Competitive Marketplace

Perspectives: Quality Assurance In The

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Quality Assurance In The Competitive Marketplace
by William L. Roper

As Alain Enthoven and Sara Singer point out in their excellent paper, even a market-based system requires some regulation. Within such a system, both the public and the private sectors play important roles. Here I discuss some of these roles, especially in the context of the work we are doing at The Prudential Health Care System.

The major employer purchasers of health care and the leaders of organized health care delivery systems have been working to increase quality and efficiency and to improve the health care delivery process itself. As the nation’s second-largest managed health care company and as a concerned corporate citizen, Prudential seeks to maintain the integrity of the competitive marketplace without burdensome, unnecessary government regulation. In the health care arena, we are responding to the marketplace because of the competitive process and because employers that contract with us are demanding accountability and quality.

Appropriate Role Of Government

Ensure a level playing field. To build on this work and not undermine the progress that has been made, the government should ensure a level playing field by consistently regulating fee-for-service and managed health care organizations. The health care system can earn and maintain consumer confidence only if there is national regulatory consistency that promotes fair competition. For example, changing the Employee Retirement Income Security Act (ERISA) to allow each state to design and implement its own health system would significantly increase regulation-and costs.

Prudential has long advocated competition. Nevertheless, no special rules should exist for certain types of health care delivery systems, such as provider/hospital organizations (PHOs), academic medical centers, or federally qualified community health centers. In the end, this does not protect the consumer. PHOs are a significant and growing competitive force; 500-700 are operating nationwide, and another 900-1,200 are in the developmental stages. Three years ago there were only 200. Most PHOs compete directly with health insurers and managed care plans, performing virtually all of the same functions that these organizations perform, including developing procedures for efficient delivery of care, creating new health insurance products, marketing directly to employers, collecting premiums, and determining covered benefits.

PHOs have an awesome responsibility for health care delivery and manage millions of dollars in premiums, yet only two states, Minnesota and Iowa, have specific regulatory oversight of them. PHOs have the potential to bring greater competition and efficiency to the marketplace, but they should be regulated as other health plans are regulated, with attention focused on issues such as health plan capitalization, financial soundness, and fair market practices.

Public-sector programs. Concerns about the cost and quality of health care in Medicare and Medicaid have led to greater regulatory oversight of these programs. Entities
such as peer review organizations (PROS) have attempted to provide proper oversight of Medicare providers.

While I was administrator of the Health Care Financing Administration (HCFA) in the mid-1980s, improving the quality of care delivered through Medicare was one of the agency’s top priorities. We vigorously pursued the issue of quality, through the refinement of hospital mortality information, publication of nursing home standards, PRO activities, information about nursing home quality, and other activities. We promoted the policy notion of Medicare’s Private Health Plan Option-managed health care within Medicare.

With 36.3 million persons enrolled in Medicare (9 percent of them in managed care) and 20 million enrolled in Medicaid (nearly 20 percent of them in managed care), we need to pursue the Private Health Plan Option, and we need to remove the cumbersome statutory and regulatory impediments to greater use of managed care in these programs. We also must incorporate real outcomes measurement and management into their oversight, thus enabling beneficiaries of public-sector programs to benefit from private-sector innovations.

Role Of The Private Sector

Some of the public sector’s strengths notwithstanding, the private sector offers significant competitive advantages. Although the private sector cannot regulate and compel with the force of law, it is much more flexible and more integrated with the medical community. The private sector, in many respects, “regulates” itself through competitive pricing and a desire to deliver high-quality health care.

The pursuit and delivery of quality has become the driving competitive force in the marketplace. Prudential, for instance, has a targeted, multifaceted quality program, “Quality Beyond Words,” that is helping us to deliver high-quality health care and to compete in the marketplace. The Prudential Center for Health Care Research, a key element of the company’s integrated quality program, brings together leading scientists to develop information and methods to improve quality and effectiveness in Prudential’s health care systems and in managed care in general.

The National Committee for Quality Assurance (NCQA) is an independent, nonprofit organization that reviews and accredits managed care plans. Prudential was the first national health care company to invite the NCQA to scrutinize all aspects of our health plans, including the physicians, plan operation, monitoring of care, communication with members and physicians, and the role of physicians in decision making.

In September 1994 Prudential published report cards on all of our health plans, based on the Health Plan Employer Data and Information Set (HEDIS) measures, a process that we are committed to continuing annually. These report cards focus on six areas: membership, stability, use of services, quality of care, access to care, and member satisfaction. I describe these activities not as a promotional advertisement for Prudential, but to offer a real-world example of innovation in the marketplace.

“Anti-managed care” actions. The innovation in quality occurring in today’s marketplace could be stifled if government enacts legislation to protect health care providers from market forces and to block the cost-reducing effects of competition. Potential legislation includes any-willing-provider laws, provider exemptions from antitrust laws, “due process” for doctors, mandatory point-of-service requirements, and forced contracting. State regulation on these provisions varies considerably. To allow the market to function efficiently, states must eliminate inappropriate provider protections, or federal legislation must preempt the ability of states to enact such measures.

There is an appropriate regulatory role for government. At the same time, however, the private sector is transforming itself and reforming health care in the United States. The Prudential Health Care System seeks to continue to do just that, and we ask to be held accountable for our performance.