PRIMARY PROVIDER GROUP CONCEPT

Introduction

The clamor, by purchasers of health care services, to control escalating health care costs, continues. Business is becoming more involved in the health care debate as the costs consume an ever increasing percentage of after-tax dollars. Labor recognizes that salary adjustments and other benefits are impacted by the increasing number of dollars spent for health care. The federal government continues to experiment with delivery systems, as well as payment alternatives, and has proposed modifications to tax laws to provide some predictability for the burgeoning federal budget for health care.

Against this backdrop, there is an increasing supply of physicians, and a hospital bed capacity in excess of need. These factors are creating an intensely competitive environment, where price is becoming the allocator of scarce resources.

Efforts to ensure an effective health care system and to provide appropriate access must be forged at the local level. Consortia of concerned individuals within communities must develop the vehicles effectively to provide services at reasonable costs. This effort will require recognition, on the part of the members of consortia, that the cost problem and responsibility for correcting it must be shared by all. If this challenge is not met locally, entrepreneurs will emerge, to develop alternative systems which are not in the best interest of the community.

There are no physician problems, no hospital problems, no benefit design problems, no patient expectation problems. There are only health care delivery problems. Physicians cannot practice without hospitals. Hospitals cannot function without physicians. Necessary health care services will be delayed or avoided, if coverage does not exist. The logic for interdependent problem-solving is inescapable.

Background

Because of these factors, a number of physicians came together, early in 1978, to form Independent Practice Associates, (IPA), a Michigan, for-profit, professional corporation. Through IPA, these physicians intended to maintain their own individual practices, fee-for-service reimbursement and accountability to physician peers for quality of care, even while working with business, labor and hospitals to solve local health care delivery problems, through a prepaid health care plan created in late 1979 known today as HealthPlus of Michigan, Inc. (HPM).
As its name implies, IPA has served as a means through which physicians, working cooperatively in individual practice, arrange to provide all necessary professional services for patients who have enrolled for membership in HPM's prepaid health care plan. If physicians involved in IPA, through IPA's cooperation with HPM, could enjoy greater protection from big government and insurance intervention in the health system and, instead, enjoy preferential latitude in developing their own reimbursement policies and utilization control mechanisms, so much the better. In practice, over the last four years this has, indeed, proven the case.

HealthPlus of Michigan (HPM) is a non-profit corporation which is operating as a health maintenance organization (HMO). It is an individual practice association model HMO which utilizes contractual arrangements with participating physicians and other providers to assure the delivery of health care services to enrolled members of the plan. Medical services are primarily delivered through physicians affiliated with various Independent Practice Associates, P.C., (IPA) the physician corporation contracting with HPM. The four (4) Regional IPA's presently have more than 1700 physicians who have contracted individually to provide services within their practices to members enrolled in HPM. With approved out of plan referrals, arrangements are made to obtain uncommon or highly specialized services through unaffiliated health care providers.

In addition to physician providers, HPM contracts with 27 southeastern Michigan hospitals, 600 pharmacies, multiple ambulance companies, nursing homes, and other health services providers throughout the service area.

HPM presently provides health benefits to approximately 130,000 members enrolled through more than 200 employer groups and individually. Over 70 percent of these members are enrolled through the major automotive industry employer, General Motors Corporation. The present membership also includes state, county and municipal employer groups, in addition to many private sector employers. Since 1983, HPM has offered its full HMO benefit program to the area's Medicare population through a contract with the Federal Government's Health Care Financing Authority.

The home office of HPM is located in Flint, Michigan, with regional offices located in Saginaw, Ann Arbor and Southfield, Michigan. The present service area approved in conjunction with the plan's state licensure consists of the major portion of southeastern Michigan.

Administration

HPM is governed by the health plan's fifteen member Board of Directors. The operation of the plan to achieve the objectives and goals established by the Board is the responsibility of the President and the activities of the plan are conducted and performed by plan employees.

Michigan IPA is a statewide physician organization established to assure appropriate consistency in the referral process, medical policy and the physician member application process. All essential executive, administrative, financial, marketing and health care services delivery management activities are performed on behalf of HPM by the staff of the health plan. Supplementing the activities of the full time staff, the plan utilizes the services of other professionals, including physicians, on a part time and consultative basis. HPM's organizational structure reflects the plan's capacity to provide the necessary executive, financial, marketing, and administrative services through the plan's full time staff.