

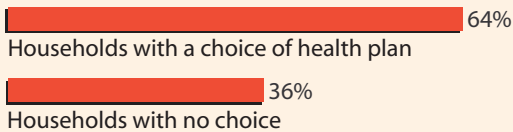
MANAGED CARE OUTLOOK

More consumers have choice of health plans, but is it enough to make HMOs responsive?

Competition benefits consumers, the theory goes. Policy makers who seek to alter market forces in health care should keep this corollary of capitalism in mind, says the Center for Studying Health System Change, a Washington-based think tank. Put another way, the group says, if too few consumers have a choice of health plans, then insurers are under little pressure to respond to their members' interests.

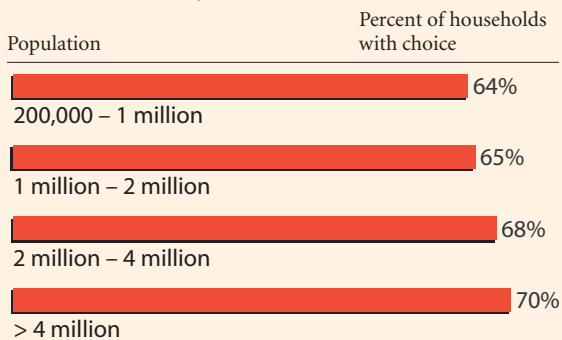
Almost two thirds have choice

The group's newest data suggest that 64 percent of households that are offered employer-sponsored insurance have a choice of health plans, and the percentage is increasing. This share is higher than conventional wisdom, which holds that just over half of households have a choice. HSC attributes the difference to the fact that just over half of *workers* are offered a choice of health plans — but when both spouses are employed, the percentage of *families* with a choice grows.



More people, more choices

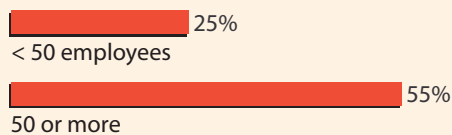
Families living in populous areas have more choice than those in sparsely populated locales. Just over half of families in rural and small metropolitan areas are offered a choice, while 7 of 10 families in markets of more than 4 million can choose between plans.



Company size matters

Not surprisingly, an employer's size tends to dictate whether an employee has a choice of health coverage. Only 1 of 4 people who work in companies with fewer than 50 employees are offered a choice, while the proportion jumps to more than half in companies with more than 50 workers. To prevent adverse selection, many insurers force smaller companies to contract with them exclusively.

Share of employees with choice by size of plan



Same destination, different roads

For all the talk of an "empowered consumer" these days, 64 percent of consumers with a choice of health plans isn't enough to make health plans responsive to members' concerns, the Center for Studying Health System Change says; it would require government policy interventions to give consumers a greater voice. The Health Insurance Association of America, on the other hand, sees government intervention as a sure-fire way to reduce choice. Reacting to the HSC report, HIAA suggests that government intervention would raise premium costs and force many employers to do business with fewer carriers — or drop coverage altogether.

SOURCE: CENTER FOR STUDYING HEALTH SYSTEM CHANGE ISSUE BRIEF 27, WASHINGTON, 2000