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PPOs, CDHPs and Other MCOs

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Professor of Health Policy & Management
The Health Insurance Models

- Traditional (Fee-for-Service) Indemnity
- “Managed” Indemnity Plan
- Preferred Provider Organization (PPO)
- Health Maintenance Organization (HMO)
# A Taxonomy for Determining the Type of Health Insurance Plan

<table>
<thead>
<tr>
<th>Dimension</th>
<th>FFS</th>
<th>MIP</th>
<th>PPO</th>
<th>EPO</th>
<th>POS</th>
<th>HMO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Risk for Payer</td>
<td>-/+</td>
<td>-/+</td>
<td>-/+</td>
<td>-/+</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial Risk for Intermediary</td>
<td>+/-</td>
<td>+/-</td>
<td>+/-</td>
<td>+/-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Financial Risk for Physicians</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Restriction on Consumer’s Selection of Provider</td>
<td>-</td>
<td>-</td>
<td>+/-</td>
<td>+</td>
<td>+/-</td>
<td>+</td>
</tr>
</tbody>
</table>
### Taxonomy - continued

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Type of Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FFS</td>
</tr>
<tr>
<td>Significant Utilization Controls Placed on Provider’s Practice</td>
<td>-</td>
</tr>
<tr>
<td>Plan Obliged to Arrange for Care Provision</td>
<td>-</td>
</tr>
</tbody>
</table>
Patients like their “freedom”

Percent of privately insured adults, by type of health plan, who say they are worried that if they become sick, their health plan would be more concerned about saving money than providing the best treatment.

<table>
<thead>
<tr>
<th></th>
<th>Very Worried</th>
<th>Somewhat Worried</th>
<th>Not Too Worried</th>
<th>Not at All Worried</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Plans</td>
<td>24%</td>
<td>32%</td>
<td>25%</td>
<td>18%</td>
</tr>
<tr>
<td>Managed Care</td>
<td>25%</td>
<td>34%</td>
<td>25%</td>
<td>16%</td>
</tr>
<tr>
<td>Strict MC</td>
<td>31%</td>
<td>36%</td>
<td>21%</td>
<td>11%</td>
</tr>
<tr>
<td>Loose MC</td>
<td>21%</td>
<td>32%</td>
<td>28%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Data Source: Kaiser Family Foundation/Harvard School of Public Health National Survey on Consumer Experiences With and Attitudes Toward Health Plans, August 2001 (conducted July-August 2001).
Employers Reasons for Choosing Plans

Percentage of All Firms That Say the Following Features Are Very Important When Choosing a Health Plan, 2003

- 80% for Cost of Plan
- 66% for Number of physicians to choose from
- 54% for Range of benefit options
- 46% for Accuracy & speed of claims payment
- 46% for Internet tools to help with enrollment and claims processing
- 45% for Measurable employee satisfaction
- 19% for Tiered physician or hospital benefits
- 3% for NCQA or URAC accreditation status
- 1% for HEDIS performance scores

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003
Shift in Employment-Based Plan Type 1988 - 2002

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2002
### Employer Health Benefits, 2001 Annual Survey

**Small Employers Usually Offer One Plan**

<table>
<thead>
<tr>
<th></th>
<th>All Firms</th>
<th>Small</th>
<th>Midsize</th>
<th>Large</th>
<th>Jumbo</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Private Insurance</strong></td>
<td>90%</td>
<td>91%</td>
<td>50%</td>
<td>37%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Private Other</strong></td>
<td>7%</td>
<td>7%</td>
<td>23%</td>
<td>23%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Public Total</strong></td>
<td>3%</td>
<td>2%</td>
<td>27%</td>
<td>40%</td>
<td>59%</td>
</tr>
</tbody>
</table>

Small Employers Usually Offer One Plan

### PPO Ownership and Enrollment

<table>
<thead>
<tr>
<th>Ownership</th>
<th>% Plans</th>
<th>% Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Insurance Co.</td>
<td>61</td>
<td>50</td>
</tr>
<tr>
<td>- For-Profit</td>
<td>10</td>
<td>37</td>
</tr>
<tr>
<td>- Provider</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>- “Other” *</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>- HMO</td>
<td>9</td>
<td>2</td>
</tr>
</tbody>
</table>

* Employer, multiple, TPA, Misc.

