Understanding The Managed Care Backlash

Regardless of how well their plans perform today, people in managed care have greater fears than their traditionally insured peers do that their plan will fall short when they really need it.

by Robert J. Blendon, Mollyann Brodie, John M. Benson, Drew E. Altman, Larry Levitt, Tina Hoff, and Larry Hugick

PROLOGUE: Managed care has been described with terms as forceful as “revolution.” Given the sweeping implications of such a word, a negative reaction is inevitable on the part of persons and institutions that are affected. For managed care, the “backlash” has taken the form of legislation introduced in nearly every state (more than one thousand bills at last count), aimed at calming consumers’ fears of losing control of their health care while trying to retain some of the cost-saving, market-innovating features that managed care has brought to the U.S. health care system.

Robert Blendon and a team of highly respected survey researchers have assembled the latest polling data in an attempt to understand the nature and extent of this backlash, which has been widely reported in the media. Blendon is professor of health policy and political analysis at Harvard University in Cambridge, Massachusetts. Mollyann Brodie is a senior researcher and director of special projects at the Henry J. Kaiser Family Foundation in Menlo Park, California. John Benson is deputy director of the Harvard Opinion Research Program, Harvard School of Public Health, in Boston. Drew Altman is the Kaiser Family Foundation’s president, and Larry Levitt is director of California grants and the Changing Health Care Marketplace project at the foundation. Tina Hoff is director of media relations and senior communications program officer at Kaiser. Larry Hugick is director of political and media polling and senior project director at Princeton Survey Research Associates in Princeton, New Jersey.
ABSTRACT: This paper examines the depth and breadth of the public backlash against managed care and the reasons for it. We conclude that the backlash is real and influenced by at least two principal factors: (1) A significant proportion of Americans report problems with managed care plans; and (2) the public perceives threatening and dramatic events in managed care that have been experienced by just a few. In addition, public concern is driven by fear that regardless of how well their plans perform today, care might not be available or paid for when they are very sick.

M a n a g e d c a r e h a s g r o w n r a p i d l y o v e r t h e p a s t d e c a d e, to become the dominant way Americans get their health insurance and care. During that period managed care has been credited with being one of the main factors in slowing the growth of employer health premiums. However, the nation’s transition into these new types of health plans has not been free of controversy. Criticisms of managed care have led to the introduction both in Congress and in state legislatures of more than a thousand bills dealing with consumer protection in managed care, as well as the establishment of a presidential commission to examine the need for future guidelines in this rapidly growing industry.

Advocates for these measures believe that they are responding to a broad public “backlash” against managed care. They point to surveys that show the public favoring some type of regulation of managed care plans. Those who oppose regulation point to other opinion surveys showing that most Americans today are satisfied with their own managed care plans. Thus, opponents see no need for government regulation.

This paper seeks to explain the underlying issues that drive what has been called a backlash against managed care and the seemingly contradictory findings between surveys showing support for regulation and those showing satisfied consumers. The focus here on public opinion relates to its likely relevance to the outcome of policy debates in areas such as these. Over the past two decades a substantial body of research has emerged showing that public opinion has a major influence on many public policy decisions. In addition, studies of the 1993–1994 debate over the Clinton health care reform plan show members of Congress listing changes in public opinion as a major reason for the plan’s demise.

Data And Methods

Sources of data. The data presented here are derived primarily from two sources. The first is a survey designed by researchers at the Henry J. Kaiser Family Foundation and Harvard University. The interviews were conducted via telephone by Princeton Survey Research Associates (PSRA) between 22 August and 23 September 1998.
1997, with randomly selected samples of 1,204 adults nationwide and 500 adults in California. The second data source consists of specific results drawn from twenty other surveys conducted nationwide between 1995 and 1997. We compiled these data from the Public Opinion Location Library (POLL) database at the Roper Center for Public Opinion Research in Storrs, Connecticut, and from the Louis Harris subscription service. These polls involved telephone interviews with between 500 and 2,000 randomly selected adults.

Response rates. Response rates in the Kaiser/Harvard/PSRA survey were 49 percent for the national sample and 51 percent for California. Completion rates among contacted households were 67 percent for the national sample and 71 percent for California.

