

Partners In Care

Two Key Issues Facing New Jersey

Ever-rising costs of healthcare: For the past ten years and again in 2006 the New Jersey Business and Industry Association member survey ranks the high costs of healthcare as the number one issue facing employers in the Garden State. Many indicators of cost show New Jersey continuing to be one of the costliest states for care. A high level of variation exists within the state that can be directly linked to the presence of more than one facility.

Lower Than Average Quality: Various quality measures as reported by the AHRQ has shown New Jersey to be well down the rankings. The root causes have been itemized in various publications; the Institute of Medicine's 2003 *Top Twenty Priorities for the US* has suggested that preventive screening efforts and reimbursing physicians for care coordination are paramount. Current programs such as disease and case management programs have been developed during the past decade without the integration of the practicing physicians.

Key Findings

Our experience in the Central New Jersey region with Medicare, HMOs, Self-Insured employers, and Taft Hartley health funds has lead us to the following conclusions:

Care is not being coordinated: Patients have been disenfranchised by the intervention of well meaning programs instituted to control costs by circumventing the physician. Disease and large case management programs have inherent value except when the primary treating physician is not a key player. Integrating the physician into this process again is a principle finding in the Institute Of Medicine's top twenty priorities for the US health system.

Patients aren't getting proper screening and preventive testing: Side by side comparisons of our population statistics versus those reported by the major carriers under the HEDIS program show a significant divergence. Applying the more broadly defined population recommendations of the American College of Obstetrics and Gynecology for Mammography shows that fewer than 50% of the eligible women are receiving the exam. Physician's are not being routinely provided with reports of the eligible patients needing exams, nor are they provided the means to reach out efficiently to those patients.

Hospital Cost Shifting: The current approach to pro-competitive regulation of healthcare providers has inadvertently lead to the impending extinction of the small independent physician practice in the state of New Jersey. Briefly: the spiral begins with the downward pressure by Medicare and Medicaid on hospital reimbursement. CMS is paying at rates of between 95% - 105% of the hospital costs of care as they are reported. Major HMOs and PPOs are attempting to hold expenses and profits by applying pressure on providers. Hospitals are able to negotiate and extract rates of between 180% - 220% of cost with the HMOs and between 200% - 400% of costs from the PPOs. Physicians are precluded by Federal Anti-trust regulations from efficiently negotiating rates and are being reimbursed by HMO's at rates between 60% - 90% of the costs of rendering care. They do slightly better with PPOs, but this puts additional cost pressure on the employers utilizing PPO networks to move to the HMOs in order to save money. This concentration has actually strengthened the hospitals' ability to extract higher payments as fewer number of health plans are even more dependent upon hospitals. According to a study in the recent journal *Health Affairs* New Jersey is significantly out of line with national averages.

Suggested Action

We recommend an Appeals and Grievances process be made available to individuals, health plans, and businesses alike when hospital payments exceed both 150% of Medicare rates and Reported Costs. An ombudsmen if you will, to ensure that local NJ residents aren't taken advantage of by large bureaucracies.

How can this be accomplished without rate regulation and price controls? One analogous example is the usury limit on maximum interest fees on certain types of loans. Another is the body of law concerning the raising of retail prices in times of crises. Review of existing licensure and certificate of need regulations may afford an opportunity for action. Further, the state Department of Labor has an ally in the federal Department of Labor given the latter's interest in appropriate expenditure of ERISA governed funds in the self insured sector which is now 70% of the local commercial market.

PIC Overview

Partners In Care, Corp., or PIC, as it is commonly referred to, was founded as a joint venture between some of the physician members of the United Medical Group, P.C. ("UMG") and Saint Peter's University Hospital. Now owned exclusively by those physicians, PIC is a for-profit, closely held, New Jersey corporation, formed in the mid 1990s to integrate and improve the delivery of healthcare in the greater New Brunswick area. PIC has been engaged in managing performance-based payor contracts, patient health advocacy, clinical informatics and primary care practice management.

UMG is a professional corporation functioning as a closed panel, economically credentialed Independent Practice Association (IPA) made up of 350+ physicians. The panel is split evenly between traditional primary care and treating specialists (for these purposes, Ob/Gyns are considered specialists). In addition to its affiliation with UMG, PIC has developed affiliations with other clinically and financially integrated IPA's in the state: The Central Jersey Physician Network (CJPN), Vista Health System ("Vista"), and Shore Health Group. PIC provides the clinical, and in some cases the financial, integration activities for these groups. In total, approximately 850 physicians are affiliated with the Company.

Using the techniques developed under full-risk contract management, PIC has bundled patient health advocacy, managed care administration, and medical informatics into a series of customizable product and service lines. Our customer base includes individual physician practices, large physician organizations, mid-sized employers, health plans, and benefit consultants / brokers. Working with a series of strategic partners, PIC has developed PartnerSHIP, both a full replacement and ad-hoc series of services designed to dramatically improve health benefits offerings for self funded groups. Key components of PartnerSHIP include both the PIC Health Plan Improvement Program and PartnersSelect, a targeted physician recruitment process.