“Do Any Willing Provider and Freedom of Choice Laws Affect HMO Market Share?”

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“Yes,” says Lister Hill Scholar Michael Morrisey and his colleague Robert Ohsfeldt, “although, any willing provider (AWP) laws have a greater impact on market share than freedom of choice (FOC) laws.”

AWP and FOC laws are a significant component of the first wave of what has been generally labeled as managed care reform legislation – laws that constrain contracting practices or mandate the extent of terms of service coverage. Specifically, AWP laws require HMOs to accept into their network of providers any licensed health care provider willing to accept the terms and conditions of the contract. FOC laws require that HMOs allow members to step outside of the panel of providers without having to pay the full price for care. Critics of AWP and FOC laws argue that these restrictions on contracting prevent managed care plans from trading volume for lower prices.

To examine the effects of AWP/FOC laws on HMO market share, the researchers used 1989-1995 data from approximately 280 metropolitan areas. Information was analyzed on plan characteristics, intensity of regulation, number of provider types covered by the laws, and a variety of market characteristics.

The study found that the FOC laws have a greater impact on market share than do AWP laws. In addition, more comprehensive regulation has a larger impact than less encompassing laws, and laws limiting selective contracting with physicians are more effective in reducing market share than are laws that cover hospitals or pharmacies.

“Perhaps a next step in an evaluation of AWP and FOC laws is a series of case studies that investigate the nature of contracts and practices employed by managed care firms and providers under different legislative environments. Many questions still remain about how these laws affect the operations of HMO firms and the mechanisms firms may use to challenge regulations.”