A recent methodological experiment has shown that nonresponse at the level encountered in opinion polls as they are typically conducted by reputable firms does not underestimate the views of particular segments of the American public. Also, published research has shown that the techniques typically used in opinion polling have helped prominent polling firms to achieve a high level of accuracy on the outcome measure for which actual public opinion can be measured with considerable precision: voter choice in elections.

How type of health care coverage was determined. Because many people are unsure about what kind of health insurance they have, insured respondents under age sixty-five in the national sample of the Kaiser/Harvard/PSRA survey (778 respondents) were asked a series of four questions to establish their type of coverage. They were asked if they were required to do any of the following by their health plan: choose doctors from a list and pay more for doctors not on the list; select a primary care doctor or medical group; and/or obtain a referral before seeing a medical specialist or a doctor outside the plan. Respondents were listed as being in “heavy” managed care if they reported that their plan had all of the characteristics described above (34 percent of insured respondents under age sixty-five). Respondents were listed as being in “light” managed care if they reported that their plan had at least one but not all of the characteristics listed above (45 percent). Finally, respondents were listed as having “traditional” insurance if they reported that their plans had none of the characteristics (21 percent). This distribution mirrors direct estimates of enrollment by type of plan.

Is There Evidence Of A Managed Care Backlash?

Confirming the findings of a number of earlier studies, the Kaiser/Harvard/PSRA survey found that most insured Americans, regardless of whether they have managed care or traditional coverage, are
satisfied with their own health insurance plan.\textsuperscript{10} Two-thirds (66 percent) of adults under age sixty-five in managed care and three-fourths (76 percent) of adults under age sixty-five in traditional plans give their own health plan a letter grade of “B” or better.\textsuperscript{11}

However, the same survey also confirmed earlier findings that a majority of Americans favor government regulation of managed care, even if it raises costs.\textsuperscript{12} A slight majority (52 percent) of Americans believe that the government should protect consumers of managed care, whereas 40 percent say that such intervention is not worth the increased costs that would result. The groups most in favor of government regulation are those who describe their own health as poor, only fair, or good (the lowest three of five categories offered); those who have some college education but not a college degree; and Democrats (Exhibit 1). The groups least in favor of such regulation are Republicans, those from households with an annual income of $30,000 to $49,999, those ages fifty to sixty-four, and those in self-described excellent or very good health.\textsuperscript{13} Other surveys have raised the issue of regulating managed care without mentioning concerns about increasing the cost of benefits. These surveys find public support for such policies at 75 percent or higher.\textsuperscript{14}

This support for regulation appears to reflect public concerns: (1) that managed care is hurting the quality of care available to patients; and (2) that this sector is not doing as good a job for patients as other professions and institutions in health care are.

A plurality (45 percent) of Americans believe that during the past few years managed care has decreased the quality of health care for patients, whereas only 32 percent believe that managed care has improved quality.\textsuperscript{15} In addition, 54 percent believe that in the future the trend toward more managed care will harm the quality of medi-

### Exhibit 1

**Americans’ Views About Government Regulation Of Managed Care, 1997**

<table>
<thead>
<tr>
<th>Group</th>
<th>Percent favoring government regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>All American adults</td>
<td>52%</td>
</tr>
<tr>
<td>Most in favor of government regulation</td>
<td></td>
</tr>
<tr>
<td>Respondents in only fair or poor health</td>
<td>65</td>
</tr>
<tr>
<td>Respondents in good health</td>
<td>58</td>
</tr>
<tr>
<td>Respondents with some college training but not a college degree</td>
<td>57</td>
</tr>
<tr>
<td>Democrats</td>
<td>57</td>
</tr>
<tr>
<td>Least in favor of government regulation</td>
<td></td>
</tr>
<tr>
<td>Republicans</td>
<td>40</td>
</tr>
<tr>
<td>$30,000–$49,999 household income</td>
<td>42</td>
</tr>
<tr>
<td>Ages 50–64</td>
<td>46</td>
</tr>
<tr>
<td>Respondents in excellent or very good health</td>
<td>47</td>
</tr>
</tbody>
</table>

cal care that people like themselves will receive; 33 percent think that the trend will improve quality.¹⁶

