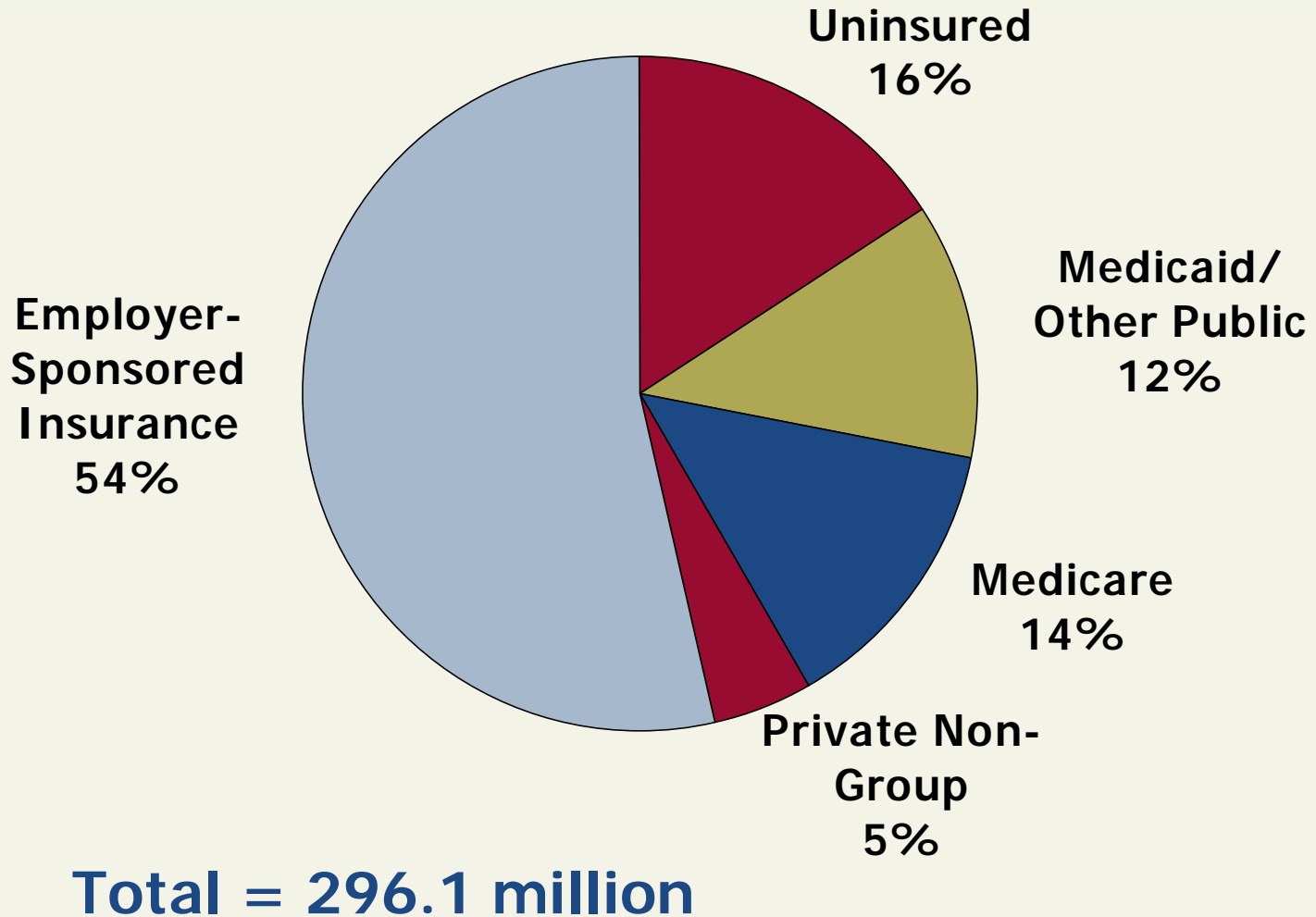
- **1930's -- Blue-Cross/ Blue Shield and Hospital Association.**
- **1930's – Prepaid-Group Practices (PGPs) and Union/Employers**
- **1950's – Commercial insurers get into the act**
- **1960's -- Federal “great society” – Medicare and Medicaid**
- **1970's - The “Health Maintenance Organization” (HMO) Act (the unholy alliance of AMA sponsored IPAs and union friendly PGPs)**

# Why Employers Got Involved In Health Care in the US

- **Healthy employees are productive employees**
- **European immigrant / union expectations**
- **Tax advantage**
- **Attracts good employees**
- **Employers filled the vacuum in the 1930-50's, (now “stuck” in this role).**

