

Children and Managed Health Care



ANALYSIS

Managed care has revolutionized the health care system in America. Managed health care is a vast array of financing and health care delivery practices that are designed to limit costs and ration care. Insurers and health care providers have created cost-conscious health insurance plans, and employers and individuals are subscribing to them at unprecedented rates. Today, some 85% of all employed families, and a growing number of those covered by Medicaid, are in managed health care plans. The previous high-cost, unmanaged system in which members could choose any provider has been transformed into a lower-cost, highly competitive managed health care system where members' choice of providers is sharply limited. Children are being enrolled in managed care plans at a higher rate than adults, and now represent a disproportionately larger share of all managed care members.

Common features of managed health care plans include:

- ◆ Strong financial incentives for members to obtain health care from only selected providers and hospitals that follow the rules established by the plan.
- ◆ Reliance on gatekeepers, preauthorization, and other techniques to control access to specialty care, diagnostic tests, and hospitalization.
- ◆ Shared financial risk among doctors, the health plan, and other health care professionals through the use of capitated payment methods or bonuses and penalties.

Children's health care needs are complex because children are experiencing rapid growth and development. Moreover, children must rely on their parents to handle their health care needs. From their inception, managed care organizations were designed to provide health services for working adults, and the needs of children received little attention.

Managed care has the opportunity to improve the delivery, quality, and financing of health care services for children. The creation of provider

networks may improve access and coordination of care, and the use of financial incentives to providers and members may promote preventive health care. The use of sophisticated information systems may improve accountability to customers by monitoring costs, services, and the health of their members. Unfortunately, the managed health care industry has yet to capitalize on these opportunities to improve care for children on a wide scale.

Based on the limited existing information, it appears that managed health care has:

- ◆ Reduced overall health care costs.
- ◆ Stimulated the growth of for-profit health care.
- ◆ Improved access to preventive health care for children who are privately insured.
- ◆ Decreased access to preventive health care for children who are enrolled in Medicaid.
- ◆ Reduced access to specialty care for all insured children who have chronic or disabling illnesses.

The managed health care revolution brings with it an important opportunity to create a managed health care system that works for children. Critical features of such a system are:

- ◆ A “medical home” that provides accessible, continuous, comprehensive, family-centered, coordinated, and compassionate care for all children.
- ◆ A defined benefit package that is crafted around children’s changing physical and emotional needs.
- ◆ Access to appropriate pediatric specialists for children with chronic or disabling illnesses.
- ◆ Coordinated care both within the managed care network and among other child-serving organizations outside the plan.
- ◆ Rewards and encouragement for the active participation of parents.
- ◆ Fair reimbursement rates, particularly for children with special health needs.
- ◆ Rewards to plans that improve the health of the children they serve.

As a nation, we are entrusting our children’s health and well-being to the managed health care industry. Managed health care will improve children’s health only if insurance buyers, health care providers, and families cooperate to make managed care work for children.

RECOMMENDATIONS

RECOMMENDATION 1

Identify the aspects of managed care that work and do not work for children. A new era of health services research should focus on how specific features of managed care influence the cost and delivery of child health services and child health outcomes. Individual elements of managed care that should be carefully evaluated include provider payment methods and incentives, the configuration of provider networks, the use of physician practice standards, techniques to control service utilization, and the use of monitoring and feedback systems to providers to improve outcomes of care. Funding should be made available to evaluate the impact of recent trends in the managed care industry on child health service delivery and health outcomes. These trends include increased enrollment in more flexible health plans, the growing prominence of physician groups in the managed care market, and the trend toward investor-owned managed care organizations.

RECOMMENDATION 2

Ensure that health insurance benefit packages meet children's needs. Covered benefits will need to change as children progress through key physical and emotional stages of development. Benefit packages for children should include adequate coverage for preventive health care, anticipatory guidance, psychosocial counseling, and access to prompt care for acute illnesses. Children also need a "medical home," one that provides comprehensive, continuous, and coordinated care; an emphasis on preventive health care and anticipatory guidance; and a comprehensive benefit package that includes health services consistent with Medicaid early and periodic screening, diagnosis, and treatment (EPSDT) guidelines.

