Looking Back: Failed Health Care Reform Put Managed Care on the Map

While President Clinton's health care reform efforts didn't pack the punch he'd hoped for, they did act as a catalyst for change that led to the growth of managed care nationwide.

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With President Clinton settled in for his second term in office, it's hard to believe that just four short years ago health care reform was the talk of Washington. Everyone, from consumers and practitioners to employers and politicians, had an interest in what reform might mean and what form it would take. But after many headlines, much debate, and heated battles on Capitol Hill and in state capitols, health care reform died with more of a whimper than a bang.

But to say that the health care reform movement was all for nothing would be untrue. In reality, even though no comprehensive legislation was passed, the reform movement resulted in some noticeable changes to the nation's health care system. And it led legislators, employers, and others to see managed care as a means of cutting costs while providing quality care.

Health care reform efforts brought concerns about the system to the forefront of public notice. Vague dissatisfaction with rising costs and issues of

quality turned to deep concern, as reports indicated that health care expenditures were rising at twice the rate of inflation. The media, the government, and special interest groups warned of the imminent dangers of a system out of control. As the public listened, concern among consumers grew. At the same time, however, they worried about what change would mean; consumers wanted lower costs, but without giving up choice or making other sacrifices. In fact, several studies showed that Americans generally were pleased with the health care they received. Still, the need for change was apparent.

REFORM CATAPULTS MANAGED CARE INTO SPOTLIGHT

"There is no question that managed care owes its fast development to Clinton's health care reform," says Robert Davis, executive director of the Maryland Health Care Coalition, a non-profit organization of Maryland-based employers, businesses, insurers, providers, and labor unions. The failed health care reform efforts were the "catalyst" that led to managed care's rise. When the nation's employers and others were looking for a way to provide cost-effective, quality care, Kaiser Permanente, Group Health Association, and George Washington University Health Plan—among other plans—were setting positive examples in the Washington area. Plans such as these began to gain national attention as good examples of what managed care could do. Several large corporations nationwide already were using managed care with varying levels of success, and they began to spread the word as well.

People began to get the message and started to look at managed care as "a way to solve problems relating to cost-effectiveness and quality," says Pam Kalen, executive director of the Managed Health Care Association, a Washington, D.C.-based coalition of employer purchasers whose members are involved in the quality accountability movement.

However, while health care reform brought attention to the issues and to

managed care, it was the private sector that put ideas into action. According to Kalen, "The concept of managed care fit in well with the demographics of the nation," providing quality care at lower costs in urban and suburban America. Employers saw managed care as a viable way to reduce costs; they liked the fact that managed health care was a buyer's market. If an employer wasn't satisfied with one company, there were always others vying for his or her business.

From an entrepreneurial standpoint, the health insurance industry was positioned to lead the managed care charge. The industry had the connections, the money, and the marketing experience to take managed care into communities throughout the country.

While managed care owes much of its growth to the health care reform efforts of the early '90s, its future will depend on how the industry handles current and future challenges and on legislative activities that will shape the overall future of health care. So, what's ahead?

"All the forces were good" for the advent of managed care, says Davis. And managed care did become increasingly popular. In 1993, 22% of the nation's employers offered HMO plans to employees; today about 30% of employers have HMOs. Also experiencing impressive growth, preferred provider organizations (PPOs) were offered by 24% of employers in 1993 and 43% in 1996. Meanwhile, traditional indemnity plans are on the downside, going from 57% in 1993 to only 30% in 1996. Enrollment of employees for managed care

plans also went up, with the largest increase in point-of-service plans (7% in 1993 to 19% in 1996).

States jumped on the managed care bandwagon; during the mid '90s, several states applied for Medicaid waivers to implement managed care pilot programs for their Medicaid populations.

As managed care became more prevalent, it also underwent increased scrutiny by the press and the public. "Horror stories" about patients who were denied procedures or given improper care began to surface. Some of the bad press could be attributed to growing pains. As Davis indicated, when enrollment in managed care plans was only 5%–10%, there naturally were fewer negative stories. Davis and others also suspect that some such stories likely were generated by practitioners who felt they had a lot to lose from managed care's successes. Nonetheless, employers generally encouraged managed care because they saw immediate results (i.e., lower costs). By now, too, employers had become more savvy about health care plans, and were skeptical about much of what they heard and read. Increasingly, employers see themselves as having a role in health care management and, as John Fortin, a principal with Foster Higgins in Atlanta, Georgia, notes, "They are more educated than ever before. They are dying to get their hands on drug and medical data."

Health care reform surely contributed to employers' involvement. However, the heightened attention reform efforts received also contributed to a growing number of educated consumers who wanted more say in their own health care. "Reform efforts, especially the press coverage, raised awareness of health care and especially managed care," says Carol Cronin, senior vice president of *Health Pages*. Health care reform resulted in managed care becoming "a household word," notes Fortin, adding that more people now understand terms such as "utilization" and "HMO."

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LOOKING AHEAD: WALKING UPHILL

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"Managed care will have another long, hard year," Davis predicts, pointing to pending legislation that may change the way managed care functions. For example, there is a bill that would give patients the right to see practitioners outside their network without penalty. Also, "any-willing-provider" bills are popping up in several states. "If these types of bills pass," Davis says, "we'll see a dismantling of the system, including the components that have brought costs down. There is a tendency for consumers and providers to seek legislative redress for the aspects of managed care they don't like, and employers are caught in the middle." In the meantime, Davis feels that while some tampering with the system is to be expected, too much could "take us back to where we started." To help managed care get a handle on upcoming challenges, it needs to do a better job of public relations than it has in the past.

Fortin says that "bigger" is the buzzword of the future for managed care and health care in general. "We're seeing lots of consolidation. And this trend, which started in the pharmaceutical industry, will spread throughout health care. We'll see mergers, mergers, and more mergers," he says, "of hospitals, physician groups, and HMOs." According to Fortin, managed care and its consumers are driving this trend. "People love access," and consolidation means greater access.

Fortin also predicts that managed care's growth will continue. "We'll see more people moving into managed care—not just HMOs, but PPOs and others." One important challenge facing managed care will be its handling of Medicare risk contracts, Fortin says,

which will bring a growing number of elderly Medicare patients into managed care. "Medicare risk HMOs are increasing exponentially," he notes, adding that, "the growing numbers of elderly patients this will bring into the system will change life for HMOs and present a challenge for them to manage. This will be interesting to watch."

It's evident that there is a place for pharmacists in managed care, and many have embraced the system and found a home in it. They have expanded their role to provide total pharmaceutical care, going beyond traditional activities to involvement in education and research activities, development of drug formulary, drug benefit, and other programs, and involvement in disease management activities and development of quality assurance tools such as critical pathways and clinical practice guidelines.

Cronin predicts a trend toward smaller networks as managed care heads into the 21st century. "Over time, wide open managed care networks may not be available," she suggests, and there will be a trend toward smaller networks.

IMPACT ON PHARMACISTS AND OTHER PROVIDERS

Clearly, health care reform and the growth of managed care had a strong impact on pharmacists and other providers. Many "mom and pop" drug stores either were sold or went out of business, and small private practices became more difficult to sustain. A number of practitioners have fought the managed care trend; some have succeeded, others have not.

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Managed care owes much to the health care reform movement, but its future and the future of pharmacists and others practicing in this environment will depend on how challenges are managed and obstacles are anticipated and overcome. ■