I. Introduction

The high cost of healthcare in the United States is a significant and complex issue that affects millions of Americans. According to the Commonwealth Fund report "How High is America's Health Care Cost Burden 2015," healthcare costs in the US have been increasing faster than the rate of inflation for decades. The report found that the main drivers of healthcare costs were high prices for healthcare services, high administrative costs, and a high prevalence of chronic diseases. As such, it is important to understand the reasons behind the high healthcare costs and explore potential solutions to mitigate this issue.

Managed care is one approach that has been implemented to address rising healthcare costs. Managed care organizations (MCOs) are healthcare providers that have contracts with insurers or employers to provide healthcare services to their beneficiaries. MCOs are responsible for managing the utilization of healthcare services and controlling costs while maintaining quality of care.

This briefing paper will examine the topic of high healthcare costs in the US, with a specific focus on managed care. The paper will first provide an overview of the high healthcare costs in the US and the importance of the topic. It will then define managed care and the different types of managed care organizations. Next, the paper will evaluate the benefits and drawbacks of MCOs, including the managed care "backlash" in terms of costs and quality. The paper will also identify areas that can help reduce costs and national healthcare expenditures. Finally, the paper will provide personal insights on the subject.

II. Why are healthcare costs so high?

The United States spends more on healthcare per capita than any other country in the world. The high cost of healthcare in the US can be attributed to various factors, including:

1. High prices for healthcare services: According to the Health Affairs article "It's Still the Prices, Stupid," prices for healthcare services are significantly higher in the US compared to other countries. The article cites research that shows that prices for healthcare services in the US are nearly double those in other developed countries.
2. High administrative costs: The Commonwealth Fund report "How High is America's Health Care Cost Burden 2015" found that the administrative costs of healthcare in the US are much higher than in other countries. The report estimates that the US spends about $1,000 per capita on healthcare administration, which is also more than double the average of other developed countries.
3. Prevalence of chronic diseases: Chronic diseases such as diabetes, heart disease, and obesity are prevalent in the US, and the costs associated with treating these conditions are significant. According to the Forbes article "The Top 10 Reasons for Soaring Healthcare Costs," the prevalence of chronic diseases is a major driver of healthcare costs in the US.

Mainly these factors, have led to the high healthcare costs in the US. Addressing these issues is crucial to reducing healthcare costs and improving access to healthcare for all Americans.

III. What is managed care?

Managed care is an approach to healthcare delivery that seeks to control costs while maintaining quality of care. Managed care organizations (MCOs) are healthcare providers that have contracts with insurers or employers to provide healthcare services to their beneficiaries. MCOs are responsible for managing the utilization of healthcare services and controlling costs while maintaining quality of care.

The key features of managed care include provider networks, utilization management, and capitation. Provider networks are groups of healthcare providers that contract with MCOs to provide healthcare services to their beneficiaries. Utilization management refers to the process of reviewing and approving the use of healthcare services to ensure that they are medically necessary and appropriate. Capitation is a payment method where MCOs receive a fixed amount of money per member per month, regardless of the number of services provided.

Managed care can be contrasted with the traditional fee-for-service model, where healthcare providers are paid for each service provided. In the fee-for-service model, healthcare providers have little incentive to control costs, as

they are reimbursed for each service provided. Managed care, on the other hand, provides incentives for healthcare providers to control costs while maintaining quality of care.

IV. Types of managed care

There are several types of managed care organizations, each with its own unique features and characteristics. The four main types of managed care are Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), Point of Service (POS) plans, and Exclusive Provider Organizations (EPOs).

HMOs are the oldest and most common type of managed care organization. HMOs typically have a closed provider network, meaning that beneficiaries must receive care from providers within the network to receive coverage. HMOs also typically require beneficiaries to select a primary care physician who is responsible for coordinating their care.

PPOs are another common type of managed care organization. PPOs typically have an open provider network, meaning that beneficiaries have more flexibility in choosing their healthcare providers. However, beneficiaries typically pay more out of pocket for care received from providers outside of the network.

POS plans are a hybrid between HMOs and PPOs. POS plans typically require beneficiaries to select a primary care physician and receive care from providers within the network. However, beneficiaries may receive care from providers outside of the network if they are referred by their primary care physician.

EPOs are similar to HMOs in that they typically have a closed provider network. However, EPOs may provide some coverage for care received from providers outside of the network, particularly in the case of emergency care.

Understanding the different types of managed care organizations is important for understanding the potential benefits and drawbacks of managed care as an approach to controlling healthcare costs.

Managed care has been widely implemented in the US healthcare system as a means of addressing rising healthcare costs. While it has been touted as a solution to control healthcare spending, there are also criticisms and drawbacks associated with this model of healthcare delivery.

