

Psycho-economics: managed care in mental health in the new millennium

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This book comprises ten separately authored chapters on the general theme of managed care, and the way that it has affected mental health care in the United States of America. The main focus is on the role of the psychologist in private practice.

The authors' views are sometimes complementary and occasionally downright conflicting. Only one chapter was written from the point of view of the managed care organisation (MCO), and the remainder were written predominantly from the care providers' side. They therefore contain a large variety of criticisms. Some are relevant and well argued, and others are much less so.

To be fair, most of the poorly argued criticisms are in the single chapter written by Dr Rogers Wright, former Executive Director of the Association for the Advancement of Psychology. He is against everything that is not driven by the clinician as the heroic individualist. He chooses not to mention exactly what he does support, presumably because he believes it is self-evident.

He deplores the excessive focus on cost containment, and demonstrates his ability to see some of the negative consequences. For example, he notes that there have been a significant number of instances in which an MCO's controls over access "... have resulted in homicides and suicides perpetrated by the despairing consumer." However, he makes no mention of the possibility that the high cost of health care (which is the main reason why 40 million Americans have no health insurance) might also have caused some pain.

He argues that MCOs are third parties "... whose interest is in most cases opposed if not directly antithetical to those of the consumer and the provider." He ignores the fact that some consumers see the insurer as an ally in the face of high prices and supplier-induced demand.

He recognises that some third party payers have experienced financial difficulties. However, he asserts that such difficulties are merely a consequence of "... their actuarial inaccuracies" in that the payers carelessly "... underprojected the rate of (health care) consumption."

He argues that life before managed care was better because "... the consumer had full control of all decisions" about health care services. Now that there is managed care, only the third party insurer has real autonomy.

He vigorously opposes all forms of supervision of the individual practitioner. For example, he notes that the third party payer is now requiring the provider to submit treatment plans for review, even though it has made "... no provisions to insure the competency of the third party's reviewer".

He feels the need to attack the MCOs' main argument (that much care is not evidence-based) from the rear. He argues that "... outcome studies are all the rage and as many observers have commented simply do not work." So there – enough said.

He uses a few unfortunate analogies. For example, he implies that the misuse of data by MCOs has elements of McCarthyism. The author is "... all too familiar with the sensitivity of and the abuses which can be visited on confidential data."

The only saving grace for this chapter was that a few legitimate criticisms were raised. For example, he is right in deploring the legislation in some US States that reduces the rights and responsibilities of State health authorities to check on the activities of MCOs, and which reduces the civil liability of MCOs with respect to consequences of their actions on members' health.

The second chapter, by Professor Nicholas Cummings, takes an entirely opposite position. Dr Wright would no doubt say this is to be expected, since Cummings founded an MCO specialising in behavioural health care and operated it for several years. However, most readers will conclude that the second chapter is better than the first simply because there are some relevant facts.

One of them is that, when prospective payment cut the growth in general hospital expenditures from 12% to 8% after 1984, behavioural health care costs began to grow at more than 16% per annum. As Cummings points out, one of the main reasons was that behavioural care was excluded from per case payment by DRG. Another was that "... the government essentially left the behavioural health problem to the private sector" and the consequences were as expected given that, in the health care sector, "... the provider controls both supply and demand."

The author tells a good yarn. He notes that the private psychiatric hospital chains "... became the darlings of Wall Street". The gangster elements of the health care sector bought up the general hospital beds becoming vacant as a consequence of per case payment by DRG, converted them to mental health and chemical dependency services, and "... huckstered them on television." Our experiences with privately insured care in Australian private hospitals seem mild in comparison to US experiences. Cummings notes that "... the 28-day stay for chemical dependency became standard, adult psychiatric hospitalisation doubled, and adolescent psychiatric hospitalisation quadrupled."

Cummings argues that managed care was mostly a response to a system whose costs were out of control, and it was driven by the companies who were buying health insurance for their employees at rates that they believed were increasingly damaging to their own commercial success. By implication, he rejects Wright's argument that managed care was a communist-inspired plot to make profits out of people with suicidal tendencies. Cummings accepts that greed was the cause of managed care, but it was the care providers' rather than the third party insurers' greed that was the main factor. Care providers brought managed care on themselves.

There is an excellent summary of the main effects of the unprecedented growth in managed care (from close to zero to 75% of the insurance market in ten years). The main success is well known: costs were contained, and expenditure growth on behavioural health care fell from 16% to around 4% per annum. Cummings says that most clinicians must be at least dismayed by the way that managed care "... demonstrated for all time that there could be unprecedented cost containment by merely introducing management into a previously undisciplined practitioner cottage industry."

There were other successes, according to Cummings. They included increased accountability of care providers (in part from better analytical data as well as expectations that clinicians would justify and then use protocols, pathways, and guidelines). Other related benefits included improvements in care co-ordination and continuity, better internal and external auditing, and increased value for money.

There were some bad mistakes. One of them was that, because care providers refused to manage value for money, the leadership baton passed from them to 'business' interests. For reasons of expediency and "fierce hostility from the practitioners", many of the MCOs reduced their interest in clinical process. They stopped trying to compromise on the balance between cost and quality through reasoned debate with care providers (partly because of the hostility). Instead, they handed over the responsibilities for negotiation to their actuarial and financial staff – who would neither worry over their own clinical ignorance nor be affronted by the aggressiveness, shroud-waving and other devices applied by the care providers.

Competition between MCOs became progressively more fierce, as the initial high profits of managed care attracted increasing numbers of players. The battle had to be fought in terms of insurance savings, if only because the companies that were buying insurance were themselves competing for reduced production costs. As Cummings puts it, the battle became so fierce that "... no managed care company dared declare itself a quality leader."

