



Forum Session Meeting Announcement

Friday, November 14, 2008
11:30am–Noon — Lunch
Noon–2:00pm — Session

A Tale of Three Cities: Local Health Care Markets and Health Care Reform

A Discussion Featuring:

David Dranove, PhD

*Walter McNerney Distinguished Professor of
Health Industry Management
Kellogg School of Management
Northwestern University*

Colleen K. O'Toole, PhD

*President
Greater Cincinnati Health Council*

Ronald Levy

*Independent Consultant
Former President and Chief Executive Officer
SSM Healthcare – St. Louis*

Location

**Reserve Officers Association
of the United States**

One Constitution Avenue, NE
Congressional Hall of Honor
Fifth Floor

*(Across from the Dirksen Senate
Office Building)*

Registration Required

Space is limited. Please respond
as soon as possible.

Send your contact information
by e-mail to: nhpfmeet@gwu.edu

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A Tale of Three Cities: Local Health Care Markets and Health Care Reform

OVERVIEW

Health care markets are comprised of providers, insurers, and employers that have histories and relationships shaped by social, economic, and political characteristics of the area. The National Health Policy Forum has explored the effects of these varied histories and relationships through some of its site visits. This Forum meeting will bring a condensed version of three site visits to the nation's capital. Speakers from Chicago, Cincinnati, and St. Louis will compare the complexities of their health care markets to illustrate the aspects of health care that are truly local and explore how national health care reform efforts may need to account for critical characteristics of each market.

SESSION

Health care reform discussions typically center on options for expanding coverage to the uninsured and improving the efficiency of health care, but rarely do they dwell on the delivery system that will implement the expansions and improvements. Yet aspects of the delivery system, especially the competitive balance and relationships among providers, insurers, and payers, may ultimately determine the success or failure of any proposed changes. Influenced by their community's unique history, economy, social networks, population, and even geography, the actors in a health care market have ties that have developed over the years. The difficulty in developing national health care reform proposals may boil down to the adage, "all health care is local."

Most communities face the same health care problems—uneven access, rising costs, and unreliable quality—but any proposed solutions need to account for uniquely local circumstances if they are to succeed. Although most health care providers would applaud efforts to expand coverage, whether they accept the newly insured with open arms will depend both on how payments compare to those of other payers and on their capacity. The recognition that health care cost increases need to be controlled is nearly universal, but within any local economy the balance of power among the major actors will affect which costs are targeted and which can potentially be controlled. Objective measures of provider quality may lead to greater efficiency; however, purchasers may disregard them if they conflict with historical reputation and community loyalties.

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Through its site visits, the National Health Policy Forum has explored relationships among the people and institutions that shape health care markets. Over the past few years, the Forum examined the roles of competition and collaboration in visits to three Midwestern cities. Chicago, Cincinnati, and St. Louis are all struggling to ensure access for vulnerable populations, but the observed alliances and rivalries among the various players in their health care markets indicate that any national health care reform efforts would play out differently in each community.

- Because of **Chicago's** large population, geographic scope, and immigrant history, local providers tend to serve neighborhoods rather than the entire city. What on a map may look like a short distance may in fact be a chasm that a patient cannot readily traverse. The market is dominated by one insurer, several major teaching facilities, and a large network of federally qualified health centers (FQHCs). Many smaller players struggle to maintain solvency and compete for scarce resources. All are united, however, in their concern about the severe financial and managerial problems at the county's Stroger Hospital (formerly Cook County Hospital), because its collapse would flood the city's vulnerable providers with more uninsured or underinsured patients and pressure the wealthier institutions to do more.
- **Cincinnati's** three major health plans compete for accounts on the basis of prices and relationships rather than their broadly inclusive (and essentially identical) provider networks. A county real estate tax levy supports indigent care. The three homegrown hospital systems are establishing new facilities in the high-growth outer suburbs without abandoning their inner-city campuses. Dominant, single-specialty physician groups are a strong presence in the market. Cincinnati Children's Hospital has been a national leader in quality improvement and patient-centered care.
- **St. Louis** is marked by long-standing and deeply felt racial and economic divides. Although it boasts two academic health centers, St. Louis has no public hospital and an inadequate safety net. The few providers remaining in the city have developed a specialty care clinic for the city's poor. This is, in part, a defensive strategy to relieve overcrowded emergency departments. Employers are largely absent from discussions on health care access and cost. Physicians increasingly compete with hospitals by providing profitable services, and hospitals are looking for financial stability by expanding to more affluent suburbs, leaving city facilities and populations with fewer and fewer resources.

This Forum meeting will feature a key observer from each of the three cities in a facilitated discussion of the major influences that shape each health care market. The goal is to examine local market characteristics that may affect national reform efforts. Aspects of the history of major providers, the economy, the social ties and animosities, and critical boundaries will be presented for each city.

SPEAKERS

David Dranove, PhD, Walter McNerney Distinguished Professor of Health Industry Management, Kellogg Graduate School of Management, Northwestern University, will discuss the Chicago market. He has a long history of studying competition and collaboration among health care facilities, and he understands the vagaries of the Chicago landscape. Representing Cincinnati will be **Colleen O'Toole, PhD**, president of the Greater Cincinnati Health Council and a trustee of the Health Improvement Collaborative of Greater Cincinnati. She will speak to quality and information technology initiatives as well as the state of the safety net in the Queen City. **Ron Levy**, former president and chief executive officer of SSM Health Care—St. Louis, will share the perspective gained from running the second largest hospital system in the area. An experienced administrator in both rural and urban areas, he has championed partnerships between hospitals and physicians.

KEY QUESTIONS

After speakers give a brief overview of their respective health care markets, they and the audience will discuss the following questions:

- Pressure for change—as well as the focus of that change—differs within markets, whether it be for coverage expansions, cost containment, or delivery improvements. Who is advocating for change in these health care markets? Who is most likely to resist it?
- Aligning provider incentives to deliver high-quality care efficiently may be a key reform objective, one which would require creative ways to overcome institutional barriers. What has been the history of provider collaboration in these areas? How will the economic downturn affect providers' willingness to work together to address cost and access issues, or to rationalize the delivery system across the area?
- Slowing health care cost growth will be key in any reform scenario. What are the opportunities in these markets to deliver health care more efficiently? What are the likely obstacles to these strategies?
- In most markets, a select provider or group of providers is a “must have” for any desirable insurance product. Who are the “must haves” in these markets? Are they powerful enough to shape reform efforts to maintain their reputations and financial status?
- Employers vary across markets in terms of their willingness and ability to provide health insurance to their workers, as well as their commitment to a community. What are employers doing to shape these health care markets? How will they respond to any kind of “shared responsibility” requirements in health care reform?

Key Questions / continued ►

Key Questions / continued

- Some markets include local insurers, whereas others are dominated by national players, who vary in how they work with providers and the community. How do insurers in these markets compete? Have insurers been innovators in creating new products or developing effective quality improvement programs? How might they react to coverage expansions or rating or underwriting reforms?



The National Health Policy Forum is a nonpartisan research and public policy organization at The George Washington University. All of its publications since 1998 are available online at www.nhpf.org.