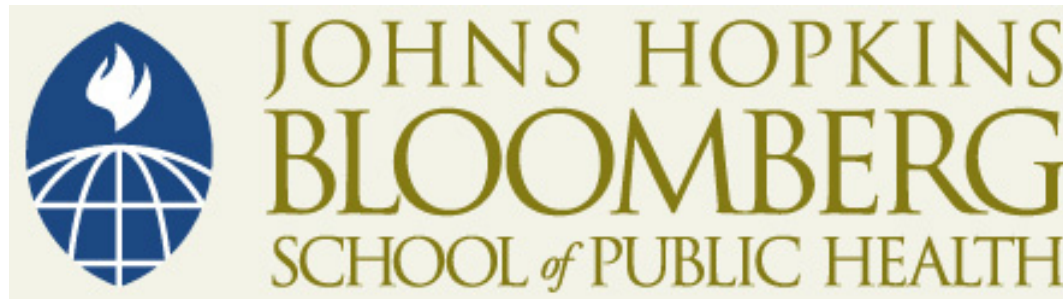


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## Session 4

# *PPOs, CDHPs and Other MCOs*

**Jonathan P. Weiner, Dr. P.H.**

**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

<u>Dimension</u>	<u>Type of Plan</u>					
	FFS	MIP	PPO	EPO	POS	HMO
Financial Risk for Payer	-/+	-/+	-/+	-/+	-	-
Financial Risk for Intermediary	+/-	+/-	+/-	+/-	+	+
Financial Risk for Physicians	-	-	-	-	+	+
Restriction on Consumer's Selection of Provider	-	-	+/-	+	+/-	+

## Taxonomy - *continued*

<u>Dimension</u>	<u>Type of Plan</u>					
	FFS	MIP	PPO	EPO	POS	HMO
Significant Utilization Controls Placed on Provider's Practice	-	+	+	+	+	+
Plan Obligated to Arrange for Care Provision	-	-	+/-	+	+	+

# Patients like their “freedom”

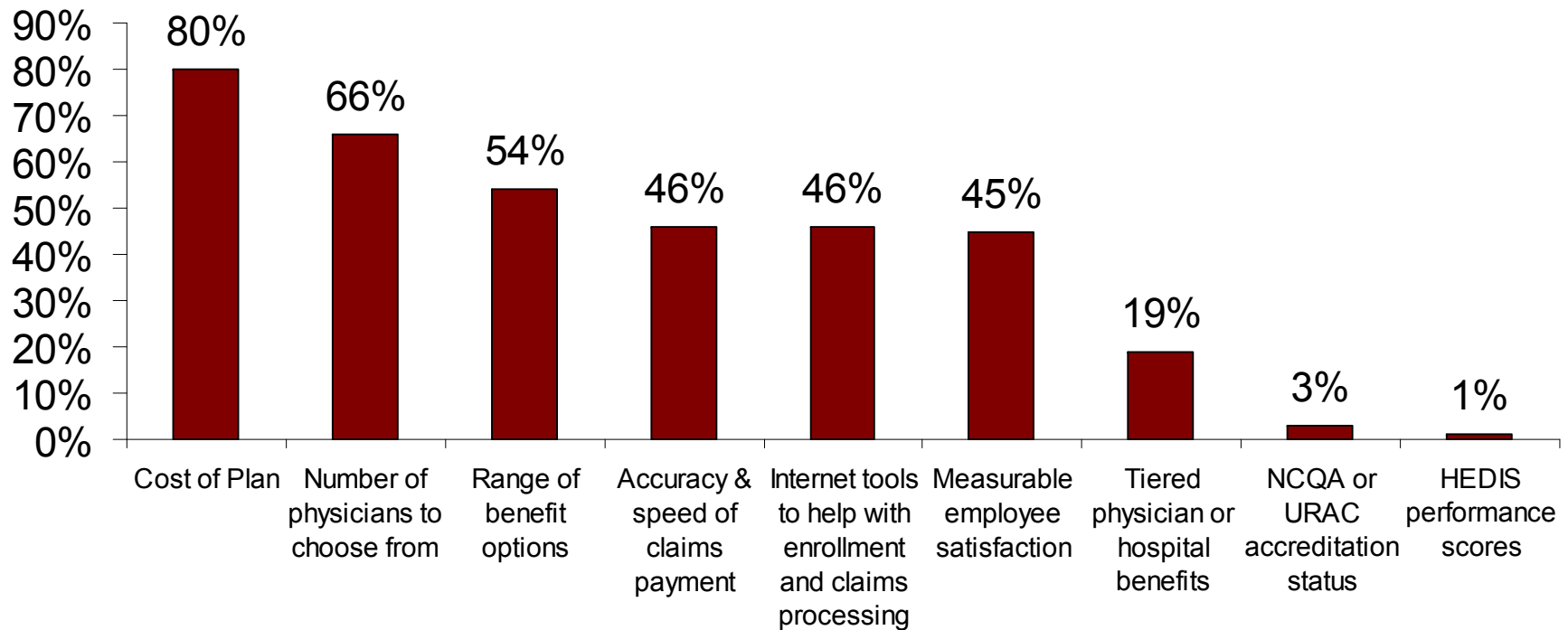
Percent of privately insured adults, by type of health plan, who say they are worried that if they become sick, their health plan would be more concerned about saving money than providing the best treatment

