

Managed
Care: From
Foundation
to Future

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Agenda

- Managed Care: Defining the Term
- Managed Care in the USA: Three Eras
- Managed Care in the USA: Key Issues Going Forward
- Managed Care in Germany: Some Questions

Managed Care: Defining the Term

Prior to the evolution of managed care, there was a clear division between providers and payers: providers delivered care and payers paid the bill.

In a managed care model, the line between provider and payer blurs. The payer uses various tools to encourage/incentivize providers to deliver better care at a lower cost.

A look back: The Rise of Managed Care in the USA

Three problems with the U.S. HC system (1970s)

- Rising costs (due to 3P FFS payment)
- Small area variation (due to provider autonomy)
- Lack of coordinated care (due to growing specialty maldistribution)

Kaiser as the answer?

- Shift away from FFS (capitation and salary)
- Practice Guidelines
- Primary Care Gatekeeper

Managed Care 1.0 (1970s)

HMO Act of 1973

- Federal funding to replicate Kaiser
- Prohibits state “corporate practice of medicine” laws
- Large employers had to offer HMO if available

But slow growth

- Provider resistance
- Consumer resistance

Managed Care 2.0 (1990s)

Pressure from employers
(1980s)

For-profit insurers move to
managed care

- Network models (IPA, POS, PPO)
- Using leverage to lower costs

The Managed Care Backlash

- Providers
- Patients
- Politicians

Managed Care 3.0 (2000s)

Provider Profiles

- What metrics to measure
- Risk adjustment issues

Using the Data

- Conversation Starter
- Public Reporting
- Value-Based Payment

Value- Based Payment

Ranking systems

Benchmark
systems

Improvement
systems

Managed Care and the Ongoing Health Policy Debate

Insurance coverage at historic highs

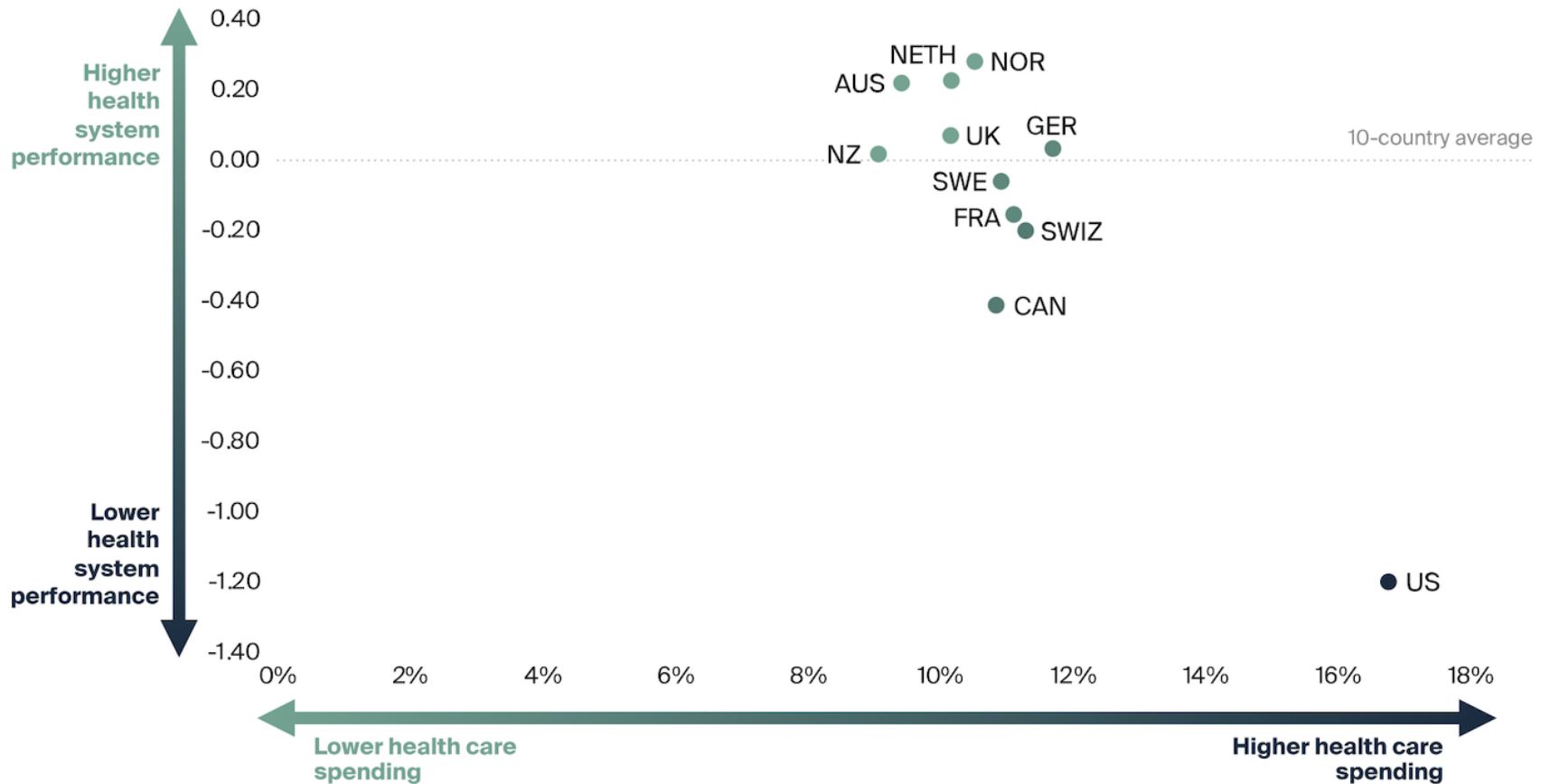
- Employer-sponsored coverage 49%
- Medicaid 21%
- Medicare 14%
- Uninsured 9%

