

BEYOND COST

Most employers purchase health care plans based on cost, but a growing number are beginning to pay attention to the quality of services when making their purchasing decisions.

AS HEALTH CARE PREMIUMS STABILIZED in the mid-1990s, some purchasers were able to expand their focus beyond health plan cost to the factors of quality and access. Several business coalitions encouraged their members to ask plans for information about access, quality, member satisfaction, and plan stability.

While many health care business coalitions around the country define “value-based purchasing” as better quality per dollar spent, in practice they’re largely focused on the bottom line. We use the term “responsible purchasing” (RP) to include monitoring and improving plan characteristics that are important to enrollees, including the quality of care for both consumers and the greater community.

This article, based on two employer surveys that investigated their attitudes toward and use of RP, explores the extent to which employers seek and use information other than their own cost in selecting and maintaining managed care plans, and the types of employers most likely to do so.

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Responsible Purchasing of Managed Care

What We Learned From the Surveys

The concept of responsible purchasing has special significance in the employment-related group health care market. In the current context, employers make purchasing decisions that determine not only the insurance aspects of coverage but also the selection of physicians, hospitals, and other providers to be included.

Given this extensive influence over the health care that workers will receive, it's encouraging that a number of firms now acknowledge some responsibility for the quality and other characteristics of the health plans they offer.

The broad agreement with respect to employer responsibilities in this area is associated with a limited but potentially notable range of steps that some employers have taken to meet those responsibilities. For example, firms report taking strong actions such as negotiating performance guarantees or even terminating plans based on RP measures.

This was particularly evident in our survey of business coalition members, where we were able to tie specific actions to specific reasons; some 15 percent reported terminating plans because of problems with accreditation and 11 percent because of quality issues.

Certain characteristics of firms that are most likely to be associated with RP activities emerged. These actions, most notably plan termination, could have spillover effects on the entire managed care industry, particularly if a large firm engages in the behavior.

With respect to those who found RP factors useful in selecting, evaluating, or managing plans, the strongest associations were with business coalition membership and having a managed care plan as the predominant type. Large firms were more active in some areas, less in others, such as the use of employee satisfaction surveys.

When it came to identifying firms that actually took specific actions in the course of managing their plans, the results were stronger. The active firms generally were large, were business coalition members, had predominantly managed care enrollment, and required employee contributions.

The attitudes and specific actions reported above, however, may or may not signify an emerging trend. Even if more employers seek to become responsible purchasers, they could find themselves tak-

ing on something that's increasingly difficult to accomplish.

Barriers to responsible purchasing now go well beyond the intentions of the employers. They include potential gaps between employee preferences and external measures of quality, changes in the organization and structure of the health care system, inherent difficulties in measuring incremental changes in quality, a series of piecemeal regulatory activities, and changing incentives with the reallocation of risk.

There's a substantial likelihood of conflict between employee preferences for health care plans and what responsible purchasers might want to do based on medically oriented notions of quality. One striking finding from this study is that firms give about the same weight to the ability of a plan to provide adequate access and geographic coverage to enrollees as they do to bottom-line factors.

As a consequence, plans with larger networks of physicians and hospitals and a wider range of specialists would likely be favored by employers. This is almost certainly a reflection of employee desires to have the broadest range of freedom in choosing where and to whom to go for care. Yet this responsiveness to employee preferences reduces the employer's influence over any particular plan or group of providers, and is likely to dilute the employer's power to engage in other responsible purchasing activities.

In particular, employers who represent a large proportion of the covered lives of a given plan or a large fraction of the patients in a provider network not only are in a position to extract economic concessions but also may be able to leverage factors that relate to the quality of care. If they offer plans that include virtually all providers in the community, they may well weaken their influence over any particular segment.

A closely related development is the growth of plan types that are less likely to be associated with firms engaging in responsible purchasing. More open-ended arrangements, such as POS plans and PPOs, are consistent with employee preferences for expanded access, but generally provide less opportunity for employers to negotiate over RP characteristics such as Health Plan Employer Data and Information Set (HEDIS) measures and National Committee for Quality Assurance (NCQA) accreditation.

Other factors that could limit the ability of employers to in-

creasingly responsible purchasers are not directly under their control. As health plans consolidate and health systems reorganize for their own reasons, employers may also lose bargaining power.

Another external force that could have a substantial effect on plan characteristics is the as-yet unclear direction of federal legislation purporting to deal with patient protections.

Finally, the overall economic picture can't be ignored; responsible purchasing could diminish if firms are hard-pressed to cut their health care expenditures.

