
Background: While the enrollment of members in for-profit investor-owned health maintenance organizations (HMOs) was increasing, there was little known about the quality of care of these plans versus not-for-profit HMOs.

Objective: To compare quality-of-care measures in for-profit investor-owned and not-for-profit HMOs.

Design: 14 standardized quality-of-care indicators (derived from the Analysis of the Health Plan Employer Data and Information Set, HEDIS*) from over 329 HMO plans, representing 56% of total HMO enrollment in the US.

Results: Compared with not-for-profit HMOs, investor-owned HMOs had lower rates for all 14 quality-of-care indicators. Among patients discharged from the hospital after myocardial infarction, 59.2% of members in investor-owned HMOs vs 70.6% in not-for-profit plans received a BETA-blocker (P<.001); 35.1% of patients with diabetes mellitus in investor-owned plans vs 47.9% in not-for-profit plans had annual eye examinations (P<.001). Investor-owned plans had lower rates than not-for-profit plans of immunization (63.9% vs 72.3%; P<.001), mammography (69.4% vs 75.1%; P<.001), Papanicolaou tests (69.2% vs 77.1%; P<.001) and psychiatric hospitalization (70.5% vs 77.1%; P<.001). In multivariate analyses, investor ownership was consistently associated with lower quality after controlling for model type, geographic region, and the method each HMO used to collect data.

Limitations: The HEDIS quality indicators have shortcomings, such as not appraising the outcomes of care. Medicare HMOs may also encourage sick patients to disenroll and selectively recruit and enroll healthy individuals. Few HEDIS measurements address care for seriously ill or chronically ill patients who are financially unattractive to HMOs and who are, therefore, at risk for underservice. Sick patients could, therefore, be underrepresented in the data set, albeit the HEDIS data were the best available at the time of this study and remain useful.

Relevance: Investor-owned HMOs deliver lower quality of care than not-for-profit plans. Although total costs are similar in investor-owned and not-for-profit plans, the latter spend more on patient care. This paper suggests that market-driven, investor-owned medicine has serious shortcomings and that the then decade-old experiment with market medicine was a failure in part because the drive for profit appears to compromise quality of care.

*Known after 2007 name change as the "Healthcare Effectiveness Data and Information Set."

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