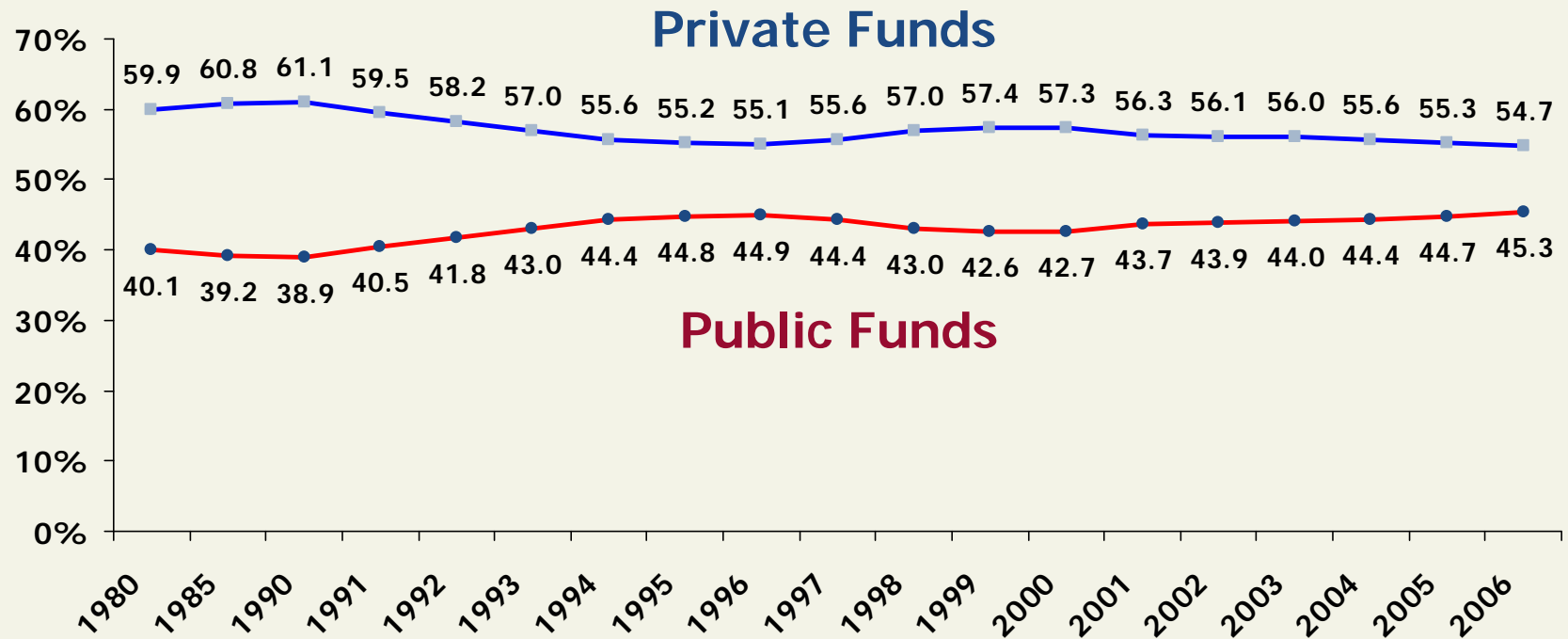


# Health Insurance Coverage in the U.S., 2006



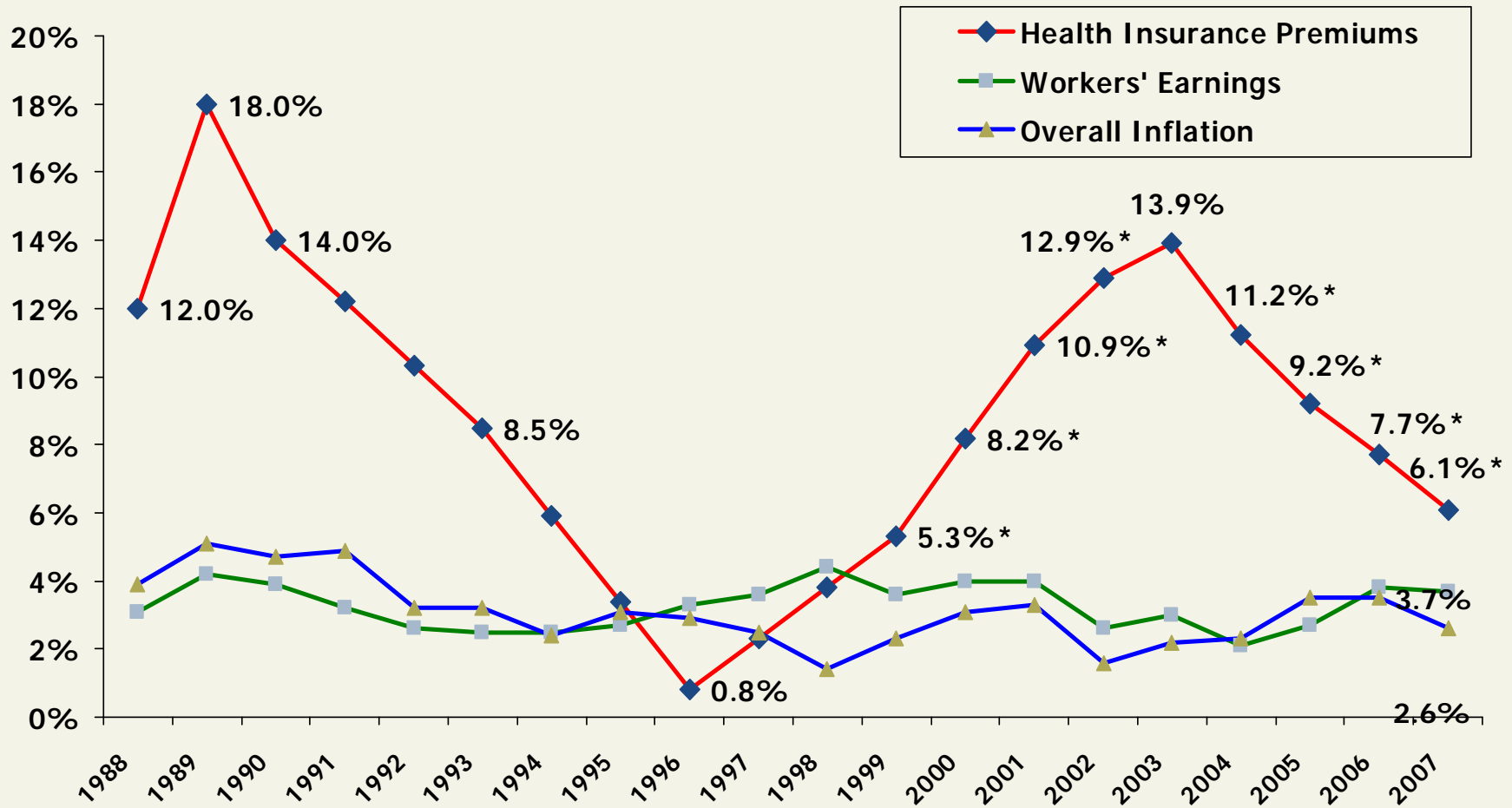
# Most Americans get health insurance “privately,” but the public sector bankrolls almost half of all care

(% Distribution of Personal Health Expenditures by Payer, 1980-2006)



Source: Kaiser Family Foundation calculations using NHE data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group,

# The Most Important Chart in this Presentation: (Private Health Insurance Premiums, Worker's Earnings and General Inflation, 1988-2007)