Perhaps one countervailing factor relates to our findings that in general, larger firms are more likely to be both collecting and using RP information. At least a selected group of business coalition members seem to be more active in RP. If responsible purchasing is to grow, it may be that only larger firms or groups of firms will have the market power to influence consolidated plans and providers.

Overall, many firms profess to have gotten the RP religion. At least a few have become regular churchgoers, some taking strong, principled actions, even as many of their colleagues continue to tend more to worldly affairs. Whether the prevalence of responsible purchasing practices represents a movement that will produce large numbers of highly active converts, however, is not yet clear.

Methods

We collected and analyzed data from two independent employer surveys: the 1997 Mercer/Foster Higgins National Survey of Employer-Sponsored Health Plans (1997 Employer Survey) and our own 1999 survey of members of the Midwest Business Group on Health and the Washington Business Group on Health (1999 Business Group Survey).

Firms were asked to rate the importance of nine criteria in selecting or evaluating health plans. We characterized the criteria as either bottom-line oriented, such as current cost of premiums, or responsible purchasing criteria, including access and geographic coverage, and member satisfaction surveys.

Importance was rated on a three-point scale: not important, somewhat important, and very important. We focus on comparisons between respondents who report that the factor is "very important" and those who do not.

Firms were also asked to report the usefulness of various measures in actually managing plans, again on a three-point scale. We focus on comparisons between respondents who state that the factors are "very useful" in managing plans and those who do not.

Finally, firms were asked whether they took specific purchasing actions as a result of managing their plans, including eliminating one or more health plans already offered or making design changes in specific plan provisions.

We developed the second survey to complement the 1997 Employer Survey and to permit a more in-depth analysis of employers' responsible purchasing practices. Because the 1997 Employer Survey analysis suggested that employers in business coalitions were more likely to engage in responsible purchasing behaviors, we selected a sample of firms belonging to business coalitions. This survey was thus purposive and not meant to be nationally representative.

The survey was distributed to members of two business membership organizations, Midwest Business Group on Health

(MBGH) and Washington Business Group on Health (WBGH). Both surveys covered demographic questions. Additional business group survey questions assessed the extent of specific responsible purchasing policies and practices, the importance of eight performance features (e.g., financial stability of plans, accreditation status, quality data) when making health care purchasing decisions, and whether organizations had taken any of five specific actions (e.g., terminating contracts, re-negotiating premiums or discounts) based on each of the eight health plan or provider performance features.

Respondents were also asked to rate attitude statements regarding purchasers' roles in responsible purchasing. Survey responses were captured using yes/no answers and 4-point rating scales.

Results from the 1997 Employer Survey

We looked at responsible purchasing in two steps. First, we wanted to know what firms say about whether they have responsibilities beyond their own bottom line, and how highly they value non-financial information. We found that nearly all firms (86 percent) say they bear some responsibility for assessing the quality of the health plans they offer (Exhibit 1).

Next, we explored the extent to which firms went beyond asserting beliefs and in fact took actions based on responsible purchasing considerations.

What Information Is Important in Selecting a Health Plan?

Firms generally relied on more traditional bottom-line measures rather than on RP information in selecting health plans (Exhibit 1). Seventy-nine percent of firms surveyed said information on cost and premiums was very important, and 65 percent said financial strength was considered very important. Among RP factors, only information on the geographic coverage of plans and member access was rated as very important by more than half of firms (78 percent). Least likely to be rated very important (15 percent) was the ability to provide HEDIS reports (for firms offering HMOs).

The relative importance of access and geographic coverage increased with firm size and coalition membership, though not with increasing managed care plan enrollment. NCQA or other accreditation and the ability to provide HEDIS information became much more important in plan selection among large firms and among members of employer coalitions. On the other hand, the relative importance of member satisfaction surveys actually declined with increasing firm size, as did the importance of a prevention and wellness focus in the health plan.

Looking at the impact of the plan types, firms whose employees were predominantly enrolled in managed care plans (PPO, POS, and HMO) were more likely than firms with predominant indemnity plans to rate four of the RP factors as very important in selecting or evaluating health plans.

Employers whose predominant plan was self-funded were more likely than predominantly insured firms to report that access and geographic coverage were very important to them. Firms with self-funded plans were less likely to rate member satisfaction surveys and a prevention/wellness focus as very important in selecting or evaluating plans.

Firms with employee contributions were more likely to consider access important in selecting plans, but less likely to consider many other RP factors important (prevention/wellness focus, member satisfaction surveys, and chronic disease management).

