



# RELATIONSHIPS WITH PHYSICIANS

MERCY HEALTH SERVICES, FARMINGTON HILLS, MI

It is imperative to involve physicians as partners in service to the community as healthcare systems move into vertically integrated care delivery, says John J. Collins, Jr., MD. As vice president for physician integration, Mercy Health Services, Farmington Hills, MI, Collins is organizing primary care networks in many of the 14 communities Mercy serves.

One of Mercy's primary goals is to participate with others in the communities to improve overall health status. Together with the administration and board of the hospital, physicians have a key role in developing the delivery systems needed to reach this goal. Primary care doctors—general internists, pediatricians, family physicians, and obstetrician/gynecologists—are becoming enthusiastic about an integrated system that stresses prevention and wellness, Collins says. In addition, the community needs specialists, technology, and facilities to treat the severely sick and injured, he notes, but it is increasingly evident that primary care physicians are able to address the day-to-day needs of about 90 percent of the people who require physician assistance and guidance.

## MODELS OF PHYSICIAN INTEGRATION

Physicians have joined Mercy's networks in several ways. In one model, several solo physicians

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or small group practices merge their assets to form a group practice. Mercy forms a medical services organization (MSO) to employ, manage, or contract with the physicians. The MSO is then able to negotiate contracts with third-party payers, other specialty physicians, hospitals, and other facilities on behalf of the physicians in the MSO. The MSO structure is flexible enough to meet the needs of physicians who choose to be employed or who wish to remain independent contractors with the MSO.

Other models Mercy is exploring include foundation, staff, and equity group models. The final intent of all the models is to align the incentives of the primary care physicians with those of the Mercy facilities in order to enter managed care arrangements together.

About half of Mercy's 14 communities, which range from metropolitan Detroit to rural Michigan and Iowa, have primary care networks or are in the final stages of forming them (see **Box**). Mercy forms a primary care network by working with groups of primary care doctors in the community to decide how best to construct a network and which physicians should be recruited to join. Physicians are selected on the basis of quality information such as hospital data, board certification, quality and utilization guidelines, and reputation in the community.



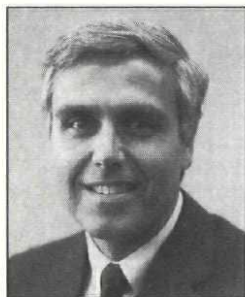
### OVERCOMING RESISTANCE

Collins observes less resistance to integrated networks among primary care physicians than among specialists or senior and middle managers in hospitals. In the past, managers' training and daily activities have been oriented toward operating the hospital as a revenue center, he explains, and now they feel threatened by the facility becoming an overall expense in a system that strives to reduce hospital stays.

To overcome the fears of administrators and specialty physicians, Collins recommends identifying leaders who can tell staff about the advantages of expanding opportunities and explain why financial imperatives are moving healthcare toward integrated systems that provide health services in a capitated system.

"The end goal of all the efforts must be to encourage communities to constantly improve the quality and efficiency of their healthcare services," Collins insists. "To get to that end point, communities have to determine what is the right size of the healthcare system. In many places, there are too many hospitals and specialty personnel," he says.

Collins advocates retraining people so their services and skills are more consistent with the needs of the community. A vertically integrated system must be "right sized," based on the needs of the population served, he says. "The numbers of pri-



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mary care physicians, specialty physicians, and acute care facilities and services must be appropriate to meet the needs of the community in a safe, comprehensive work site."

### TRUST AND UNDERSTANDING

Collins offers the following advice to organizations seeking to form primary care networks:

- Take time to develop physicians' trust. "The most important thing is open, honest communication between the various components of the integrated system," he insists. "Only through this dialogue can trust develop. It is also beneficial to bring in experts from other parts of the country to describe how other healthcare systems are advancing, using vertically integrated healthcare delivery models."

- Understand the ultimate goal. "Decide on a vision for the system in five years, and then determine what must be accomplished to achieve the vision," he says.

### NEEDS IN REACHING THE GOAL

Having the right kinds of physicians and nurses is essential to success, and primary care providers are currently in short supply. Collins advises developing close relationships with academic medical centers to ensure they train the needed personnel. Mercy Health Services has linkages with Michigan State University and the Uni-

## HOSPITALS CONSOLIDATE AND LOOK TOWARD RELATIONSHIPS WITH PHYSICIANS

North Iowa Mercy Health Center, Mason City, is planning formation of a physician-hospital organization (PHO) as part of its goal to position itself for the future. The health center was formed on July 1, 1993, when St. Joseph Mercy Hospital and North Iowa Medical Center consolidated. Physicians were intimately involved in the consolidation process at all levels, including the board.

