



Betting the Farm:



The Internet As a Survival Strategy For Managed Care Organizations

by

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Managed Care So Far

- Managed care has cut \$50 billion from California health-care costs over the past ten years with no negative impact on overall health status indicators; in fact, many indicators show significant improvement (breast cancer, immunizations, prenatal care)
- Most "provider-sponsored" managed-care organizations started as a defensive tactic: it is hard to create a successful enterprise based upon negative motivation
- “Managing care” without data is akin to piloting a ship without a compass, a tiller, or power
- A key task in medical care is creating effective delivery systems; most of the real work is ahead of us



The Managed Care Backlash

- Promoted by independent providers and hospitals
- Playing off misinformation and vulnerable patients
- Helped Kaiser to record enrollment in Northern California
- Contributing to lowered accountability and increasing costs



Where We Go Next

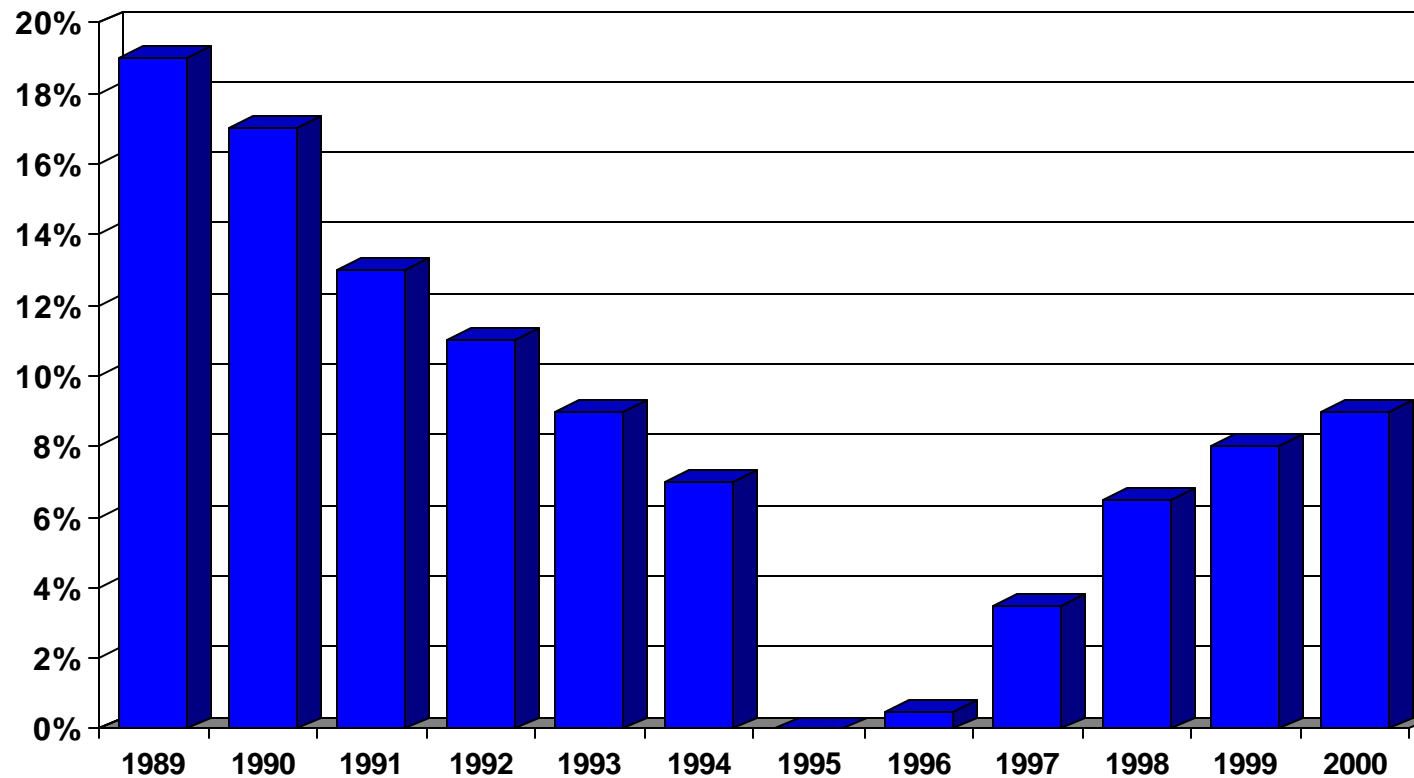


Premiums are up again and will spark a new wave of cost containment measures as well as demands for improvements in quality and customer service.

