Fee for Service and Uncontrolled Utilization

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Fee for Service and Uncontrolled Utilization

A fee for service (FFS) health plan is a traditional method of health care insurance. With FFS, the beneficiary is allowed to obtain services anywhere and with any provider without restriction (Shi & Singh, 2015). This, along with several other factors, has led to uncontrolled utilization of health care services. Under fee for service insurance, moral hazard, physician self-referral, and lack of gatekeeping contribute to increased health care utilization (Shi & Singh, 2015).

Background

When FFS first began, providers determined their fee for service prices, and the insurers paid that fee without debate (Shi & Singh, 2015). However, this did not last very long and insurers came up with their own usual, customary, and reasonable (UCR) amount (Shi & Singh, 2015) in order to drive down costs. With FFS, all supplies, tests, treatments and services are listed separately on one bill, and at times, more than one bill is given (Shi & Singh, 2015). If the full cost of health services provided was not paid in full by the insurer, then the physician or patient would have to pay the remaining balance (Shi & Singh, 2015). This type of system caused providers to increase their services delivered, even if the services were not deemed necessary. Providers were essentially rewarded for volume without consideration for quality or necessity, thereby driving up overall costs.

Moral Hazard

Moral hazard describes a behavior in which citizens use health care with an increased frequency when the care is covered by insurance (Shi & Singh, 2015). It also relates to a person’s increased involvement in risky behavior when the individual recognizes that any potential health care needs will be covered (Dong, 2013). Because of this, moral hazard can have direct effects on health care utilization under the fee for service model.

Moral Hazard's Effect on Uncontrolled Utilization

One study examines the direct effect of moral hazard on utilization of health care (Dong, 2013). Insurance choices, health behavior, and medical utilization are explored in addition to how the existence of insurance affects these factors (Dong, 2013). The consumption of alcohol is used as the measure of unhealthy behavior (Dong, 2013). Comparing citizens with health insurance to those without, individuals with health insurance visited the doctor an average of 7.079 times in two years, whereas the individuals without health insurance only averaged 5.046 visits in two years (Dong, 2013). Also, health insurance increased doctor and hospital visits by unhealthy drinkers by 32.1% when controlling for alcohol intake (Dong, 2013).

In analyzing this data, it is apparent that moral hazard plays a role in increased and uncontrolled utilization of health care services. Most interesting is the increase in doctor visits by 40% in those that have health insurance when all other factors are kept equal. Also, regarding the data about doctor and hospital visits by unhealthy drinkers, there are a few ways to interpret this information. It is possible that these individuals, because they are insured, participate in more risky behavior due to the existence of a health care coverage safety net. Or, it is feasible that this data supports the previous notion that just having health insurance increases overall visits to the doctor. As a side note, it is important to comment on the sample sizes for each study group. The uninsured population was at least ten times smaller in regard to participants than the insured group, which could skew results. Overall this study had data points that were crucial but it lacked the right comparisons that would result in moral hazard being the key player in utilization.

Physician Self-Referral

Physician self-referral describes the act of physicians sending patients to health care organizations where they have a special interest or arrangement for payment (Shi & Singh,

2015). This practice was thought to produce demand for services which could create uncontrolled utilization and increased health care expenditure (Shi & Singh, 2015). Because of this, certain laws were passed that prohibit this type of system of referral.

Physician Self-Referral's Effect on Uncontrolled Utilization

One study investigated the effect of self-referral on health care utilization and cancer detection through considering surgical pathology use and outcomes (Mitchell, 2012). They found that the average number of pathology specimens between the years of 2005-2007 were considerably higher among the self-referring urologists in comparison to the non-self-referring urologists (Mitchell, 2012). When looking at 2005 alone and contrasting the self-referring urologists with the non-self-referring urologists, the former billed Medicare for 93% more pathology specimens than the latter (Mitchell, 2012). This equates to the self-referring physicians having 11.4 specimens compared to 5.9 specimens in the non-self-referring group (Mitchell, 2012). In addition, cancer detection rates by self-referral were ~20% lower than detection rates by non-self-referring physicians (Mitchell, 2012).

This data is very important because it distinctly demonstrates how self-referral can be a major contributor in uncontrolled health care utilization. Self-referral, morally, does not reflect well on physicians, because there is a potential ulterior motive to their practice. Also, because this data shows increased specimens, it also would then confirm increased expenditures, because these are being billed to Medicare. Lastly, and most surprising, was the lower value of these specimen tests among the self-referring physicians. There were appreciably less cancer detections with the self-referrals, thereby demonstrating the low value outcome of their testing. This reveals that physicians may be self-referring for reasons that are concerning; to generate increased revenue without demonstrated value.

Gate Keeping

Gate keeping is a health care access model that requires a beneficiary to first see a health care generalist in order to get a referral to receive care by a specialist (Shi & Singh, 2015). The intent of this is to keep patients from receiving needless procedures or invaluable treatments (Shi & Singh, 2015). Most often, it involves a primary care provider (PCP) who manages all health care services needed by a patient in order to oversee utilization (Shi & Singh, 2015).

Lack of Gatekeeping's Effect on Uncontrolled Utilization

Lack of gatekeeping in the fee for service model has had a negative impact on uncontrolled health care utilization. One systematic review examined this in detail. Four elements of utilization were examined; length of stay, hospitalizations, ambulatory care, and emergency department visits (Garrido, Zentner, & Busse, 2011). Length of stay was found to be shortened under the model of gatekeeping, however the results were not significant (Garrido, et al., 2011). Hospitalizations, when gatekeeping was used, went down overall (Garrido, et al., 2011). In regard to ambulatory care, with gatekeeping, the majority of the studies suggest that utilization of specialists decrease (Garrido, et al., 2011). Lastly, emergency department visits were observed to go down, however the results are inconclusive (Garrido, et al., 2011).

In exploring this systematic review, a few ideas can be surmised. Although the majority of these studies were found to be of poor quality, the studies of better quality were the ones that showed a decrease in utilization with the presence of gatekeeping. The available evidence suggests that there is lower utilization of health care resources by ~ -78% when gatekeeping is existent (Garrido, et al., 2011). That said, it is surprising how inconclusive the research is, because gatekeeping is still widely applied in the US health care system. If it is not beneficial in

doing what it is supposed to do, then primary care physicians are being used as gatekeepers with low return on investment.

In delving into these three factors contributing to uncontrolled health care utilization under fee for service, it is noticeable that some of the research is lacking. However, this area of study is valuable in order to comprehend the causes of high utilization. In doing so, improvements can be made when considering newer methods of insurance. Although moving away from fee for service may place more responsibility on physicians to ensure their recommendations are of value, this is a necessary direction. In order to make certain there is some control over health care expenditures, alternative insurance and payment options are advantageous.

References

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