MANAGED CARE PLANS: POTENTIAL EFFECTS ON THE OIS

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DISCLOSURES

- Founder and CEO of Vascular Management Associates- a company which helps set up and manage outpatient, office-based vascular surgery practices

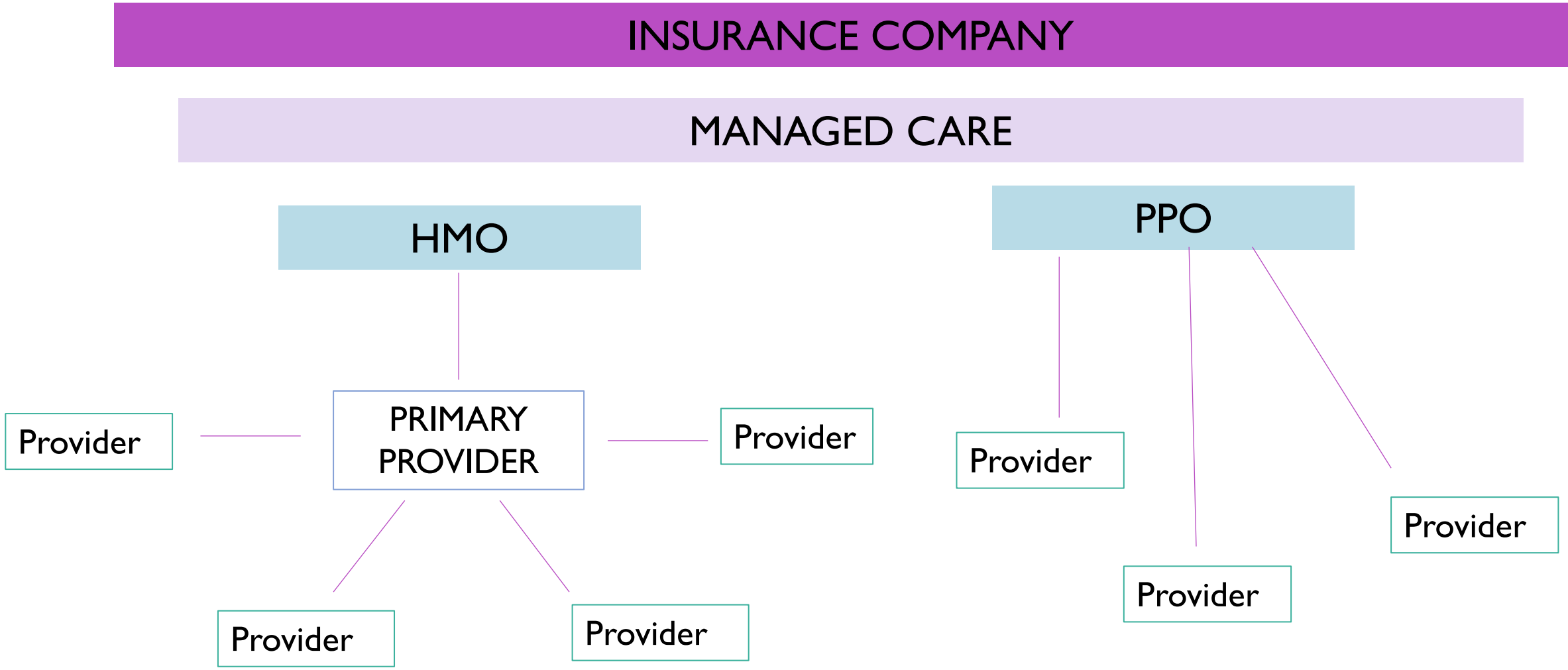
OVERVIEW

- Defining Managed Care
- How does Managed Care Work?
- The Money is the Motivation
- Managed Care Models
- Experience in Three Geographic Regions
- Suggested Approaches
- Conclusion

DEFINING MANAGED CARE

- Managed care is the predominant form of health care
- Theory: manage cost and quality of healthcare for the patient and the payor
- Not just commercial payers- Medicare and Medicaid also offer managed care plans

HOW DOES IT WORK?



MANAGED CARE MODELS

Health Management Organizations (HMO)	**Preferred Provider Organizations (PPO)**
- Set up to provide the financing and delivery of medical services - Can be: 1) Staff 2) Group 3) Network 4) Individual Practice Association (IPA) 5) Direct contract	- A group of doctors and/or hospitals set up to provide medical services to a specific group or organization- could be a particular insurance company or an employer(s)

HMO VS PPO

	HMO	PPO
PCP	Required	Not required
Network	Smaller	Larger
Out-of-Network Benefits	No	Yes
Cost to patient	Lower	Higher
Authorization for treatment	Usually required	Sometimes required

THE MONEY IS THE MOTIVATION

- "HMOs, and their close cousin PPOs, share the goal of reducing healthcare costs by focusing on preventative care and implementing utilization management controls."
- Notice anything missing? How about quality of care, ease of access for patients, or financial feasibility of medical practices...
- Managed care organizations are working to save money, hospitals are working to create increased payments to support operations, and specialist physicians are caught in the middle.

