



PPO services and formulary types

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The services provided by PPO plans are influenced by a number of factors, say industry watchers.

SERVICES OFFERED BY PPO	
Service offered	% of plans offering
General medical surgical	95.2%
Maternity	93.2%
Prescription	87.7%
Dental	85.2%
Long-term care	73.2%
Chiropractic	65.2%
Primary care	63.2%
Behavioral health	51.2%
Specialty services	49.2%
Other	31.2%
Workers' compensation	22.2%

FORMULARY TYPES OFFERED BY PPO PROVIDING PHARMACY BENEFITS	
Formulary type	% of plans offering formulary type
Open	65%
Formulary with restrictions	23%
Formulary	10%
Formulary with	13%
Restrictions	8%

"For one thing, the benefits provided in network tend to track those offered out of network," says Cynthia Marcotte Stamer, a member of Glast, Phillips & Murray, PC, Dallas, Texas.

"Thus, few PPO plans offer in-network PPO benefits in the area of workers' compensation, long-term care, or dental because health plans generally provide lesser coverage in these areas. Also, when choosing priorities for the types and range of providers included in the network, plans consider both marketability and the management of cost and quality."

The range of covered services under a PPO usually are wider than under an HMO, according to Art Glasgow, director of product management at Misys Healthcare Systems' Payerpath division. "Additionally, these 'feature sets' are driven by market demand," Glasgow says. "Responding to the patient's desire for increased choice, employers have adopted PPO-type plans at a higher rate than HMO plans. This increase in demand allows the insurer to respond with additional PPO options."

Most plans view a broad panel of general medical and surgical services as critical to marketability and cost management.

Emergency admissions represent a particularly sensitive cost for the PPO plans. "Contracting with hospitals to minimize out-of-network care generally is perceived as desirable to help provide predictability and management of costs and quality," Marcotte Stamer says. "Thus, 95% of PPO plans have broad PPO coverage for general medical surgical because most plans consider this critical both to the marketability of the plans and the management of the broadest range of costs."

Once the basics are taken care of, PPOs tend to prioritize obtaining providers in disease states for which the plan perceives it is experiencing higher-than-necessary costs. "In behavioral and mental health and chiropractic, for example, [PPO] plans have sought to meet member desires that in-network options be offered while using the contracting process to manage costs," Marcotte Stamer says.

Generally, the variety of copayment options have increased so that consumers can tailor their PPO plans to their expected healthcare cost outlays, Glasgow says. "Some plans offer riders that can be added at additional costs to increase coverage in one treatment area or another," he says. "In this manner, the PPO is becoming a lot like traditional indemnity insurance for the healthcare consumer. Additionally, the increasing focus on HSAs has led to a generation of high-deductible PPOs designed to maximize the features of the HSA."

FORMULARY BENEFITS

As prescription drug costs have risen, PPOs providing pharmacy benefits are looking for options to manage costs. "While the open-formulary approach remains the most commonly used by PPOs offering pharmacy benefits, this does not mean that PPOs using the open formulary are not seeking to influence their members use and selection of prescriptions," Marcotte Stamer says. "Rather than blacklisting or restricting drugs, most of these open formularies are manipulating copayments, applying tight medical necessity standards and using other strategies to influence choice of drugs."