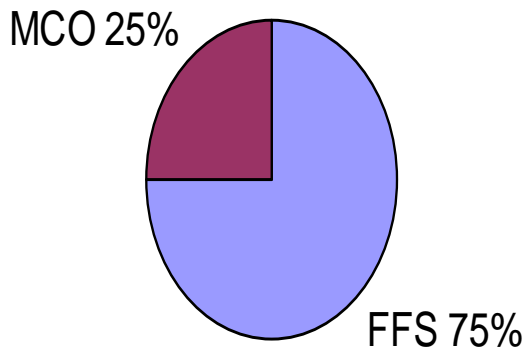


# The “Rise and Fall” of Managed Care is Embodied in this Trend Line

**In the late 1980’s the bankrollers of the system said enough was enough, and the era of “managed care” was born. HMOs and their techniques served as the model.**

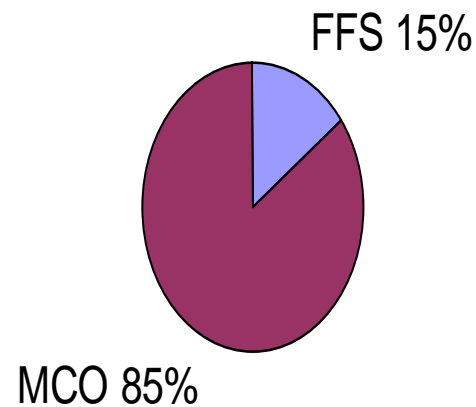
# Managed Care Organization's Approximate Share of the Health Insurance Market in 1988 & 2008

1988



■ FFS 75% ■ MCO 25%

2008



■ FFS 15% ■ MCO 85%

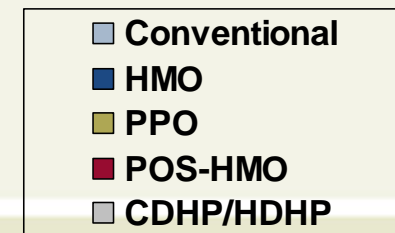
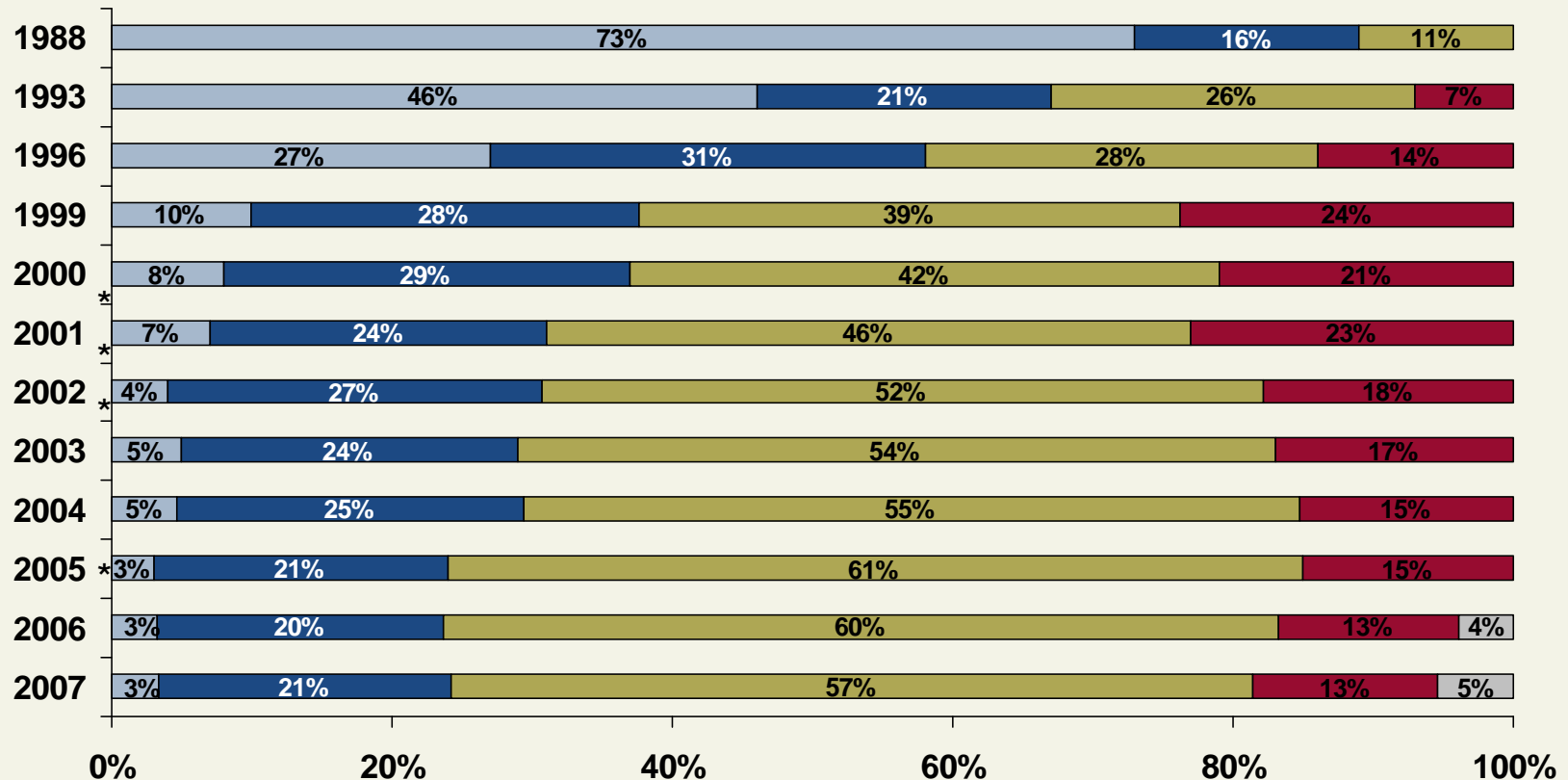
# The US Health Insurance / “Managed Care” Models (and approx market share in 2008)

- **Traditional Fee-for Service (Unmanaged)**
  - 15% (Mainly Medicare)
- **Preferred Provider Organization (PPO) and other “loose” managed care plans**
  - 47% (includes “consumer defined health plans” / “high deductible health plans”)
- **Health Maintenance Organization (HMO)**
  - 38% (includes “point of service” “open-HMO”)

