Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

MEDICARE BENEFICIARY INTEREST IN HMOs

JUNE GIBBS BROWN
Inspector General

OCTOBER 1995
OEI-04-93-00142

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OEI's Atlanta Regional Office prepared this report under the direction of Jesse J. Flowers, Regional Inspector General, and Christopher Koehler, Deputy Regional Inspector General. Principal OEI staff included:

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EXECUTIVE SUMMARY

PURPOSE

To determine Medicare beneficiary awareness of and interest in joining health maintenance organizations.

BACKGROUND

In all geographic areas, Medicare beneficiaries can obtain medical care through a fee-for-service arrangement. However, in approximately 674 counties in 41 States, beneficiaries also have an option of obtaining medical care through managed care health plans. As of April 1995, approximately 3.3 million beneficiaries participated in the managed care plans.

In the interest of expanding options for care for Medicare beneficiaries, the Health Care Financing Administration (HCFA) asked us to determine beneficiary interest in using managed care systems.

FINDINGS

Beneficiaries want more information about HMOs

- While most beneficiaries said they had heard of HMOs, most also said they would like more information about Medicare-contracted HMOs.

- Most beneficiaries said they did not know if they lived in locations where beneficiaries could join HMOs.

HCFA has a receptive population for increasing use of HMOs

- Twenty-seven percent of the beneficiaries expressed an interest in joining an HMO. An additional 34 said they did not know if they would be interested in joining.

- Thirty-nine percent of the beneficiaries were not interested in joining an HMO. The main reason was because they could not select their own physicians. Only a few beneficiaries expressed concern about quality of care in an HMO.

RECOMMENDATION

We recommend that HCFA continue its efforts to educate Medicare beneficiaries about managed care options and HMOs. HCFA should focus its educational efforts in areas where HMOs are available that beneficiaries can join, and highlight the characteristics of Medicare HMOs, including the benefits offered and enrollment procedures.

AGENCY COMMENTS

The HCFA Administrator commented on our draft report, and concurred with our recommendation. He reported that HCFA has already initiated projects designed to help educate Medicare beneficiaries about managed care. For example, HCFA has updated the Medicare and Managed Care Plans brochure. This publication explains fee-for service and managed care, and highlights the differences. The Administrator reported that HCFA also has a research project with the Research Triangle Institute to determine the kinds of information beneficiaries want about health care options, including managed care.

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To determine Medicare beneficiary awareness of and interest in joining health maintenance organizations.

BACKGROUND

The Medicare Program

Medicare is a Federal health insurance program for individuals age 65 and older and for certain categories of disabled people. In 1994, Medicare insured about 36.7 million beneficiaries, and paid benefits totalling $159 billion.[1] The Health Care Financing Administration (HCFA) within the Department of Health and Human Services has responsibility for the Medicare program.

In all geographic areas, Medicare beneficiaries can obtain medical care through a fee-for-service arrangement. However, in approximately 674 counties in 41 States, beneficiaries also have an option of obtaining medical care through managed care health plans. As of April 1995, approximately 3.3 million beneficiaries participated in the managed care plans.[2]

In the interest of expanding options for care for Medicare beneficiaries, HCFA asked us to determine beneficiary interest in using managed care systems.

Two Methods of Obtaining Medical Care

Fee-for-Service - Beneficiaries choose their own physicians, hospitals, and other medical care providers. Providers submit claims to Medicare for services to Medicare beneficiaries. For physician and most other outpatient services, Medicare pays 80 percent of the amount allowed for the covered services. Beneficiaries pay the remaining 20 percent of allowable charges plus Medicare premiums and deductibles for inpatient and outpatient care.

Managed Care Health Plans - Beneficiaries enroll in Medicare-contracted health organizations which manage their medical care.

The most common type of Medicare managed care health plans is risk-contracted health maintenance organizations (HMOs). Each HMO has a defined geographic

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[1]Health Care Financing Administration, United States Department of Health and Human Services, Data Compendium, March 1995.