A majority of Americans express concern that in managed care plans, people may not receive the services they need when they are very sick. Six in ten (59 percent) say that managed care plans have made it harder for people who are sick to see medical specialists; 25 percent say that managed care makes it easier. Half (51 percent) say that managed care has decreased the quality of care for people who are sick; 32 percent say that quality is increased. A majority (55 percent) of people in managed care say that they are at least “somewhat worried” that if they were sick, their health plan would be more concerned about saving money than about what is the best medical treatment; 34 percent of those with traditional health insurance feel this way.¹⁷

When asked about specific examples, taken from news stories, of dramatic events that might be considered statistical outliers, the public’s perception is that these are fairly common occurrences. For example, two-thirds of Americans believe that a health maintenance organization (HMO) holding back on a child’s cancer treatment is something that happens “often” (26 percent) or “sometimes” (40 percent); only 23 percent think that this happens “rarely.” Two in five (39 percent) think that newborn babies are often sent home after just one day because of a managed care plan’s policy, in spite of mothers’ concerns about their children’s health; another third (34 percent) think that this occurs “sometimes”; only 18 percent think that this happens “rarely.”¹⁸

These perceptions of managed care are reflected in the ratings of the industry compared with other health care groups. Other health care groups and many other industries are viewed far more favorably than managed care plans are (Exhibit 2): Solid majorities of Americans think that nurses, doctors, pharmaceutical companies, and hospitals generally do a “good job.” More people do think that managed care plans do a “good job” than a “bad job” serving health care consumers, but their comparative rating is lower than any other health care group and lower even than oil companies, a traditionally unpopular industry among the public. However, for many people the jury is still out: The two surveys show that many people have no opinion about the kind of job managed care plans are doing.¹⁹

Four in ten (39 percent) of those in the Kaiser/Harvard/PSRA survey who think that managed care plans generally do a “bad job” serving health care consumers (21 percent of all Americans) report that the main reason they feel this way is their own direct personal experience; 22 percent say that they have been mainly influenced by what they have seen or heard on television, in newspapers, or in
other media. One in three (32 percent) say that the main reason they feel that managed care plans do a “bad job” is what they have heard from family or friends.\(^{20}\)

Public perceptions about the managed care industry are not merely the product of a rapidly changing health care marketplace, where many Americans are experiencing managed care for the first time. In California, with its long history of managed care, support for regulation and concerns about being denied care are comparable to findings nationwide (Exhibit 3).\(^ {21}\)

### Are Americans Worried About Their Own Health Plans?

In this study we wanted to test a phenomenon observed in public opinion about other institutions: that people are distrustful of large systems but not of the individuals with whom they have contact within the system. One example can be cited from the field of medicine. Although two-thirds of Americans (68 percent) reported in the mid-1980s that they were increasingly losing faith in physicians, this did not affect the high level of satisfaction most people had with their most recent physician encounter (83 percent) or their positive feelings about their own physician (80 percent).\(^ {22}\) A frequently cited example concerns Congress: Americans generally give rather low performance...
ratings to Congress as a whole but express a much higher opinion of the job being done by their own representatives in Congress.\textsuperscript{23}

If this held true in the case of managed care, we would expect the public to be anxious about the managed care industry in general but not about their own managed care health plan. However, the survey finds that people in “heavy” managed care are more worried than are those with traditional coverage when it comes to the perceived motivations of their health plans. This is true for the four measures used in the study: Americans’ perceptions of how likely their plan is to pay for an emergency room visit, how likely it is to pay for most of the cost for care of a serious problem requiring a costly treatment, trust in their plan to do the right thing for their care, and worries that the plan would be more concerned about saving money than about what is the best treatment if they are sick (Exhibit 4).\textsuperscript{24}

### How Important Is Concern About Being Able To Get Care?

Concerns about what happens to people when they are very sick are reflected in what Americans say is most important in choosing a health plan. Although respondents rated each of seven factors on a list as very important in choosing a health plan, when they were forced to choose among them, the number-one factor was how well the health plan takes care of members who are sick (cited by 25 percent), followed closely by how much the patients have to pay (22 percent). Ranked next were whether the plan has a wide range of benefits (17 percent) and whether a person’s current doctor is in the
plan (15 percent). Further down the list were whether a plan offers a wide choice of doctors (8 percent) and whether one’s preferred hospital is in the plan (5 percent). Lowest on the list was whether the plan has passed a review and been accredited (3 percent).  

