Dynamic Chiropractic

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ACA's Special Report on Managed Care: Part II

RESHAPING THE FUTURE

Editorial Staff

Photo
"When we talk about the future of the chiropractic profession we are almost by necessity talking about its ability to integrate into the managed care system.

Tom Daly, Esq., ACA's legal counsel

The "managed care option" gives employers another means by which to go outside of traditional indemnity health care plans and escape state requirements to include chiropractic services. In addition, managed care gives companies the ability to control health care costs like any other business costs. Because employers engaging in managed care plans may choose to self-fund health care benefit plans or to use HMO/PPO providers or a combination of both, they minimize their exposure to state insurance regulation.

The managed care program of Allied Signal is typical of these types of plans and serves as a prototype for the managed care programs of larger corporations. Under the Allied Signal managed care plan, an employee is given the option to use a "network physician" and there is a $10 copayment for an office visit and a $5 copayment for any prescription. If employees go outside the network, they are reimbursed 80 percent after meeting a fairly high deductible.

The plan is administered by CIGNA and its 22 CIGNA HealthPlan networks nationwide. Most of these are Individual Practice Associations (IPAs), and there are several staff model HMOs in three cities. CIGNA contracts with the company and guarantees the level of health cost increases for three years. CIGNA remains at risk for costs exceeding the guarantee and keeps the excess of any amount in surplus. There is, therefore, an overriding profit motivation in keeping costs down. The company has eliminated its indemnity plan as well as other HMO plans previously offered.

The first 18 months of the plan resulted in impressive results. Nationally, 75.4 percent of the company's employees and dependents are using the networks 95 to 100 percent of the time. Only about 12.5 percent of the company's employees and dependents are using the network only 0-5 percent of the time. The actual cost of running the plan is "substantially lower" than the projected trends made in 1988 and 1989. The comparison to fee-for-service indemnity plans was described by a company official as being "unreal."

The economics for such a system are irresistible to most employers, and it reflects a growing reality that decisions relative to the delivery of health care services are increasingly being made in corporate boardrooms. Health care experts have predicted that the economics of managed care are such that we can expect to see the following trends in the coming years:

1. Managed care "alternative" health plans will become dominant by approximately 1992 (50

percent national enrollment).

2. The "insurance" concept is obsolete and insurers are rapidly repositioning themselves as PPOs.

3. PPOs have caught up with HMOs in national enrollment and will continue to exceed HMO membership in the 1990s.

4. HMOs and PPOs will blend into managed care plans with multiple buyer options, shared control systems, and interlocking provider networks.

5. All areas and populations will come to accept managed care in the next three years. The PPO concept will be flexibly adapted to distinct local populations and consumer preferences; third party administrators will make managed care options available to small employers.

6. Major purchasers (employers, unions, government) will cut out the middlemen (HMOs, PPOs, insurance) and create their own buyer-managed systems.

7. For the poor and medically uninsured, local and state governments may turn to managed care to provide the "solution" to ever-increasing expenditures and cost-control; state and local governments may begin to phase out public hospitals, preferring to contract out to HMOs and PPOs or to a selected network of local providers.

8. Medicare beneficiaries may rapidly abandon fee-for-service in favor of Medicare HMOs and PPOs that coordinate benefits, eliminate out-of-pocket costs, and provide low-cost drug benefits.

9. Managed care minimarkets, such as behavioral health, workers' compensation, and occupational medicine, will become increasingly profitable and competitive. Case management, provider risk sharing, and strict control of inpatient care will characterize these new arrangements.

10. Inpatient care, the traditional base business of health care, will be further eroded as managed care expands. Expect admission, patient days, and length of stay to fall further until hospital use rates reach 400 days per 1,000 population by 1995.[2] (Hospital use rates in 1981 were 1,214 days per 1,000 population.)[3]

The switch from traditional forms of indemnity plans to managed health care programs has a serious impact on the provision of chiropractic services. Managed health care programs may not fall within the purview of state insurance law. Further, in those instances in which these plans may be subject to state regulation, state law may nevertheless be pre-empted by ERISA.

A managed health care program relates to and is part of an employee welfare benefit plan, exclusively by ERISA. The managed health care plan, unlike an indemnity plan, may not constitute the traditional "business of insurance" and therefore may not be subject to state insurance equality regulation.

There is anecdotal support for the concept that managed care erodes insurance equality and mandated benefits. The December 1990 issue of Medical World News quoted the "More for your Money" column in the December Glamour which offered three reasons why readers whose employers provide health options might want to abandon fee-for-service. The third reason was, "Your employer offers big incentives to join an HMO or PPO."

Employers do offer big benefits for participating in a PPO. Chiropractic patients employed by a large law firm in Atlanta found themselves with a difficult choice. The firm offered fee-for-service insurance on an 80/20 percent schedule and offered participation in a PPO on a 90/10 percent payment basis through AETNA. However, no chiropractors were in the PPO. AETNA contended that chiropractors were not eligible for participation in the PPO network because only providers with hospital privileges were eligible to participate in the PPO.

It has been reported that the cost of managed care is still going up -- but at a slower pace.[4] The average HMO premium will rise 13 percent this year. In 1989 and 1990 premiums rose 17 percent and 16 percent, respectively. The HMOs again blame escalating inpatient and pharmaceutical costs, physicians' salaries and contracts, and general medical inflation. "But there's a new culprit on the list, too: state-mandated benefits, cited by 11 percent of HMOs," according to Medical Economics.

It is important to emphasize that managed care plans are specifically geared at replacing traditional forms of indemnity coverage. Indemnity coverage is the other half of the health benefits pie which is not affected by the ERISA pre-emption. In other words, the protections of state insurance laws as they relate to fully insured benefit plans are being diminished through the rapid development of managed care plans.

References

1. This report is based in a large part on a report authored by the following that was presented to the American Chiropractic Association (ACA) Board of Governors and adopted along with a motion that established the Task Force on Managed Care. The principle authors are: Thomas Daly, Esq., ACA legal counsel; Helen Ferguson, ACA director of state relations; and Richard Miller, ACA director of governmental relations.

2. Coile Jr., Russel C. The New Medicine: Reshaping Medical Practice and Health Care Management, Aspen Publishing, Exhibit 7-1, p. 134 (1990).

3. Id p. 235

4. Medical Economics, January 7, 1991, p. 14.