Competition in Health Care: Lessons from the US for Germany

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Goals and objectives for today’s session:

GOAL:
• Identify some “lessons” from the US relevant to recent German health care reforms.

My OBJECTIVES:

• Provide a rapid overview of key aspects of the US health care system.

• Compare and contrast with elements of German health care reform.
  – Choice of plans
  – Integration of providers and plans
  – Disease / care management
  – Selective contracting of provider
The US Health Care System: A Brief Overview
Source of Health Insurance in the US

- Private Insurance -- 65%
  - Employers – (55%)

- Federal Government (Medicare) – 11%
  - Private HMOs – (1%)

- State / Federal (Medicaid) - 10%
  - Private HMOs – (7%)

- Uninsured – 14%
In response to rising costs, employers embraced the model of competing private “managed care” plans.
The US moved from unmanaged “fee-for-service” (FFS) to “Managed Care Organizations” (MCOs) in late 1980’s.
Competing private managed care plans are the main mechanism for competition in the US.

The goals of managed care are:

- Increased cost efficiency / cost containment
- Improved quality of care / outcomes
- Increase in patient choice and attainment of personal preferences

- Equity and access (Government’s goal)
The US Health Insurance / “Managed Care” Models

• Traditional Fee-for Service (Unmanaged)
  – 15% (Mainly Medicare)

• Preferred Provider Organization (PPO) and other “loose” managed care plans
  – 47%

• Health Maintenance Organization (HMO)
  – 38%

(All together the private insurance plans are termed managed care organizations – MCOs)
The Key Ingredients of US Managed Care

- **Care Management**
  - Utilization management / coverage decisions
  - Disease management / case management

- **Vertical integration / coordination**
  - Selective contracting with “preferred” networks
  - Gatekeepers / “medical homes”
  - Integrated delivery systems

- **Financial risk sharing with providers**
  - Capitation rather than fee-for-service
  - Financial risk based on doctor performance

- **Market Forces**
  - Consumer choice (both across and within MCOs)
  - Plans compete on both price and quality (HEDIS)
  - Increased consumer responsibility (CDHP)
Estimated current number of US managed care and health insurance plans (2007)

- There are about 1200 MCOs and insurance companies (though far fewer large companies).

- There about 250 provider sponsored Integrated Delivery Systems (IDSs).

- There are several hundred independent care management / “disease management” (“continuum of care”) companies.
A quick scorecard: US attainment of goals

- **Quality is not ideal, but it is improving.**
  - Structured IDSs tend to achieve higher quality than others.

- **Health care costs have not been controlled.**
  - Some MCOs have developed considerable efficiencies. “Tight” managed care can slow cost growth, but they are unpopular.

- **There is lots of choice, not always for consumer.**
  - Employers do most of choosing, but consumers still have much choice within MCO.

- **US has not been successful in attaining equity**
Trends in controlling high blood pressure (140/90)
Commercial HMOs, 1999-2005

<table>
<thead>
<tr>
<th>Year</th>
<th>% Controlled</th>
</tr>
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<tbody>
<tr>
<td>1999</td>
<td>39.0</td>
</tr>
<tr>
<td>2000</td>
<td>51.5</td>
</tr>
<tr>
<td>2001</td>
<td>55.4</td>
</tr>
<tr>
<td>2002</td>
<td>58.4</td>
</tr>
<tr>
<td>2003</td>
<td>62.2</td>
</tr>
<tr>
<td>2004</td>
<td>66.8</td>
</tr>
<tr>
<td>2005</td>
<td>68.8</td>
</tr>
</tbody>
</table>

Source: WWW.NCQA.ORG
# US consumer choice of MCO by size of employer

<table>
<thead>
<tr>
<th>Number of MCOs</th>
<th>1</th>
<th>2</th>
<th>3+</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Employers</td>
<td>87%</td>
<td>11%</td>
<td>1%</td>
</tr>
<tr>
<td>Employers with 1000-5000 workers</td>
<td>47%</td>
<td>40%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: KFF/HRET - 2007
The German Context and Possible Lessons from the USA
## US German Comparison – Population and general and health economies