RECOMMENDATION 3

Assure that managed care plans provide access to appropriate pediatric specialists for children with chronic or disabling conditions. Managed care organizations should include appropriate pediatric specialists to care for children in their provider networks to meet the needs of children with chronic or disabling conditions. Alternatively, plans should contract with out-of-plan pediatric centers of excellence that have pediatric specialists and multidisciplinary teams of health care providers who are experienced in caring for seriously ill children. Plans should conduct research to define the optimum size and scope of these networks to meet the needs of children.

RECOMMENDATION 4

Improve coordination between managed care organizations and other service providers. Managed care organizations should improve efforts to coordinate pediatric health care services with the health- and nonhealth-related services provided by other systems, such as education and social services, that also assume responsibility for promoting child health and well-being. Safeguards are needed to ensure that cost shifting from managed care to these systems does not occur.

RECOMMENDATION 5

Require health plans to include mechanisms that encourage active parental involvement. Health care insurance purchasers should require that health plans have mechanisms in place that encourage the active participation of parents in the delivery of health services to their children. At the plan level this should include systems that educate parents about the rules of the health plan and how to obtain care for their child, provide opportunities for parental involve-

ment in health plan policies and evaluation strategies, and address parents' concerns with a health plan before problems occur. At the family level, plans should support parents during a child's illness and link families with appropriate services; provide families with the appropriate skills to care for their sick children; provide home nursing care when appropriate; and include families in all major health care decisions.

RECOMMENDATION 6

Include managed care organizations in efforts to ensure that the health care needs of uninsured poor children are met. Managed care organizations could support the viability of local safety net institutions by including them in provider networks, whenever possible. Rigorous evaluations should be undertaken that address how the expansion of Medicaid managed care and the new State Children's Health Insurance Program (CHIP) affect the viability of safety net providers and access to care for uninsured children.

RECOMMENDATION 7

Develop fair reimbursement rates, particularly for children with special health care needs. Children with chronic or disabling conditions have greater health care needs than most children. The system for allocating health care resources within managed care must account for this, either by using appropriately risk-adjusted capitation rates, special reinsurance pools, or other methods. Plans and employers should fund research aimed at improving the performance of risk-adjustment techniques.

RECOMMENDATION 8

Reward health plans for improving the health of children. Health care purchasers, such as employer groups and state Medicaid agencies, should buy insurance from accredited health plans that demonstrate a commitment to providing effective care that is based on the available scientific evidence; invest in developing information systems necessary to monitor the outcomes of care; and demonstrate continuous improvements in the health of the children they serve. Health care purchasers should also invest in research and development to create valid child health performance measures and effective solutions to improve care. Health plans should find new ways to compensate their physicians based on their ability to provide high-quality care, patient satisfaction, productivity, and their involvement in promoting prevention.

ARTICLE SUMMARIES

Managed Care and Children: An Overview

Dana C. Hughes, Dr.P.H., and Harold S. Luft, Ph.D.

This article lays the foundation for the following articles in this issue which examine the impact of managed health care arrangements for a particular population: children. The one consistent and unifying concept across all managed care arrangements is that enrollees obtain care from a network of participating health care providers who contract with the managed care organization and abide by the organization's rules. Despite the paucity of information about the impact of managed care on the delivery of pediatric health services and child health outcomes, children are disproportionately being enrolled in managed care plans.

Managed Care for Children: Effect on Access to Care and Utilization of Health Services

Peter G. Szilagyi, M.D., M.P.H.

The rapid trend toward enrolling children in managed care largely has occurred without conclusive evidence about the impact of these arrangements on two important aspects of care: access and utilization.

This article carefully reviews what is known about the impact of managed care on access to health services, as well as utilization of hospital care, emergency department visits, primary care services, and specialty services for the pediatric population. The effect of managed care is largely dependent on several factors, including whether providers assume financial risk through capitated reimbursements or retain fee-for-service payments; the comprehensiveness of benefits offered by health plans; and the level of cost sharing required by families. As enrollment of children in managed care plans increases, the need continues for methodologically sound studies evaluating the impact of these arrangements on the delivery of pediatric health services and health outcomes.

Managed Care and the Quality of Children's Health Services

David A. Bergman, M.D., and Charles J. Homer, M.D., M.P.H.

