



# Rural Wisconsin Hospital Cooperative

## Executive Director's Report

as of December 1994

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A monthly report of experiences and observations to RWHC hospitals & colleagues.

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### A "Ghost Issue"?

The following is from a 12/1/94 editorial in the Washington Post—their eulogy on the recently concluded national health reform debate.

“National health care spending rose "only" 7.8 percent last year. That's both the good news and the bad. The rate of increase continued to be moderate by some of the standards of the recent past; that's the comforting part. But health care spending still grew faster than the economy as a whole, so that even in a relatively good year health care continued to consume a rising share of the dollars Americans had available to spend. That's not reassuring.”

“The question of health care reform has largely fallen off the national screen. For their opposite reasons, neither political party seems especially anxious to raise it again, not now anyway. But the spending figures are a reminder that they're fooling themselves if they think the issue is going away. Given the record of (the last) 30 years, surely the pessimistic side is the right one on which to err. The president and Congress may have had enough of health care for a while, but you can bet the issue will be back.”

### Sen. Schultz To Brief RWHC Board

Senator Schultz has accepted our invitation to meet with us at the December Board meeting. As a Republican member of the Joint Finance Committee and a long time friend of rural health, Dale's insights will be important for us to hear. In particular, I have asked him to discuss with us the pro's and cons of potential new limitations on state tax exemptions as this seems to be one of the larger issues we may be facing in the next legislative session.

### Cooperative Hospital Fee Negotiations

Per the RWHC Board's direction, a work group has been established to prepare a recommendation for how RWHC could form a risk sharing entity that would allow for cooperative fee negotiation with HMO's, insurers and other purchasing groups. John Kosanovich, Garith Steiner, Mike Weiden and I will be meeting at Quarles & Brady in Madison on December 20th to initiate this project. As a first step in our discussion, Mike will have sketched out a few alternative organizational structures. Other RWHC members are welcome to join this working session.

## LLC for HMO of Wisconsin Initiated

The Community Health Systems Limited Liability Corporation (LLC) represents the collective, ongoing interests of community providers in the newly merged HMO of Wisconsin. Its affairs are governed by a board of “managers” facilitated through an administrative services contract with RWHC. LLC members annually elect these managers as well as four of the eleven board of directors of HMO of Wisconsin. Providers who were eligible to be members were those stock-holders who did not dissent to HMO merger with Blue Cross. The LLC periodically advises the HMO re its rural operations in exchange for annual profit sharing.

## Analysis Of HMO “Special Offers”

RWHC is strongly encouraging every RWHC hospital to have all new offers for provider (hospital, physician, whatever) agreements reviewed by our attorney, Mike Weiden at Quarles & Brady. In order to provide an efficient and economical approach, if more than one hospital sends in an identical contract, Mike divides his time so that each hospital pays only a pro rata share of the review. Equally importantly is developing a data base—a critical first step to gaining a better understanding about what is beginning to happen in the market. There will be no anti-trust issues since Mike will not share specific pricing information.

## Rural Health Policy Discussion Group

The Ad-Hoc Rural Health Policy Discussion Group sponsored by the Cooperative is now entering its fourth year. A variety of individuals get together to informally discuss future state policy issues related to rural health. In order to facilitate “frank speculation” in areas where many of organizations have not yet taken a formal position, a basic ground rule is all individuals are speaking strictly off the record.

We meet in Sauk City at the RWHC office the second Wednesday of the last month of each quarter. (In 1995 that means 3/8, 6/14, 9/13 & 12/13 from 10:00 am through lunch.) New comers who agree to actively participate by sharing ideas and observations are always welcome. Please call if you would like to be on the mailing list to receive a reminder postcard.

Discussion at the December meeting is planned to focus on the upcoming WI legislative session and possible bills related to rural health as well as DHSS’s new Medicaid HMO initiative.

## AHA & Rural Representation?

Last month I was in Washington as part of a small work group with HCFA, PhysPRC and ProPAC (call me if you need a translation) initiated by the Federal Office of Rural Health Policy to brainstorm about alternatives to the ongoing “residual” use of historical costs as a basis for Medicare provider reimbursement. A principle concern of the meeting was to identify and propose solutions to remaining provider payment inequities. To make a long story short, it was my impression that the HCFA folks looked down right reasonable compared to the American Hospital Association.

I had expected that AHA would represent both urban and rural hospital perspective but what I heard was unremitting opposition to acknowledging that there are payment equity problems, let alone support for any solutions.

As this experience was not felt to be unique, Harold Brown was asked by the Board to contact the AHA’s Section on Small & Rural Hospitals to see if someone would come to Wisconsin to meet with the RWHC board to discuss the current AHA policy regarding rural health.

## Community Health Center Networks

While speaking at the U.S. Public Health Service's Annual Primary Healthcare Conference in Chicago on networking, I learned that horizontal and vertical system development is also now rapidly beginning to be embraced by federally funded community health centers. CHCs have begun to form statewide "Integrated Service Networks" in eleven states, many with assistance from a federally funded initiative to facilitate CHC transition into a future where Medicaid revenues will be primarily accessed through managed care contracts.