The diversion of management effort from the purchasing of value-for-money health care is well illustrated by what Cummings terms 'merger mania'. Thousands of small businesses rapidly became hundreds for mainly sensible reasons, including aggregation to ensure relevant skill areas were fully covered. Within a short period of time, however, managed care companies became paper assets from which Wall Street and its hangers-on might make a quick profit. By 1990, some analysts were predicting that the sensible number of entities (perhaps a hundred or so) would be reduced to around 15 by 2000. In fact, there are already no more than five significant players. The largest MCO, Magellan, controls 40% of the market. It has paid so much to grow that it spends 15% of revenues on debt servicing.

The MCOs certainly managed public relations poorly for the most part. It is entirely reasonable to argue that health care is a joint production system that depends for success on the effectiveness of insurance actuaries as well as doctors. It is entirely unwise to overlook the reality that "... patients are grateful and loyal to their doctors, not to the health plan."

The doctors played their cards very well in this respect: they passed on their anger with the MCOs to their patients, and they in turn put pressure on their employers, legislators, and insurers. Cummings notes that one of the more notable vehicles for presenting managed care as an evil force was the movie 'As good as it gets'. He may be right, and he certainly seems to be right on most other matters, but I was disappointed here: the scene where Helen Hunt discusses managed care with a kindly paediatrician is a work of art, and any amount of unfair publicity for managed care is worth bearing if we can have this much wit.

The most serious problem, according to Cummings, is that managed care failed to influence clinical practice in a consistently sensible way. He gives the example of drugs prescribing in general health care. Most doctors quickly learned to comply with the requirement that they should prescribe generic (and therefore less costly) drugs. However, most failed to change the decision to prescribe or not. Cummings claims this is a consequence of a practice pattern that requires each patient to be seen for only 7 minutes but "... it would require 20 minutes to explain to a patient demanding an antibiotic why the physician would not prescribe it." In the context of psychotherapy, Cummings argues that "... psychotherapists do what they have always done which is long-term psychotherapy, except now they do it in six or ten sessions rather than fifty. They have not honed their skills to include brief, focussed or problem-solving approaches" which would have greater effect.

Cummings ends his chapter by speculating about the 'second wave' of managed care. Inter alia, he sees a trend back to smaller and more local MCOs, a higher degree of linkage to primary care (and a consequent increased emphasis on the prevention of stress- and other lifestyle-related illnesses), and the growth of practitioner companies (integrated delivery systems, or IDSs) that contract directly with purchasers and therefore by-pass the MCOs. He envisages a reduction in the number of doctors, and success only for those 'more astute' doctors who are willing and able to be serious about cost-effectiveness.

He claims that only half of the current number of doctors and psychotherapists is needed, and the fact that MCOs are exploiting this state of affairs does not make this a managed care problem. It would have had to be addressed in one way or another, with or without managed care. Clinicians (and doctors in particular) missed the opportunity to influence decisions about handling oversupply and overspending in the 1990s. Some (but not the minority) will miss the opportunity again in the second wave.

The remaining chapters are interesting in various ways. Shapiro wants to fight off the unpleasant features of managed care, such as "... the dreaded clinics ... where nameless patients were treated by overworked interns and technicians" and the poorly designed protocols that give "... a simplistic view of the patient problems that most practitioners encounter". He urges the psychology profession to fight back, by increasing its specialisation, marketing, and acquiring the authority to prescribe drugs. As in several other chapters, there is no acknowledgement of the possibility that the clinical professions triggered the externally imposed solution because they had no answers themselves. For example, Shapiro criticises the poor protocols designed by outsiders, but does not mention the possibility that clinicians could and should have designed the protocols themselves.

There is an excellent chapter by Fox, Lessler, and Cooper that describes the experiences of an independent psychological group practice from 1970 to 2000. The authors briefly describe how the practice grew and flourished during the 'golden years' of the 1970s and early 1980s as a consequence of the growth of insurance cover for psychotherapeutic services. They also prospered in the first few years of managed care, mainly because

they responded positively to the incentives to work collaboratively with relatively well-run MCOs – and to form closer relationships with primary care physicians, carefully review clinical practice methods, develop and use protocols and pathways, and so on.

However, the later years were more destructive for several reasons. One was the determination of the MCOs to continue with cost-cutting in the face of increased competition and declining profit margins in the MCO sector. Another was the increased administrative burden that was partly a consequence of mistaken ideas about the way to control clinical practice – through prior authorisation, retrospective utilisation review, case management, and so on.

One of the most recent adverse effects noted by the authors is that of increasing “... distinction between the haves and the have-nots” as a consequence of tighter constraints on the services that can be provided to the insured. As an illustration, the authors note that “... psychotherapy of clinically determined length is primarily only available to the affluent”. Yet another unfortunate trend is that many MCOs have made the mistake of making the prescribing of medications more profitable than the provision of psychotherapy. The result is that “... psychotherapy is under-utilised, medications are over-utilised, and fewer providers are taking the time to really listen to their patients.”

Other chapters provide advice on how mental health service providers (and especially private practitioners) can handle managed care (through familiarisation with and use of evidence-based protocols and in other ways), the roles of social workers, patient confidentiality, and trends in psychotherapy. They are generally well written and well-referenced.

This book will interest mental health service providers, although there is relatively little clinical detail. It will also be enjoyable reading for anyone with an eclectic taste for health policy, since most of the ideas are relevant to any kind of health care – and any health care system in which there is a battle between clinical autonomy and cost containment, uncertainty about external review or self-regulation, and so on.

I enjoyed this book very much. I learned a few things that seem relevant to dealing with health care in almost any country. It was worth reading if only for the sake of being able to respond appropriately on the next occasion that an Australian refers bitterly to “US-style managed care”. I will be more confident in asking “And what exactly do you mean by that?” and better able to enjoy the consequent debate.