	Very Worried	Somewhat Worried	Not Too Worried	Not at All Worried
All Plans	24%	32%	25%	18%
Managed Care	25%	34%	25%	16%
Strict MC	31%	36%	21%	11%
Loose MC	21%	32%	28%	19%

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).

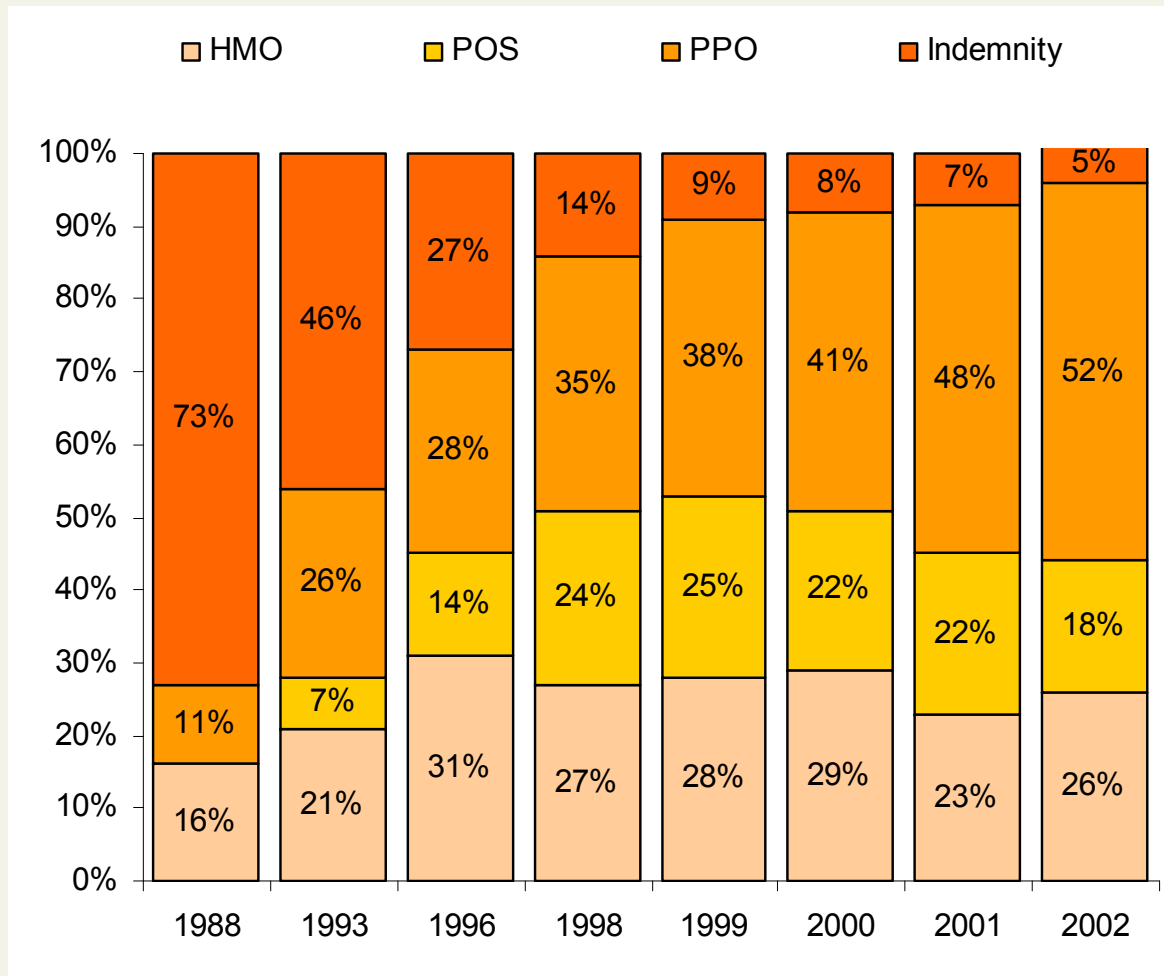
# Employers Reasons for Choosing Plans

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



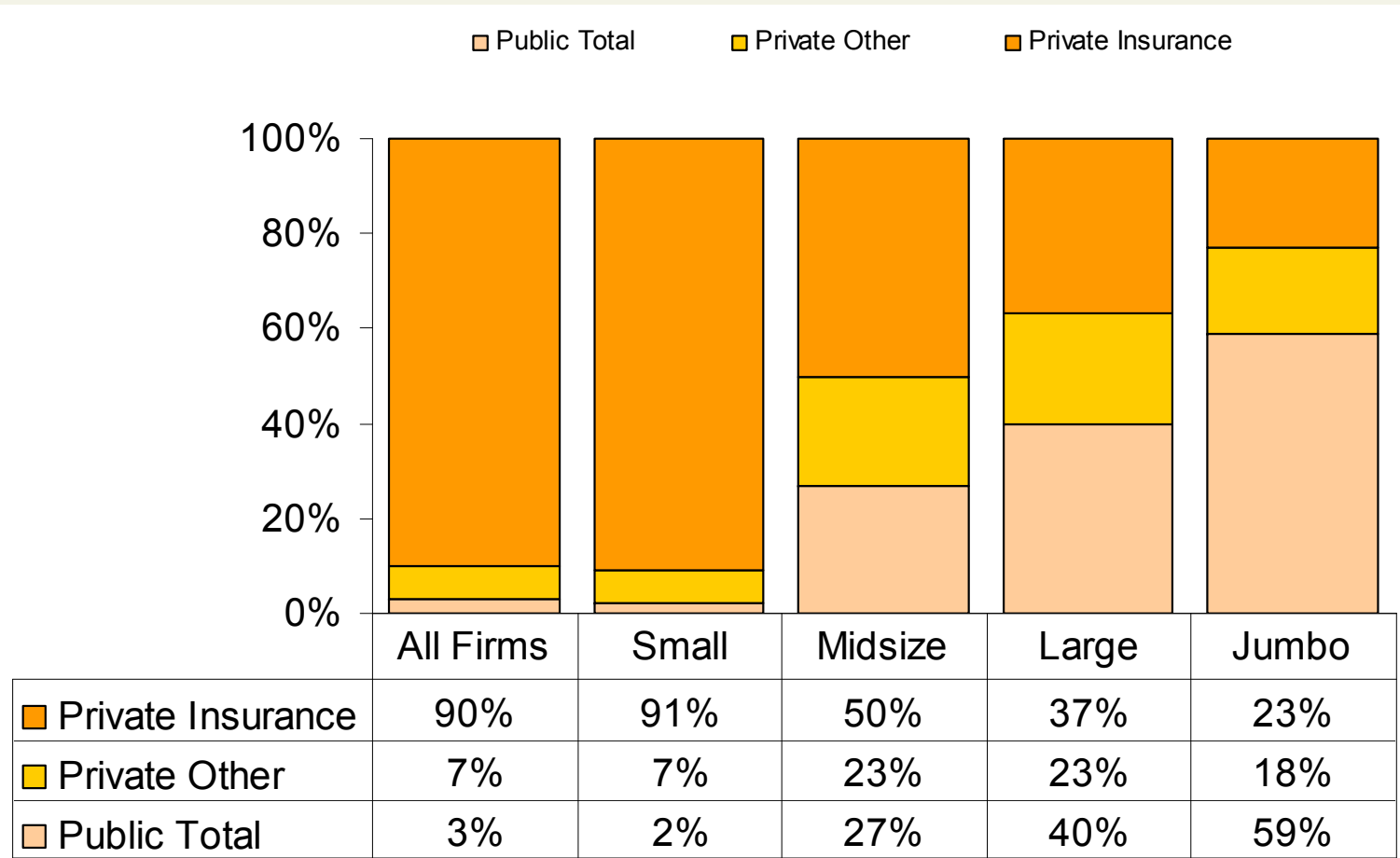
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2003

