



# The Managed Care Backlash

## Did Consumers Vote with Their Feet?

Enrollment in HMOs (health maintenance organizations) exploded during the early 1990s, fueled by employers and public policymakers hoping to control rising health care costs. (HMOs typically enforce tight cost controls.) However, by the late 1990s, initial consumer support for managed care had eroded; consumers expressed fear that needed care might be withheld, and many favored tighter government regulation. A RAND Corporation study examined whether consumers “voted with their feet” by leaving their HMO plans.

The table shows trends in HMO enrollments during 1994–1998 versus the “post-backlash” period of 1998–2001.

### Trends in HMO Enrollment Pre- and Post-Backlash (in percentage)

	HMO Enrollment			Change	
	1994	1998	2001	1994–1998	1998–2001
<b>All insured</b>	24	40	39	16	-1
Privately insured	31	48	45	17	-3
Medicare	10	18	18	8	< 1
Medicaid	10	27	37	17	10
<b>All insured (by region)</b>					
Northeast	26	48	45	22	-3
Midwest	22	32	31	10	-1
South	15	30	29	15	-1
West	37	53	57	16	4

NOTES: 1998–2001 is considered to be the post-backlash period. These results are population weighted. All numbers have been rounded.

- Overall, for all insured consumers, there was only a 1 percent drop in HMO enrollment during the post-backlash period. There is evidence for two possible explanations:
  - Many consumers were more satisfied with their HMOs than had been thought.
  - Many HMOs relaxed their cost containment restrictions in order to avoid losing market share.
- Privately insured patients were more likely than others to exit their HMOs.
- Medicare HMO enrollment remained nearly steady; Medicaid enrollment increased significantly.
- HMO enrollment grew even among the privately insured in areas with high health care cost increases.

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