

Managed Care 101:

Understanding the Basics and Opportunities for Partnership

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Presentation Overview: Managed Care 101

- Background
- Goals and Components of Managed Care
- How it Works
- California's Medi-Cal Managed Care Infrastructure
- Integrating LTSS
- New Opportunities
- Building Partnerships

Background & History

- Early 20th century: “Prepaid health plans” LA-DWP, Kaiser
- 1960’s: Calls for health maintenance organizations
- 1973 HMO Act: Created organized health systems
- 1974 ERISA: Protect employer-sponsored health coverage from malpractice suits
- Late 1980’s & 1990’s: Dramatic HMO growth
- Late 1990’s & 2000’s: Public backlash against restrictions
- 2013: Nearly all working individuals with coverage are insured through some managed care form

Goals of Managed Care

- Control costs
 - Health care costs growing faster than GDP
 - Reduce inappropriate use of services
 - Increase competition
- Improve quality
- Improve population health
- Increase preventive services

Managed Care Components

- **Network:** Selective contracting with providers
- **Medical Home:** Primary care gatekeeping function
- **Prior Authorization/Pre-certification:** Oversight of specialty visits/elective procedures
- **Benefits Package:** Defined set of covered services
- **Formulary:** Rationalized and/or tiered pharmaceutical list
- **Utilization Review/Management:** Managing in-patient admission and length of stay

How it Works: Product Types

- Health Maintenance Organization (HMO)
 - Centered on primary care provider as the “organizer”
 - All non-emergent care requires prior approval
(other than primary care)
- Preferred Provider Organization (PPO)
 - Member selects provider of choice
 - Initial PCP visit/ specialty prior auth not required
- Point of Service (POS)
 - At time of need, member selects HMO or PPO pathway

How it Works: HMO Models

- Staff model – doctors, hospitals, other services all in same organization
 - Veterans Health System
- Network model – health plan *arranges* care through separate contracts with hospitals, physicians, other providers
 - Most common model in California
 - Blue Cross, Blue Shield, Health Net, and Local Initiatives

How it Works: Capitation

- Fixed fee (per member per month)
- Specific period of time (generally a month)
- Defined set of services (benefits)
- Assigned population of members
- Provider accepts “risk” for delivering services

How it Works: Provider Payment Types

- Capitation (physician groups, hospitals)
 - With/without shared risk/savings arrangement
- Negotiated fee for service (some physicians, ancillary services, labs, radiology)
- Per diem = fixed daily payment (hospital, SNF)
- Per episode of care
 - *Now*: transplants, DRG's
 - *Future*: acute/post-acute bundled payments

How it Works: Provision of Services

1. Is service or product a benefit?
2. Is it medically necessary?
3. Has it been authorized, if auth required?
4. Is it a network provider?

How it Works: Organizing Physicians

- Medical Group – doctors as employees
- Independent Practice Association (IPA)
 - Doctors own/operate private practices
 - Serves as contracting vehicle
 - Provide critical mass of PCPs & full specialty network
 - Cover a broad enough geography
 - Serves as management vehicle
 - Business functions (e.g., capitation reconciliation)
 - Clinical functions (i.e., UM, prior-auth)

Current Models of Managed Care

1. Medicare Special Needs Plans (SNPs)
2. Duals Integration Pilots
3. Managed LTSS
4. Accountable Care Organizations
5. Medical Home Pilots
6. Independence At Home Pilot (house calls)
7. Bundled Payment Pilots

