HEALTH MAINTENANCE ORGANIZATIONS (HMOs)

The Future in Health Care
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BCBSF

Alternative Delivery Systems Division

Blue Cross
Blue Shield
of Florida

HMOs: The Future Trend in Health Care

As a leader in the health insurance industry, Blue Cross and Blue Shield of Florida, Inc., is responding to the needs of the community through the innovative development of alternative ways to deliver and finance quality health care. Our commitment to workable programs is exemplified by our development and support of Health Maintenance Organizations (HMOs).

HMOs are prepaid medical plans which provide comprehensive benefits to members for a fixed, prepaid fee. Studies show HMOs can reduce hospital utilization and medical costs significantly. As part of our effort to hold the line on rising health care costs, Blue Cross and Blue Shield of Florida has taken an active role in HMO development. We believe our HMOs will help ensure members of cost-effective, quality medical care for years to come.

Our HMOs are located in select metropolitan areas in Florida. They are part of a national network of Blue Cross and Blue Shield HMOs located in many states. In the next few years, we plan to provide the majority of Florida residents with access to an HMO which is affiliated with Blue Cross and Blue Shield of Florida.

And naturally, since HMOs are becoming more prevalent statewide, it's important that you fully understand the concept of these prepaid medical plans. Blue Cross and Blue Shield of Florida has developed this brochure to provide basic facts on HMOs. These include ways members benefit, why we are involved and how to get more information about our operating and developing plans.

We hope that you will be as excited as we are about our HMOs—the trend of the future in the delivery of quality health care.

A History of Healthy Growth

Health Maintenance Organizations (HMOs) are not a new concept. The first prepaid health plan was established in California in 1929. In recent years, their remarkable efficiency has contributed to a new popularity of HMOs and sparked their tremendous growth.

HMOs gained widespread support in the 1970s with the passage of the Health Maintenance Act of 1973. The Act provided the original impetus and incentive for growth through funding and legislation. Although Federal funding is no longer available, private industry and companies like Blue Cross and Blue Shield of Florida have taken a prominent role in the development and operation of HMOs in recent years.

Today, more than 260 HMOs serve some 12 million Americans. In Florida, hundreds of thousands of people are already enrolled in HMOs. As interest in alternative methods to traditional health insurance heightens, industry analysts predict that as many as 30 million Americans will be members of HMOs by 1990.

The Philosophy Behind Health Maintenance Organizations

Just as the name implies, a Health Maintenance Organization is designed to emphasize maintaining good health and staying well rather than merely providing a benefits plan to cover medical costs after treatment is needed.

HMOs remove the biggest barrier to regular preventive care: cost. Office visits, routine health examinations and other preventive services are covered. This means members are more likely to seek medical treatment before costly hospital care is required.

HMOs do more than traditional health insurance, which reimburses subscribers for covered medical services. While HMOs handle the payment for medical services, they also provide the actual medical services, including routine medical and preventive care and other benefits generally not covered by traditional health insurance plans.

This arrangement means HMOs are responsible for the quality and type of care provided and have greater control over health care costs. In this way, HMOs can ensure members of the most cost-effective, quality medical care available today.

In recent years, health care costs have risen more rapidly than the overall rate of inflation. Employers and employees have had to spend more for medical care, and insurance premiums have risen to cover increased health care costs. But HMOs are starting to cut costs. Studies show they help keep costs in line while efficiently providing quality medical care and comprehensive benefits.

The key to controlling costs relates to the HMO's ability to control both the price and use of services. Because HMO physicians provide or coordinate medical care, the HMO is in an excellent position to manage the use of health care services and contain costs.

Two critical components of the HMO concept—preventive medicine and fixed prepaid provider reimbursement—work together to control costs.

Preventive medicine is the "stay well" concept we've already described, which controls costs by treating illness before it becomes serious. After all, it's better—and less expensive—to treat a cold instead of pneumonia. But fixed provider reimbursement is important, too.

Because payment to providers is a set amount, there is an added incentive to control costs. Primarily, the emphasis is on preventive care and patient education to ensure better health and reduce hospital usage. Physicians conduct thorough health examinations to detect and treat minor illnesses before a crisis occurs. Preserving good health through prevention has helped reduce hospital utilization.

