Policy Analysis Brief

Evaluation of AHCPR Rural Managed Care Demonstration Projects

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Managed care has been credited with the reduction in the rapid growth of health care costs and with bringing a more market-oriented focus to the health care delivery system. The growth of managed care in the United States has been geographically uneven, however, with managed care penetration occurring slowly in most rural areas.

There is speculation that rural areas may not be able to enjoy the benefits of market-induced competition for two possible reasons: 1) managed care is not well-suited for sparsely populated areas; and 2) rural communities may not have the full range of services.

To address this issue, the Agency for Health Care Policy and Research (AHCPR) was asked by Congress to fund programs to encourage the development of appropriate managed care in rural parts of the country. AHCPR funded five projects to act as Rural Managed Care Centers (RMCCs), charged with implementing innovative and effective programs to help rural areas become involved in emerging managed care markets. The five projects include West Virginia University, the University of Southern Maine, the University of Oklahoma Health Sciences Center, the University of Arizona, and a consortium including the Universities of Iowa and Nebraska.

The RMCCs have all been subsumed within existing organizations and many complement related projects or activities. The centers in Arizona and Maine are related to current or former rural health research centers. The Arizona center has tight ties to the state's Office of Rural Health and AHEC system. The West Virginia center is closely related to a managed care demonstration project and a constellation of rural-oriented activities within the University. The Oklahoma center is a collaboration between the two state universities and the state Department of Health. The Iowa-Nebraska joint effort takes advantage of work done by earlier network-building efforts in rural Nebraska.

The initial goal of the evaluation was to identify lessons learned from the experiences of the five RMCCs. Given the interrelated nature of the various activities of the organizations in which they are located, the discrete effects of the individual RMCCs have been difficult to assess. Several important lessons learned have emerged:

For technical assistance to be effective, it must be tailored to the level of experience and stage of the community's progression toward managed care.
Efforts to "prepare rural areas for managed care" should focus upon the areas' existing infrastructure, attitudes, and knowledge base.

The use of technical assistance to identify important issues facing the communities is a valuable element of the project.
Though some issues identified by RMCC surveys and consultants were not always directly health-related (e.g., housing issues), identification of these issues was beneficial to both the communities and the project.

Communities may develop integrated health care systems as a defensive mechanism to guard against the threat outside managed care organizations pose to local health care facilities.
By developing its own integrated health care system, a community can ensure that the rural area in which the system is to operate will continue to have a viable and fairly comprehensive health care system.

It is difficult to motivate individual providers to become involved in a network without some kind of dynamic leadership.
The presence of a motivated individual to help focus providers' efforts and concerns can make the difference between success and failure of an attempt to create a provider network.

It is important to focus on delivery aspects of the network before addressing financing.
Building an integrated delivery network should be the first focus of network development. In most cases, a new financing system (e.g., managed care) will not be successful unless closer

cooperation and formal linkages are already established among major health care providers.

Successful networks build strong linkages with their communities and other key area health providers. A natural step in network development is to build linkages between primary care physicians and hospitals in the network. Eventually, networks should extend these linkages to other services (such as mental health, long-term care, and public health).

Effective managed care network building often involves organizations that have a range of contacts in rural communities. This provides entrée to communities and helps sustain community efforts after the RMCC has ended its direct involvement.

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