California's Medi-Cal Managed Care System



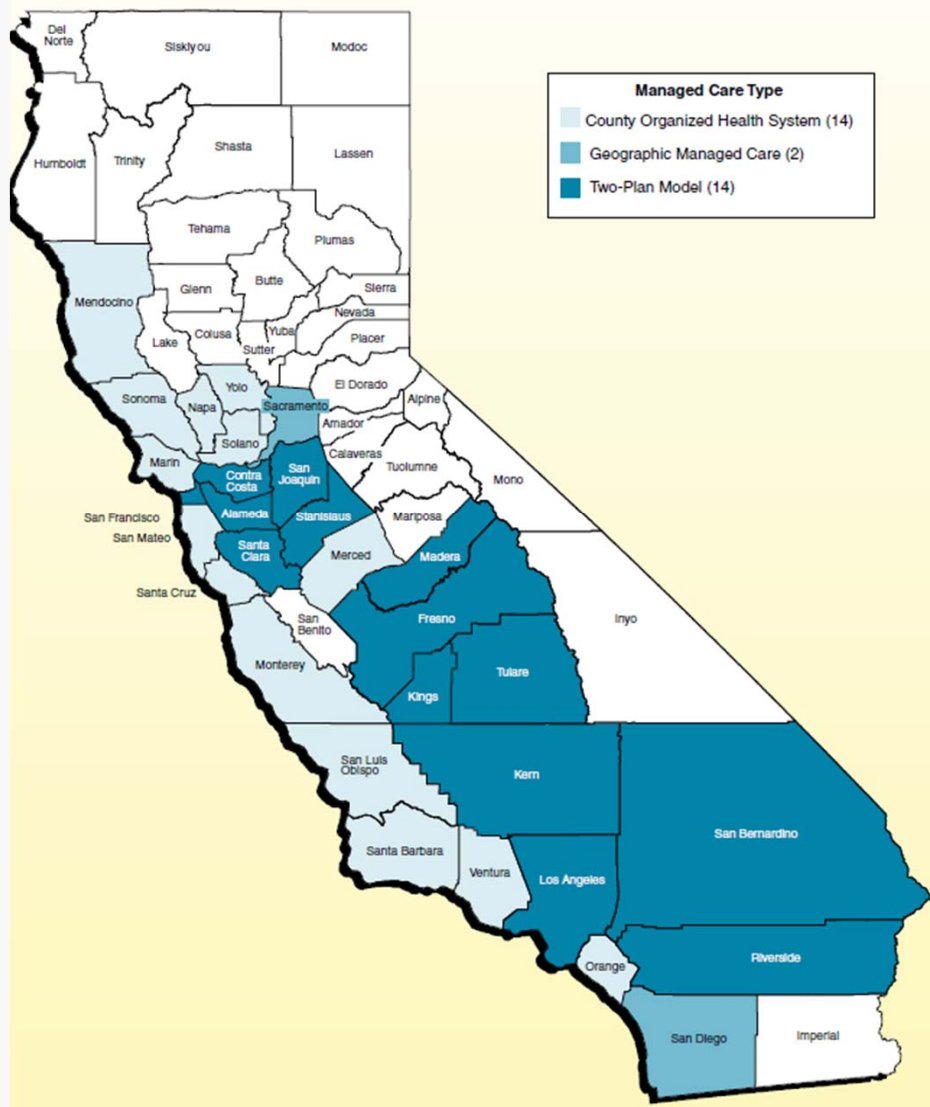
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Medi-Cal Managed Care Models

- Two Plan Model: State contracts with 2 plans: a local initiative (locally developed and operated), and a commercial plan.
 - Available in 14 counties, serving 3 million beneficiaries
- County Organized Health System: One health plan administered by a public agency and governed by an independent board.
 - 6 health plans available in 14 counties, serving 850,000 beneficiaries
- Geographic Managed Care: State contracts with several commercial plans in a county
 - Available in 2 counties, serving 450,000 beneficiaries

California's Medi-Cal Managed Care Counties

California's Medi-Cal Managed Care Counties



Managed Care: Integrating Long-Term Services and Supports (LTSS)

New Opportunities: Integrating LTSS in Managed Care

Primary goal: Develop a person-centered system of care that addresses range of individual needs by:

- Increasing access to HCBS
- Safely decreasing institutional utilization
- Improving clinical and quality outcomes
- Building on consumer choice

Potential Partners for HCBS Providers

- Health Plans
- Hospitals / Health Systems
- Medical Groups / IPA's
- Medicare Advantage Plans
- Special Needs Plans
- Accountable Care Organizations

Opportunities for HCBS Providers

- Care transitions post-hospitalization or rehabilitation stay
- Preventing inappropriate 30-day hospital readmissions
- HCBS support for those with high risk / high utilization patterns
- Others...

Building Partnerships with Managed Care



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Develop a Business Case, Must Demonstrate

1. Economic burden if nothing is done
2. Your services can alleviate some of that burden
3. Economic value of your services $>$ expenses health partner will incur to pay for them
4. By you delivering the services, you create more benefit than competitors or health plan creating service themselves

SOURCE: Tabbush, Victor. Overview of Preparing Community-Based Organizations for Successful Health Care Partnerships. 2012 .



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Key Leadership Competencies

- Strategic orientation
- Achievement and performance
- Innovative thinking
- Change management
- Building effective teams
- Communication
- Negotiation
- Relationship building and maintenance
- Analytical, data-driven decision-making

SOURCE: Tabbush, Victor. Overview of Preparing Community-Based Organizations for Successful Health Care Partnerships. 2012 .

Key Management Competencies

- Planning and project management
- Marketing
- Promoting services and making the business case
- Financial acumen
- Cost accounting and fee setting
- Assembling, managing, & coordinating resources
- Information systems
- Monitoring and evaluation systems

SOURCE: Tabbush, Victor. Overview of Preparing Community-Based Organizations for Successful Health Care Partnerships. 2012 .

Reactor Panel

Lydia Missaelides
CA Association for Adult Day Services

Carol Raphael
Visiting Nurses Association of New York

Abbie Totten
CA Association of Health Plans

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Our vision is a society where seniors receive medical treatment and human services that are integrated in the setting most appropriate to the their needs and with the greatest likelihood of a healthy, independent life.

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