[2]Health Care Financing Administration, United States Department of Health and Human Services, Office of Managed Care monthly reports.

area, and the HMO serves beneficiaries who live in that area. HMOs are responsible for providing a full range of Medicare services, and may offer other benefits not covered by Medicare, such as prescription drugs.

After joining an HMO, a beneficiary selects a primary care physician that is affiliated with the HMO. All medical care is managed by that physician or a case manager. The primary care physician either provides needed services or refers a beneficiary to appropriate specialists or other health care providers associated with the HMO. Beneficiaries are required to obtain all their medical care through providers affiliated with the HMO they joined, except for emergency and urgently needed care when they are out of the HMO service area.

The HMOs agree to provide a beneficiary's total medical care for a set amount paid monthly by Medicare. Beneficiaries continue to pay Medicare premiums. They may also have to pay the managed care plan a monthly premium and a copayment for services received. However, they do not pay Medicare deductibles or 20 percent of physician and outpatient charges that are required under the fee-for-service program.

METHODS

As part of a broad 1994 survey to determine beneficiary satisfaction with Medicare,[3] we asked beneficiaries about their awareness of and interest in HMOs. We used questions that were developed by HCFA staff.

In July 1994, we mailed a questionnaire to 1279 randomly selected Medicare beneficiaries for whom Part B claims had been filed in Calendar Year 1993. We excluded beneficiaries who were already enrolled in an HMO from our sample. We used standard equations for estimating sample size with a binary response variable. Based on previous experience with similar beneficiary surveys, the sample size was calculated to produce an estimate within 3.5 percent of the true value at the 95 percent confidence level. The precision of individual findings may be less than that for the overall sample, depending on the number of beneficiaries who responded to specific subgroups of questions.

Beneficiary participation in the survey was voluntary. A total of 1002 beneficiaries returned completed questionnaires, for a response rate of 78 percent. Percentages in the report are based on the number of beneficiaries answering each question. Appendix A shows beneficiary responses.

A consideration in surveys of this type is that the results may be biased if non-respondents are significantly different from respondents. To determine whether significant differences exist in this survey, we performed various analyses, including a

[3]Office of Inspector General, United States Department of Health and Human Services. *Medicare Beneficiary Satisfaction: 1994.* OEI-04-93-00480, March 1995.

comparison of age and gender for the 1002 respondents and the 277 non-respondents. The analyses revealed no significant difference, which suggests that our survey results were not biased.

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We conducted this inspection in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

FINDINGS

BENEFICIARIES WANT MORE INFORMATION ABOUT HMOs

Sixty-four percent of 874 beneficiaries who answered our question said they would like to learn more about Medicare-contracted HMOs.

Twenty-six percent of the beneficiaries (244 of 935) said they lived in a county with HMOs that contract with Medicare, and 10 percent said they did not live in locations where beneficiaries could join HMOs. However, 64 percent of 935 beneficiaries who answered our question did not know if they lived in locations where beneficiaries could join HMOs.

Sixty-two percent of 954 beneficiaries who responded to our question about awareness said they had heard of HMOs. We asked the 244 beneficiaries who said they lived in a location with an HMO to tell us how they heard about the HMO. Sixty-nine percent (168 of 244) of them responded. As Table 1 shows, most of those who responded to the question learned about HMOs through advertisements.

TABLE 1
HOW BENEFICIARIES BECAME AWARE OF HMOs

METHOD	BENEFICIARIES RESPONDING TO QUESTION*	
	Number	Percent
Advertising (Television, Newspaper, Direct Mail)	88	52
Family and Friends	49	29
Former or Current Employment	15	9
Insurance Companies	7	4
Previous Experience in an HMO	5	3
Other (Hospitals, Senior Citizens Centers, and General Knowledge)	10	6

*Some beneficiaries mentioned two ways of learning about HMOs. Therefore, the percentages total more than 100%.