Americans’ views are relatively negative about efforts by health plans to limit payment for care that doctors think a patient needs. Many say that they would have a less favorable view of a plan if patients needed to get approval from the plan before they could receive expensive medical treatment (58 percent); if the plan limited payment for certain types of health services when people are sick, to keep costs low (48 percent); and if doctors had to follow certain health plan guidelines on the types of treatments and drugs they can give to patients (44 percent).  

In addition, 62 percent of Americans said in a previous study that they agreed that health plans should pay for medical treatment even if it costs a million dollars per life.  

When they learn that some health plans require doctors to follow certain guidelines in treating patients, a majority (56 percent) agree that this is a bad thing because decisions about treatment should be entirely up to the doctor; 39 percent agree that this is a good thing because all patients will benefit from proven techniques.  

Who Benefits From The Cost Savings Of Managed Care?  

Public concerns about efforts to limit payment are magnified by skepticism about who benefits from the cost savings. Many Americans are uncertain that managed care keeps health care costs down at all (Exhibit 5). A majority (55 percent) believe that during the
past few years HMOs and other managed care plans have not made much difference to health care costs; only 28 percent think that they have helped to keep costs down.29 However, Americans are more optimistic about managed care’s ability to contain costs in the future. A slight majority (51 percent) believes that the trend toward more managed care will help to contain health care costs, while 42 percent think that it will not help.30 In addition, majorities see the money saved by managed care plans as helping health insurance companies to earn more profits (72 percent) and allowing employers to pay less for health insurance (56 percent). Only about half (49 percent) believe that the money saved makes health care more affordable for people like themselves.31

**Will Report Cards Be The Answer?**

Many experts believe that report cards on the performance of managed care plans would help to allay public anxiety about these plans by giving people information they could use to make informed choices. However, public opinion data suggest real limits to the usefulness of this approach.

The public is particularly interested in the experience of sick persons trying to gain access to the care they and their doctors think they need. In contrast, most consumer surveys today report satisfaction levels among all plan members, most of whom are not very sick or burdened with the large medical bills that can be a source of contention with their plan.

In addition, surveys show that a large share of consumers do not

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**EXHIBIT 5**

Americans’ Views On The Cost Savings From Managed Care, 1997

<table>
<thead>
<tr>
<th>Percent responding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not made much difference to health care costs</td>
</tr>
<tr>
<td>Helped to keep health care costs down</td>
</tr>
<tr>
<td>Made costs go up (volunteered response)</td>
</tr>
<tr>
<td>Don’t know</td>
</tr>
<tr>
<td>The trend toward more managed care will help to contain health care costs</td>
</tr>
<tr>
<td>Not help</td>
</tr>
<tr>
<td>Not sure</td>
</tr>
<tr>
<td>Money saved by HMOs and other managed care plans to help health insurance companies to earn more profits</td>
</tr>
<tr>
<td>Allows employers to pay less for health insurance</td>
</tr>
<tr>
<td>Makes health care more affordable for people like you</td>
</tr>
</tbody>
</table>

**SOURCES:** See below.

**NOTE:** HMO is health maintenance organization.

- b Harris poll, 1997.
- c Percent responding “yes.”
rely on objective ratings to make decisions. Health care consumers are much more likely to rely on personal experiences or the recommendation of friends and family members (Exhibit 6). If they had to choose between health plans that cost the same, more Americans would choose a plan recommended by friends and family than one rated much higher in quality by independent experts who evaluate plans. About three in four would choose a surgeon who has treated their family for a long time, even if that surgeon’s ratings were not as high, rather than a surgeon whose ratings are much higher but who has not treated anyone the respondent knows personally. Similarly, most would choose a hospital they and their family had used for many years without any problems, rather than a hospital rated much higher in quality by experts.12