But the high cost of care combined with mixed overall performance remain a high concern

And policymakers assume that managed care provides the best path to a better health system

EXHIBIT 4

Health Care System Performance Compared to Spending



Note: Health care spending as a percent of GDP. Performance scores are based on standard deviation calculated from the 10-country average that excludes the US. See [How We Conducted This Study](#) for more detail.

Data: Spending data are from OECD for the year 2019 (updated in July 2021).


Source: Eric C. Schneider et al., *Mirror, Mirror 2021 – Reflecting Poorly: Health Care in the U.S. Compared to Other High-Income Countries* (Commonwealth Fund, Aug. 2021). <https://doi.org/10.26099/01DV-H208>

Managed Care, CC, and the ACA: The Options on the Agenda

The ACA and Cost Containment: The Options

- Regulations and Global Budgets
- Incentivizing Consumers to be Cost-Conscious
 - More cost transparency
 - Higher out-of-pocket payments
- **Incentivizing Providers to be Cost-Conscious**
 - Value-based purchasing
- Managing the high-cost patient
 - 5% cost 50%
 - 1% cost 22%

Managed Care, CC, and the ACA: The Path Chosen

- A focus on value-based payment
 - Accountable Care Organizations
 - Bundled payments
 - Readmission Penalties
 - Following the private sector
 - But little evidence of success thus far
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Managed Care going Forward: Key Issues

The Value of Value Based Payment?

- The Supporting Evidence is thin – the path is slower than expected

For-Profit MCOs in Public Insurance Programs?

- Medicaid (75% of enrollees)
- Medicare (48% of enrollees)
 - The politics of payment and prior authorization
 - Humana exits ESI and focuses on Medicare Advantage

How to Address the Social Determinants of Health?

- What is the MCO role?

Managed Care in Germany: Some Questions

- Managing Care in the German Health System
 - Who does what?
 - How best to improve quality and contain costs
 - Public Reporting
 - Value-Based Payments
 - The five “I’s”
 - The Idea
 - Interest Groups
 - Ideology
 - Institutional Context
 - Implementation

Thanks

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