IDN Development: Issues to Resolve

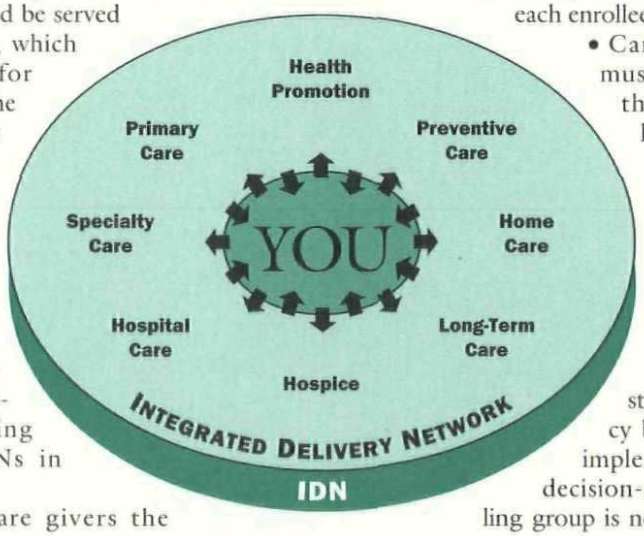
Integrated Delivery Networks Offer Care Givers The Opportunity to Provide Patient-focused Care

BY PHILIP J. KARST, PhD

Dr. Karst is associate vice president, Member Services, Catholic Health Association, St. Louis.

Only by changing the way healthcare is delivered will our nation provide its people with access to high-quality care and appropriate services. This is a core concept of the Catholic Health Association's (CHA's) working proposal for reform of the U.S. healthcare system. At the heart of CHA's proposal are integrated delivery networks (IDNs). These networks will offer comprehensive benefits and coordinate the delivery of healthcare services in specific geographic markets. The underlying concept of the IDN is that all services are coordinated and focused on the patient (see **Figure** below). At more of an operational level, healthcare providers must identify those key operational areas which are targets for integration (see **Box**).

CHA envisions IDNs as private organizations that would assume financial risk for providing a full continuum of care, emphasizing preventive services in addition to providing acute, long-term, home, and hospice care. Most communities would be served by several IDNs, which would compete for enrollees not on the basis of price but on quality of care, ease of access, additional benefits, and good service. Consumers would be free to choose physicians and other providers by selecting among the IDNs in their service area.



IDNs offer care givers the opportunity to provide patient-focused care that is truly integrated and coordinated, as well as to control costs by creatively managing the services provided and the methods or locations for care. (For a complete discussion of CHA's reform proposal, see *Setting Relationships Right: A Working Proposal for Systemic Healthcare Reform*, CHA, St. Louis, 1992.)

IDNs' Functions

IDNs' major functions would include the following:

- Networking of services. IDNs would be expected to provide the full continuum of services.
- Care management and coordination. Through the IDNs, enrollees' utilization would be monitored to ensure effectiveness and efficiency.
- Risk assumption. IDNs would be responsible for providing a full range of services within a fixed, risk-adjusted capitated amount for each enrollee.
- Care provision. IDNs must be able to provide the most appropriate level of care enrollees need.

For an IDN to provide these integrating services (which go beyond the provision of healthcare services), it will likely require a strong centralized policy board, with a staff to implement decisions. This decision-making and controlling group is necessary to achieve an

KEY AREAS FOR INTEGRATION

Provider Integration
Bringing together the full continuum of care, either through vertical integration or some sort of contractual structures.

Financial Integration
Understanding the financial impacts across the network of various activities (patient care) and of policy decisions (resource allocations).

Culture Integration
Ensuring all participants in the network have a shared understanding of the network's mission and values.

Management Integration
Combining management structures into coordinated or integrated structures of responsibilities; in addition, developing systems and procedures that coordinate the functions across the network.

Community Integration
Recognizing that an IDN's goal is community health. This area requires that the community be formally involved in the decisions that affect the services available to its population.

Policy Integration
Bringing together the various policy decisions in a single, coordinated structure, from strategic planning for the network to systemwide budgeting and resource allocation.

Physician Integration
Bringing into the structure the physicians, who ultimately are responsible for the quality and quantity of medical care provided to IDN enrollees.

Care Integration
Providing patients with the most medically effective treatment (including preventive care) in the most cost-effective manner.

IDN's goals; however, its structure and impact are a source of concern.

Issues to Resolve

Although CHA has spelled out IDNs' functions, several issues remain unresolved.

Governance At issue are two points: Who is in charge, and how would individual providers be involved? One possibility is that governance would be in the hands of one organization, such as an insurance company or hospital, which would contract with providers and control how enrollees access services. In another scenario, individual entities jointly responsible for care would retain the governance-control function. A third possibility would be for an IDN to directly own and manage its providers in a vertically integrated system. Many other scenarios are possible (see Patrick W. Philbin, "The Transition to Regional Networks," *Health Progress*, November 1992, pp. 20-24); however, the geographic area and environmental conditions may determine which governance model would be best for a particular IDN.

Collaboration and Catholic Identity In most cases it is unlikely that one facility would have the resources to become a complete IDN, providing care at all levels and integrating services as well. Catholic providers would therefore be called on to collaborate closely with other providers—both Catholic and non-Catholic. Such collaboration would require them to resolve not only governance issues but also ways to structure their involvement in IDNs to reflect Catholic moral values.

Medical Staff Issues It is not clear how physicians would interact with IDNs. Physicians could govern IDNs. At the other extreme, some physicians may be excluded from all IDNs. Most likely, physicians will be required to be part of a large contracting structure (i.e., part of a hospital contract or part of a physician group involved in contracting). Solo practitioners will find it difficult to maintain total independence.

Communications Technologies One of the most important requirements for an IDN's success will be communications networks and data bases that allow providers to track patients and assess outcomes of care. For the data system to be effective, all providers and patients would need to be part

Continued on page 31

IDN Development

Continued from page 25

Issues in governance, medical staff, and cash flow remain unresolved.

of it. The system must be capable of tracking a particular patient through all providers and treatments and evaluating costs and outcomes along the way. To accomplish this, the IDN must collect and compile data from all providers. All providers will have to participate in the development of computer-based systems.

Revenues and Cash Flows Healthcare organizations are wondering what effect IDNs will have on revenues. Will their revenues increase? Will revenues be drastically reduced? Will healthcare organizations have to substantially reorganize to maintain viability? One extremist view depicts the IDN as a monopoly, one IDN serving all patients and receiving all revenues and contracts for care. Others envision a cooperative approach in which providers and the community decide who will provide what services in the best interest of the community and within the region's established global budget.

IDNs Challenge Providers

Although the need for comprehensive healthcare reform is increasingly evident, a workable model and a time frame for its implementation remain elusive. CHA has responded from a values-based perspective by introducing IDNs as the core of the new delivery system. Although IDNs should have a positive impact on both healthcare costs and quality, significant issues remain unresolved in the areas of governance, medical staff, and alternatives in the distribution of cash flows. □