HCFA HAS A RECEPTIVE POPULATION FOR INCREASING USE OF HMOs

Twenty-seven percent of the 912 beneficiaries who answered our question expressed an interest in joining an HMO. An additional 34 percent said they did not know if they would be interested in joining. The remaining 39 percent said they would not be interested in joining an HMO.

Of the 39 percent who said they would not be interested in joining an HMO, 72 percent (256) cited one or more objections. Table 2 shows that most of them were concerned about their inability to select their doctors if they joined an HMO. Interestingly, only 9 percent of the 256 beneficiaries expressed concern about quality of care in an HMO.

TABLE 2
WHY BENEFICIARIES OBJECT TO JOINING AN HMO

OBJECTION	BENEFICIARIES RESPONDING TO QUESTION*	
	Number	Percent
Inability to Select Physician(s)	101	39
Desire to Keep Present Physician	49	19
Satisfied with Insurance Coverage	39	15
Perceived Poor Quality of Care	24	9
Lack of Enough Information on HMOs	20	8
Difficulty in Scheduling Appointments	7	3
Friends and Relatives' Poor Experiences	7	3
See Different Physicians Each Time	3	1
Other (Too Old, Fear of Losing Medicare, and "Red Tape")	18	7

*Some beneficiaries mentioned two objections to joining HMOs. Therefore, the percentages total more than 100%.

A May 1995 study by the Henry J. Kaiser Family Foundation also showed that concern about inability to select physicians was the major obstacle to Medicare beneficiaries joining an HMO. Kaiser's findings were based on 14 focus group meetings with Medicare beneficiaries in 8 locations during January and March 1995. Kaiser reported

that beneficiaries had little information about managed care when they lived in areas where HMO penetration was low. This Kaiser report also showed that concern about quality was an obstacle to beneficiaries joining an HMO.

RECOMMENDATION

We recommend that HCFA continue its efforts to educate Medicare beneficiaries about managed care options and HMOs. HCFA should

- **focus its educational efforts in areas where HMOs are available that beneficiaries can join, and**

- **highlight characteristics of Medicare HMOs, including the benefits offered and enrollment procedures.**

We note that HCFA's current efforts to explore managed care options which allows beneficiaries more flexibility in selecting physicians of their choice is quite consistent with Medicare beneficiary responses to our survey.

AGENCY COMMENTS

The HCFA Administrator commented on our draft report, and concurred with our recommendation. He reported that HCFA has already initiated projects designed to help educate Medicare beneficiaries about managed care. For example, HCFA has updated the Medicare and Managed Care Plans brochure. This publication explains fee-for service and managed care, and highlights the differences. The Administrator reported that HCFA also has a research project with the Research Triangle Institute to determine the kinds of information beneficiaries want about health care options, including managed care.

Apendix B shows the full text of comments provided by HCFA.

APPENDIX A

RESPONSES TO 1994 SURVEY OF BENEFICIARIES

In some cities, Medicare beneficiaries can get their health care through "managed care systems" called Health Maintenance Organizations, or HMOs. Medicare pays an HMO a specified amount every month, and beneficiaries who are members of the HMO get all of their care through doctors, hospitals, and other medical care providers that belong to the HMO. Beneficiaries who belong to Medicare HMOs do not have to pay the Medicare deductibles or 20 percent coinsurance, but may have to pay a small fee for some services.

QUESTION	RESPONSES	PERCENTAGE

1. Before today, had you ever heard of HMOs?

Yes	596	62
No	358	38
Not Answering: 48		

2. a. Are there HMOs in your city or town that Medicare beneficiaries can join?