# The Key “Ingredients” of Managed Care

- **Care “management”**
  - aka, utilization/disease management
- **Vertical integration / coordination of independent providers**
- **Financial risk sharing with providers and consumers**

# Types of health plans have shifted over the years (employer based plans)

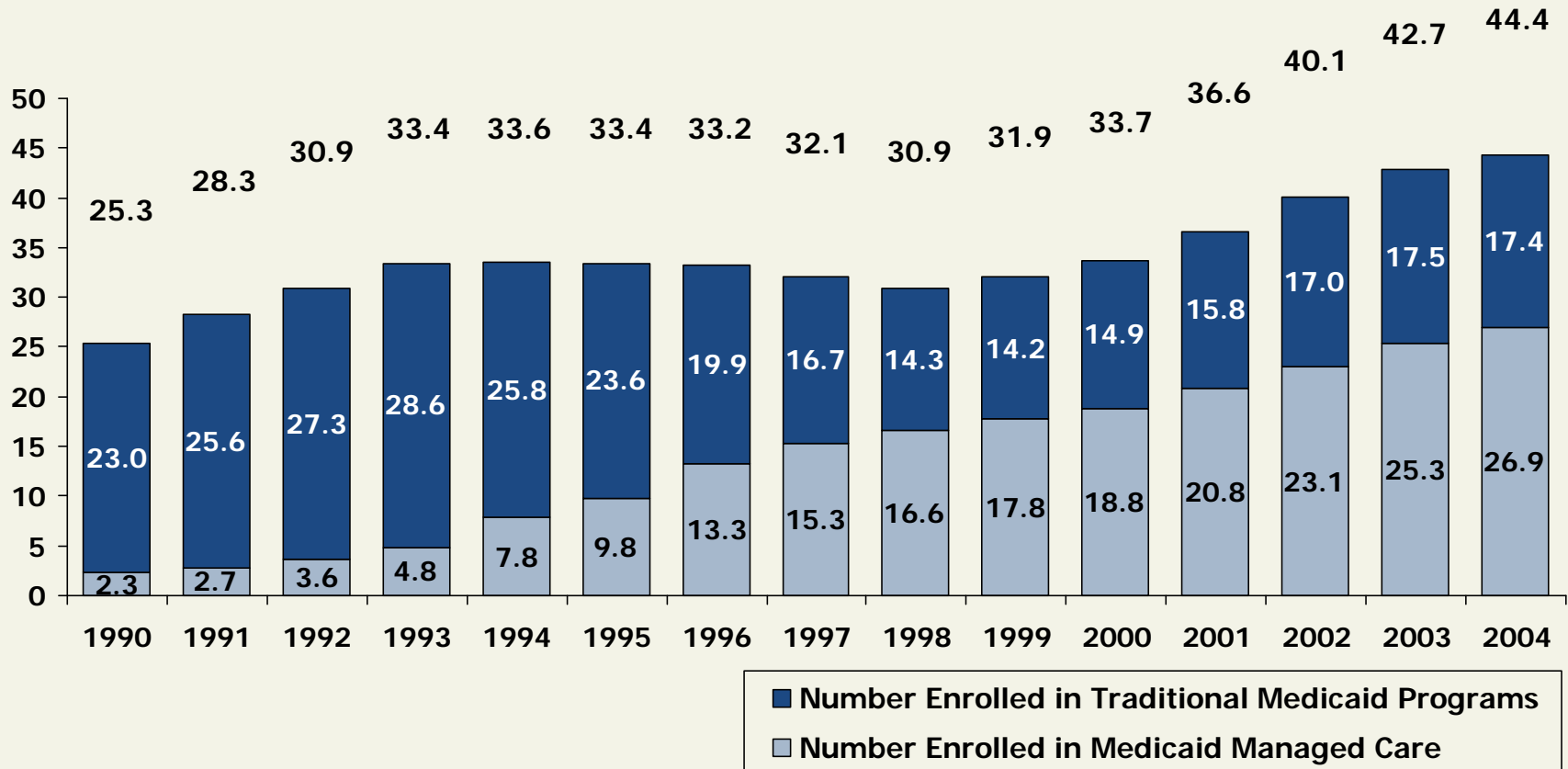


\* Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2007; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988.



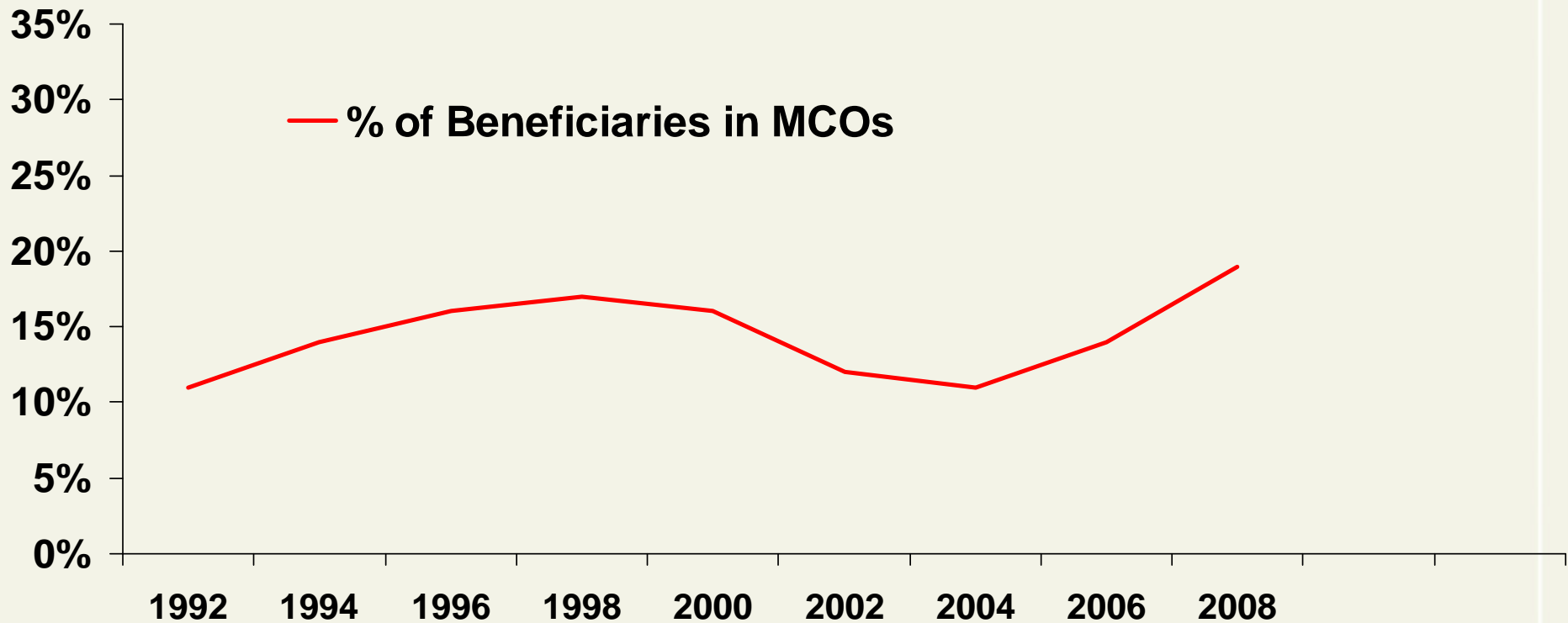
# Private managed care plans care for the majority of Medicaid / S-CHIP enrollees (Trends '90-'04)