The transition to managed care has occurred with little attention to its impact on access to health care services or the quality of services provided. There is an absence of information about how children fare in these new systems. What little we do know indicates that children in managed care arrangements are less likely to be seen by pediatric specialists, and that families and providers are less satisfied under managed care. The impact of these changes on children's health status is yet to be determined. In spite of negative anecdotes about managed health care, the focus of managed care on its population of enrollees and a heightened sense of a need for health care accountability bring exciting new opportunities to measure and improve the health care that children receive.

State Regulation of Managed Care: The Impact on Children

Gerard F. Anderson, Ph.D.

As more and more children are enrolled in managed care, states have responded to concerns expressed by their constituents by passing legislation and developing credentialing requirements that assist families with children to receive appropriate care from managed care plans. Although most of the legislation and credentialing requirements apply to the population generally, a few provisions apply specifically to children. As demonstrated in this article, existing legislation varies widely across states in terms of the issues addressed and the specificity of the laws. For the most part, this legislation has been piecemeal, addressing specific issues as they arise. In the long run, state legislatures may not have the time or expertise to regulate the managed care industry, and other regulatory bodies may be better equipped to address concerns with managed care. If utilized, however, existing regulatory bodies, which historically monitored fee-for-service medicine, will need to be redesigned to monitor managed care.

Medicaid Managed Care and Children: An Overview

Lisa W. Deal, R.N., Sc.D., M.P.H., and Patricia H. Shiono, Ph.D.

In recent years, states have increasingly turned to managed care arrangements for financing and delivering health services to Medicaid beneficiaries. By 1996, some 40% of all Medicaid recipients were enrolled in some form of managed care. The rapid escalation of managed care in this population has been fueled by states' desire to slow the growth of Medicaid expenditures and the trend toward managed care enrollment in the private health insurance industry. The impact of managed care on cost containment in the Medicaid program may be limited, however, since 85% to 90% of enrollees are women of childbearing age and children who account for 69% of Medicaid recipients, but only 26% of program costs. Nonetheless, the increase in managed care enrollment in this population may have a profound impact on health service delivery and health outcomes for U.S. children, approximately 20% of whom received health benefits through the Medicaid program in 1995. As mandatory managed care enrollment for Medicaid recipients increases nationwide, states should carefully monitor both changes in program costs and quality and the implications for the delivery of pediatric health services and health outcomes.

Improving State Medicaid Contracts and Plan Practices for Children with Special Needs

Harriette B. Fox, M.S.S., and Margaret A. McManus, M.H.S.

The rapid transition of state Medicaid beneficiaries into fully capitated managed care plans requires a special focus on children with chronic or disabling conditions, who often depend on numerous pediatric

physicians and other specialty services for health care and related services. This article presents specific recommendations for contracting elements that should be adopted by state Medicaid agencies, and approaches that should be adopted by managed care practices interested in providing high-quality care for children with special needs.

The Impact of Managed Care on Mental Health Services for Children and Their Families

Beth A. Stroul, M.Ed., Sheila A. Pires, M.P.A., Mary I. Armstrong, M.S.W., M.B.A., and Judith C. Meyers, Ph.D.

This article summarizes what is known about the impact of managed behavioral health care on services for low-income children and adolescents enrolled in state Medicaid programs. The majority of states have used some type of “carve-out” design to finance the delivery of behavioral health services, and there is a trend toward contracting with private sector, for-profit companies to administer these benefits. In general, managed care has resulted in greater access to basic behavioral health and community-based services for children and adolescents, though access to inpatient hospital care has been reduced. Under managed care, it also has been more difficult for youths with serious emotional disorders, as well as the uninsured, to obtain needed services. Finally, with managed care has come a trend toward briefer, more problem-oriented treatment approaches for emotional and behavioral disorders.

Two Commentaries: Defining the Challenge and Opportunities for Children in Managed Health Care

A Parent’s Perspective

Carolyn S. Gleason, M.S., R.D.

A Pediatrician’s Perspective

Jonathan A. Finkelstein, M.D., M.P.H.

ALSO IN THIS ISSUE:

CHILD INDICATORS: Missing Children

Eugene M. Lewit, Ph.D., and Linda Schuurmann Baker, M.P.H.

REVISITING THE ISSUES: The State Children’s Health Insurance Program (CHIP)

Eugene M. Lewit, Ph.D.

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