Source: Aventis -2006
“Gate-Keeper” PCP Model

- Model used in most other nations.
- Research evidence generally supports positive findings.
- Still very common in many HMOs but there is move towards “open access” in many plans.
- “Primary care case management” (PCCM) is gatekeeper” model without the HMO structure.
Other Unique Plans

• Direct Contract MCOs
  – Mainly providers who serve Medicaid or Self Insured (sometimes called “PSOs – provider sponsored organizations)

• EPOs
  – Can be considered HMOs without the “risk” generally ERISA based and similar to above.
Other Hybrid Plans

• Triple (or double) Option
  - Employer offered more than one plan under single MCO umbrella (Term also used for plan with choice at the point of service)

• “Tiered” Plan
  - Employees pay more up front for “more desirable” providers (Could be part of CDHP)
Consumer-Directed Health Plans (CDHPs)

(Derived in part from presentations by Joanna Case-Famadas and Erin Rand Giovannetti)
A Brief History of Major Health Plan Trends

FFS → HMO → MC → Open Access → Consumer Driven HC

- Provider Dominance
- Rising Costs
- Product Development
- MC Backlash
- Rising Costs
- Increased “Consumerism”
Key Characteristics of CDHPs

• Flexible structure allowing consumer up-front decision-making at many levels

• Financial incentives / disincentives directed at the consumer, usually linked to high deductible and “donut holes”

• Information that enables consumers to make decisions (usually web based)

• CHDPs generally grafted on to “conventional” PPO, EPO, Triple Option Plan, or Tiered plan.
Today, most CDHPs involve high deductible health plans (HDHPs) and special tax-protected “accounts”?

- Most CDHPs involve a Health plan with a high deductible accompanied by a consumer-controlled savings account for health care. A high deductible health plan (HDHP) typically has a deductible of at least $1000 for single coverage, but can be much higher.

  - Two primary types of health care savings accounts:
    - Health Savings Accounts (HSAs)
    - Health Reimbursement Arrangements (HRAs)

- To some CDHP and HDHP are synonymous
How Spending Accounts Work

1. Employee uses money in the account for qualified health care expenditures ("first-dollar")

2. When the money is exhausted, the employee pays out-of-pocket until they meet the deductible for their health plan.

3. When out-of-pocket spending reaches a certain limit, the plan kicks in and covers 80% of the costs.
How CDHP Works: Spending Accounts

- Catastrophic Insurance 100% (Plan Liability)
- 80% (Plan Liability) 20% Employee Cost Sharing
- Employee Cost Sharing (Employee Gap)
- Account Payment Preventive Services

$7,000 $2,000 $1,000

Benefit Payment Employee OOP
HSAs vs HRAs

- **Health Savings Account (HSA)**
  - Part of Medicare Modernization Act
  - Must have high deductible plan
  - Employers and employees can put money into account tax free (up to a certain amount)

- **Health Reimbursement Arrangements (HRA)**
  - Part of IRS regulations
  - Sponsored by employer
  - Offered in conjunction with high deductible plan
  - Only employers can put money into account
Federal requirements for HDHPs offered with HSAs, 2006

<table>
<thead>
<tr>
<th>requirement</th>
<th>description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deductible of at least $1,050 for single coverage and at least $2,100 for family coverage.</td>
<td></td>
</tr>
<tr>
<td>Annual limit on out-of-pocket expenses (for in-network services) of $5,250 for single and $10,500 for family coverage.</td>
<td></td>
</tr>
<tr>
<td>Cannot cover services before deductible has been satisfied (other than preventive care)</td>
<td>IRS has been liberal in permitting services (including some maintenance prescription drugs) to be considered preventive</td>
</tr>
<tr>
<td>Can be provided by an employer or purchased directly from an insurer (non-group health insurance)</td>
<td></td>
</tr>
</tbody>
</table>
Search for Doctors

The Lumenos Health Toolkit also includes a searchable directory of doctors, hospitals, and other health care services. You can search listings by specialty and location. Doctor listings include important information about the doctor, including quality information and whether or not the doctor is one of the more than 350,000 physicians offering discounts on services to Lumenos members.