Enrollment (in millions)



Source: KFF

# Medicare's Private MCO ("Medicare Advantage") Enrollment has Waxed and Waned



Source: CMS

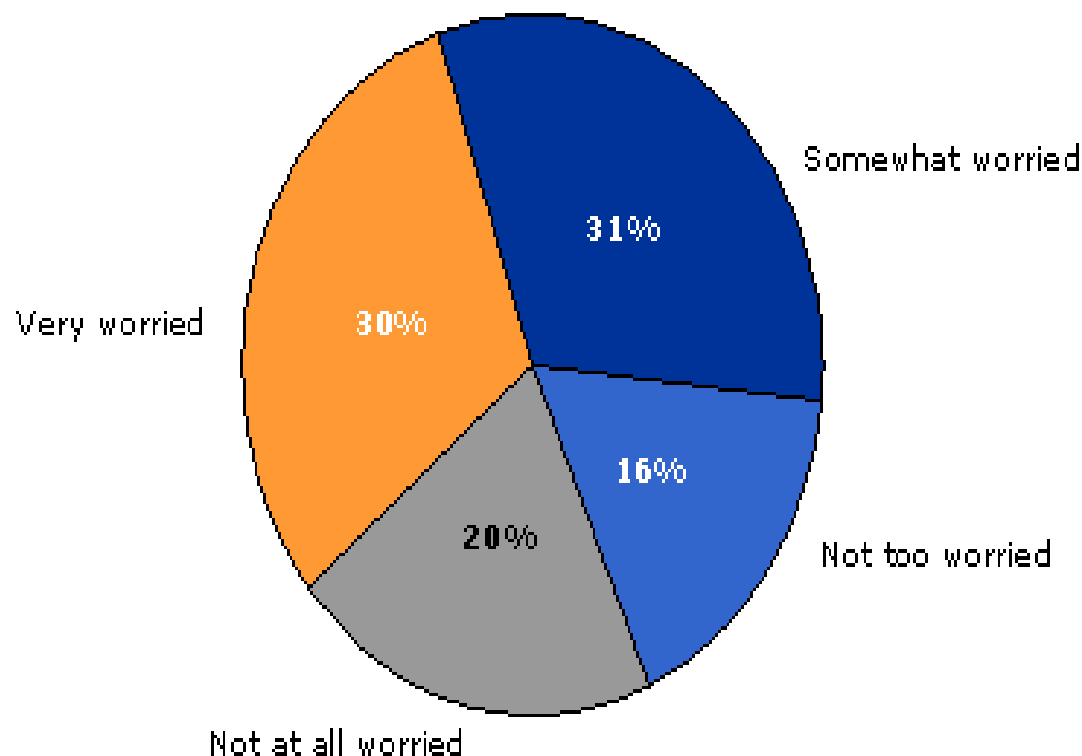


# The managed care backlash and public perceptions

# US Consumer Perceptions

## Worry About Health Plan Being Mainly Concerned About Saving Money

How worried are you about your health plan being more concerned about saving money for the plan than about what is the best treatment for you?