One potential benefit of managed care is cost savings. Managed care organizations (MCOs) negotiate with providers to offer services at discounted rates, which can result in cost savings for patients and insurers. Another potential benefit is improved quality of care, as MCOs are responsible for managing the utilization of healthcare services and ensuring that patients receive appropriate and timely care. In addition, MCOs often emphasize disease prevention and management, which can help patients avoid costly hospitalizations and other medical interventions.

However, there are also criticisms and drawbacks associated with managed care. One major concern is the restrictions on patient choice and access to care. Patients may be required to choose a primary care physician within the MCO's provider network and may need referrals to see specialists or receive certain medical procedures. This can limit patients' ability to receive care from providers outside of the network, or to choose the most appropriate provider for their needs.

There are also concerns about the quality of care and patient outcomes under managed care. Critics argue that MCOs may prioritize cost savings over quality of care, leading to the use of lower-cost treatments or less time spent with patients. This can result in worse health outcomes for patients. In addition, there are ethical considerations related to managed care, such as the potential for conflicts of interest between MCOs and providers, and the pressure on providers to limit their use of healthcare services in order to meet cost savings targets.

Overall, while managed care has the potential to offer cost savings and improve quality of care, it is important to consider the potential drawbacks and criticisms associated with this model of healthcare delivery. In the next section, we will explore some of the ways that managed care can be improved to address these concerns.

VI. Solutions to contain healthcare costs.

The high cost of healthcare in the US has led to a range of proposed solutions aimed at containing costs. Payment reform, in particular, has been proposed as a way to address the fee-for-service payment system that incentivizes the use of expensive tests and procedures. The Centers for Medicare & Medicaid Services (CMS) has implemented

payment reform initiatives such as the Medicare Access and CHIP Reauthorization Act (MACRA) that reward healthcare providers for value-based care rather than volume-based care. Evidence suggests that these initiatives have been successful in controlling costs while maintaining or improving the quality of care. For instance, a study published in the Journal of the American Medical Association found that the introduction of the Hospital Value-Based Purchasing program resulted in a reduction in 30-day mortality rates for acute myocardial infarction, heart failure, and pneumonia.

Another proposed solution is value-based care, which emphasizes the delivery of high-quality, coordinated care that meets patients' needs and preferences. Value-based care models such as accountable care organizations (ACOs) and bundled payment programs have been implemented to incentivize providers to deliver more efficient, effective care. Evidence suggests that these models have the potential to improve care quality while reducing costs. For example, a study published in Health Affairs found that the Pioneer ACO program resulted in a reduction in Medicare spending by $385 million in its first two years of implementation.

Prescription drug pricing reform is another potential solution to contain healthcare costs. Prescription drug prices in the US are among the highest in the world, and there has been growing concern over the impact of high drug prices on healthcare costs. Proposed solutions include allowing Medicare to negotiate drug prices, increasing transparency in drug pricing, and promoting competition among drug manufacturers. A study published in the Journal of the American Medical Association found that allowing Medicare to negotiate drug prices could result in substantial savings for the program and its beneficiaries.

Prevention and wellness programs are also proposed solutions to contain healthcare costs. Such programs aim to promote healthy behaviors and prevent the onset of chronic diseases that are a major driver of healthcare costs. Evidence suggests that prevention and wellness programs can lead to significant cost savings. For instance, a study published in Health Affairs found that a workplace wellness program resulted in a reduction in healthcare costs of $2.73 for every dollar spent on the program.

Addressing social determinants of health is another proposed solution to contain healthcare costs. Social determinants of health, such as poverty, education, and housing, can have a significant impact on health outcomes and healthcare costs. Proposed solutions include addressing income inequality, improving education, and promoting affordable housing. Evidence suggests that addressing social determinants of health can lead to significant cost savings. For example, a study published in Health Affairs found that providing housing and support services to homeless individuals resulted in a reduction in healthcare costs of 53%.

VII. Personal insights and conclusion

The issue of high healthcare costs in the United States is a complex and multifaceted problem that requires a comprehensive and sustainable solution. Managed care has been one approach that has been implemented to address the rising healthcare costs, but it is not without its drawbacks and criticisms. While managed care can result in cost savings and improved quality of care, concerns about patient choice, access to care, and ethical considerations must also be addressed.

In order to contain healthcare costs, various potential solutions have been proposed, including payment reform, value-based care, prescription drug pricing reform, prevention and wellness programs, and addressing social determinants of health. These solutions must be carefully evaluated and implemented in a way that ensures access to quality care for all individuals while also addressing the underlying causes of high healthcare costs.

Overall, the issue of high healthcare costs in the United States is a pressing concern that requires ongoing attention and action from policymakers, healthcare providers, and individuals alike. By working together and implementing evidence-based solutions, we can move towards a more sustainable and equitable healthcare system that benefits all Americans.