Dr. John Doe

Address
1234 Main Street
Alexandria, VA 22314
(703) 555-1111

Hospital Affiliations
YourTown Hospital

Lumenos Discounts

<table>
<thead>
<tr>
<th>Service</th>
<th>Estimated Discounted Cost</th>
<th>Typical Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Office Visit</td>
<td>$95.00</td>
<td>$110.00</td>
</tr>
<tr>
<td>Return Office Visit</td>
<td>$60.00</td>
<td>$80.00</td>
</tr>
</tbody>
</table>

Specialties
Dermatology

Background Information

Board Certification: Dermatology
Years in Practice: 12
Age: 42
Sanctions: None
Residency: YourTown Hospital
Languages Spoken: Spanish

Compare and Save

Many of the doctors in our Health Directory offer discounts to Lumenos members.

Look here to see how much you can save on typical health care services.

Additionally, you have access to background information about each doctor.

Discounts shown are for illustrative purposes. Your actual discount level will vary.
Adoption: How Many?

- Estimates vary, but suggest that 2-3% of workers are in a CDHP or HDHP
  - America’s Health Insurance Plans (AHIP) estimates 3.2 million enrollees in HRA/HSA plans in 1/06
- Plans with a personal spending account are the fastest growing
## Large Employers Most Likely to Offer HDHPs

### Share of Firms Offering HDHP, By Firm Size, 2005

<table>
<thead>
<tr>
<th>Firm Size</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small (3-199 Workers)</td>
<td>20%</td>
</tr>
<tr>
<td>Midsize (200-999 Workers)</td>
<td>20%</td>
</tr>
<tr>
<td>Large (1,000-4,999 Workers)</td>
<td>20%</td>
</tr>
<tr>
<td>Jumbo (5,000+ Workers)</td>
<td>33%</td>
</tr>
<tr>
<td>All Firms</td>
<td>20%</td>
</tr>
</tbody>
</table>

HDHP has annual deductible $\geq$ $1,000$/ individual and $2,000$/family. Prevalence shown is for all HDHPs, regardless of offer with HRA, HSA qualified, or neither.

Evidence: Costs for Consumers

- CDHP costs (including OOP) between HMO (lowest) and PPO (highest) in 2-year study of large employer\(^1\)
  - Likely to spend > 5% of their income on health care\(^2\)
    - 42% in HDHP
    - 31% in CDHP
    - 12% in traditional plan

## Evidence: Impact on Consumers

### Treatment Adherence Problems (due to cost)

<table>
<thead>
<tr>
<th></th>
<th>Other Privately Insured (%)</th>
<th>HDHP/HSA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Had a specific medical problem but did not visit the doctor</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>Took medication less often than I should have</td>
<td>14</td>
<td>29</td>
</tr>
<tr>
<td>Did not fill a prescription</td>
<td>15</td>
<td>28</td>
</tr>
<tr>
<td>Did not receive a medical treatment or follow up recommended by a doctor</td>
<td>17</td>
<td>28</td>
</tr>
<tr>
<td>Did not get a physical or annual check-up</td>
<td>19</td>
<td>25</td>
</tr>
<tr>
<td>Took a lower dose of a prescription than my doctor recommended</td>
<td>15</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: *Harris Interactive*, cited in CMWF “High Deductible Health Plans and Health Savings Accounts: For Better or Worse?” January 27, 2005