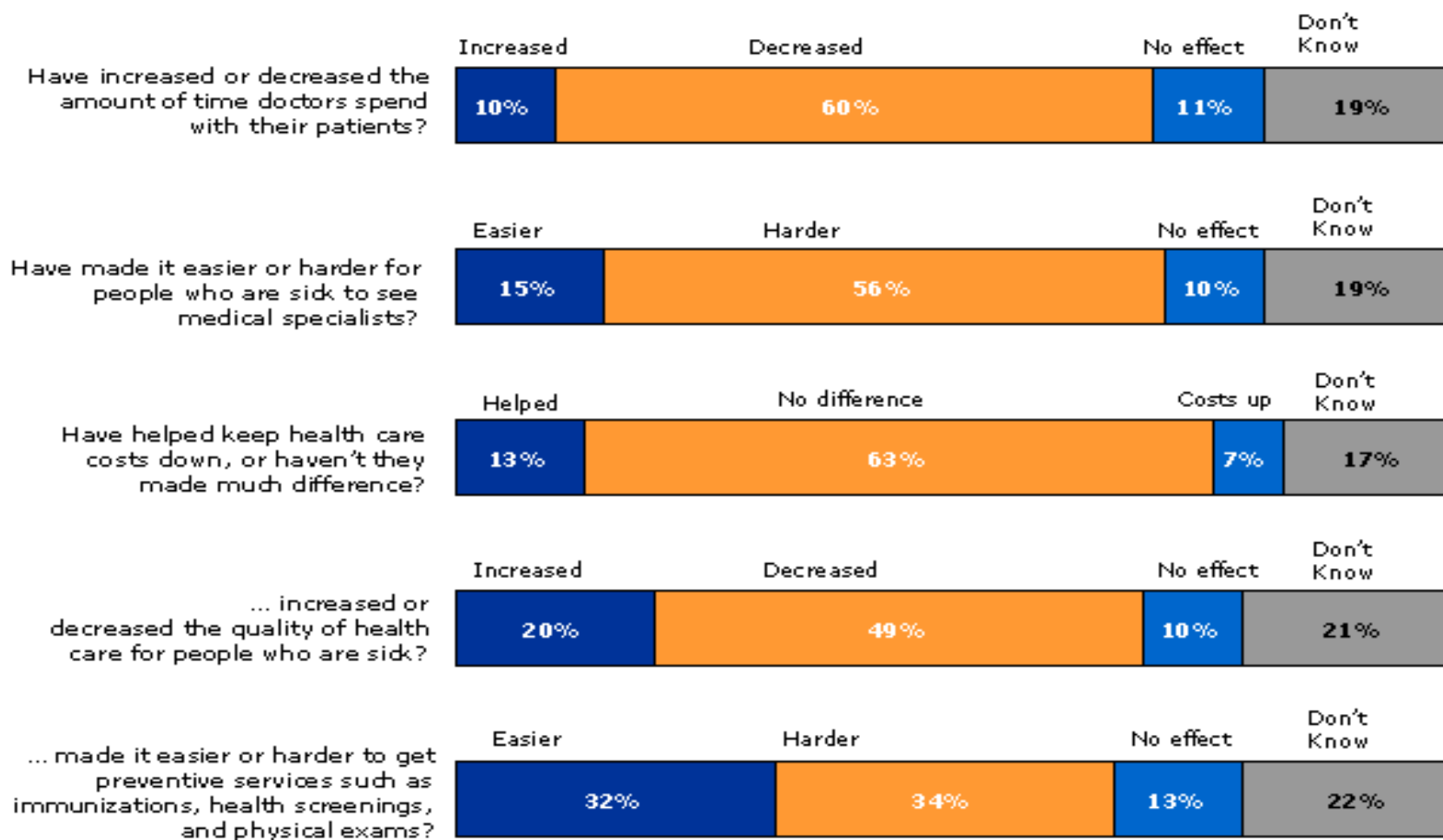


Note: Based on adults with health insurance. Don't know responses not shown.

Source: Kaiser Family Foundation *Health Poll Report* survey (conducted October 4-9, 2005)

## Views About Managed Care's Impact

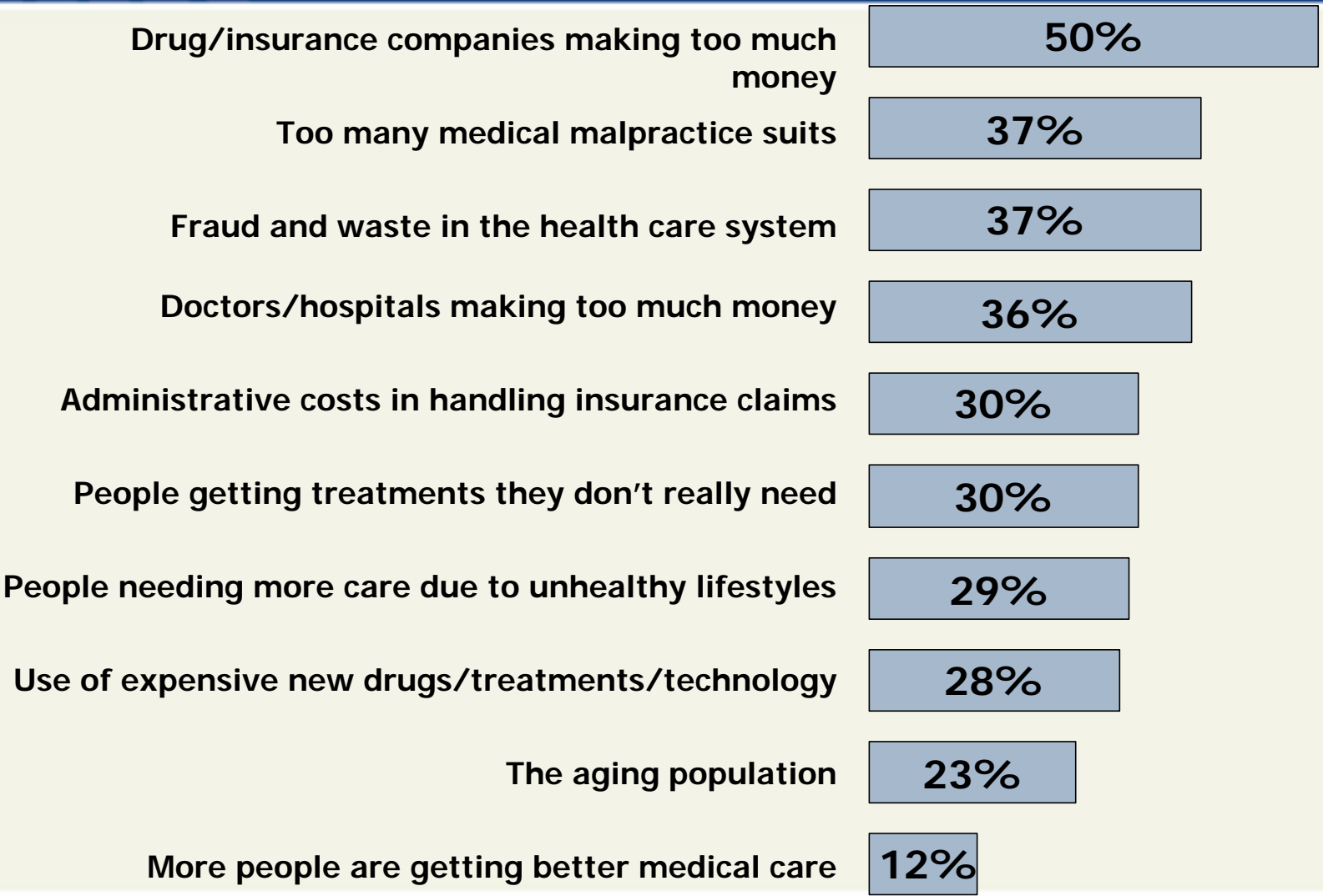
During the past few years, do you think HMOs and other managed care plans...