Every 2% increase in premiums in California is equal to \$1 billion



Premium Trends



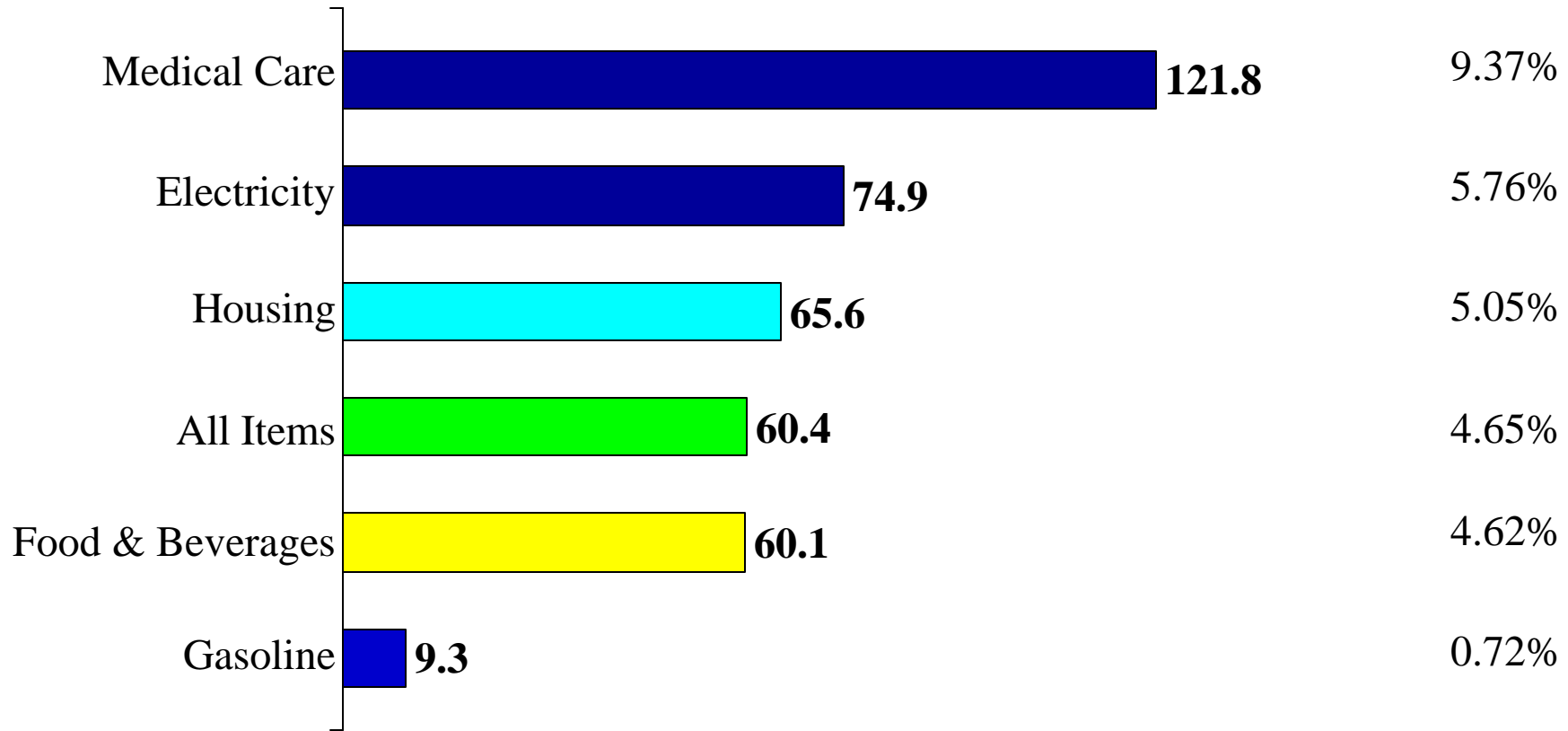


San Francisco Consumer Price Index - 1997



Total % Increase Since Base Period - 1982-84

Per year increase
since 1984



Source: U.S. Department of Labor, <http://stats.bls.gov>



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Providing quality health care services through health-care professionals working together within an organized system.

