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Glossary of Terms

- Alternative delivery system:** An organization that delivers medical care in a manner alternative to fee-for-service solo practice. The term most frequently refers to prepaid group practices.
- Ancillary technology:** Medical technology used directly to support clinical services, including diagnostic radiology, radiation therapy, clinical laboratory, and other special services.
- Cavitation:** The method of paying for medical care by means of a prospective per capita payment that is independent of the number of services received.
- Clinical technology:** Medical technology used in the provision of direct patient care, including medical and surgical procedures.
- Coinsurance:** A form of cost sharing whereby the insured pays a percentage of total cost. (Also see *copayment*.)
- Community rating:** A method whereby the insurer bases the premium rate on the average costs of all subscribers in a specific industry or catchment area, and all individuals pay the same rate. Community rating spreads the cost of illness evenly over all the subscribers and does not charge higher rates to those currently or chronically less healthy than the average person.
- Competition:** In the present context of medical care, the term refers to greater price sensitivity or cost consciousness on the part of consumers, physicians, hospitals, and other medical providers.
- Comprehensive health care organization:** Organizations that provide or arrange the delivery of comprehensive health services for enrollees. Like prepaid group practices, these organizations integrate the functions of insuring people against risks and delivering medical care, but they may vary in structure and payment method.
- Copayment:** A form of cost sharing whereby the insured pays a specific amount at the point of consumption, e.g., \$10 per visit. (Also see *coinsurance*.)
- Cost sharing:** The general set of financing arrangements whereby the consumer must pay some out-of-pocket cost to receive care, either at the time of initiation of care, or during the time of the provision of health care services, or both.
- Deductible:** A form of cost sharing in which the insured incurs an initial expense of a specified amount within a given time period (e.g., \$250 per year) before the insurer assumes liability for any additional costs of covered services.
- Experience rating:** A method of pricing used by the insurance industry that bases premiums on the average projected costs of health care for different consumer subgroups. The premiums are a function of experience of the group and subgroups and are affected by such variables as age, sex, and income, as well as health status, use and cost.
- Fee-for-service:** A method of paying for medical care on a retrospective basis by which each service received by an individual bears a related charge.
- Group practice:** Three or more physicians formally organized to provide medical care through joint use of facilities and distribution of income according to a predetermined arrangement.
- Health care alliance (HCA):** An alternative health insurance model whereby insurance companies or employers would join with efficient providers into a single plan. Unlike the health maintenance organization concept of a single organization insuring and providing care, however, the HCA would offer a clear separation between insurer and provider. Like the individual practice association, the HCA would not place the physicians at financial risk if the plan were to fail.
- Health maintenance organization (HMO):** An organization that acts as both insurer and provider of comprehensive but specified medical services by a defined set of physicians to a voluntarily enrolled population paying a prospective per capita amount. Prepaid group practices and individual practice associations are types of HMOs.
- Indemnity benefit plan:** A type of insurance plan that generally provides coverage of expenses through reimbursement to the patient for charges by doctors, hospitals, and other providers of medical care.
- Individual practice association (IPA):** A type of HMO whose physicians usually continue to practice in a private office on a fee-for-service basis. Members pay the umbrella organization cavitation payments for covered services.
- Managerial technology:** Technology used to facilitate and support the provision of health care services but not directly associated with patient care, including administration, transportation, and communication, both within and among health care facilities.
- Medical technology:** The drugs, devices, medical surgical procedures used in medical care, and the organizational and supportive systems within which such care is provided. Medical technology includes ancillary, clinical, and managerial technologies.
- Method of payment:** The description of how and when a provider is compensated for health care services rendered. The main variations for physicians are fee-for-service and cavitation.
- Preferred provider organizations (PPO):** An alternative delivery system of physicians and hospitals who have been identified as low-cost providers. They are aligned with self-funded employers who assume all of the risk. Claims are paid by an in-

dependent intermediary and reimbursement is on retrospective, fee-for-service basis.

Prepaid group practice: A group practice that provides or arranges comprehensive covered services for enrollees, who pay by cavitation. (See **health maintenance organizations.**)

Primary care network: A type of alternative delivery system based on primary care physicians, who provide all primary care directly and supervise referrals and other care including hospitalization for each

enrollee. The participating primary care physician receives a cavitation payment to cover her/his own services and is at some risk for other use as well.

Service benefit plan: A type of insurance plan that generally pays for enrollees' medical expenses through direct, retrospective payment to participating physicians, hospitals, and other providers.

Vertical integration: The broadening of services within a firm (or practice) to include those formerly provided by the firm's buyers or suppliers.

Glossary of Acronyms

AB	Aid to the Blind (DHHS)	HMSA	Hawaii Medical Service Association
AFDC	Aid to Families With Dependent Children (DHHS)	HRG	Health Research Group
ALOS	average length of stay	HSA	Health Systems Agency
AMA	American Medical Association	HSCRC	Health Services Cost Review Commission
APR	annual percentage rate	ICU	intensive care unit
ATD	Aid to the Totally Disabled (DHHS)	IHPP	Intergovernmental Health Policy Project (The George Washington University)
BC/BS	Blue Cross/Blue Shield	IOM	Institute of Medicine (National Academy of Sciences)
CBO	Congressional Budget Office (U.S. Congress)	IPA	individual practice association
CCU	coronary care unit	MARP	Maryland Admissions Review Program
CFR	Code of Federal Regulations	MCE	Medical Care Evaluation Study (PSRO)
CHAMPUS	Civilian Health and Medical Programs of the Uniformed Services (DOD)	MOS	Medigap Operations Staff
CON	certificate of need	NAIC	National Association of Insurance Commissioners
Csc	Civil Service Commission (now Office of Personnel Management)	NAS	National Academy of Sciences
CT	computed tomography	NCHSR	National Center for Health Services Research (DHHS)
DHEW	Department of Health, Education, and Welfare (now DHHS)	NHI	national health insurance
DHHS	Department of Health and Human Services (formerly DHEW)	NMC	National Medical Care, Inc.
DOD	Department of Defense	OAS	Aid to Old Age Survivors (DHHS)
DRG	diagnostic-related grouping	OPM	Office of Personnel Management (formerly Civil Service Commission)
EKG	electrocardiogram	OTA	Office of Technology Assessment (U.S. Congress)
ESRD	end-stage renal disease	PCN	primary care network
FDA	Food and Drug Administration (DHHS)	PGP	prepaid group practice
FEHBP	Federal Employees Health Benefits Program (OPM)	PHP	Prepaid Health Plan
FES	fee-for-service	PPI	patient package insert
FTC	Federal Trade Commission	Pro	preferred provider organization
GAO	General Accounting Office (U.S. Congress)	PSRO	Professional Standards Review Organization
GEHA	Government Employees Health Association	R&D	research and development
GHA	Group Health Association	RAHMO	Rochester Area Health Maintenance Organization
GHAA	Group Health Association of America	RHN	Rochester Health Network
GHC	Group Health Cooperative	RO	Regional Office (HCFA)
GHCPS	Group Health Cooperative of Puget Sound	SEC	Securities and Exchange Commission
GI	gastrointestinal	SHPDA	State Health Planning and Development Agency
GNP	gross national product	SMSA	Standard Metropolitan Statistical Area
GVGHA	Genessee Valley Group Health Association	TA	technology assessment
HCA	health care alliance	UCR	usual, customary, and reasonable charges
HCFA	Health Care Financing Administration (DHHS)	UR	utilization review
HCP	health care plans	VA	Veterans Administration
HIP	Health Insurance Plan of New York		
HMO	health maintenance organization		
HMOM	HMOMinnesota		