

This demonstration project was implemented to test the concept of a social health maintenance organization (S/HMO) for acute and long-term care. An S/HMO integrates health and social services under the direct financial management of the provider of services. All services were provided by or through the S/HMO at a fixed, annual, prepaid capitation sum. Four demonstration sites were selected to participate; of the four, two were health maintenance organizations (HMOs) that have added long-term care services to their existing service packages and two were long-term care providers that have added acute-care service packages. One of these sites closed in January 1995. One additional site participated in a subsequent demonstration (S/HMO II) testing a modified version of the S/HMO model.

### **Evaluation Highlights:**

- The S/HMOs offer a richer set of benefits than local Medicare risk plans at a higher cost to the federal government. The S/HMO I plans were paid 15 to 30 percent more than they would be if they were Medicare risk plans, primarily because of the high proportion of enrollees classified as nursing home certifiable and the augmented payment rate for these persons.
- The higher payments for nursing home certifiable persons was surprising given that an analysis of Health Outcome Survey data found, with one exception, that there was little difference in the case mix (including functioning) of the S/HMOs and local Medicare risk plans.
- There is no consistent evidence that S/HMOs improve beneficiary outcomes.
- Based on the findings, the report recommended to Congress that S/HMOs be converted to standard M+C plans through a gradual transition.

(See downloads area below for more information).