What Factors Are Useful in Managing Health Plans?

No particular factor was deemed very useful by more than half of the employers in actually managing health plans (Exhibit 2). Similar to the results for plan evaluation and selection, firms gave about the same weight to the ability of a plan to provide data on member access as they did to bottom-line factors.

Larger firms were more likely to report that two types of RP data (member access and HEDIS reports) were very useful in managing plans. Larger firms, however, were less likely to report that member satisfaction surveys and NCQA or other accreditation were useful in managing health plans.

Firms in which managed care plans were predominant were more likely than firms with indemnity plans to find their own member satisfaction surveys to be very useful. Firms whose predominant health plan was self-funded and firms requiring an employee contribution were more likely to report that bottom-line measures, as well as data on member access, were very useful in managing plans.

However, firms with predominantly self-funded health plans and firms requiring an employee contribution were less likely to report that member satisfaction surveys conducted by the employer or the health plan were very useful in managing plans.

What Are Employer Behaviors Concerning Responsible Purchasing?

While 86 percent of employers had stated that assessing quality was the employer's responsibility, a substantially lower but notable proportion reported taking specific actions in the course of managing their health plans.

Some 41 percent of firms negotiated plan premiums, roughly one-third of the sample reported having made design changes, and slightly less than one-fifth eliminated plans or negotiated performance guarantees (Exhibit 3).

In general, larger firms and firms in employer coalitions were more likely to have eliminated plans, negotiated plan premiums, and negotiated performance guarantees in the course of managing their health plans.

Firms with predominantly self-funded health plans, compared to insured plans, were significantly more likely to make design changes and negotiate performance guarantees, but significantly less likely to negotiate premiums and eliminate health plans. Firms requiring an employee contribution were more likely to have made design changes, negotiated plan premiums, and negotiated performance guarantees.

Results from the 1999 Business Group Survey

As we found in the 1997 Employer Survey, a large majority of respondents (86 percent) believed it was their organization's responsibility to use quality measures currently available to assess the quality of care provided by plans/providers.

What Are Responsible Purchasing Behaviors?

Only 35 percent of the sample had written policies for the purchase of health benefits. Nevertheless, 72 percent reported that their organization adopted performance standards for health plans or providers with which they contract, and slightly more than half of the sample (53 percent) reported that they purchase only from plans or providers that meet or exceed performance standards.

Compared with the 1997 Employer Survey respondents, the coalition members in our sample assigned greater importance to RP types of information when making purchasing decisions (see Exhibit 4). While respondents still ranked bottom-line information high, service capabilities (e.g., claims turnaround) were cited as very or extremely important by 97 percent and geographic accessibility of providers by 96 percent. Even the lowest scores, for accreditation status (70 percent) and quality data (64 percent), still reflected substantial numbers of firms placing high value on RP factors.

In our survey we were able to tie specific actions respondents took regarding plans or providers to the performance information used (Exhibit 4).

Though the competitiveness of premiums and discounts was cited as the basis for many actions, a substantial proportion of respondents based their actions on RP information. In particular, plan and provider contracts were terminated because of problems with service capabilities (32 percent), accessibility (25 percent),

accreditation status (15 percent), and data quality (11 percent).

Performance guarantees were developed or re-negotiated on the basis of information about service capabilities (38 percent) and member/patient satisfaction ratings (27 percent).

Business coalition members also reported a high level of specific responsible purchasing practices. Nearly two-thirds of respondents reported specific RP practices, ranging from 64 percent who collected employer-conducted satisfaction surveys to 92 percent who collected geographic reports on provider accessibility (Exhibit 5).

More than half the respondents (54 percent) reported that their organization supplies employee satisfaction and feedback to health plans/providers, 41 percent reported they make quality and performance data obtained from plans/providers available to employees, 38 percent reported they summarize performance data on health plans/providers to make the information easy for employees to interpret, and 34 percent reported they attempt to inform other employers or the public about strengths or weaknesses of specific health plans/providers.

How Are Employee Contribution Strategies Used?

We also explored whether firms shift risk to employees to encourage any particular behaviors. Fifty-nine percent of the firms reported using employee contribution strategies to encourage employees to choose particular health plans.

While 90 percent of these firms reported that their contribution strategies are intended to reduce the organization's health benefits costs, 48 percent reported that they also want to encourage employees to select higher-quality plans. Thus, for roughly half of these firms, the motives for using employee contribution strategies reflected RP considerations. ●

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