Reduced hospitalization, however, does not mean HMOs provide lower quality care. Our physicians are thoroughly screened before they are accepted by our HMOs. Through a Peer Review Program, physicians review each other's work on a regular basis. HMOs also encourage continued education for physicians. The assurances that members receive the highest quality care have helped boost enrollment and re-enrollment in HMOs. Membership in Florida HMOs alone has more than tripled in the past five years and is projected to continue to grow rapidly in the future.

Different Types, Distinct Advantages

There are three different types of HMOs: the Staff Model, the Group Model and the Individual Practice Association (IPA). All three models offer similar prepayment and health care services, but each has a unique organizational structure with certain "built-in" advantages.

- *The Staff Model* HMO provides care at one or more health centers located in the plan's service area. The plan directly employs physicians and health care professionals who provide care solely to its members. Because the HMO can closely monitor care and the physicians are usually salaried, this arrangement can be particularly helpful in controlling costs.
- *The Group Model* HMO is similar to the staff model except the plan provides care through contracts with a limited number of physicians in one or more health care centers. The contract arrangement reduces the HMO's operating expenses.
- *The Individual Practice Association (IPA)* is an alliance of physicians and medical groups who retain their own practices and offices. Members in this type HMO receive care from physicians who see members in their private offices. The IPA usually covers a wide geographic area, so members have a broad choice of highly professional physicians to meet their individual health care needs.

An Added Benefit for Employees

Of course, the prime benefit to members of HMOs is a comprehensive program of benefits provided for practically no out-of-pocket expenses. HMOs offer "first dollar coverage." The deductibles and co-insurance associated with traditional health insurance have been eliminated. Hospital and physician services approved by the HMO are covered in full, except for a small co-payment for specified services required by some HMOs.

With some HMOs, members can select their own primary care physicians from the HMO's participating doctors. A large choice of physicians allows for a personal patient-physician relationship. This doctor then has direct responsibility for providing or coordinating all health care services.

And unlike traditional health insurance, members rarely have to fill out claim forms or wait to be reimbursed. HMOs have eliminated much of the paperwork associated with insurance.

Employees also appreciate having the option to choose between an HMO or traditional health insurance. The HMO option is often viewed as an additional fringe benefit.

Best of all, though, is the knowledge that preventive care and health promotion programs offered by our HMOs can help employees and family members stay healthier.

Bottom Line Results for Employers

HMOs can help employees stay healthier and reduce hospital use. This can mean reduced absenteeism and increased on-the-job performance, less sick leave expenses and an improved bottom line.

Employers no longer have administrative responsibilities associated with handling claims. Claim forms, processing benefits and serving as a middleman between the insurance company and the employee have nearly been eliminated.

They also benefit from an employee relations standpoint. Employees who have a greater choice in their health benefits program often view their employers more favorably. Sound benefit programs also help employers recruit and retain valuable employees.

Most importantly, employers will be stimulating competition in the health care industry. Many employee benefits experts view competition as one of the best ways to control escalating health care costs. It can mean reasonable premiums for benefit programs and a promising health care future for employees.

Blue Cross and Blue Shield of Florida HMOs

In 1979, we began an in-depth study to explore HMOs as part of an overall cost containment program. Based upon the results of the study, Blue Cross and Blue Shield of Florida took an active role in HMO development.

Our involvement in HMOs began with the establishment of our first affiliate in Tallahassee, the State's capital, in 1981. Currently, we provide support services—operational, managerial, financial—for other affiliates. We will be active in the planning and development of other HMOs in major metropolitan areas statewide. Our goal is for most Floridians to have access to one of our affiliate HMOs within the next five years, with HMOs operational throughout the State in major geographic areas.

As the State's largest health insurer, serving millions of Floridians, Blue Cross and Blue Shield of Florida has a responsibility to provide the highest possible levels of coverage. To meet this obligation, while doing all we can to hold the line against rapidly rising health care costs, we encourage viable alternatives in health care delivery. We believe HMOs have proven to be one of the healthiest alternatives to traditional health insurance.

How to Find Out More About Our HMOs

Health insurance programs are usually renewed each year and are therefore offered to employees at that time. On the renewal date, eligible employees may choose membership in their traditional insurance plan or an HMO. If employees reside in an HMO's service area, an employer can probably offer them the HMO alternative.

Blue Cross and Blue Shield of Florida HMOs are located in several metropolitan areas throughout the State and may serve your area. Information about each plan and the areas they cover are available upon request.

If you would like more information about our HMOs, contact one of our affiliates or Blue Cross and Blue Shield of Florida.

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