- Health maintenance and prevention
- Comprehensive coordinated care
- Alternative health options
- Highest medical standards
- Personalized, timely, effective services
- Accountability



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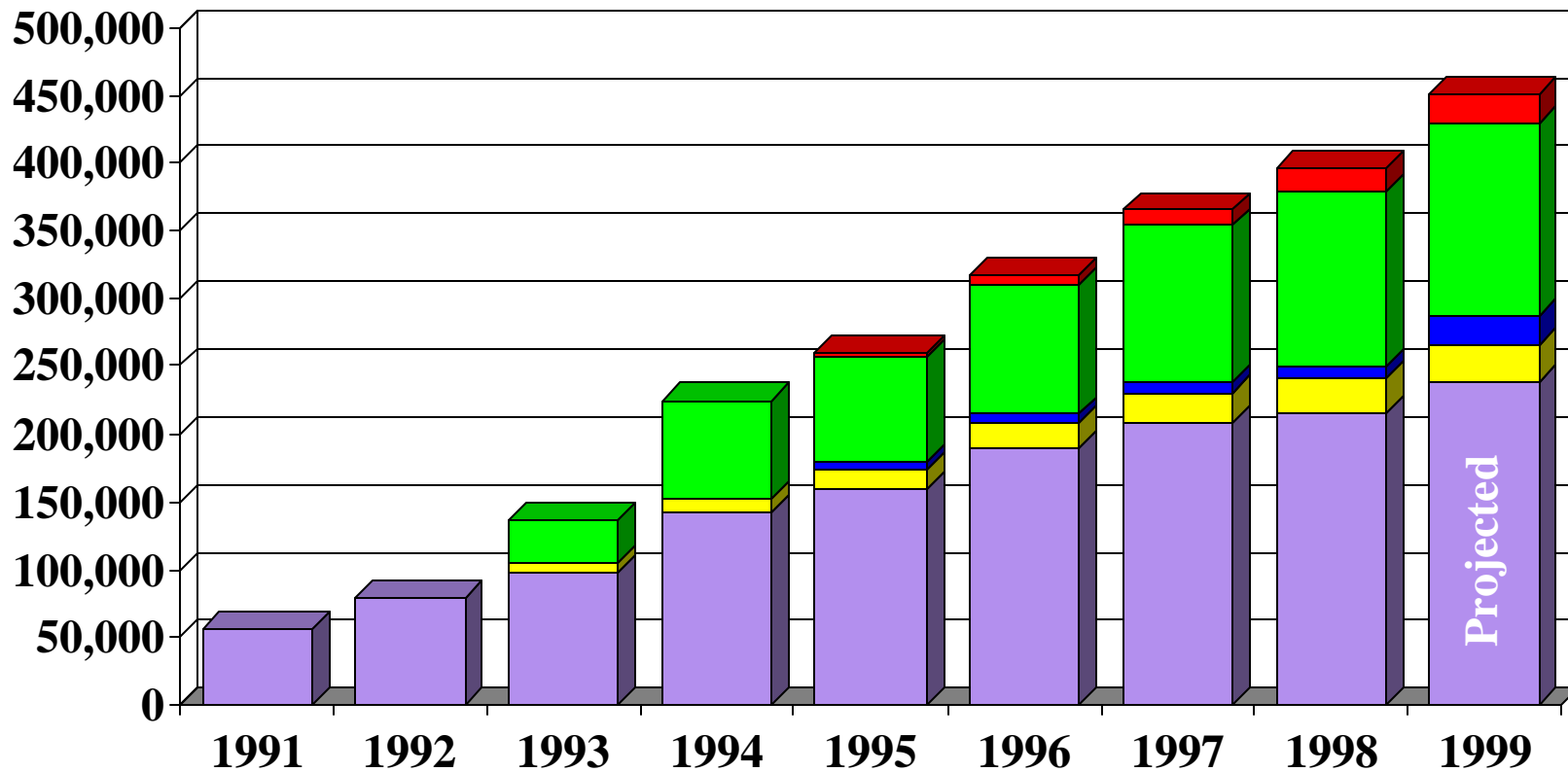


