



Rural Wisconsin Hospital Cooperative

Executive Director's Report

as of November 14th, 1994

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

Brief Encounter with Paul Ellwood

Before giving a presentation about the Cooperative to the Appalachian Health Conference last month in Johnson City, Tennessee, I had the opportunity to renew an acquaintance with Paul Ellwood, President/CEO of the Jackson Hole Group and "father" of managed care.

As we "talked shop" about Wisconsin, he noted that the increasing number of mega-dollar purchases of HMOs represented major paper transfers of ownership without necessarily increasing actual services or productivity.

I assume he would agree that these dollars are being invested in anticipation of what he mentioned later in his formal talk as the "growing conflict between managers (insurers) and providers of health care."

Specifically he spoke about an "increase in uncertainty about what works as we increasingly deal with chronic illness," and that this uncertainty will be a major source of conflict between plan managers and providers.

Ellwood reiterated what many others have observed—that competition in the future will be primarily about quality as high cost providers are simply driven out of business.

However, he believes that the market's reliance on quality measures is still encumbered by two major impediments which will receive major attention over the next several years:

- our inability to adjust for differences in illness severity and
- our inability to reach significant agreement on outcome standards.

As an example of our current problem, he offered the recently published mixed finding on the efficacy of a common treatment of major heart disease: white men receive significantly more angioplasties than either white women or African-American men but are in fact having poorer overall outcomes.

As regards our recent congressional reform efforts, he commented that we now recognize that we are not ready for major legislative action as:

- we just don't have a consensus about how we should pay for universal coverage and
- we have no agreement on the question of cost effectiveness for the population as a whole versus what might be beneficial for a particular individual as demonstrated in the recent dispute over the use of mammograms.

Briefer Encounter with the Chancellor

The UW-Madison Chancellor, David Ward has responded to our correspondence about the Medical School troubles. He started the phone call by seeming to be irritated that anyone would think that the uprising against the Dean had anything to do with a specialist backlash against the increased priority recently given primary care and rural health. While good people may continue to agree to disagree on that point, I was glad to hear a rather extended statement re his “personal and long-standing support” for the Medical School doing more primary care and rural health oriented training and research. My response was that I had no reason to doubt anything that he said about his own intent.

However, I reiterated a concern that there are senior members of the Medical School faculty who currently benefit in many ways from the historical imbalance between specialty and primary care interests. Totally absent any “insider” information, I believe that it continues to be reasonable to believe that such individuals are present in many major medical schools and will not readily relinquish what political scientists have long referred to as “unearned economic rents.”

While I am heartened that the Chancellor is now acclaiming at length his advocacy for primary care and rural health, the tenacity of a number of long independent and powerful medical school faculty may well test any leader’s ability to effectuate meaningful change. Policy and budget decisions within the Medical School over the next few months need to be watched.

Special thanks must be given to the Capital Times newspaper in Madison for their independent reporting that helped publicize the above perspective. Also a blessing on the persuasive power of networked fax machines and many organizations that want the University to meet state needs for primary care and rural health oriented training and research.

Ongoing Rural Input Into HMO-W

As some but not all of you know, the individuals and corporations that were stockholders and did not dissent against the recently approved HMO of Wisconsin merger have formed a limited liability corporation (LLC) as part of that transaction. A major function of the LLC is to facilitate representation in the HMO’s post-merger governance and administration the perspective of those providers that previously owned HMO of Wisconsin. The LLC embodies the third point of a triangle–partnership that includes: rural physicians-hospitals, Blue Cross and the University of Wisconsin.

Administrative services for the LLC will be provided by the Cooperative which continues to strongly support non-exclusive partnerships by rural providers with multiple HMOs.

WI “Any Willing Provider” Heating Up

An unplanned, energetic debate at a recent meeting of the WHA Board of Directors may indicate that Wisconsin’s hospitals are definitely not of one mind on whether to support or oppose “any willing provider” legislation. (The observed evenly divided opinion seems to be yet another example of hospitals disagreeing re the need for any limitation of “free, bare fisted” competition.)

Good urban policy, bad for rural?

Battle lines are being drawn across the country with legislation that requires HMOs to contract with “any willing provider” who meets and is willing to live by the same terms of other contracted parties. Opponents argue that it weakens the ability of networks to be mean and lean in their choice of providers and consequent ability to control quality and costs. In an urban area such as Madison this argument makes a good deal of sense as competition is largely between separate provider groups. However, rural communities can not afford to develop and sustain competition among local providers. Rural

providers may need to take a position of support that “any willing provider” statutes are appropriate and necessary for rural areas.

Divide & conquer rural providers?

From a rural perspective, “any willing provider” protection takes away the potential threat of large corporate systems being able to arbitrarily force exclusive relationships and “capture” rural communities and providers.