# Shift in Employment-Based Plan Type 1988 - 2002



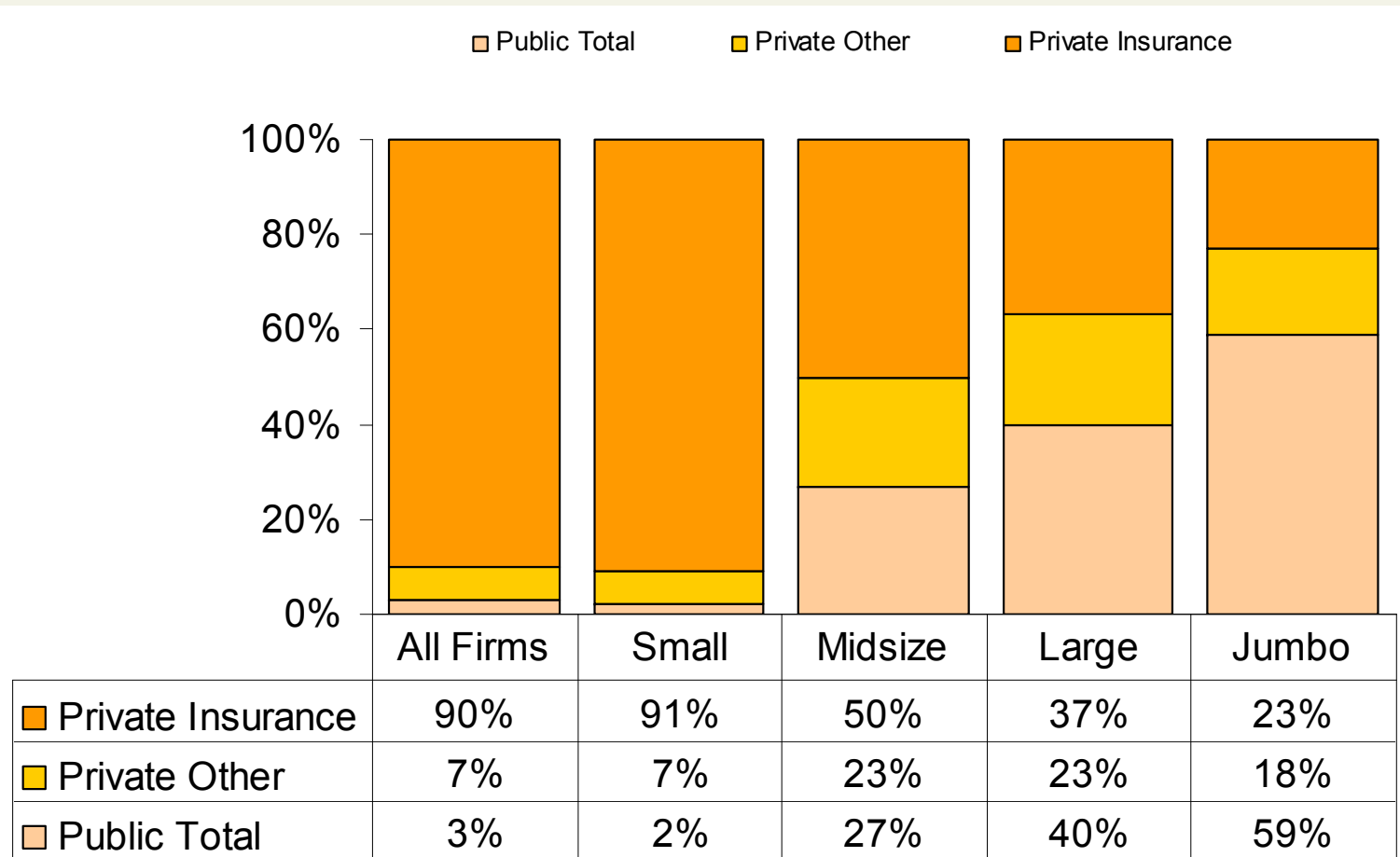


# Small Employers Usually Offer One Plan



*Employer Health Benefits, 2001 Annual Survey, The Kaiser Family Foundation and Health Research and Educational Trust, Exhibit 5.3, p.63. See [www.kff.org](http://www.kff.org) .*

# Small Employers Usually Offer One Plan



Data Source: *Employer Health Benefits, 2001 Annual Survey*, The Kaiser Family Foundation and Health Research and Educational Trust, Exhibit 5.3, p.63. See [www.kff.org](http://www.kff.org).