Source: Kaiser Family Foundation *Health Poll Report* survey (conducted August 5-8, 2004)

# Consumers Don't Really Understand Why Health Care Costs are Rising

Percent who say each is a "one of the single biggest factors in rising health care costs":



SOURCE: ABC News/KFF/USA Today *Health Care in America Survey* (conducted September 7-12, 2006)

# The “backlash” has not had much impact on MD / MCO financial relations (Trends in Physician Contracting and Managed Care Revenue, 1996-2005)

	<b>1996-97</b>	<b>1998-99</b>	<b>2000-01</b>	<b>2004-05</b>
<b>Physicians with No Managed Care Contracts</b>	<b>9.4%</b>	<b>8.6%</b>	<b>9.2%</b>	<b>11.5%*</b>
<b>Average Number of Managed Care Contracts Among Physicians with <math>\geq 1</math> Managed Care Contract</b>	<b>12</b>	<b>13</b>	<b>13</b>	<b>13</b>
<b>Physicians with No Managed Care Revenue</b>	<b>5.7%</b>	<b>5.2%</b>	<b>5.8%</b>	<b>8.6%*</b>
<b>Revenue from Managed Care Among Physicians with <math>\geq 1\%</math> Managed Care Revenue (Mean)</b>	<b>42%</b>	<b>45%</b>	<b>45%</b>	<b>44%</b>

\*Change from 2000-2001 is statistically significant at  $p < .001$ .

Source: Center for Studying Health System Change, Community Tracking Study

The GROWTH INDUSTRY OF  
THE NEXT MILLENNIUM:

# HMO DEPOT

DO-IT-YOURSELF HEALTH CARE!

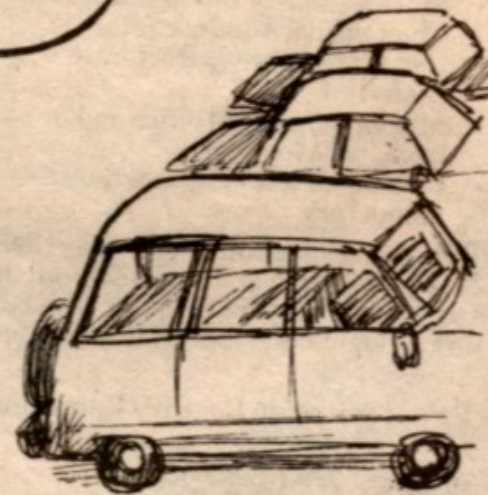
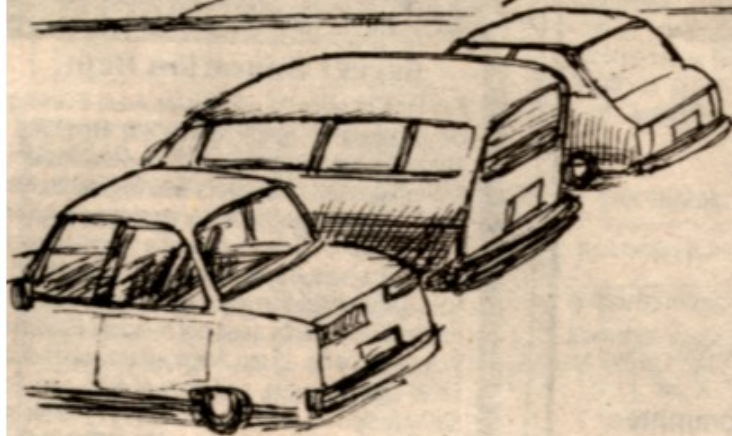
SALE  
SURGICAL  
SUPPLIES

IV's  
29.99  
DOZ

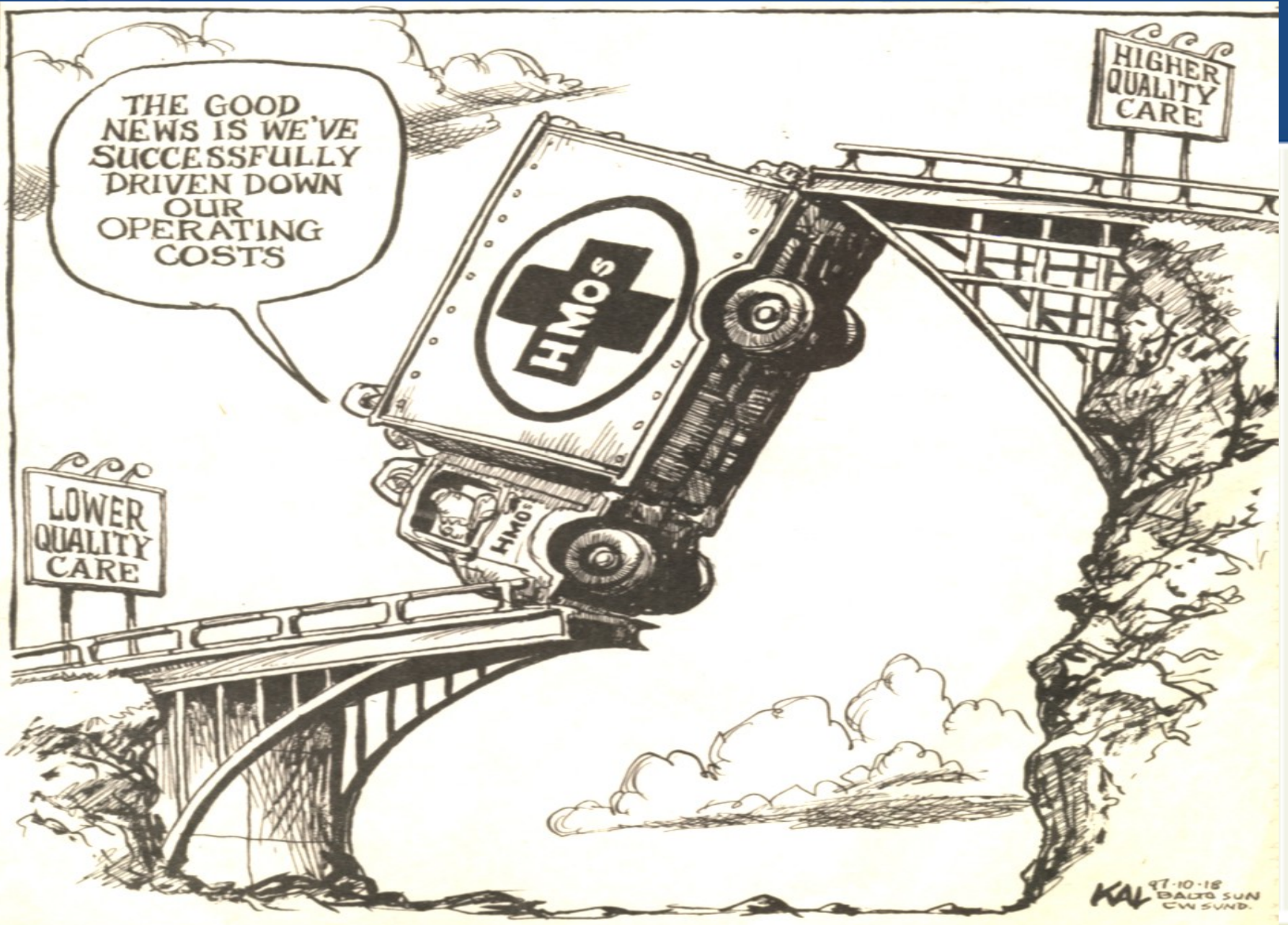
HOW-TO  
BOOKS  
LARGEST  
SELECTION!