Research on decisions in other areas of consumer choice has shown a mixed picture. On the one hand, relatively few persons use consumer ratings when making important purchasing decisions. When those who had bought or leased a motor vehicle during the past ten years were asked to think back to the last time they made such a purchase, only one in three (35 percent) said that they turned for information to consumer magazines that test and rate products. As with health plans, the most frequently mentioned source of information was friends and family members (46 percent). In general, only one in five (20 percent) said that they go to an information source such as consumer magazines always or most of the time before making a major purchase.33

EXHIBIT 6
How Americans Choose Health Plans And Providers, 1996

<table>
<thead>
<tr>
<th></th>
<th>Percent responding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppose you had to choose between health plans that cost the same; which would you be more likely to choose?</td>
<td></td>
</tr>
<tr>
<td>One strongly recommended to you by friends and family</td>
<td>52%</td>
</tr>
<tr>
<td>One rated much higher in quality by independent experts who evaluate plans</td>
<td>43</td>
</tr>
<tr>
<td>Don’t know</td>
<td>5</td>
</tr>
<tr>
<td>Suppose you had to choose between two surgeons at a hospital; which would you be more likely to choose?</td>
<td></td>
</tr>
<tr>
<td>A surgeon who has treated your family for a long time, but whose ratings aren’t as high as those of other surgeons at the hospital</td>
<td>76</td>
</tr>
<tr>
<td>A surgeon whose ratings are much higher, but who has not had anyone you know personally as a patient</td>
<td>20</td>
</tr>
<tr>
<td>Don’t know</td>
<td>4</td>
</tr>
<tr>
<td>Suppose you had to choose between two hospitals; which would you be more likely to choose?</td>
<td></td>
</tr>
<tr>
<td>A hospital you and your family have used for many years without any problems</td>
<td>72</td>
</tr>
<tr>
<td>A hospital that is rated much higher in quality by experts</td>
<td>25</td>
</tr>
<tr>
<td>Don’t know</td>
<td>3</td>
</tr>
</tbody>
</table>

This tendency to rely on sources of information other than objective measures extends even to the way Americans judge the health of the economy. Asked to choose (from a list of nine possible sources) the two indicators that they think give them the best picture of how the economy is doing, only 32 percent of the public mention news reports on government unemployment and cost-of-living statistics. Nearly as many (28 percent) cite as a key indicator the amount of activity they see in stores. More than half (55 percent) rely on the personal experiences of family, friends, and coworkers.\(^\text{34}\)

In addition, four in ten insured Americans (41 percent) report that when they enrolled in their current health plan, they did not have a choice of more than one plan.\(^\text{35}\) For this group, report cards will not be directly useful, although their employers might use them as a way of selecting the plan they offer their employees.

### Conclusions

We are confronted here with two seemingly contradictory pieces of information. One suggests that Americans are satisfied with their health insurance plans, regardless of whether the plans are traditional fee-for-service or managed care. The other indicates that the public favors regulation of managed care plans, even if it raises costs. How can this seeming inconsistency be resolved?

These two sentiments are derived from different types of inquiry: consumer ratings of health plans and public opinion questions. Consumer ratings measure the average experience of those who use a service, whereas public opinion can often be driven by rare occurrences, as well as by people’s own experiences and those of their families and friends as day-to-day consumers of health care.

We believe that two important factors are influencing the public backlash against managed care. First, a significant proportion of Americans report problems with managed care plans. Based on five studies on satisfaction with nonfinancial aspects of managed care health plans, results for all enrollees combined showed less satisfaction with managed care plans than with fee-for-service plans.\(^\text{36}\) Another study, looking at differences between managed care and fee-for-service plans for persons who are ill, found more complaints about access to specialists, tests, and waiting times by those enrolled in managed care plans.\(^\text{37}\)

Second, we believe that the public backlash is also being driven...
by relatively rare events that seem threatening and dramatic but have been experienced by few consumers personally. A review of polling research in two other service-related areas—airlines and banking—shows that such events (the crash of a ValuJet plane in May 1996 and the savings and loan crisis in the late 1980s) can lead to increased public support for government regulation, even though measures of consumer satisfaction remain stable or even improve.\textsuperscript{38}