# PPO Ownership and Enrollment

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

\* 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.**

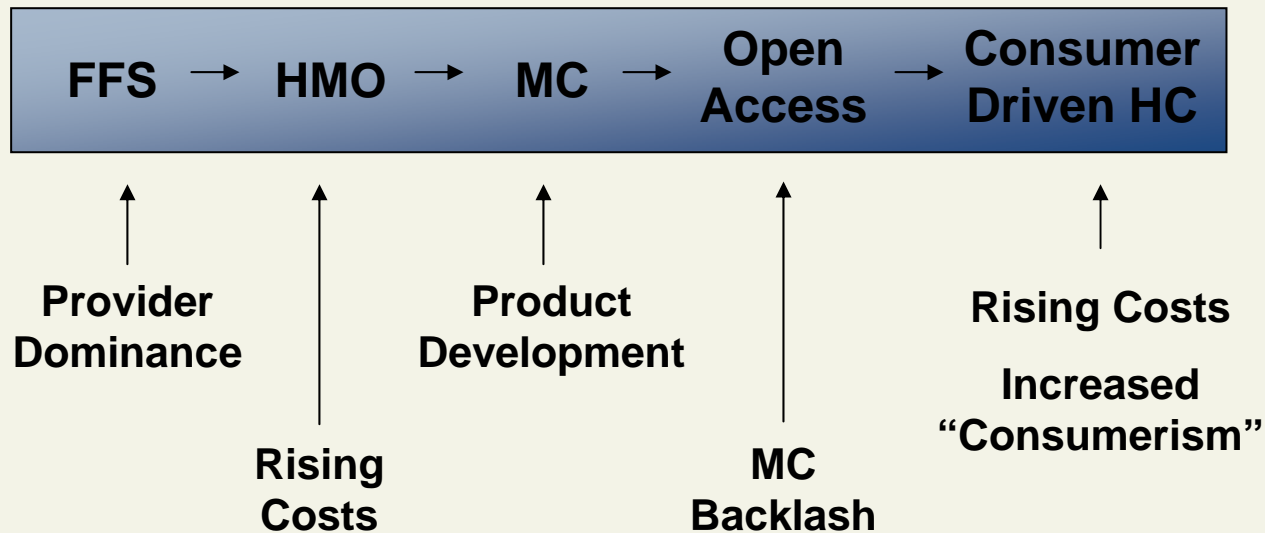
# Other Hybrid Plans

- **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





# 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.

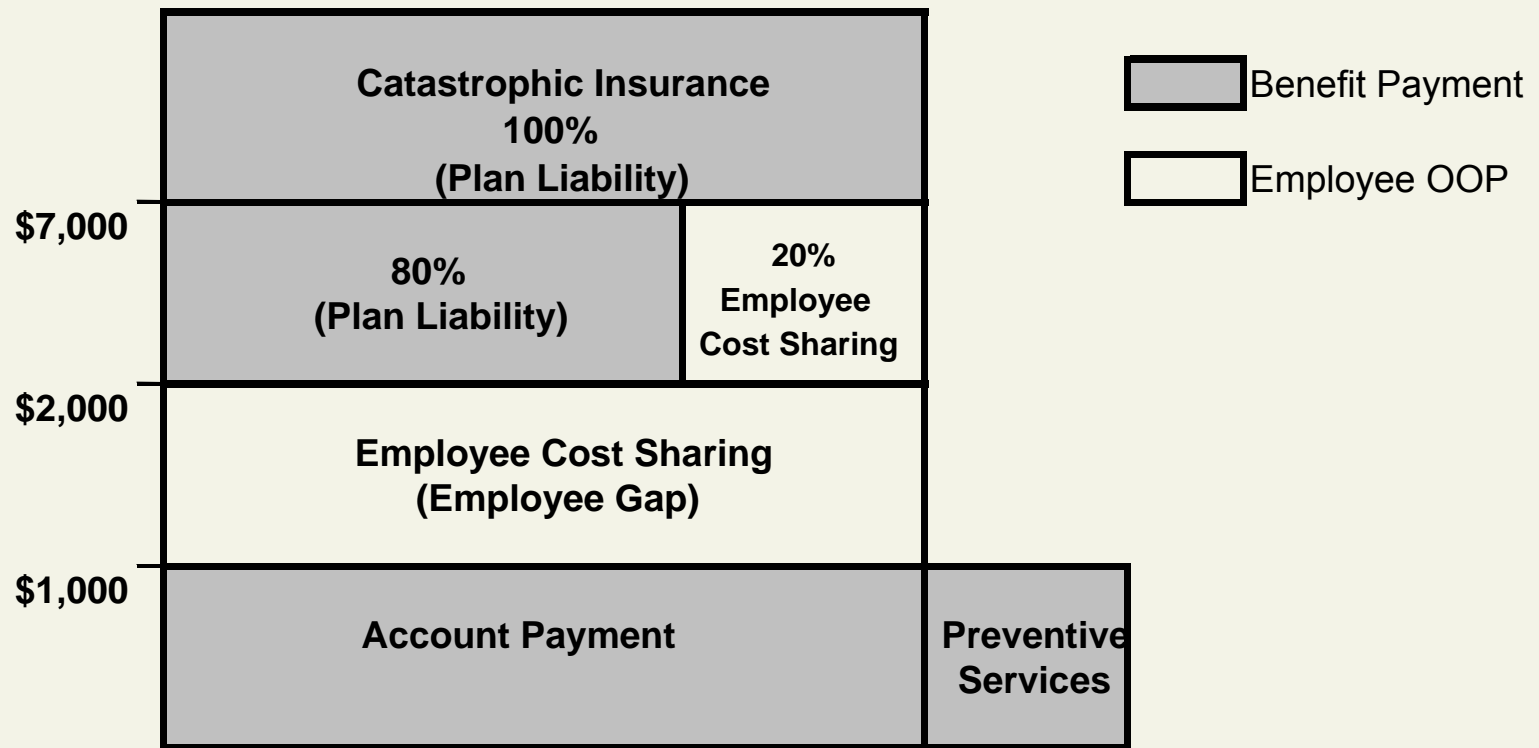
Today, most CDHPs involve high deductible health plans (HDHPs) and special tax-protected "accounts"?

- **Most CDHPs involve a Health plan with a high deductible accompanied by a consumer-controlled savings account for health care**  
High deductible health plan (HDHP) typically has 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



# 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

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

## Search for Doctors

[Previous](#)
[Next](#)

5 of 6

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.