HMOs are generally the most problematic for the OIS

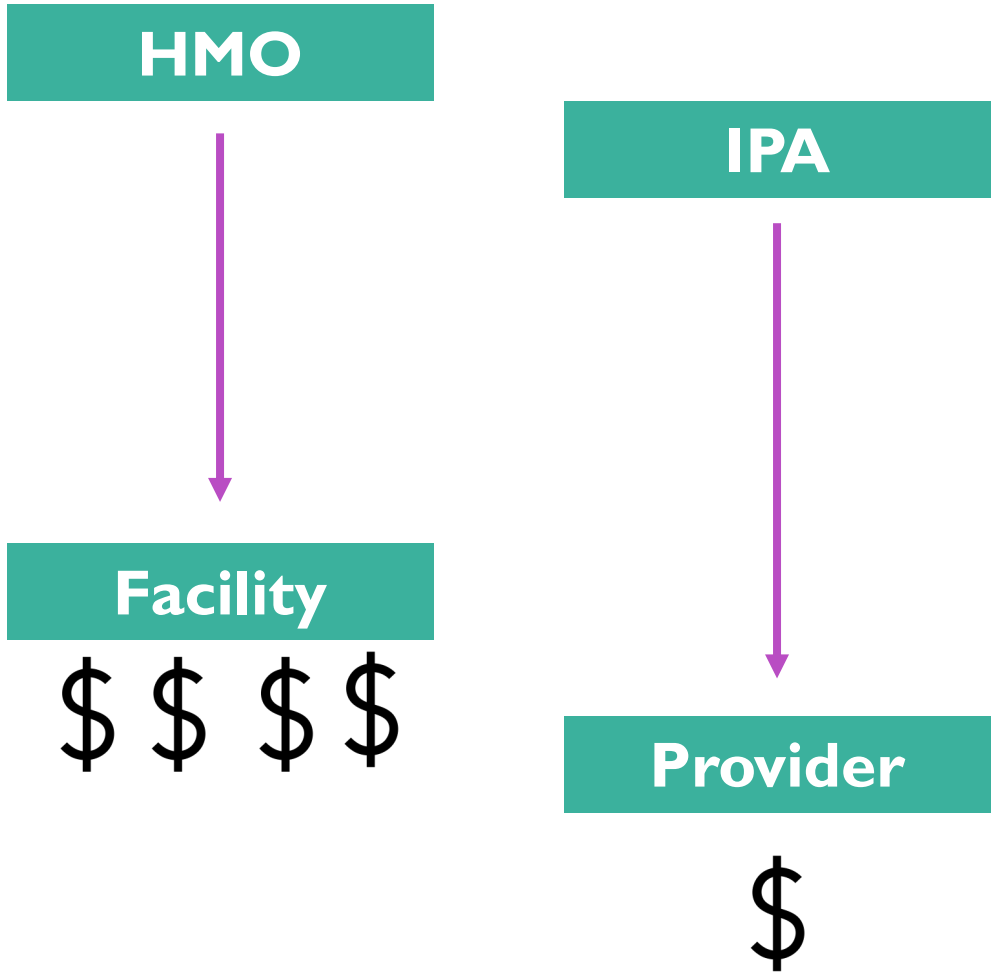
here's why...

HMO MODELS

Model type	Money from	Goes to	Friendly for OIS?	Why?
Staff	HMO	Salaried, employed providers	Not usually	Salaried staff paid directly by HMO have no incentive to refer out of the network
Network	HMO	Contracted Groups	Can be	If contract is favorable, can be good. Caution with capitated contracts in the OIS
Individual Practice Association (IPA)	HMO	IPA	Not usually	See next slide
	HMO	Facility		
Direct Contract	HMO	Physicians or groups	Can be	If contract is favorable, can be good. Caution with capitated contracts in the OIS