- Locus of physician/clinical expertise
- Building inter-dependence among physicians
- Accountable structure
- Increasingly integrated and disease centered
- Identifying “best practices”
- Managing populations as well as treating people



Year End Enrollment

(Medicare times 3)



East Bay Solano San Francisco Sacramento Shasta



Physician Delivery System

The Connectivity Challenge



	Primary Care	Specialists	Total
Oakland, Berkeley	125	277	402
Castro Valley	44	106	150
Fremont	56	66	122
Tri-Valley	70	153	223
Concord, Walnut Creek	66	161	227
Antioch, Pittsburg	19	37	56
Subtotal:	380	800	1,180
Sacramento			
North Sacramento	37	136	173
East Sacramento	14	35	49
Central Sacramento	27	191	218
South Sacramento	33	42	75
Foothill Area	14	34	48
Subtotal:	125	438	563
San Francisco	83	328	411
Solano	50	137	187
Shasta	43	86	129
TOTAL:	681	1,789	2,470



E-Commerce

- IDX basic platform
- Healtheon Web enabler
- 40% complete with claims
- Referrals/authorizations currently being implemented
- Lab, x-ray, pharmacy next



Implementation Strategy

- Establish system-wide standards, clearly defined processes for effective rules engines
- Automate high-frequency administrative functions
 - Claims
 - Eligibility
 - Referrals/authorizations
- Create user friendly environment
- Add clinical data packets to create patient profiles

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Soy Protein
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From the WebMD National News Center

Glucosamine Retards Progression of Knee Osteoarthritis

European researchers report on results of a 3-year study indicating that a single daily dose of glucosamine sulfate appears to decrease the progression and ameliorate the signs and symptoms of osteoarthritis of the knee. [Go to Physician Top Stories](#)

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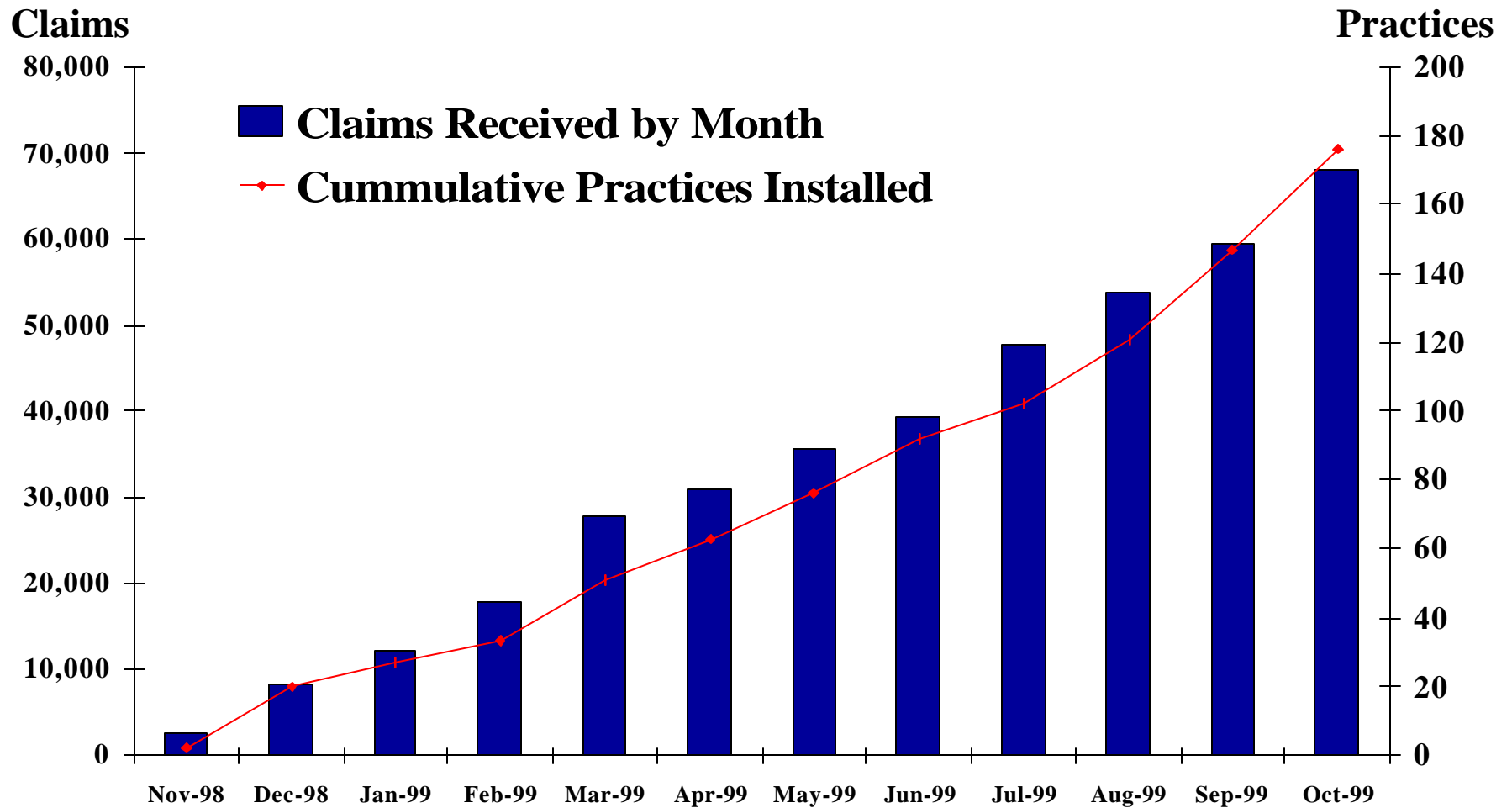
PHYSICIAN non-members

