



## Introduction to Managed Care

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## What is Managed Care?

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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

Early 20th century: Prepaid Health plans, e.g., LA-DWP, Kaiser

1960's: Calls for health maintenance organizations to deal with rising costs of healthcare

1973 HMO Act: Created organized health systems

1980's and 1990's: Dramatic growth in Health Maintenance Organizations (HMO)

1990's: Public backlash against restrictions created by HMO's

Current: Nearly all working individuals with coverage are insured through some form of managed care

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## Polling Question #1

What year did the HMO Act create organized health systems

- a. 1960
- b. 1973
- 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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# Types of Managed Care

Health Maintenance Organization (HMO)	Preferred Provider Organization (PPO)	Point of Service (POS)
<ul style="list-style-type: none"><li>Primary Care Provider (PCP) acts as gatekeeper</li><li>Non-emergent care requires prior approval</li></ul>	<ul style="list-style-type: none"><li>Member has freedom to select provider</li><li>Out of Pocket costs used to encourage utilization of lower cost providers</li></ul>	<ul style="list-style-type: none"><li>At time of need, member selects HMO or PPO pathway</li></ul>

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# Provider Reimbursement 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
- Alternative Payment Models

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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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## What's Next?

Medicare and Medicaid managed care

Consolidation

Consumerism

Health Equity

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