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MANAGED CARE AND HEALTH INSURANCE

Hopkins School of Hygiene and Public Health

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Sheppard Pratt Health System
The Era of More and More
1950-1990

Cost-Plus
Fee for service
Retrospective reimbursement
Unmanaged
GROWTH OF PHYSICIANS & ADMINISTRATORS

source: Statistical Abstract of the U.S. & NCHS
Post 1990: Less is More

- Discounts
- Capitation
- Prospective payment
- Managed care
Prior Eras of “Less is More”

19th century institutions
(economics of scale)

20th century deinstitutionalization
(economics of cost shifting)
The Business of Medicine
The Garment Business

Supply and demand

Business cycles

Who are my customers and what do they want?
Medicine

Asclepius and Hippocrates

A profession

Who are my patients and what do they need?
Is the customer or the doctor always right?
Zone of Clinical Uncertainty

Medical appropriateness

Medical necessity
Zone of Clinical Uncertainty

Clinical risk
Efficiency risk
Some Special Aspects of Mental Health Care
Epidemiology/Demand

Unmet needs

Co-morbidities

Reliable counting

(DSM-IV)
Epidemiology/Supply

Providers

Settings

Treatments
Economics

Elasticity of demand

Moral hazard

Adverse selection

“Inside limits” on insurance
Economics

Insurance discrimination

Mandates

Parity
Economics

High direct and indirect costs
Cost offsets
Social control
Economic dependency
Economics

For-profit chains
(Scandals of 1980s-90s)

Cottage industry

Adolescents and substance abusers
Managed Behavioral Health Care Organizations (MBHOs)

“Carve outs”

Nearly 200 million Americans enrolled

5 dominant players

Private and public sectors
<Example>

Magellan Health Care

75 million Americans covered
At risk and “administrative sources only”
Employee Assistance Programs
Networks and utilization management
Managed Medicaid
Over 1 billion in revenue
Major impact on utilization and cost