



In the Literature

QUALITY OF CARE IN FOR-PROFIT AND NOT-FOR-PROFIT HEALTH PLANS ENROLLING MEDICARE BENEFICIARIES

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The notion that managed care can improve health care quality and control costs has guided federal policy for years. Medicare beneficiaries, in particular, are encouraged to enroll in health plans, mostly those of the for-profit variety. But what does the evidence say about the actual performance of private plans?

By analyzing performance data that all plans serving Medicare beneficiaries are required to report, lead author Eric C. Schneider, M.D., M.Sc., and his Harvard University colleagues sought answers to that question. What they discovered was that enrollees in for-profit health plans received significantly lower-quality care than enrollees in not-for-profit plans in four important areas: breast cancer screening, diabetic eye examination, beta-blocker medication after heart attack, and follow-up after hospitalization for mental illness. Results of the Commonwealth Fund-supported study are discussed in “[Quality of Care in For-Profit and Not-For-Profit Health Plans Enrolling Medicare Beneficiaries](#)” (*American Journal of Medicine*, Dec. 2005).

Before 1997, quality-of-care data came from surveys, was voluntarily provided by health plans, or came from regional plans. Since then, however, all health plans that care for Medicare beneficiaries are required to annually report a standard set of data—the Health Plan Employer Data and Information Set (HEDIS).

The authors analyzed HEDIS submissions from 1997, the first year complete data were available. The study sample included 231

health plans. To adjust for the sociodemographic differences among beneficiaries enrolled in each health plan, the researchers matched each health plan enrollee with demographic data maintained by the Centers for Medicare and Medicaid Services.

For-Profit Plans Score Lower Than Not-for-Profits

Most beneficiaries (64%) were enrolled in for-profit health plans. Schneider and colleagues found that, on average, quality of care was lower in the for-profit plans on all four clinical measures, with for-profit plans scoring 7.3 percentage points lower than not-for-profit health plans on breast cancer screenings, 14.1 percentage points lower on diabetic eye exams, 12.1 percentage points lower on beta-blockers administered after heart attack, and 18.3 percentage points lower on follow-up after hospitalization for mental illness.

The differences persisted even after the researchers adjusted for sociodemographic factors, geographical variables, and health plan differences. In three of four services (except beta-blockers), the differences remained statistically significant.

Variation Found Within Both Groups

The authors say there was some variation within the two groups of health plans. Across the four measures, between 16 percent and 20 percent of for-profit plans had scores above the median performance scores of not-for-profit plans. Likewise, between 21 percent and 34 percent of not-for-profit plans had scores below the median performance of their for-profit counterparts.

These findings are significant for two reasons, say the authors. First, since the late 1990s, the majority of health plans that have enrolled Medicare beneficiaries have been for-profit. Second, the measures included in this study are based on widely accepted standards of care for common clinical services. “There is a high degree of consensus that these clinical services can reduce morbidity and mortality if beneficiaries receive them,” the authors write.

Stronger Management May Be Key in Not-for-Profit Plans’ Higher Quality Scores

Schneider and colleagues speculate about features that might differ between for-profit and not-for-profit plans, like the selection of providers, priorities of plan leadership, leaders’ capacity to motivate clinical quality improvement, and the use of effective quality management techniques or tools, such as educational outreach or patient reminder systems. They suggest that for-profit plans may have weaker management control over provider practices, making them less able than their not-for-profit counterparts to improve quality and control use of high-cost procedures. Further research is needed, they say, to examine the relationship between measures of quality and patterns of service use.

Conclusions

For-profit plans provide benefits to potentially millions of beneficiaries lacking a not-for-profit option, and that includes some high-performing plans. Moreover, while quality of care in for-profit plans may be lower than that in not-for-profit plans, it may be higher than in the

fee-for-service program. However, there does appear to be a clear difference in performance between not-for-profit and for-profit plans, the reasons for which need to be better understood and closely monitored. Efforts to address these differences ought to be pursued as part of a broader strategy to improve health plan quality and the quality of services provided to those enrolled in both Medicare Advantage and the traditional fee-for-service program.

Facts and Figures

- Compared with not-for-profit health plans, for-profit plans had lower total enrollment, were less likely to enroll Medicaid beneficiaries, and had been in operation for shorter periods.
- For-profit plans enrolled, on average, fewer women, whites, and rural residents, and enrolled more African Americans and beneficiaries with lower educational attainment.
- Whether the plan was part of a national managed care organization had little impact on the primary results.
- The adjusted study results confirmed that the lower quality-of-care in for-profit health plans was not due to sociodemographic differences.

HEDIS Performance Among For-Profit and Not-for-Profit Health Plans*

	For-profit (%)	Not-for-profit (%)	For-profit and not-for-profit difference (%)**
Breast cancer screening (n = 194)	67.5	74.8	-7.3
Diabetic eye examination (n = 214)	43.7	57.7	-14.1
Beta-blockers after myocardial infarction (n = 162)	63.1	75.2	-12.1
Follow-up after hospitalization for mental illness (n = 122)	42.1	60.4	-18.3

HEDIS = Health Plan Employer Data and Information Set

* Mean of plan means ** p < .05

Source: E. C. Schneider, A. M. Zaslavsky, and A. M. Epstein, “Quality of Care in For-Profit and Not-for-Profit Health Plans Enrolling Medicare Beneficiaries,” *American Journal of Medicine*, Dec. 2005 118(12):1392-1400.