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

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<td>Outpatient Joint Ventures</td>
<td>Hospital-Based Medical Groups</td>
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- **Low Alignment**
  - **Voluntary Medical Staff**
    - Extend privileges to independent practitioners
  - **Contracted Services**
    - Medical directorships, stipends, clinical service mgmt.
  - **Performance Incentives**
    - Co-management
    - Gain sharing
  - **Leasing Models**
    - Equip. Leasing
    - Block Time/“per click” arrangements
  - **Outpatient Joint Ventures**
    - Endoscopy, ASC, imaging, cardiology
  - **Specialty Hospital**
    - Most Common: Orthopedic, Cardiac
  - **Employment**
    - Primary Care
    - Specialists

- **High Alignment**
  - **Specialty Hospital**
    - Most Common: Orthopedic, Cardiac
  - **Employment**
    - Primary Care
    - Specialists
# Transforming of Physician-Hospital Relationships

<table>
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<tr>
<th>Year</th>
<th>Policy Catalyst</th>
<th>Hospital Response</th>
<th>Physician Evolution</th>
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<tr>
<td>1990</td>
<td>Clinton Health Care Reform Initiative</td>
<td>Health Care System creation and integration</td>
<td>Primary Care Physicians/Groups Employed: “center stage in health care delivery”</td>
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<td>2000</td>
<td>Medicare BBA</td>
<td>Health Care System’s focus on operations improvement &amp; economies of scale</td>
<td>Physician specialists become disenfranchised &amp; begin to form specialty groups</td>
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<td>2010</td>
<td>Market Competition</td>
<td>Hospital-Physician competition for ambulatory services</td>
<td>Physician specialists create independent centers of care delivery</td>
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<td>Market Regulation</td>
<td>Capital investment in medical and information technology, new facility development</td>
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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
- Pay for Performance
- Quality/Price Transparency
- HIPPA
- Employer Mandate
- Pay for Performance
- Pool Risk
- Medicare Risk Plan
- Individual Mandate
- Electronic Health Record
- Prevention/Wellness
- Privatize Medicare
- Protect the Kids SCHIP
- Physician Competition
- Consumer Directed HC HSA
- Medicare
- Medicare

- Medical Technology
- Cost
- HSA

- Personal Responsibility
- Pay for Performance
- Pool Risk
- Prevention/Wellness
- 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!