

This work is licensed under a [Creative Commons Attribution-NonCommercial-ShareAlike License](https://creativecommons.org/licenses/by-nc-sa/4.0/). Your use of this material constitutes acceptance of that license and the conditions of use of materials on this site.



Copyright 2007, The Johns Hopkins University and Steven Sharstein. All rights reserved. Use of these materials permitted only in accordance with license rights granted. Materials provided "AS IS"; no representations or warranties provided. User assumes all responsibility for use, and all liability related thereto, and must independently review all materials for accuracy and efficacy. May contain materials owned by others. User is responsible for obtaining permissions for use from third parties as needed.

# MANAGED CARE AND HEALTH INSURANCE

Hopkins School of Hygiene  
and Public Health

Steven S. Sharfstein, M.D.  
Sheppard Pratt Health System

# The Era of More and More 1950-1990

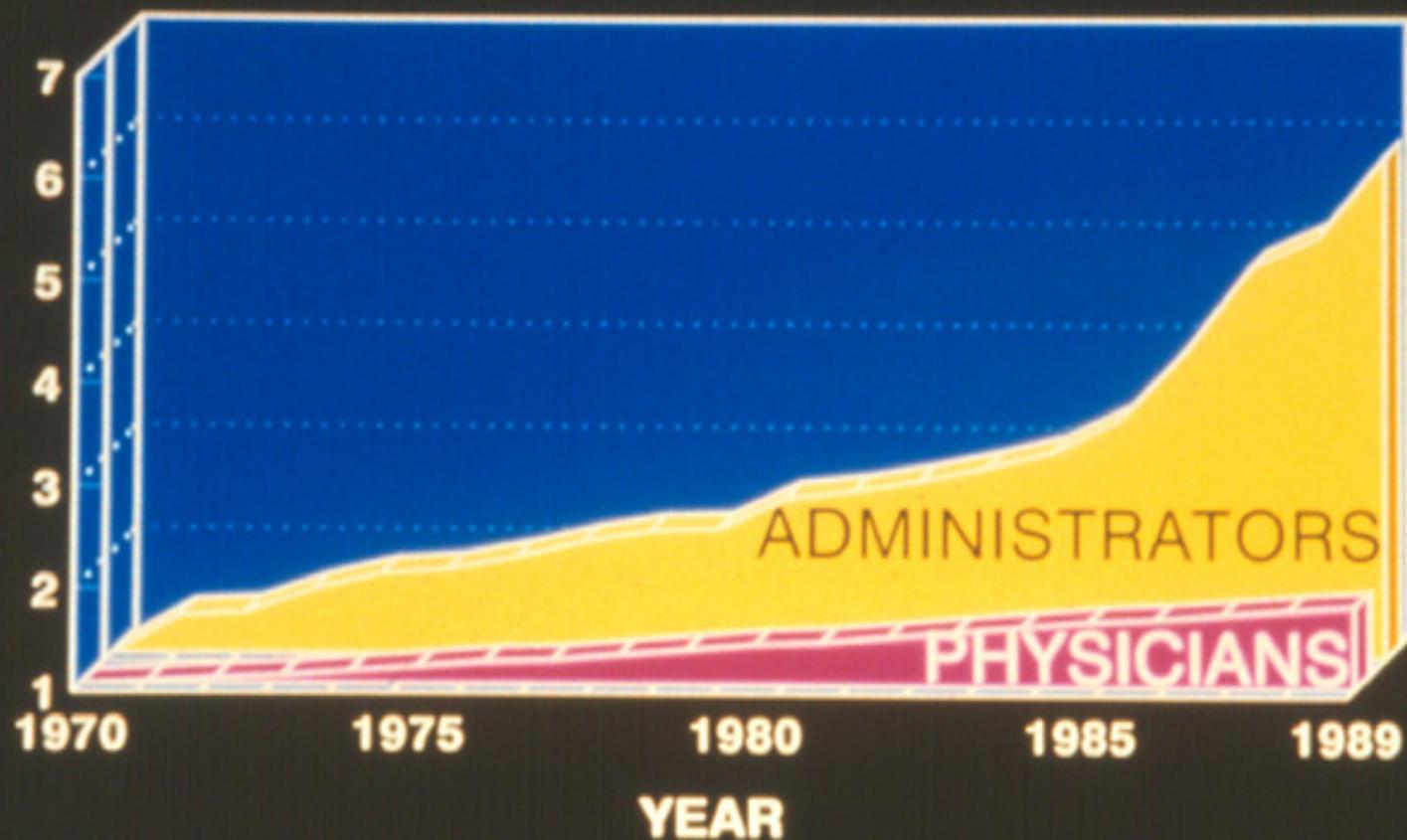
Cost-Plus

Fee for service

Retrospective reimbursement

Unmanaged

## GROWTH OF PHYSICIANS & ADMINISTRATORS 1970-1989 (1970=1)



source: Statistical Abstract of the U.S. & NCMS

# Post 1990: Less is More

Discounts

Capitation

Prospective payment

Managed care

# Prior Eras of “Less is More”

19<sup>th</sup> century institutions  
(economies of scale)

20<sup>th</sup> century deinstitutionalization  
(economies of cost shifting)

# The Business of Medicine

# The Garment Business

Supply and demand

Business cycles

Who are my customers and  
what do they want?

# Medicine

Asclepius and Hippocrates

A profession

Who are my patients and  
what do they need?

Is the customer or the doctor always right?

# Zone of Clinical Uncertainty

Medical appropriateness

Medical necessity

# Zone of Clinical Uncertainty

Clinical risk

Efficiency risk

# Some Special Aspects of Mental Health Care

# Epidemiology/Demand

Unmet needs

Co-morbidities

Reliable counting  
(DSM-IV)

# Epidemiology/Supply

Providers

Settings

Treatments

# Economics

Elasticity of demand

Moral hazard

Adverse selection

“Inside limits” on insurance

# Economics

Insurance discrimination

Mandates

Parity

# Economics

High direct and indirect costs

Cost offsets

Social control

Economic dependency

# Economics

For-profit chains  
(Scandals of 1980s-90s)

Cottage industry

Adolescents and substance abusers

# Managed Behavioral Health Care Organizations (MBHOs)

“Carve outs”

Nearly 200 million Americans enrolled

5 dominant players

Private and public sectors

<Example>

## Magellan Health Care

75 million Americans covered

At risk and “administrative sources only”

Employee Assistance Programs

Networks and utilization management

Managed Medicaid

Over 1 billion in revenue

Major impact on utilization and cost