Integration of Managed Care with System of Care Philosophies


In the 1990’s, around the same time that the federal government began funding system of care communities, the large scale implementation of managed care reforms was occurring throughout the country in an attempt to control rising costs in health and human services. Perhaps inevitably, these two trends began to intersect, with many communities integrating system of care funding into managed care service systems. This article presents the results of a qualitative, multi-site case study of the impact of managed care on federally funded Center for Mental Health Services (CMHS) system of care communities.

Five CMHS-funded sites were selected for participation in the study, all of which were at some level of managed care reform ranging from having just implemented managed care to having more than a year of experience with managed care. Data were collected in 1997 through structured telephone or in-person interviews with multiple stakeholders at each site, including families, managed health care organization representatives, service providers, and others. Fewer stakeholders were interviewed at the two sites that were contacted by telephone. Data were collected by teams of two interviewers who were knowledgeable about systems of care and managed care, as well as related research, policy, and practice. Interviewers used guides that were developed to provide a basic structure and consistency to the interviews across sites.

Data from each site were synthesized into case study reports, “detailing positive and negative effects of managed care reforms based on the perceptions and assessments of multiple stakeholders” (p. 25) and sent to site directors for feedback on accuracy. Reports were analyzed to identify trends and critical issues across the five sites. Specific areas of focus included compatibility between managed care and systems of care in several dimensions (e.g., the degree of integration, the degree of similarity or disparity in goals, the impact on services to children with serious disorders) as well as managed care’s impact on system of care principles. Dimensions in this latter category included the array of services in managed care; whether services were community based, individualized, and flexible; the degree of family involvement; and service coordination.

Results indicated that communities that were more successful in integrating system of care values into the managed care system (a) had pre-existing system of care philosophies and (b) utilized a comprehensive planning process involving individuals with expertise in children’s mental health services. When these conditions were met, communities were more successful in integrating many system of care features: a broad array of home and community-based services, access to services in the least restrictive setting, individualized and flexible care, service coordination, family involvement, and cultural competence.

One area of particular concern is whether services for youth with severe emotional and behavioral disorders would be impeded by the adoption of a managed care system. According to these results, the adequate provision of services to this high utilizer population seemed to be most likely when longer term, complex services were integrated into the managed care system, rather than existing as outside services that required referrals from the managed care system. This issue was also impacted by the financial resources associated with managed care reform. Some communities lacked the ability to provide the full range and level of resources indicated by system of care philosophies, raising concerns about whether appropriate risk adjustment procedures were in place to prevent incentives for under-serving children with greater needs.

Although many potential areas of concern remain, results from this study provide evidence that system of care values can be integrated and maintained within a managed care service system. Key to successful integration appears...
to be detailed and comprehensive planning well in advance of managed care implementation that involves multiple stakeholders familiar with system of care philosophies and services to children with severe emotional disorders. Without such planning, managed care reforms are likely to pose a threat to system of care values. Additional information on the transformation of one system of care community to managed care can be found in Data Trends #20.