

Cost concepts



Types of Managed Care Organization and their Comparison: According to Ghosh (2009), there are five types of managed care organizations which are discussed and compared below:

1. Health Maintenance Organization (HMO):

This is widely known as the most fundamental type of managed care organization. HMOs are organizations with strong affiliation between hospitals, insurance plans and the physicians. The hospital is owned by the HMO, and doctors receive fixed salaries, though there may be added bonuses upon display of good performance. In cases other than emergency, plan affiliated physicians serve the patients.

HMO plans fix the amount to be spent on a particular enrollee's health care. This boosts the control over cost and both the physicians and the patients opt for ways to make the treatment more economical. That is why HMO plans are cheaper than other plans. However, it is noteworthy that the added control over cost is achieved on the cost of quality of the health care.

2. Preferred Provider Organization (PPO):

In this type of managed care organization, physicians offer their services at a cheaper rate. This is a mutually beneficial practice in which physicians earn more because of increased business while the patients get the services at a significantly lower cost.

3. Independent Practice Association (IPA):

As the name implies, physicians work in an independent fashion in this type of managed care organization. They are free to have patients both from HMO and the FFS plans.

4. Fee for Service (FFS):

The FFS plans provide patients with maximum freedom in terms of choice of

physician. Patients can use these plans to select a health care professional of their own choice whom they feel satisfied served by. However, the freedom amplify the cost of service they are given.

5. Point of Service Plans (POS):

In many ways, POS resembles HMO. Health care providers have the capitation arrangement for the people enrolled. However, in this type of managed care organization, there are no specific hospitals for doctors to work in. They are compensated annually for every patient they check.

Techniques used by managed care organizations to contain costs:

Some of the techniques using which, the managed care organizations contain costs are:

Providing patients and physicians with financial incentives to make the treatment cost effective

Increasing the cost sharing with the beneficiary

Limiting the length of stay of patients

Making limited contracts with the physicians

Intensively managing the cases of expensive health care

“ Increasing the percentage of the patient population in lower-reimbursed, managed segments... [and] ...changing practice patterns across all patient populations, including higher-utilization unmanaged segments” (Majkowski, 1997).

Ways in which physicians are reimbursed for services in managed care organizations:

Ways in which physicians may be reimbursed in managed care organizations are numerous and vary from type to type. For example, in HMOs, physicians receive fixed salaries while in POS, the “ network providers are compensated

on capitation basis, however the enrollees can choose a provider outside the network, who is reimbursed on fee-for-service basis” (Virk, 2007).

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