Prior research shows that an issue is more likely to emerge as part of the public’s policy agenda if it involves continuing news coverage and is dramatic in nature.\textsuperscript{39} In any given year only relatively few Americans are very ill or accumulate very large medical bills, situations that can lead to serious conflicts with their health plans. Since this is the case, we would expect people’s negative impressions of managed care to come mostly from sources other than their own direct personal experiences while they were sick—including what they hear or experience through friends and family or what they see or read in the news.\textsuperscript{40} Thus, part of Americans’ interest in regulation of the managed care industry seems to derive from a concern that regardless of how well their plan performs today, care might not be available or paid for when they are very sick.

Some experts believe that providing report-card ratings of health plans will enable consumers to make the best decisions for their families and negate the need for government regulation. However, report cards will be seen as providing little protection by the large portion of the population who have no experience using this type of rating. As a result, if concerns arise about the threatening behavior of individual health plans, a share of the public is likely to support some degree of regulation rather than depending on report-card ratings as a way of avoiding the consequences of plan decisions. For example, for airline safety, although safety reports and consumer complaints are provided by airlines as a matter of public record, experience suggests that these reports have not quelled the public’s desire for some level of government safety regulation. On the other hand, report cards could play a role in the decision making of employers who want to make the best choice of health plans for their employees. This in turn could have an influence on the quality of plans available in the marketplace.

Public concerns about the need for increased regulation of managed care are likely to be with us for the long term. Experience in other industries suggests that Americans have limits on how far they will allow marketplace decisions to put them at individual risk. As with airline safety and banking, public support for regulation is being driven in part by the anxiety the public feels
relating to the occurrence of visible events questioning the behavior of managed care plans, as well as the problems people experience in their own lives. As a result, debate about regulation of the managed care industry is likely to be a permanent fixture on the health care agenda for years to come.

NOTES
5. When interpreting these findings, one should recognize that all surveys are subject to sampling error. Results may differ from what would be obtained if the whole population of adults had been interviewed. The size of this error varies with the number surveyed and the magnitude of difference in the responses to each question. Most national public opinion surveys have sample sizes of about 1,200 persons, in which the results will, with a 95 percent degree of confidence, have a statistical precision of ±3 percent of what would be obtained if the entire population had been interviewed. The sampling error for 500 respondents is ±5 percent; for 2,000 respondents, ±3 percent.

Possible sources of nonsampling error include nonresponse bias, as well as question wording and ordering effects. Nonresponse in telephone surveys produces some known biases in survey-derived estimates because participation tends to vary for different subgroups of the population. To compensate for these known biases, the sample data are typically weighted in analysis, as they are in the August 1997 Kaiser/Harvard/PSRA survey, using parameters from the most recent available census data. Other techniques, including random-digit dialing, replicate subsamples, callbacks staggered over times of day and
days of the week, refusal conversions, and systematic respondent selection within households, are used to ensure that the sample is representative.

6. In this nonresponse experiment, two surveys were conducted simultaneously asking exactly the same eighty-five questions on a wide range of political and policy issues. The standard survey, using typical polling techniques and interviewing 1,000 adults over a five-day period, achieved a 42 percent response rate. The second survey, using a more rigorous methodology over an eight-week period to interview 1,000 adults, achieved a 71 percent response rate. The two surveys produced very similar results. Of the eighty-five questions, only five showed statistically significant differences between the two surveys. The differences were sharpest on questions concerning racial issues. Pew Research Center for the People and the Press, Study of Survey Nonresponse (Washington: Pew Research Center for the People and the Press, 1998).

18. Ibid.
21. Ibid.
25. Ibid.
26. Ibid.
28. The question read as follows: “As you may know, some health plans require their doctors to follow certain guidelines in treating patients. Some people think this is a good thing because all patients will benefit from proven techniques. Others think it is a bad thing because decisions about treatment should be entirely up to the doctor. Which comes closer to your view?” Henry J. Kaiser Family Foundation/Agency for Health Care Policy and Research/Princeton Survey Research Associates poll (Storrs, Conn.: Roper Center for Public Opinion Research, 26 July 1996).
33. Ibid.
37. Donelan et al., “All Payer.”