Yes	244	26
No	89	10
Don't Know	602	64
Not Answering: 67		

b. If yes, how did you hear about those HMOs? (Open-ended question)

(N = 168, Number Answering Question)

HMO Advertising	88	52
Family and Friends	49	29
Former Employers	15	9
Insurance Company	7	4
Previously in HMO	5	3
Other	10	6

QUESTION	RESPONSES	PERCENTAGE

3. Would you like to learn more about Medicare HMOs?

Yes	555	64
No	319	36
Not Answering: 128		

4. a. If there were HMOs in your city or town that Medicare beneficiaries could join, would you consider joining?

Yes	245	27
No	358	39
Don't Know	309	34
Not Answering: 90		

b. If no, what would be your objections? (Open-ended question)

(N = 256, Number Answering question)

Inability to Select Physician	101	39
Desire to Keep Present Physician	49	19
Satisfied with Present Insurance	39	15
Perceived Poor Quality of Care	24	9
Lack of Information on HMOs	20	8
Difficulty in Getting Appointments	7	3
Friends/Relatives Poor Experiences	7	3
See Different Physician Each Visit	3	1
Other	18	7

APPENDIX B

HCFA COMMENTS

DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care Financing Administration

The Administrator
Washington, D.C. 20201

DATE SEP 5 1995

FROM Bruce C. Vladeck
Administrator

SUBJECT Office of Inspector General Draft Report: "Medicare Beneficiary Interest in Health Maintenance Organizations (HMOs)," (OEI-04-93-00142)

TO June Gibbs Brown
Inspector General

We reviewed the subject draft report which discusses Medicare beneficiary awareness of and interest in joining HMOs. We concur with the recommendation that the Health Care Financing Administration continue its efforts to educate Medicare beneficiaries about managed care options and HMOs. Our detailed comments are attached.

Thank you for the opportunity to review and comment on this draft report.

Attachment

IG	
SAIG	
PDIG	
DIG-AS	✓
DIG-EI	✓
DIG-OI	
DIG-MP	
AIG-CFAA	
OGC/IG	✓
EXSEC	✓
DATE SENT	9/7

Health Care Financing Administration (HCFA) Comments on
Office of Inspector General (OIG) Draft Report:
"Medicare Beneficiary Interest in Health Maintenance Organizations (HMOs),"
(OEI-04-93-00142)

OIG Recommendation

HCFA should continue its efforts to educate Medicare beneficiaries about managed care options and HMOs. HCFA should:

- focus its educational efforts in areas where HMOs are available that beneficiaries can join, and
- highlight characteristics of Medicare HMOs, including the benefits offered and enrollment procedures.

HCFA Response

We concur and already have in place some projects which are consistent with the recommendation. First, HCFA's Office of Research and Demonstrations (ORD) currently has a research project with the Research Triangle Institute, which is investigating the kinds of information beneficiaries want about health insurance options, including managed care, and will subsequently design some sample materials which would meet these needs.

In a second set of initiatives, ORD is designing and implementing two demonstration projects to widen the managed care options available to Medicare beneficiaries. To support one of these demonstrations (the Competitive Bidding Demonstration), ORD plans to award a contract in September 1995 to a marketing firm. In this project the contractor will be designing a marketing, education and information strategy to help Medicare beneficiaries understand their insurance options, including managed care options, so they can make better choices.

HCFA intends to continue its commitment to disseminate clear and quality information on the health care delivery system choices available to Medicare beneficiaries. We have updated the Medicare and Managed Care Plans brochure, emphasizing beneficary choices. It is designed to highlight the differences (e.g., benefits, choice of physician) between the managed care and fee-for-service options. In addition, we have developed a videotape on managed care and distributed 5,000 copies to a variety of groups such as the Information Counseling and Assistance program counselors, State agencies on aging, and HCFA regional offices.

Beneficiaries can call the Medicare Hotline and ask a representative if there is an HMO in their service area. This service is mentioned in the Medicare Handbook under the Managed Care section. In addition, the Social Security Administration Teleservice Centers have been given the listing of Medicare-contracted HMOs.