The End Is Near - For Managed Care

By Donald M. Petersen Jr., BS, HCD(hc), FICC(h), Publisher

If you talk to almost any person involved in health care, they will tell you about their frustrations with managed care:

- Providers know that they are restricted from providing needed care, can’t get paid, and have to fill out a pile of paperwork just to get a portion of what a regular patient would pay.
- Patients talk about restricted care that requires multiple referrals and long waiting periods to get the care they need ...
  that is, if it’s covered.
- Employers have learned to hate managed care because it has turned their health care benefits into a point of contention and frustration for their employees.

It seemed that the only advantage managed care could offer was cost reduction. But with managed care premiums continuing to rise, many question whether managed care can still make that claim.

A study published recently in the *American Journal of Public Heath*¹ seems to set the record straight. The investigators analyzed 1996 data for 8,195 U.S. adults to compare gatekeeper managed care plans with non-gatekeeper plans.

The results of the study suggest that in 1996, managed care gatekeeper plans demonstrated very little economic advantage over non-gatekeeper ("indemnity") plans:

- "In 1996, annual total per capita health expenditures were about 3% lower for privately insured adults enrolled in managed care gatekeeping plans than for those in indemnity plans."
- "On average, this is about $50 less (per year) per adult enrolled in a managed care gatekeeping plan than expenditures for those enrolled in an indemnity plan."
- "From the insurer’s perspective, our subgroup analysis showed that third-party payments for health care services provided through managed care gatekeeping plans were statistically indistinguishable from third-party payments in indemnity arrangements."
- "Our analysis of 1996 data showed a modest difference in overall annual per capita expenditures
between privately insured adults in managed care gatekeeping and indemnity plans, with lower out-of-pocket payments for managed care gatekeeping enrollees but not for third-party payers."

- "Our findings suggest that managed care gatekeeping arrangements are unlikely to produce enduring substantial cost savings to health insurance purchasers in the private sector or to the country as a whole."

The authors speculate that the reason managed care seemed to hold so much promise initially is that insurance companies were willing to underprice their premiums in the beginning, expecting to make up the loss by reducing unnecessary care. Once the initial fat was trimmed out of the system, the insurance companies found that managing care through a gatekeeper couldn’t control rising health care costs any better than a non-gatekeeper system.

The results of this study harken back to a comment made by *Fortune* columnist David Stires. After crunching the numbers and analyzing the trends for the industry, Mr. Stires remarked: "Thus it may come as a surprise to learn that the managed care industry is dying. Oops, did we spill the beans so soon? Well, so be it. Managed care is on the way out."

The article was published in the Oct. 14, 2002 issue of *Fortune*, almost two and a half years ago. Mr. Stires’ predictions are coming true as we speak.

Okay, so is that good news or bad? What’s coming next? What should we do to prepare?

There could be a number of new things coming next. One of the hottest new plans is the Health Savings Account (HSA). HSAs are an attempt to make people more accountable for how they utilize health care. People get to choose where they spend money on regular health care expenses. People who spend less are rewarded by keeping what they don’t spend. Catastrophies are covered by high-deductible health insurance that is sold in conjunction with the HSA.

Whether it is HSAs or some other program, it is very clear that people want access to health care and control over the type of care they choose. This should be good news to chiropractic. It means that the playing field will become more level over time.

But it also places a responsibility on us that we can’t ignore. When patients make their own choices, they will do so based upon the information they have. If the chiropractic profession in the United States continues to fail in its efforts to make people more aware of the benefits of chiropractic on a national level, it will be up to the local DC to do the job in their own community.
This means that those doctors who make the effort to educate and inform their community will be rewarded. Those who don’t will have an increasingly harder time.

References


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