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)
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<th>Current Models of Managed Care</th>
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California’s Medi-Cal Managed Care System
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
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
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 $\geq$ 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

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

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

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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