

Medicine, Motivation Mix in New Network

CARE: Incentives, Employer Participation Part of Coverage

By JOHN COX

An alternative to conventional health insurance is being marketed to San Diego-area employers with the promise of transparent medical costs, greater focus on physician-managed preventive care and potential savings to be shared by virtually everyone involved.

Healthy Partners Network, launched under a different name last year by **XiMED** and expanded this summer, offers fixed prices for physician, hospital and other health-care services. If over the course of a year an employer's medical claims total less than budgeted, the employer splits the difference with the network. Overruns would be covered by stop-loss insurance.

The product is meant to address employers' desire for more control over rising insurance premiums while also putting physicians back in charge of medical care — except with more financial incentive to control costs.

Observers say the plan is a novel twist on self-funded health insurance, which is in wide use elsewhere but not common locally. While the idea may offer potential savings, they say, selling it to employers won't be easy, in part because so many traditional insurance options are available in the San Diego market.

Getting Employers On Board

It may take "a monumental effort" to sign up employers, said health care consultant **Mike Williams**, president of Martinez-based **The Abaris Group**. But if XiMED and its partners are successful, he added, "It's a hell of a market move."

Another outsider who has studied San Diego's health care market, **Maribeth Shannon**, said there has been much talk about the "very interesting model" of employers contracting services directly from physicians. The primary benefit she pointed to is medical care that's more responsive to employer needs.

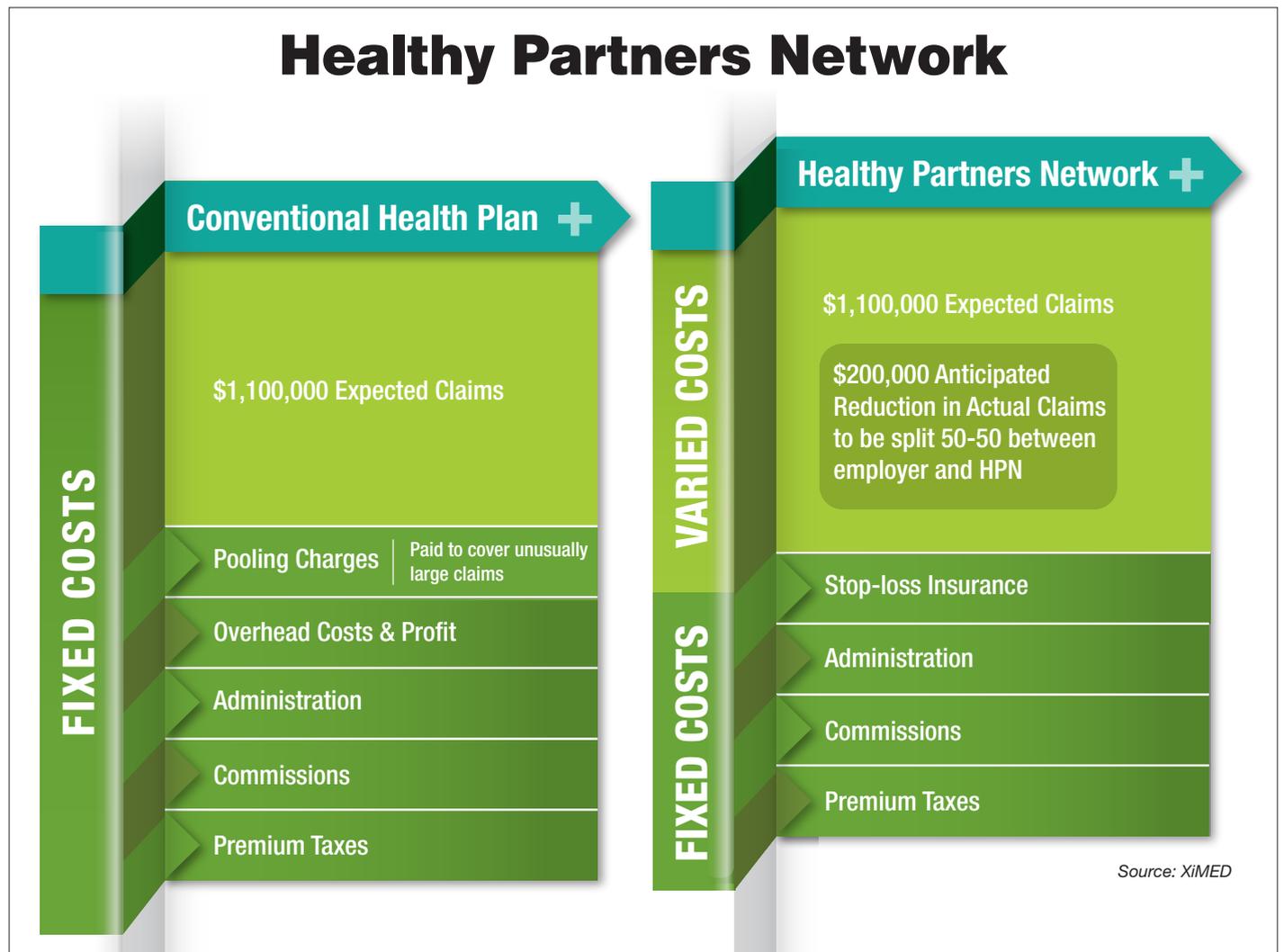
"They know those medical groups will be paying attention to what they as employers want," said Shannon, program director for the **California Health Care Foundation**.

