

Forum

MERCY HEALTH SYSTEM &
FRANCISCAN HEALTH SYSTEM

Forging a Provider Partnership To Ensure High-Quality Healthcare

To make a continuum of high-quality healthcare services available to local residents and to help local businesses keep health costs in check, four Cincinnati-area Mercy hospitals and three hospitals from the Franciscan Health System (FHS) of Cincinnati have joined The Christ Hospital to create HealthSpan network.

The network was formed as a partnership among the participating providers, with The Christ Hospital as the general partner and the Mercy and Franciscan facilities as limited partners. Each hospital negotiates fee schedules separately

with HealthSpan.

Local employers can contract directly with HealthSpan to offer their employees a package of managed care benefits. "The arrangement allows providers and employers to work together to address employers' concerns," explained HealthSpan President Stephanie Byrd. The network can provide individual employers with a variety of options, including charges based on diagnosis-related groups (DRGs) and percentage discounts.

Network facilities are

situated throughout the Cincinnati area, with the four Mercy hospitals covering the northern and eastern regions and the three Franciscan hospitals located in



the western section. The Christ Hospital, the network's tertiary care provider, is located near the center of the area. About 25,000 persons are currently enrolled in HealthSpan, and more than 1,200 physicians participate.

A MANAGED CARE OPPORTUNITY

According to Bruce Haskin, Mercy's vice president of managed care, Mercy Health System actively seeks opportunities to develop provider networks, especially in areas where more than one Mercy hospital operates. HealthSpan is the third such network the system has been part of. For the past five years two Mercy facilities in the Toledo, OH, area have been members of the First InterHealth Network, and Mercy providers in eastern Tennessee

are part of the Knoxville-based Signature Health Alliance.

Duane Erwin, vice president of physician and business development at FHS of Cincinnati, said the chance to join HealthSpan came at an opportune time for the local Franciscan hospitals. "Our system started to look into the possibility of managed care early in 1990," he said. FHS planners began by identifying factors that local employers would find attractive in a managed care plan. They concluded that purchasers would look for a network that comprised no more than 60 percent of the available beds in the area but at the same time provided full geographic coverage. Purchasers would also need a plan that provided high-quality services at a reasonable cost.

"As we thought through the implications, we realized that our best approach would be to look for opportunities to collaborate with other area hospitals," Erwin said. Contacts with the Mercy providers and The Christ Hospital revealed that they were looking for much the same thing.

EARLY CHALLENGES

The Mercy facilities considered a number

Cincinnati-area employers can contract directly with HealthSpan to offer employees a package of managed care benefits.

of factors before joining HealthSpan. "A key issue in bringing together multiple organizations is getting physician support," Haskin said. "We began communicating with medical staff leaders early in the planning process to let them know the direction we were headed. Then, when the planning had progressed to the point where we began considering what physicians' role would be in the network, we brought them into the process. Their involvement was crucial to the network's formation."

One key area of concern for physicians was whether participation in the network would limit their referral options. Haskin said that network organizers addressed this issue by recruiting physicians who already referred most of their patients to HealthSpan hospitals. Because the network hospitals as a group provided a full continuum of services and had a reputation

Checklist for Forming A Regional Network

- Find partners with similar values.
- Address antitrust issues up front.
- Involve physicians early.
- Seek to form a good continuum of care.
- Cover the geographic area.
- Make sure a market for managed care exists.
- Identify what local employers want in a managed care plan.
- Develop an effective, integrated information system.

for high-quality care, the referral question did not in the end prove to be a serious obstacle.

Haskin added that potential legal barriers also had to be addressed. "Because our efforts to collaborate could be construed as violating antitrust provisions, we had to be careful about the level of information we shared, particularly price data," he noted. Bringing in third parties to negotiate fee schedules was important to avoid potential problems in this area.

EMPLOYEE BENEFITS

Employees of network hospitals currently make up about 45 percent of HealthSpan enrollees. Under a self-insured plan developed for Cincinnati Mercy hospitals, employees have three different levels of benefits. The first offers 100 percent reimbursement for hospital expenses to enrollees treated at a Mercy hospital. Employees who receive treatment at a non-Mercy HealthSpan facility pay a small portion of their treatment costs, and those who use a hospital outside the network pay a slightly higher percentage.

Employees of Franciscan hospitals pay an annual deductible for treatment by providers

within the network and a per-occurrence deductible for treatment outside the network. For physician visits, Franciscan employees pay 20 percent of charges for treatment by doctors within HealthSpan and 50 percent for treatment outside the network.

PLANNING FOR GROWTH

Most businesses now using HealthSpan employ fewer than 500 persons, but the network is taking steps to appeal to larger employers. According to Byrd, a new option to base treatment costs



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on DRGs should make HealthSpan more attractive. "The DRG alternative puts the network providers at greater risk for inefficiencies," she said, "but it also increases our accountability and gives employers a firmer basis for estimating their costs."

Byrd added that the network's commitment to high-quality primary care is also an attraction for large employers. The fee schedules HealthSpan negotiates with providers require heavier

discounts from specialists than from primary care physicians—a feature designed to attract primary care physicians to the network and to remove some of the incentives to overuse specialized care.

Julie Hanser, president of Mercy Health System, Greater Cincinnati region, believes that tighter integration of network providers and increased responsiveness to employers' needs will be key to the network's future. "If we are to take HealthSpan into a different phase," she said, "we will need to develop a more sophisticated information system and tighter controls. The goal is to offer true direct contracting with managed care accountability and the ability to give employers insight as to their utilization and how they could more effectively manage their healthcare costs."

HealthSpan already has a strong base from which to move forward, Hanser said. "With more than 1,200 physicians, the network offers excellent accessibility. HealthSpan also has a good reputation in the community as a provider of high-quality, low-cost services."

One factor that drew Mercy to HealthSpan was the opportunity to be a leading primary

care provider in the Cincinnati area, Hanser said. "The Cincinnati-area Mercy hospitals are geographically dispersed," she noted, "and we are primary and secondary providers. We also have very strong home care programs, we are developing a hospice, and we have a long-term care facility." The ability to offer these services made the Mercy facilities attractive to a tertiary provider like The Christ Hospital, which saw them as a partner with whom it could collaborate to offer a complete continuum of services.

BUILDING ON SHARED VALUES

But the network's real strength lies in the quality of the partnership among HealthSpan providers. "For everything from strategic planning to employee morale, it's very beneficial to team with partners who have similar values," she said. "We share with the Franciscans and with

Networks like HeathSpan will grow only if participating providers are able to merge some of their data without being accused of price fixing.

The Christ Hospital a commitment to community service and respect for the individual. Without such a shared value base, partnerships will have a difficult time surviving."

Hanser said that being part of HealthSpan will also help Mercy hospitals prepare for life under a reformed healthcare system. "Everyone now is talking about managed competition," she said. "I'm not sure anybody knows exactly what that means, but I think we do know some of the component parts. It will entail utilization review, definition of outcomes, and the ability to demonstrate cost-effectiveness."

Hanser also hopes that policymakers will remove some of the barriers to collaboration. She noted that networks like HealthSpan will grow only if participating providers are able to merge some of their data without being accused of price fixing. The Cincinnati-area Mercy facilities are already regionalizing their information system, and they plan to have a system with online, accurate data by October. "But it's difficult to move forward into sharing data with other providers until we hear from Washington," she said.

—Phil Rheinecker