“Any willing provider” legislation limits a large system’s option of exercising monopoly power over rural providers.

Without this protection, rural providers will face increasing pressures to be “loyal” to just one regional system/HMO or face expulsion and loss of patients. To support “any willing provider” legislation being applied in rural areas is to support reducing the potential threat of rural communities being forced into exclusive relationships.

Not an all or nothing state issue.

As reported in the June *Executive Director’s Report*, Governor Romer in Denver vetoed an “Any Willing Provider” bill for pharmacists but then immediately negotiated a deal that was formalized through an Executive Order that effectively mandates inclusion of any willing pharmacist in communities of under 25,000. This is exactly the model that RWHC had previously discussed and now it looks like Colorado may be the first to implement it for a number of rural providers.

Single Physician Payment Locality

The Health Care Financing Administration should eliminate the anti-rural geographic differentials currently used in the allocation of Medicare’s payment for physician services. This recommendation was made by staffer extraordinaire Jane Thomas (in the Wisconsin Department of Development) as the conclusion of a white paper recently adopted by the Governor’s Rural Health Development Council. The Council has formed a strategic alliance with other interested parties in order

to implement its recommendation for a single payment locality.

Wisconsin currently has eleven payment areas, each with a different Geographic Adjustment Factor, creating at its maximum, an eight percent urban-rural payment differential for the same medical service. The Council uses the following rationale for supporting a single payment locality:

- Data indicators used by HCFA to calculate the Geographic Adjustment Factors do not accurately reflect the cost of health care delivery in rural areas.
- Rural areas typically have higher percentages of Medicare, Medicaid, and under- and un-insured populations than urban areas.
- Rural areas have increasingly difficulty recruiting physicians for a variety of reasons, and lower Medicare reimbursement is one of the contributing factors.
- The differential system of reimbursement, if stringently implemented, is likely to further restrict access to specialists for rural residents.
- Lower levels of reimbursement in rural areas create a downward spiral that affects overall health care access.

Contact Jane Thomas at 608-267-3837 to request a copy of this paper.

Leadership and the New Science

This is a quick read well worth the time of any administrator with an interest in a particularly new way of thinking about how we can best manage our changing organizations: *Leadership and the New Science, Learning about Organization from an Orderly Universe*, by Margaret Wheatley (\$15.95, 160 pages).

“The search for the lessons of new science is still in progress, really in its infancy, but what I hope to convey in these pages is the pleasure of sensing those first glimmers of a new way of thinking about the world and organizations.”

“This is not a book of conclusions, cases, or exemplary practices of excellent companies. I no longer believe that organizations can be changed by imposing a model developed elsewhere. Second, there are no recipes or formulas, no checklists or advice that describe “reality.” There is only what we create through our engagement with others and with events. Nothing really transfers; everything is always new and different and unique to each of us.

“The new science referred to comes from the disciplines of physics, biology and chemistry, and from theories of evolution and chaos that span several disciplines.”

“Scientists in many different disciplines are questioning whether we can adequately explain how the world works by using the machine imagery created in the seventeenth century, most notably by Isaac Newton. The assumption is that by comprehending the workings of each piece, the whole can be understood.”

“In new science, the underlying currents are a movement toward holism, toward understanding the system as a system and giving primary value to the relationships that exist among the discrete parts. You think because you understand *one* you must understand *two* because one and one makes two. But you must also understand *and*.”

Prairie du Chien Honored

Congratulations to Prairie du Chien Memorial Hospital and its Family Resource Center for being awarded the 1994 Global Vision Community Outreach Award by the Research and Education Foundation of the Wisconsin Hospital Association. Prairie du Chien was chosen from among many Wisconsin nominees by an out-of-state panel organized by the New Jersey Hospital Association. The NJHA originated and continues to lead this national initiative to promote state hospital associations honoring member efforts to partner with other community based organizations.

Minnesota Promotes Cooperatives

“The Minnesota Health Care Cooperative Act, part of the larger MinnesotaCare bill, creates a vehicle for separate health care provider groups to work together without merging their assets” according to an article in the October issue of Minnesota Medicine.

“In general, health care provider cooperatives are joint ventures among licensed health care providers to collectively sell their services on a risk sharing basis to purchasers of group health benefits, such as integrated service networks, health maintenance organizations or commercial insurance companies.”

A 55-page “Basic Guide to Minnesota Health Care Provider Cooperatives” is available for \$75 from the Minnesota Hospital Association. Call Rich Korman at the MHA, 612-331-5571 for more information.

RWHC Celebrates 15th Anniversary

This year marks the 15th anniversary of the Cooperative. To recognize the effort of literally hundreds of people, a dinner has been organized for current and past members as well as RWHC employees. As of this writing we are still hopeful that Governor Thompson will provide the keynote address. A brief video describing the history and current vision of the Cooperative has been developed for the occasion.