Before the consolidation began, St. Joseph Mercy had been discussing merger possibilities with Mason City's two major specialty groups. When the hospital-consolidation process was being finalized, Mercy backed off and let the two groups work toward forming a relationship with each other, but the hospital and physicians were careful to keep each other informed.

As a result, the process of forming the PHO, which could include approximately 110 doctors, is going smoothly, according to Sam Porter, MD, vice president of medical affairs at North Iowa Mercy Health Center. "Communication has been the key to our success," Porter says.

Another factor contributing to the amiable relations with physicians was that physicians agreed that the consolidation of the hospitals needed to occur. Mercy made a concerted effort to educate medical staff on changes coming in healthcare, encouraging leaders to attend meetings and share information with their colleagues.

Porter does not know what the organizational structure of the PHO will be, but it will probably be jointly governed

and managed by the health center and the physicians, he says.

North Iowa Mercy is a rural referral center, and it manages eight hospitals in a 13-county area with a population of 230,000. The primary care physicians in the rural hospitals will be in the PHO, and they form the base for the specialists in Mason City.

Although managed care penetration is only 4 percent in Mason City at this time, Porter believes in preparing for the future. He advises hospitals and physicians, "Don't worry about the specifics of what's coming because they will change. Plan to be as flexible as possible so you can adapt. And you adapt by having an organization where hospitals and physicians share one vision."  
—Judy Cassidy



versities of Michigan and Iowa, as well as with the Henry Ford Health System.

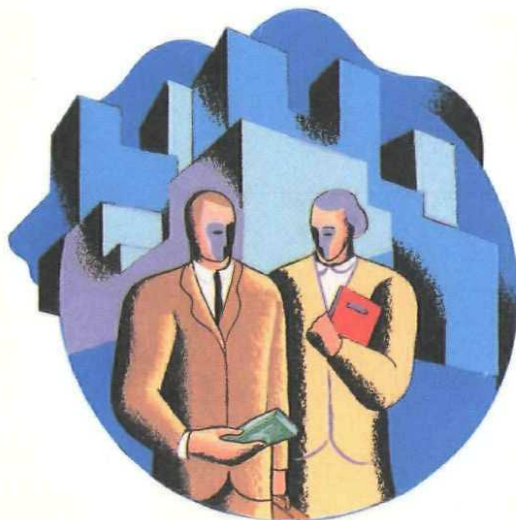
Integrated healthcare systems will also need information systems that provide easy access to patient care information in outpatient, inpatient, ancillary, and nursing home settings, Collins states. And without aggregate data on quality of care, outcomes, appropriateness, and costs of care, he adds, the system will not be able to make necessary improvements. "An extensive information system in the integrated healthcare system is

equivalent to the human central nervous system—without it the body won't work," he says.

#### COOPERATION ESSENTIAL

Collins urges hospitals and physicians not to get into a "war" with each other; he makes the same plea to primary care and specialty physicians. "Ultimately we are all trying to build efficient services for the community," he says, "and that will take the participation of everyone."

—Judy Cassidy



## RELATIONSHIPS WITH PAYERS

SISTERS OF PROVIDENCE HEALTH SYSTEM, PORTLAND, OR  
MERCY HEALTHCARE SACRAMENTO, CA

**A**s the shift toward capitated payment accelerates, hospitals and systems seeking to form integrated delivery networks will be faced with strategic choices about their relationships to payers. Providers must be flexible enough to adapt to different market conditions and take advantage of potential new relationships, but they must also be sure the arrangements they enter into are consistent with their goals and capabilities.

#### SISTERS OF PROVIDENCE'S HEALTH MAINTENANCE ORGANIZATION

Provider networks considering ownership of a health maintenance organization (HMO) should

take a careful look at the market they are entering and ask whether they have the resources to manage the payer's side of managed care, warns John P. Lee, vice president for operations, Sisters of Providence Health System (SPHS), Portland, OR. **Early Presence** The system, which includes three large hospitals, has owned an HMO for more than 10 years now. It began by offering health plans for employees within the system.

"We entered the market early enough to establish a presence," Lee explains, "and we have gone through the process of moving from fee-for-service forms of reimbursement to capitated payments." The system's HMO now has close to 100,000 enrollees, and nearly 150,000 people are