Alliance for Patient Safety

All that is necessary for the triumph of evil…
… is for good men to do nothing.
Edmund Burke

7/21/2011 Sent via email and fax to 916-319-3306

ATTENTION: Ross Warren, Chief Consultant, CA Assembly B & P Committee.

Dear Mr. Warren,

It was brought up to my attention that one of the links I provided you in my letter, yesterday, was not operational.

Accordingly, for your convenience, following please find following, copy of that article which can also be found through the following link:

http://www.kaiserhealthnews.org/Stories/2011/July/01/unitedhealth-insurers-buy-doctors-groups.aspx

Respectfully submitted,

Gil Mileikowsky MD

- President and Founder,

- Alliance For Patient Safety, AFPS, http://allianceforpatientsafety.org/

- http://allianceforpatientsafety.org/socalphysgm.pdf

- http://allianceforpatientsafety.org/blackbox.pdf

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Managed care enters the exam room as insurers buy doctors groups

Christopher Weaver, Kaiser Health News, Published: July 1 in Wash. Post

Even if UnitedHealth Group isn't your insurance company, there's a good chance it touches you in some way. The $100 billion behemoth sells technology to hospitals and other insurers, distributes drugs, manages clinical trials and offers continuing medical education, among other things, through the growing web of firms it owns.

Now, that touch could get a lot more personal. United health services wing is quietly gaining control of doctors who treat patients covered by United plans — buying medical groups and launching physician management companies, for example.

It's the latest sign that the barrier between companies that provide health coverage and those that provide care is crumbling.

Other large insurers, including Humana and WellPoint, have announced deals involving doctors in recent months, part of a strategy to curb rising health costs that could cut into profits and to weather changes to their business arising from the federal health law. But United is the biggest insurer by revenue, making the trend much more significant.

Many patients insured by these companies are going to see much tighter management of their care.

"Health-care costs are still going to rise," said Wayne DeVeydt, chief financial officer of WellPoint, which entered the business of running clinics in June with the announcement that it would acquire CareMore, a health plan operator based near Los Angeles that owns 26 clinics. "But the only way to stem those costs in the long term is to manage care on the front end."

That means enlisting doctors. Their orders drive most health-care spending, including the wasteful share: treating heart patients with expensive stents when cheaper drugs might work, or overusing high-tech imaging devices, for example. By managing doctors directly, insurers believe they can reshape the practice of medicine — and protect their profits.

For instance, Cigna, another large insurer, saves 9 percent on patients treated by doctors in a Phoenix medical group it controls, said Stephanie Gorman, president of Cigna Arizona. Cigna has expanded the group over the past 18 months in response to the health law, and it now serves patients at 32 locations.

"The doctors, at the end of the day, control the patients, and currently they're financially incentivized to do more tests, more procedures," said Chris Rigg, a Wall Street analyst for Susquehanna Financial Group. "But, if they're employed by a managed care company, they're financially incentivized" to do less.

That thought unnerves consumer advocate Anthony Wright of Health Access in Sacramento, who worries that profit pressure could affect care. But Wright also said there may be upsides to more tightly managed care: "No patient wants to get more procedures than they actually need."

Insurance companies are pursuing doctors in response to increasing financial pressure. The health law cuts government spending on the private Medicare plans that many insurers offer, imposes rules that could limit profit and increases scrutiny of their rates. Adding to the pressure, the insurers' customers are tired of rising prices.

Employers and other customers “are saying, I want more value for the dollars I spend in health care,” said Dawn Owens, chief executive officer of OptumHealth, United’s health services subsidiary. But, “there’s also a realization that the delivery system isn’t ready for that kind of change. That’s where we come in.”

The tools needed to control costs and improve care are things insurers have “invested in over the years,” she said. “The provider community doesn’t have those tools.”

Word is getting out

United’s strategy has stirred little controversy, in part because few are aware of it. But word is getting out among potential competitors.

Amir Bacchus, chief medical officer of HealthCare Partners of Nevada, a large physician group, said he learned about United’s plans in a phone call from a United recruiter. He was asked whether he’d be interested in joining the company to manage 500 doctors at a network of clinics United planned to build around the country, one part of its physician strategy.