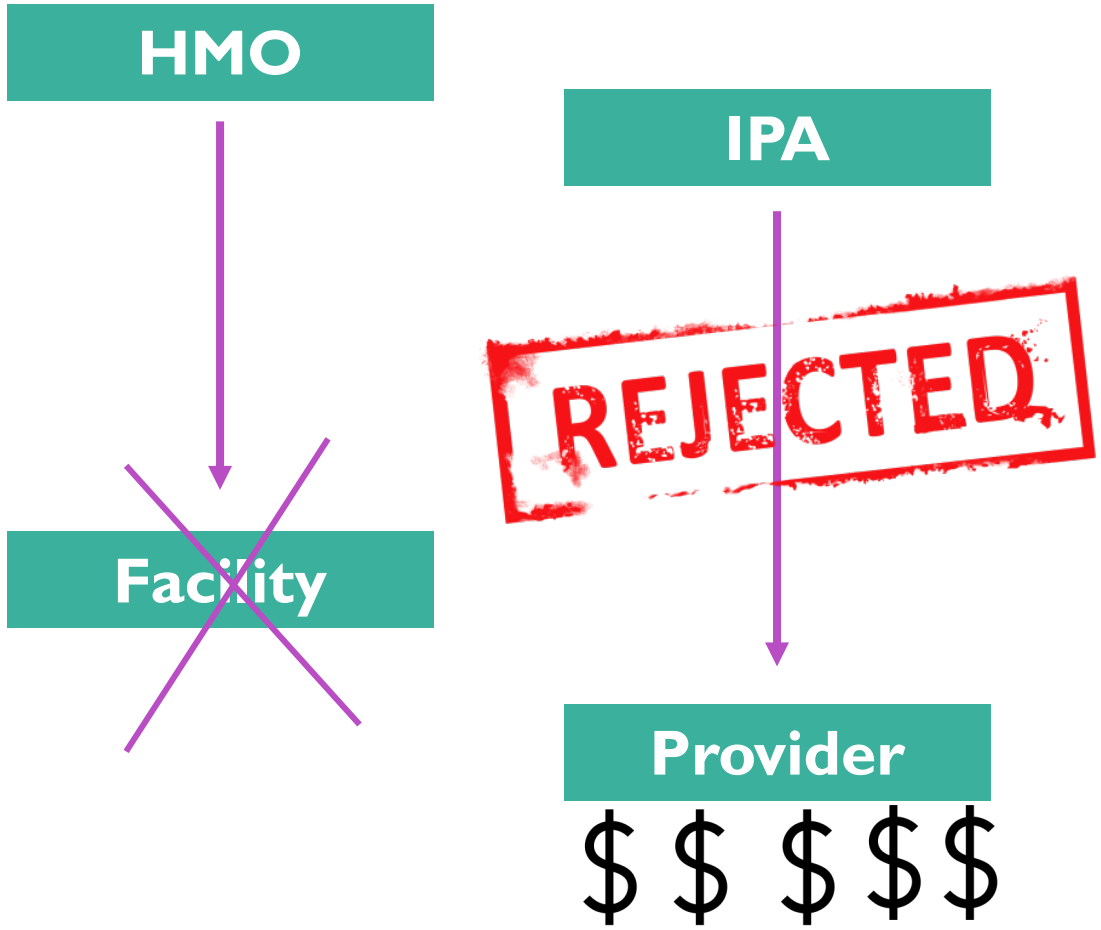
IPA AND OIS: FINANCIAL CONFLICT

- IPA typically responsible for professional services and the health plan for non-professional services (ie: facility payments)
- For example- when a patient is treated in a hospital (typically contracted with the HMO), the IPA covers the patient's *professional services*, and the health plan covers the facility service



IPA AND OIS: FINANCIAL CONFLICT

- Because billing in the OIS is a GLOBAL FEE, the IPA generally pays it all (vs. only a pro fee in the hospital), so disinclined to approve services in the OIS
- Because the IPA controls patient access to care, they can refuse to authorize treatment in the OIS, and direct the patient to the hospital



IPA MIGHT AUTHORIZE TREATMENT IN OIS IF:

- No other alternative provider or facility that can treat the patient
- There is a “full-risk” or other arrangement with the health plan where the IPA covers professional and all or part of the facility payment

OUR EXPERIENCE: PRACTICE #1

- Network- Part of a network which contracts directly with many area payers including HMOs. Large network creates favorable reimbursement rates.
- Also part of ACO which creates additional alignment with referring physicians
- Direct Contract - New managed care payers open to negotiating favorable rates with practice
  - Recognize OIS model is good for patients and less expensive than hospital reimbursement

OUR EXPERIENCE: PRACTICE #2

- Direct Contract- This area has many Medicare and Medicaid replacement plans managed by HMOs. Practice is not affiliated with a hospital network

- IPA- Hospital-backed IPA has strong presence around one of the practice OBLs; affiliated HMO will only authorize cases performed in the hospital and not in the practice OBL

OUR EXPERIENCE: PRACTICE #3

New OBL for a multi-specialty practice in an area with large distribution of managed care and replacement HMO plans

Direct Contract with a twist- Capitation contracts mean some office-based cases may be done as exceptions and require letter of authorization.

SUGGESTED APPROACHES

Research and understand the model and types of HMO plans

Membership and participation in a large group or network

Enrolling in as many HMO relations as possible (as long as they make fiscal sense to your practice)

SUGGESTED APPROACHES

Negotiate with strength: Collaborate with colleagues and competitors in the area and negotiate with the IPA

Convert to hybrid model and operate as ASC

Just say “no” (risk involved here)

CONCLUSION

- Typical HMO arrangements provide a financial disincentive for IPAs to treat patients in the OIS
- OISs in different regions of the country may experience the challenges differently based on local market competition
- OISs may have to accept lower fees from IPAs to be competitive