

St. Louis Health Care:
“The Good, The Bad and The Ugly”

National Health Care Policy Forum
A Tale of Three Cities
November 14, 2008

St. Louis Health Care Market Overview

- **Health Systems:** BJC (7 hospitals - 33% m.s.)
SSM (7 hospitals - 20% m.s.)
Tenet (2 hospitals - 5.9% m.s.)
Mercy (1 hospital - 10.3% m.s.)
- **Medical Schools:** Washington University
St. Louis University
- **Physicians:** 6000+
3 Hospital Based Medical Groups (500)
2 Independent PCP Medical Groups (100)
4 Specialty Groups with Ambulatory Centers
(ortho, card, urol, rad)
- **Safety Net:** 4 FQHC's, ConnectCare,
St. Louis County Clinics
- **Payers:** Anthem
United Health Care
Coventry

St. Louis Health Care: Similarities To Other Markets

- Providers abandoning poor areas and vulnerable populations
- Physicians creating ventures to increase revenues
- Well established medical interests impeding meaningful change
- Providers lack enthusiasm for transparency
- Medicaid coverage reductions and financing shortfalls

**Impact: A market dichotomy:
The have's and the have not's**

St. Louis Health Care: Unique Characteristics

- Hospital oligopoly vs. Insurer oligopsony
- Two medical schools with different academic and community missions
- Employers and Business Health Coalition have little market leverage
- Regional Health Commission supported with hospital DSH dollars with a mission to secure safety net
- A fondness for beer and baseball that can bring together even the fiercest competitors....."This In-Bev's for you!"

**Impact: A market stalemate limiting innovation,
cost and quality competition**

St. Louis Hospital Market Dynamics

- There are the “haves” in the West and East.
- The “AMCs” in the Central Corridor.
- Declining/ marginalized hospitals serving the inner city and changing suburban areas.



Physician-Hospital Collaboration and Competition

Forms of Physician Alignment

Low Alignment

High Alignment

Voluntary Medical Staff	Contracted Services	Performance Incentives	Leasing Models	Outpatient Joint Ventures	Specialty Hospital	Employment
<ul style="list-style-type: none"> • Extend privileges to independent practitioners 	<ul style="list-style-type: none"> • Medical directorships, stipends, clinical service mgt. 	<ul style="list-style-type: none"> • Co-management • Gain sharing 	<ul style="list-style-type: none"> • Equip. Leasing • Block Time/ "per click" arrangements 	<ul style="list-style-type: none"> • Endoscopy, ASC, imaging, cardiology 	<ul style="list-style-type: none"> • Most Common: <ul style="list-style-type: none"> - Orthopedic - Cardiac 	<ul style="list-style-type: none"> • Primary Care • Specialists

"Old School Approach"

Independent Physicians/Groups

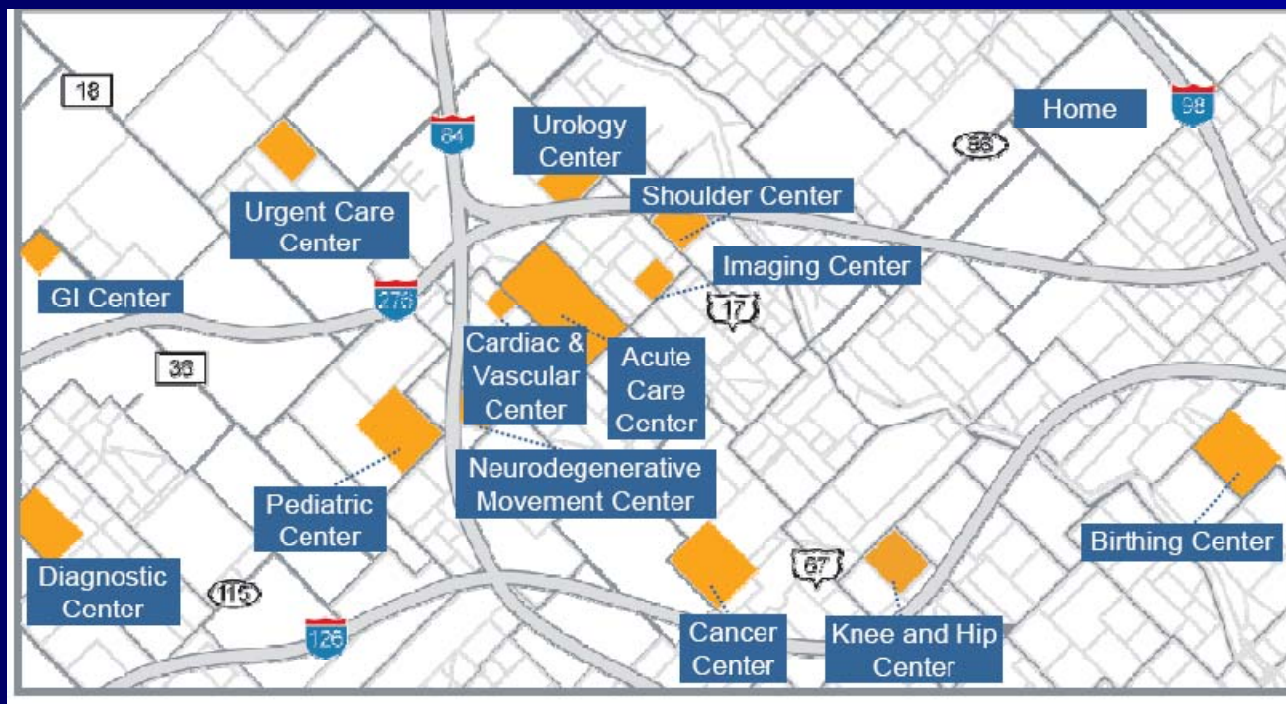
Hospital-Based Medical Groups

Transforming of Physician-Hospital Relationships

	1990	→	2000	→	2010
Policy Catalyst:	Clinton Health Care Reform Initiative		Medicare BBA		Market Competition Market Regulation Consumer-Driven Care Pay For Performance
Hospital Response:	Health Care System creation and integration		Health Care System's focus on operations improvement & economies of scale		Hospital-Physician competition for ambulatory services Capital investment in medical and information technology, new facility development
Physician Evolution:	Primary Care Physicians/Groups Employed: "center stage in health care delivery"		Physician specialists become disenfranchised & begin to form specialty groups		Physician specialists create independent centers of care delivery

Current State: *Disaggregation of Health Care Services*

Economic and Technological Forces Have Driven Proliferation of New Competition



Unlike normal market economic exchange, health care competition fragments care delivery and quality improvement which, in turn, increases the cost of care ...

Current State: *Greater Complexity Due To Both Market Competition and Market Regulation*

Can we get the results we want?

Drug/
Supplier
Cost

Tax Credits
for Coverage

Personal
Responsibility

Medicaid

Medical
Technology
Cost

Consumer
Directed HC
HSA

Quality/Price
Transparency

Employer
Mandate

Pay for
Performance

Pool Risk

HIPPA

Physician
Competition

Prevention/
Wellness

Medicare
Risk Plan

Individual
Mandate

Electronic
Health
Record

Privatize
Medicare

Protect the
Kids SCHIP

Where Do We Go From Here? “Critical Choice”

- Do we continue to have our national health care system driven predominantly by a financing public policy?

OR

- Do we create a national health care policy driven by a new foundational framework for a health care delivery system?

Either way, there will be a price to pay!