By adding physicians in some places, United “can definitely control the health system” in those areas, said Bacchus, who declined United’s overture. “It’s a threat for us,” he added. “They are going to compete directly with our business model.”

Gail Wilensky, a United board member and health official in President George H.W. Bush’s administration, said the insurer doesn’t seek to control every doctor who sees patients enrolled in its health plans. Typically, insurers contract with doctors to care for their policyholders. She also cautioned the strategy is in the early stages and has not yet proven its success.

“It’s just trying many different ways to see what appeals to the American public and what adds value,” she said. “Whether it will actually mark the trend of the future, I don’t know.”

Rigg, the Wall Street analyst, said that the announced deals were “not needle movers yet” for investors. But four of the five largest health insurers have increased physician holdings in the past year. In addition to the moves by WellPoint and Cigna, Humana acquired the urgent-care chain Concentra in December. Aetna, the third-largest insurer, will not be joining the trend, its chief executive, Mark Bertolini, said in an April interview.

Nonprofit Highmark, which runs BlueCross BlueShield plans in Pennsylvania and West Virginia, also struck a deal last week laying the groundwork for it to acquire West Penn Allegheny Health System, a Pittsburgh-based chain of six hospitals.

United’s OptumHealth subsidiary, meanwhile, is buying doctors’ groups, building management companies to organize physicians, fostering new partnerships with medical groups and hiring doctors at a group it already controls.

Optum brings technology, data and population health skills to physician groups it acquires, said Owens, the CEO: “We help them modernize the way medicine is actually practiced.” Some of the deals were initiated by doctors’ groups looking for help, she added.

Owens said Optum’s deals will serve all the players in the health system, including rival health plans whose policyholders may use the same physicians.

Optum declined to discuss details, but documents show the company cut deals in California, Arizona, Nevada and other markets.

Optum and its Collaborative Care unit have acquired Memorial Healthcare IPA and AppleCare Medical Management in Orange County, Calif., as well as WellMed Medical Management, which runs clinics in Texas and Florida. Collaborative Care also launched Lifeprint in Phoenix.

In some cases, the company obscured its role. For instance, a Collaborative Care business, NextDoor Health, which is partnering with a local doctors group to open retail clinics at Wal-Mart stores in Texas and other states, describes itself on its Web site as “a privately held LLC based in Minneapolis.” United is based just outside of Minneapolis.

Hush-hush deals

One reason companies keep physician deals quiet is that, as is the case with real estate developers, news of a big project can inflate prices, said Paul DeMuro, a Calif.-based Latham & Watkins attorney who represents physician practices. The prices for doctors’ practices are already “absurd,” he said.

Insurers managed physician practices before, especially in the 1990s. But customers rejected those tightly managed plans. Some local plans, and larger insurers such as Kaiser Permanente, continue to employ practicing doctors. But the biggest national insurers shed such arrangements.

One reason the strategy makes sense now is that the health law could reward such arrangements. The law envisions so-called accountable care organizations, groups of doctors and hospitals that take responsibility for patients and the financial risk that comes with them. If they cut spending, they would keep some of the savings.

While hospitals are widely seen as the natural leaders of ACOs, United’s strategy positions it to lead the new systems, too, a company executive acknowledged.

Collaborative Care, the United subsidiary, employs “caregivers that take risk,” said Todd Cozzens, the chief executive of Optum’s Accountable Care Solutions, another subsidiary. “In markets where they’re strong, they’re definitely going to set up ACOs.”

Some observers watching the developments say the health law, which was sold as a way to rein in insurers, has had the opposite result, opening the door for the companies to take control of even more parts of the health system.

“There’s a gigantic Murphy’s law emerging here,” said Ian Morrison, a California-based health-care consultant who does work for United, as well as most of its competitors. “The very people who were the demons in all of this, that the public can’t stand” — managed-care firms — “are the big winners.”

Kaiser Health News is an editorially independent news service of the Kaiser Family Foundation, a nonpartisan health care policy organization that isn’t affiliated with Kaiser Permanente.

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