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# Patients And Profits: The Relationship Between HMO Financial Performance And Quality Of Care

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## Abstract

This paper matches health plans' financial performance with information on quality ratings as measured by 1997 Health Plan Employer Data and Information Set (HEDIS) 3.0 data. We address three policy questions: (1) Is the quality of care delivered by a plan influenced by the plan's financial performance? (2) Do for-profit plans behave differently than nonprofits do? (3) What other factors are associated with variation in plan performance? We find, first, that more profitable plans achieve higher quality scores in subsequent years. Profits may enable a plan to pursue higher quality of care and invest in better management systems. Second, there is little systematic evidence that for-profit plans have different HEDIS scores than not-for-profits have.

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