### 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.

## Dr. John Doe

### Address

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

[Map with Directions](#)

[VIEW](#)

### Hospital Affiliations

YourTown Hospital

### Lumenos Discounts

Service	Estimated Discounted Cost	Typical Cost
New Office Visit	\$95.00	\$110.00
Return Office Visit	\$60.00	\$ 80.00

### Specialties

Dermatology

### Background Information

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

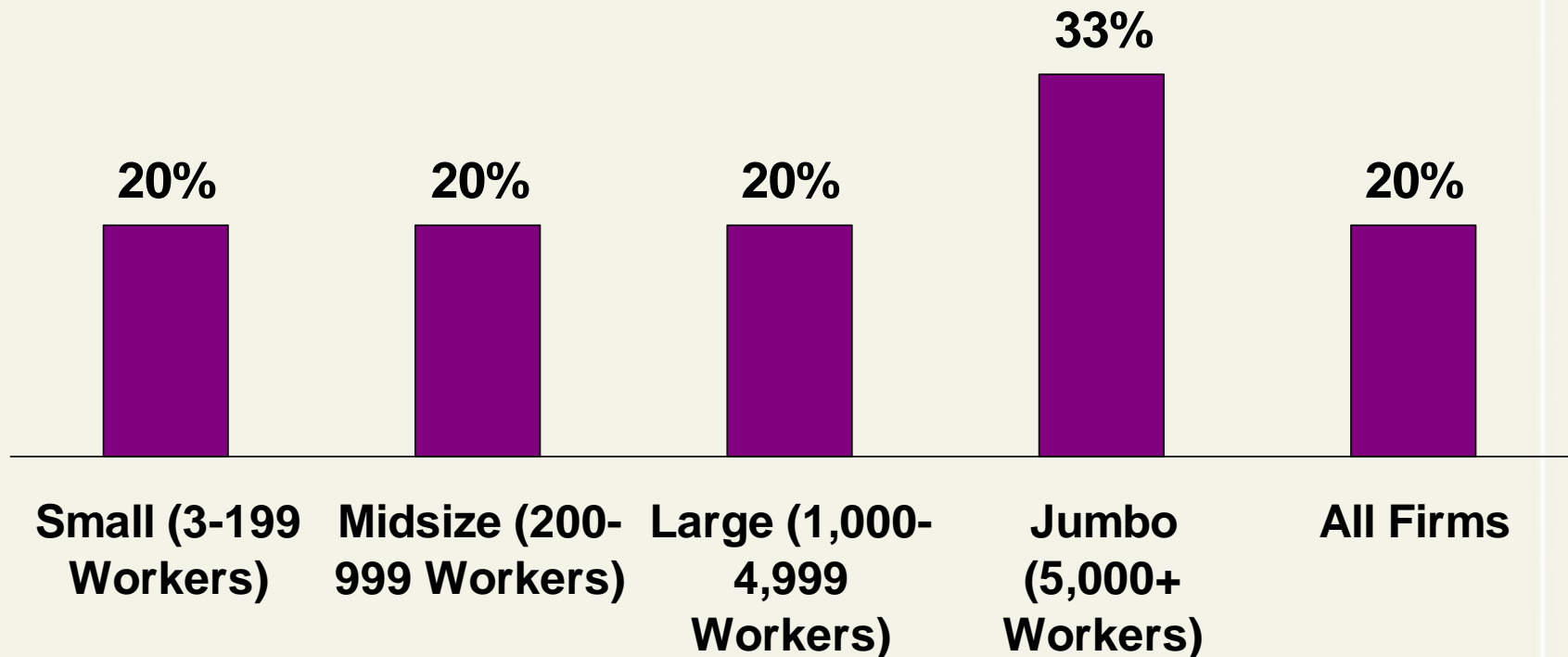
## Adoption: How Many?

- 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



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.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

## Evidence: Costs for Consumers

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

1. Parente et al "Employee Choice of Consumer-Driven Health Insurance in a Multi-Plan, Multi-Product Setting" HSR 2004;39(4):1091-1111.

2. Fronstin P and Collins SR "Early Experience with High-Deductible and Consumer-Driven Health Plans: Findings from EBRI/Commonwealth Fund Consumerism in Health Care Survey" EBRI Issue Brief, December 2005.

# Evidence: Impact on Consumers

## Treatment Adherence Problems (due to cost)

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

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