### Another New Federal Bulletin Board

The Bureau of Public Health has established a computer bulletin board, BPHC ACCESS, that can be reached by modem at 1-800-596-6405. The purpose of BPHC ACCESS is to provide BPHC grantees, potential applicants for BPHC funds, scholarship and loan recipients, National Health Service Corps assignees, and the general public with current information in the fastest way possible.

### Changing Times Quote Of The Month

In response to new Medicare payment rules that will shift nearly \$1 billion a year from surgeons to primary care doctors... "We're not delighted," said Cindy Brown, Washington office manager for the American College of Surgeons. (WP 11/24/94)

### Changing Times Quote Of The Month- II

At a Kellogg Foundation workshop in San Francisco on Leadership, Change and Systems, the organizational need for a "systems" perspective was given : "Insanity is doing the same thing over and over expecting different results."

### \$6M Community Care Network Update

The AHA-CHA-VHA Community Care Network Demonstration Program and its \$6 million grant from the W.K. Kellogg Foundation has attracted a lot of interest (1,400 requests for application guidelines). Application kits will be mailed before the end of the year and due April 28th. (Call the AHA Research & Educational Trust at 312-422-2613 to request an application if you have not yet done so.)

On a related note, Dr. Marvin Kolb, Senior Vice President, Medical and Professional Affairs at WHA is close to completing a "how to" manual for hospitals, *Community Collaboration For Health*.

### UW Med School Dean Search Initiated

After Chancellor Ward characterized some of our correspondence as "irritating," I was very surprised to be asked to serve on the Search Committee for the new Dean. More importantly, the inclusion of what I understand will be two non-university representatives to this traditionally internal process is an important acknowledgment that the Medical School serves a broader community.

### An Unusual Visitor From California

As strange as it seems to me, Dr. Jack Manning, a plastic surgeon from California will be doing a three day preceptorship this month at RWHC as part of the American College of Physician Executives/University of Wisconsin Medical School Administrative Medicine Program. We sent him a double barrel worth of all of our rural and primary care oriented propaganda but he still wanted to come. Just when I thought one stereotype was safe.

### RWHC Honored By Governor

## Thompson

*Yes, this item is particularly self-serving and can be skipped by the squeamish.*

Governor Thompson ended up elk hunting to celebrate his election victory rather than speaking at our 15th anniversary dinner—clearly not an unreasonable choice. Ann Haney was a gracious stand-in who brought an unexpected message from the Governor.

While the Governor's formal commendation was very much appreciated, the high point of the evening for me was Ann's remark that the Cooperative (as a voluntary multi-community collaboration) represents the best of Wisconsin. I can live with that.

## An Old Story For A Happy New Year

John Gardner, one of America's most respected writers on leadership, has stated that 'the war of the parts against the whole is the central problem of pluralism today.' The following from [Systems 1](#) by Draper Kauffman provides an excellent insight into the inter-relationship of individual and group actions.

"Complex systems have to contain many subsystems and these subsystems may have goals which conflict with each other or are harmful to the bigger system. One of the best illustrations of this is a situation known as 'the Tragedy of the Commons,' after an essay of that name by Garrett Hardin."

"Hardin used for the scene of his illustration the "commons," or *common pasture* of medieval England and colonial America. "Common" in this sense meant that all members of the community were entitled to graze their livestock there. The positive feedback loop involved in the use of the commons, from the point of view of the individual livestock owner goes like this: "The more cows I have, the better off I will be. Feeding them is free, so I will increase the size of my herd as fast as I can."

"But this creates a situation which each indi-

vidual is powerless to avoid. As each person increases his herd, the number of cows grazing on the commons increases; after a certain point, there are enough cattle to eat the grass faster than it can grow back; when there is no more long grass left, the cows will then crop the remaining grass down to the ground, killing the plants and leaving only dirt. Soon the cows are all starving, and the entire village is faced with bankruptcy and possible starvation."

"Notice that it does no good for any one villager to voluntarily keep the size of his herd down. If he refrains from putting more cows on the pasture, he simply leaves more grass for his neighbors' cattle, and increases the incentive for each of them to add still more. As a result, his unselfish action will *not* prevent the disaster, and he will be poorer in the meantime. Since each herdsman can see that it would be pointless to hold back, each adds as many cows as he can until the inevitable disaster occurs."

"The commons problem is still with us in many ways. It typically occurs when the boundaries of a problem are bigger than the largest system which has the power to solve the problem. The original commons was a *village-wide* problem, but the power to make decisions about it was at the *individual* level. The solution was either to give the decision-making power to a system as big as the problem, such as the village council, or to divide the problem up into many small problems and give each of the individual decision makers exclusive responsibility for one piece of the problem."