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OFFICE MANAGER entry



Electronic Claims Progress





Leveraging the M.D. Resource

- FFS requires one-on-one laying of hands: highly inefficient
- Capitation promotes efficient use of resources
 - 1985: 2,000 patients per FTE M.D.
 - 1995: 3,000 patients per FTE M.D.
 - 2005: 6,000 patients per FTE M.D.
- Automated pharmacy/lab ordering



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Choose from a list of the finest doctors in Northern California



HealthNet Names Hill Physicians Health Education Program "One of the Best"



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Issues



1. Electronic Medical Record

- Downstream item?
- Needs re-thinking; i.e., patient-based vs. doctor-based

2. Bigger challenge: community health profile and population management

- Non-existing data base
- Privacy issues

3. M.D. desk tops: who controls what gets sent to the desk tops?

- Controlling costs (capitation)
- Generating revenue (FFS)
- Quality issues



The Computer vs. the Good Doctor



- Computer-assisted diagnosis
- Patient honesty and effective communication
- Fighting the airline pilot scenario
- The 9-1-1 story



Pop Quiz



- Four most important factors to maintaining good health?
- Child immunization rates in the Bay Area? 1988 ____
1998 ____
- Average daily hospital charges in 1998?
- Percent of U.S. medical costs paid directly by consumers (out-of-pocket)?
- Have out-of-pocket costs gone up or down over the past ten years?



Pop Quiz (continued)

- State with lowest health care premiums?
- States with highest premiums?
- Annual consumer savings in California from lower premiums?
- Who had the highest profit margins in 1998?
 - a. HMOs b. Hospitals
 - c. Medical groups d. Long-term care
- U.S. spends more on pharmaceutical drugs than other developed nations. True ____ False ____



Pop Quiz (continued)

- In 1998, 750 million passengers flew on American airlines and not a single death occurred as a result of an accident. Of 330 million patients admitted to American hospitals in 1998, how many died of “accidents?”
- Annual salaries of full-time employees in U.S. from 1986 to 1996 rose 39% from \$17,300 to \$23,700. What happened to physician incomes during the same ten-year period? (up or down)
- The average number of patients seen per week by physicians has increased over the past ten years. True ___ False ___
- Over prescribing of antibiotics in the U.S. is a significant problem. What percentage of antibiotic prescription is considered necessary?