I PICKED UP  
EVERYTHING I  
NEED TO DO  
MY OWN  
APPENDECTOMY!

...I'M PUTTIN'  
IN A NEW  
HIP THIS  
WEEKEND!

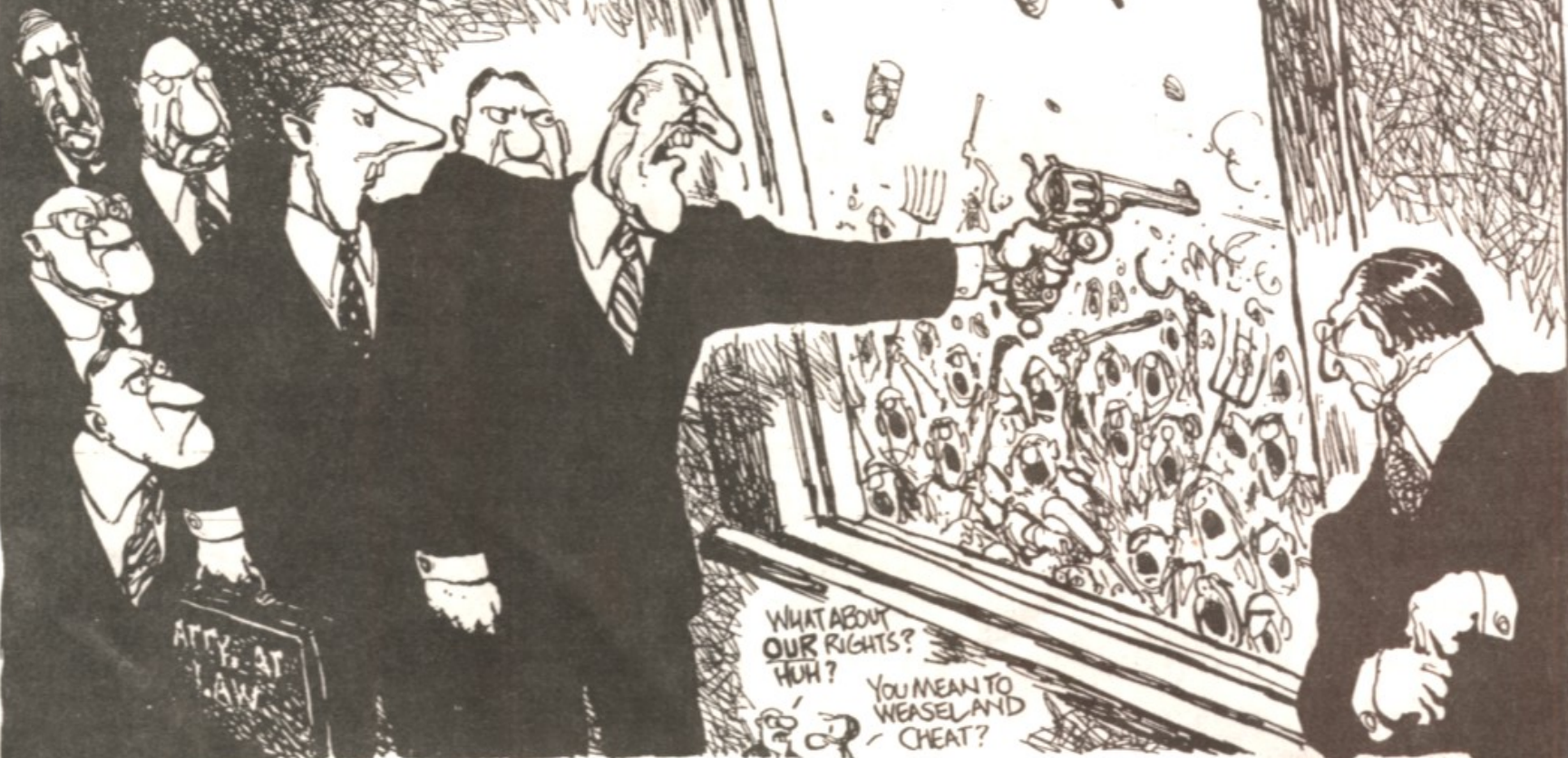
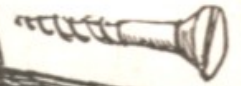






*Wright*

**HMOs**  
**INCORPORATED**



ATTY. AT  
LAW

WHAT ABOUT  
OUR RIGHTS?  
HUH?  
YOU MEAN TO  
WEASEL AND  
CHEAT?

'BILL OF RIGHTS? SINCE WHEN DO THESE PEASANTS HAVE RIGHTS??'

# The three decades of private health insurance: The solutions must be here somewhere??