After launching XiMED Healthy Partners last year, XiMED failed to enroll a single employer. Then this month, the physician-owned company announced it has partnered with two other doctor groups — **MultiCultural Medical Group** and **Greater Tri Cities IPA** — to form **Health Excel Inc.**, which represents more than 800 independent physicians across San Diego County.

XiMED has also partnered with **Key Benefit Administrators (KBA)**, an Indianapolis-based, third-party administrator whose contributions to the offering include data analysis and chronic disease management.

'Skin in the game'

Healthy Partners is not an insurance product, and unlike many self-funded health plans in which employers agree to take on financial risk, it is not administered by a traditional insurance company. Rather, XiMED CEO **Thomas Sounhein** said, it is a network of primary care doctors, specialists, home-health care workers and medical centers — including **Scripps Health** hospitals — that agree



Who Will Manage Care Under The Healthy Partners Network?

Three local independent physician associations, also known as IPAs, have joined under the name Health Excel Inc. to offer their services as part of an employer-funded alternative to conventional health insurance. Here is a summary of each group:

Greater Tri Cities IPA

Since 1961, this group has served the Carlsbad, Oceanside and Vista area with 38 primary care physicians and access to 60 specialists.

MultiCultural Medical Group

This IPA was founded in 1993 and now comprises 125 primary care physicians and about 200 specialists from Chula Vista to Poway, extending east to the mountains.

XiMED IPA

Formed in 1979, XiMED (pronounced ZY-med) originally focused on the La Jolla area and now extends north to about Carlsbad and south to state Route 52. It has access to more than 400 physicians practicing in primary care and 45 specialties.

to provide services according to established clinical guidelines and subject to peer review.

XiMED would not collect insurance premiums as part of its Healthy Partners product. Instead, employees would send payments directly to their employer offering the self-funded health plan, unless the company decided to cover its workers' costs.

The network could grow beyond San Diego County and even beyond California, Sounhein said, but for now membership is limited to the three independent physician association members, known as IPAs. He said there will soon be an offering of Health Excel's stock to expand the company's ownership to more member doctors as a way of getting their "skin in the game."

Although employers contracting with Health Excel would pay their workers' actual medical bills at pre-determined prices, there is an element of cost-sharing that gives physicians a financial incentive to keep a lid on patients' use of medical services.

Sharing the Savings

Using data on employees' past medical claims, Health Excel, the employer



Thomas Sounhein

and KBA agree to a budget for medical expenses during the coming year. If the medical provider network is able to bring in total claims under budget by keeping enrollees healthy and otherwise handling medical care in a cost-effective way, savings are distributed at the end of the year. Half the money would go to the employer and half to the network, including hospitals.

Sounhein acknowledged there's no guarantee any surplus will remain at the end of the year, saying, "It's not a slam-dunk. We know that." But because employers will have an incentive to control costs just like the physicians involved, he said, they will be willing to work with doctors to help make their worker's health care better and more cost efficient.

Employer engagement with the process will be key to the venture's success, said **John Youngs**, CEO and chief underwriter at Elk Grove-based **OneSource StopLoss**, which is working with Health Excel to provide the insurance employers will buy in case claims run higher than budgeted.

Just as important, he said, will be Health Excel's work with patients to reduce pricey hospitalizations.

"It's really about, where is the appropriate setting in the effective management of care?" he said.

Disrupting the Old Model

None of this will be easy, and making

the necessary transitions in how people think about health care may take years, said **John Kahle**, who has done consulting work for XiMED on the project. He is also senior vice president at **Hub International**, an insurance broker firm with offices in the San Diego area.

Kahle described Health Excel's model as a disruption that will require physicians to be more "hands-on" just as it depends on employers thinking beyond the normal cycle of switching insurers every 12 months.

"It's going to take the innovators and the early adopters," he said. "We're going to disrupt a process that's been in place forever."

XiMED's chairman, Dr. **Marc Sedwitz**, said he hopes to see patients sharing in the savings. That would help ease the shift to an arrangement in which patients will have to trust doctors' judgments that high-cost health care is not always the best option.

That's a big change, he said, and to get there physicians will have to bridge one of the biggest disconnects in health care.

"Doctors for the first time will take a responsibility for being able to communicate what patients need instead of what they expect," he said.