

Christian Funk

**Law and Practice of Private Health
Insurance and Managed Care**

Diploma Thesis

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Christian Funk

**Law and Practice of Private Health Insurance and
Managed Care**

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Law and Practice of Private Health Insurance and Managed Care

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Diplomarbeiten Agentur
Dipl. Kfm. Dipl. Hdl. Björn Bedey
Dipl. Wi.-Ing. Martin Haschke
und Guido Meyer GbR

Hermannstal 119 k
22119 Hamburg

agentur@diplom.de
www.diplom.de

ID 2321

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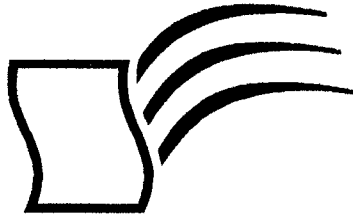
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Dipl. Kfm. Dipl. Hdl. Björn Bedey –
Dipl. Wi.-Ing. Martin Haschke —
und Guido Meyer GbR —————

Hermannstal 119 k —————
22119 Hamburg —————

Fon: 040 / 655 99 20 —————
Fax: 040 / 655 99 222 —————

agentur@diplom.de —————
www.diplom.de —————

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Abbreviations

AAHP	American Association of Health Plans
AMA.....	American Medical Association
AWP	any willing provider
COC.....	continuity of care
DRG	diagnosis-related groups
e.g.	exempli gratia
ed.	edition
EPO	exclusive provider organization
ER.....	emergency room
ERISA	Employment Retirement Income Security
et al	et alii
etc	et cetera
FFS	fee-for-service
FOC	freedom of choice
GDP	gross domestic product
GSG.....	Gesundheitsstrukturgesetz
GYN	gynecologist
HCFA	Health Care Financing Administration
HIAA.....	Health Insurance Association of America
HIPAA.....	Health Insurance Portability and Accountability Act
HMO.....	health maintenance organization
id.	Idem
IPA.....	independent practice association
KV	Kassenärztliche Vereinigung
MC.....	managed care
MCO.....	managed care organization
MSA	medical savings account
MSO	management services organization
NCPA	National Center for Policy Analysis

NCQA.....	National Committee for Quality Assurance
no.....	number
NOG.....	Neuordnungsgesetz
OB.....	obstetrician
OOP.....	out-of-pocket
p.....	page
PCE.....	preexisting conditions exclusion
PCP.....	primary care physician
PGP.....	prepaid group practice
POS.....	point of service
PPMC.....	physician practice management company
PPO.....	preferred provider organization
PSO.....	provider sponsored organization
RFP.....	request for proposal
RVS.....	relative value scale
TPA.....	third-party administrator
U.S.....	United States
UM.....	utilization management
UR.....	utilization review
URO.....	utilization review organization
vol.....	volume
w/.....	with
w/o.....	without

1 Introduction

A true revolution has taken place in the financing of health care in America. Today, managed care is dominating the way Americans receive and pay for their health care.

With the rise of managed care medicine has been wrenched out of its atomized world of solo physician practices and community hospitals and has been transformed into a modern industry of giant for-profit companies traded on Wall Street. The current marketplace is characterized by mergers, acquisitions and the establishment of giant multi-billion dollar healthcare networks. Hospitals and managed care plans run big advertisement campaigns in the media, praising their products and services in order to get the biggest share possible of the \$1.1 trillion¹ America spends on health care each year. All parties involved in providing health care lobby for their interests at all levels of political decision-making in order to influence legislators and policymakers.

Today's health care market changes quickly and at a high rate. New variations of managed care arise constantly making any analysis of managed care an ongoing game of "catch-up" with the marketplace. While writing this paper, for example, UnitedHealthcare dropped one of the major managed care instruments, utilization review, to address public's concerns and pending legislation. This paper will take a "snapshot" of managed care on the eve of the new millennium by using the most recent information available.

After this introduction, the paper will give a description of the current American health care system in chapter two (The U.S. Health Care System). Then, the paper will focus on two aspects: A detailed description of managed care in chapter three (Managed Care) and an introduction of the main issues connected with this way of providing health care in chapter four (Managed Care issues). The paper will argue in chapter five (Results and Future Developments), that managed care of the future will

¹ HCFA (1998)