

Introduction of Management Services



ABC Independent Practice Association

Needs

Concerns

Options

Approach

Pendulum Mission

- Emphasize patient care needs and quality improvement
- Return physicians to a meaningful role in financing care
- Long term goal to make physician and physician driven organizations self reliant in a changing market

Background

Began offering temporary management startup and turnaround projects in 1981

- Texas
- Connecticut
- Illinois
- Wisconsin
- Minnesota
- New York
- Kansas
- California

Current Projects

- Physicians of Wisconsin. A coalition of 4 IPAs in Milwaukee asked PHDC to take over management of the company that now represents 12 HCOs with over 3000 physicians
- In the process of working with a health system to buy out physician owned health plan and restore it to profitability
- Attracting venture capital to create a defined contribution plan for direct contracting between physicians and employers in rural and secondary markets

What We Have Learned

- Physicians are looking for short term solutions to long term problems
- In managed care arrangements fee schedule increases and contract terms do not yield as much as medical management improvements
- Organizational barriers and political/emotional responses to business situations ruin otherwise successful ventures
- Good people make the difference
- Success is more a matter of trust than it is resources

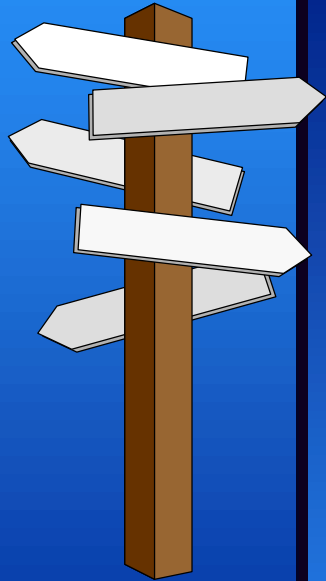
ABC IPA Due Diligence

- Lack key reports and ratios to determine solvency
- Cash instead of accrual accounting for a risk organization is dangerous
- No withhold being funded?
- IBNR is an unknown?
- 140% of Medicare is a good contract but will not last forever
- Overstaffed, especially with recent drop in enrollment
- Referral problems are driving up medical expenses costs

Questions Remaining

- Claims by account both paid and unpaid ?
- Breakdown of CPT codes against charges?
- Estimate of underpayments?
- Estimate of overpayments?
- Review of physician contractual obligations needed?
- Who are owners versus participants?
- What is the level of cap deductions remaining and how will it be reconciled?
- What is the plan if this trend can not be turned around?

Options

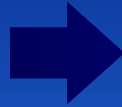


- Revitalize the IPA through new management
- Close the IPA
- Reconstruct a new IPA under new management

