Managed Care Organisations

Source: TH

Why in News?

Recently, a prominent healthcare chain in South India announced its venture into **comprehensive** health insurance, integrating insurance and healthcare provision functions under one roof, mirroring a **managed care organisation (MCO)**.

- In a related development, an International Labour Organization (ILO) paper has also revealed that achieving universal social protection for low- and middle-income countries would necessitate an **additional USD 1.4 trillion per year.**

Note:

- **MCOs in US:** MCOs in the U.S. have predominantly **served urban, high-income populations.**
  - Successful MCOs **require significant financial clout, managerial expertise**, and a well-defined beneficiary base.

What is the Background of Managed Care Organizations(MCOs)?

- **About:**
  - An MCO is a healthcare provider whose goal is to **provide appropriate, cost-effective medical treatment.**
  - MCOs in the US evolved from early 20th-century prepaid healthcare practices.
  - **Mainstreaming in the 1970s:** The combination of insurance and service functions arose to manage costs, focusing on prevention, early management, and cost control with fixed premiums.
  - **Evolution**: MCOs have **diversified and penetrated** deeply into the health insurance space, although robust evidence of their impact on health outcomes and preventive care is limited. They have, however, **helped reduce costly hospitalisations** and associated expenses.
- **Development in India**: Since the 1980s, India's health insurance has focused on **indemnity insurance** and covering **hospitalisation costs,** despite a large market for outpatient consultations.

Bridging the Financing Gap for Universal Health Coverage

- **Global and Regional Financing Needs:**
    - **Financing Gap:** Achieving universal social protection in low- and middle-income countries **requires an additional USD 1.4 trillion annually,** with essential health care comprising 60.1% of this need.
    - **Regional Disparities**: Africa faces the largest financing gap, followed by the Arab States, Latin America, and Asia.
- **Strategies to Expand Fiscal Space:**
    - **Domestic Resource Mobilisation**: Progressive taxation, **social security contributions, and formalising employment** and enterprises are crucial.
    - **Fuel Subsidies:** Removing explicit and implicit fuel subsidies could generate significant fiscal space.
    - **Debt Management:** Renegotiating government **debt at lower interest rates** could free resources for social protection.
    - **Official Development Assistance (ODA)**: Increasing ODA is vital, especially for low-income countries where the financing gap is substantial.

What are the Challenges to MCO in India?

- **Limited Reach**: MCOs in India primarily target the affluent, urban population as health insurance market is **skewed towards urban areas.** This neglects the vast rural demographics and hinders efforts towards Universal Health Coverage (UHC).
- **Informal Outpatient Care:** A significant portion of healthcare in India occurs in informal **outpatient settings.** This lack of standardisation and regulation makes it difficult for MCOs to integrate and manage care effectively.
- **Absent Standard Protocols:** The widespread **absence** of widely accepted **clinical protocols** across healthcare providers creates inconsistency and reduces the quality control MCOs rely on.
- **Economic Unsustainability:** High operational costs and resulting unaffordable premiums for MCO plans create a financial hurdle. This discourages participation and hinders long-term viability.
- **Lack of Incentives for Cost Control:** The current health insurance model in India hasn't fostered a culture of **consumer-driven cost control**, a core principle of MCOs.

What are the Steps Needed to Develop MCOs in India?

- **Focus on Rural Outreach:** Partner with government initiatives like Ayushman Bharat to expand coverage and leverage existing rural healthcare infrastructure. This aligns with the National Health Policy 2017's push for UHC.
- **Standardisation and Regulation:** Advocate for the development and implementation of standardised clinical protocols across outpatient settings. Collaborate with the National Health Authority (NHA) for accreditation and quality control mechanisms.
- **Technology and Innovation**: Utilise technology to streamline processes, reduce administrative costs, and offer **telemedicine services** to bridge the rural-urban gap. This aligns with recommendations from the **Committee on Affordable Healthcare for All.**
- **Value-Based Pricing**: Implement **value-based pricing models** that reward quality care and efficient service delivery. This incentivises cost control and aligns with suggestions from NITI Aayog.
- **Public-Private Partnerships:** Foster public-private partnerships (PPPs) to leverage government resources and private sector expertise for broader reach and improved infrastructure.
- **Data-Driven Decision-Making:** Encourage data collection and analysis to track healthcare trends, **identify cost-effective treatment options**, and improve service delivery across MCO networks. This aligns with the vision of the National Digital Health Mission (NDHM).

Role of Public Policy in MCO Implementation

- **NITI Aayog Report:**
  - In 2021, NITI Aayog recommended **an outpatient care insurance scheme** based on a subscription model to generate savings through better care integration.
  - Managed care systems could **streamline management protocols**, consolidate dispersed practices, **and emphasise preventive care, providing a sustainable solution to outpatient care coverage.**
- **Ayushman Bharat Mission:**
  - The mission announced incentives for opening hospitals in **underserved areas**, prioritizing PMJAY beneficiaries.
  - **Similar incentives could be designed** for MCOs to serve PMJAY patients and private clients, expanding awareness and demand for MCOs over time.

Conclusion

Universal health coverage is a **complex challenge** that requires **multifaceted solutions**. Managed Care Organizations (MCOs) can significantly contribute to India's healthcare landscape. By **fostering public support** and gradually implementing MCOs, along with **adopting comprehensive financial strategies**, India can make substantial progress toward achieving universal health care.

> ***Drishti Mains Question:***
>
> Q. Discuss how Managed Care Organizations (MCOs) can play a pivotal role in strengthening the health system in India.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. Consider the following: (2011)

1. Right to education

2. Right to equal access to public service

3. Right to food.

Which of the above is/are Human Right/Human Rights under the "Universal Declaration of Human Rights"?

(a) 1 only

(b) 1 and 2 only

(c) 3 only

(d) 1, 2 and 3

Ans: (d)

Q. 'SWAYAM' an initiative of the Government of India, aims at (2016)

(a) promoting the Self Help Groups in rural areas

(b) providing financial and technical assistance to young start-up entrepreneurs

(c) promoting the education and health of adolescent girls

(d) providing affordable and quality education to the citizens for free

Ans: (d)

Mains:

Q. Appropriate local community-level healthcare intervention is a prerequisite to achieve 'Health for All' in India. Explain. **(2018)**