

Society of Actuaries  
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**Future Of Managed Care**

Presented by:  
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# Overview

- Why is its future questioned?
- Why does there just have to be a future?
- What is likely without a managed care future?
- What is the impact of the Iraq war?
- Q&A

# Why is the future questioned?

- Consumer demands and reactions
  - Patient Bill of Rights
  - Health plan reaction to managed care reform legislation
- Health plan movement to kinder/gentler utilization and case management
- Shift away from provider risk transfer and more challenging provider contracting
- Ability to maintain competitive premiums

# Why is the future questioned?

*continued*

- Serious concerns about health care affordability
- Competitive pressures from consumer driven health care programs
- Distrust of big business promises that have not consistently provided savings

# Why does there just have to be a future?

- Underlying managed care principles are not flawed, but remain sound today
  - Medically unnecessary services regularly happen (i.e., we are wasting our resources)
  - Practice pattern variation hurts patients and decreases quality of care (i.e., no clinical justification for this much variation)
  - Providers are often unaware of their contribution to today's health care problems

# Why does there just have to be a future?

*continued*

- Underlying managed care principles are not flawed, but remain sound today *continued*
  - The economics of the health care system can and should be considered an integral part of the system
  - Quality of care and cost/efficiency of that care are convergent items
  - Metrics can be developed to measure, monitor and improve today's health care system

# Why does there just have to be a future?

*continued*

- Underlying principles were often forgotten, disguised, poorly implemented, misunderstood or ignored
- The health plan market's ability to effectively implement and communicate is dismal
- Bottom line pressures have often jaded the underlying philosophical, more altruistic, principles of managed care

# Why does there just have to be a future?

*continued*

- If we would focus on the basics, help our publics better understand and appreciate the key underlying goals, the future is bright for managed health care.

# What is likely without a managed care future?

- All health care system stakeholders have serious financial concerns
  - Employers: fund most of today's commercial care, general economy is weak and most employers cannot afford what they have or anything more costly without a significant economic rebound
  - Employees: low pay raises, increasing deductibles and copays, high unemployment lead to serious financial issues

# What is likely without a managed care future?

*continued*

- Providers: historically aggressive responses to health plans to increase negotiated payment levels to meet today's economic needs (e.g., malpractice, inflation, etc.)
- Health Plans: continued cost increases, severe selection bias, consumerist pressures and demands, provider contracting challenges, reduced profits, etc. all restrict the ability of plans to provide cost effective solutions

# What is likely without a managed care future?

*continued*

- Government: continued economic pressures have stretched Medicare/Medicaid budgets, created health care challenges, increased concerns about number of uninsureds ,etc.
- Near term affordability outlook is bleak without some significant change.

# What is the impact of the Iraq war?

- Apparent positive effect on confidence in economy (at least as of early April)
- Significant financial cost of war will likely raise taxes, decrease available funds, increasing affordability concerns
- Terrorism fears will likely increase indirectly increasing health care costs

# What is the impact of the Iraq war?

*continued*

- Employers will continue to shift health care costs to employees, some employers will go out of business
- Employees will increasingly opt out of coverages increasing uninsured counts
- Potentially speed up need for national health care solution

# Managed care will return!

- Perhaps under a different name, with a different appearance, with a different sense of urgency, but it will return!
- It provides a viable solution to provide high quality, patient-centered, cost effective (affordable) care to the masses.
- Perhaps not everyone's ideal choice, but clearly better than most alternatives.

# Summary

- As long as there are affordability concerns, some form of managed care will survive since it works!
- Biggest change will be packaging it so it will be more acceptable to more publics
- Plans understanding the consumer the best, and most effectively presenting the value proposition will win!

# Q&A

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