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (000s)</td>
<td>294,410</td>
<td>82,466</td>
</tr>
<tr>
<td>Annual Population growth rate</td>
<td>0.94</td>
<td>-0.030</td>
</tr>
<tr>
<td>% over aged 65+</td>
<td>12.4</td>
<td>18.9</td>
</tr>
<tr>
<td>GDP (billions US dollars)</td>
<td>12,429</td>
<td>2,461</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>41,900</td>
<td>29,800</td>
</tr>
<tr>
<td>Health expenditure as % of GDP</td>
<td>15.3</td>
<td>10.7</td>
</tr>
<tr>
<td>Total expenditure on health per capita ($)</td>
<td>6,102</td>
<td>3,043</td>
</tr>
</tbody>
</table>

Source: OECD
<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>% uninsured</td>
<td>14.7</td>
<td>&lt;1.0</td>
</tr>
<tr>
<td>Acute care beds (per 1,000 population)</td>
<td>2.7</td>
<td>6.4</td>
</tr>
<tr>
<td>MRI (per 1,000,000 population)</td>
<td>26.6</td>
<td>7.1</td>
</tr>
<tr>
<td>Practicing Physicians (per 1,000 population)</td>
<td>2.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Infant mortality (per 1,000 population)</td>
<td>6.8</td>
<td>3.9</td>
</tr>
<tr>
<td>Life expectancy (at birth)</td>
<td>77.5</td>
<td>78.6</td>
</tr>
</tbody>
</table>

Sources: OECD Health Statistics
Comparison of Per Capita Health Expenditure 1970-2005: US and Germany
Recent Health Reforms in Germany

GKV-Wettbewerbsstärkungsgesetz
(GKV-WSG)
Key applications of competition / managed care approaches in Germany -1

- **Integration** of independent providers and/or payers similar to US IDSs (*Integrierte Versorgung*)

- **Choices for consumers** through new insurer (*Krankenkassen*) options
Key applications of managed care approaches in Germany -2

• Expanded **care management**
  – Primary care point of contact (*Hausarzt*-o. *Modellverträge*)
  – Continued building of disease management (*DMP*)

• New ways for **selecting and contracting** with providers
  – Price and quality negotiations
  – Selective contracting
Some observations / lessons for Germany -1

- Managed care tools can improve efficiency and decrease cost growth, but many will not be popular with patients or doctors.

- Competition and cost controls alone have been ineffective in controlling overall budget.

- Competition has some positive effects on choice in US, but this has not generally taken place at the patient level.

- US employers have been important “intermediary” working for patients.
  - Role for Krankenkassen or IV organizations in Germany?
• US integrated delivery systems are excellent models for Germany. They would help increase population based coordinated care.

• There are many excellent care management and health IT tools in US, even if entire MCO approach may not be appropriate for Germany.

• Provider accountability and “preferred” selection has many benefits but may be unpopular with providers or patients.
• Many managed care innovations are positive, but be cautious of too much “administrative overhead.”

• Communication and transparency among all parties will be essential.

• US MCOs have not always competed fairly. Germany must continue risk adjusted payment and regulation.
Some closing comments / cautions

- There is much to learn from US. But be cautious of our lack of social solidarity and power of health care industry.

- The US health care system is huge and asymmetrical. It is very difficult to see big picture.

- Germany would benefit from more evaluation and shared learning through active quality improvement.
  - (See, http://ahrq.gov/ and www.ihi.org as models)
For more information on US managed care and competition

- [www.kff.org](http://www.kff.org) (general US health care web site)

- Review article on integrated delivery systems at: [http://content.healthaffairs.org/cgi/reprint/hlthaff.w5.420v1](http://content.healthaffairs.org/cgi/reprint/hlthaff.w5.420v1)


- Prof. Weiner’s course material on managed care: [http://ocw.jhsph.edu/courses/managedcare/](http://ocw.jhsph.edu/courses/managedcare/)