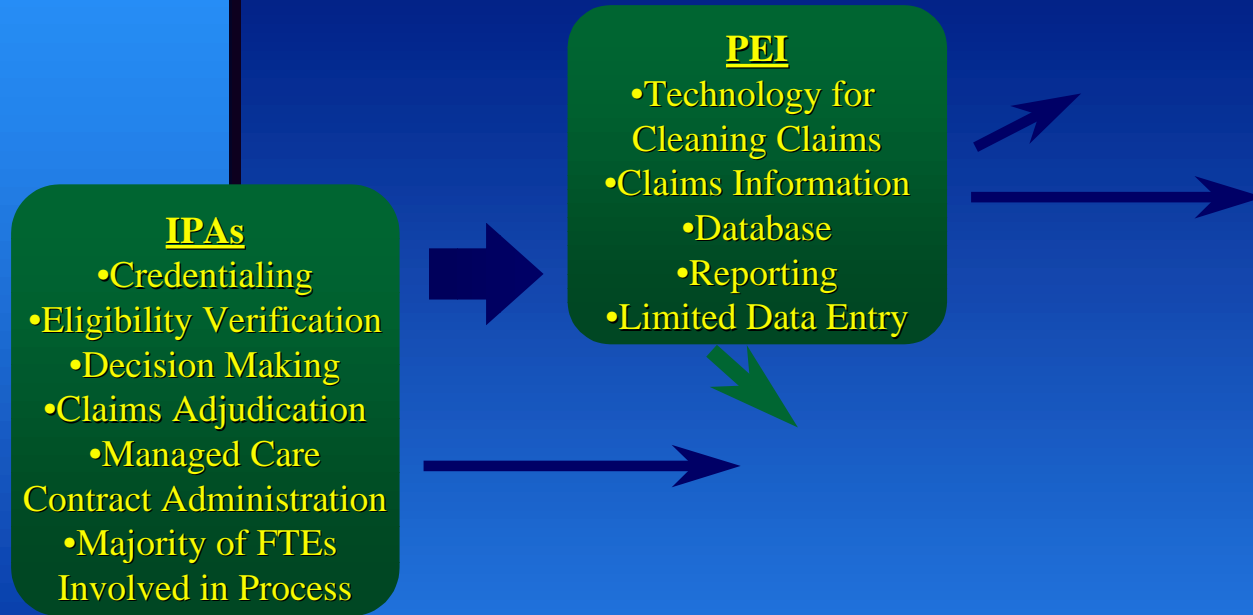
How the PHDC System Works

IPAs

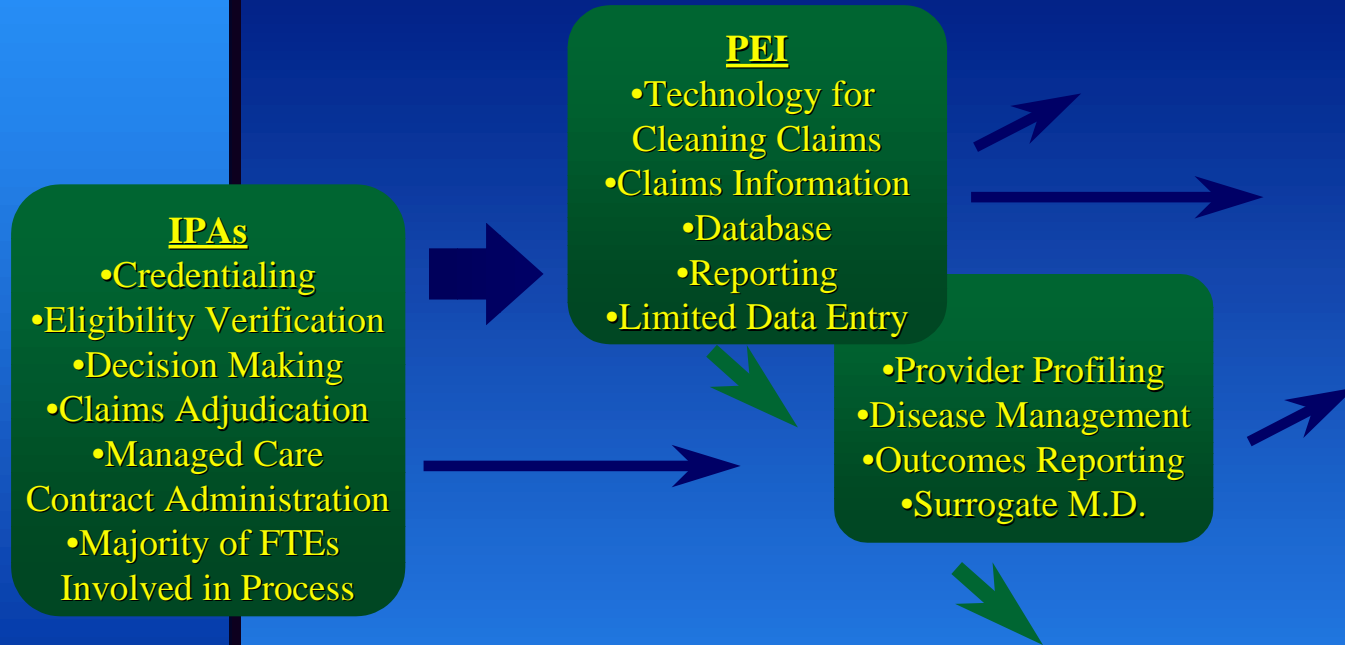
- Credentialing
 - Eligibility Verification
 - Decision Making
 - Claims Adjudication
 - Managed Care
- Contract Administration
- Majority of FTEs Involved in Process



Technology Reduces FTE



Add the Critical Dimension of Medical Management



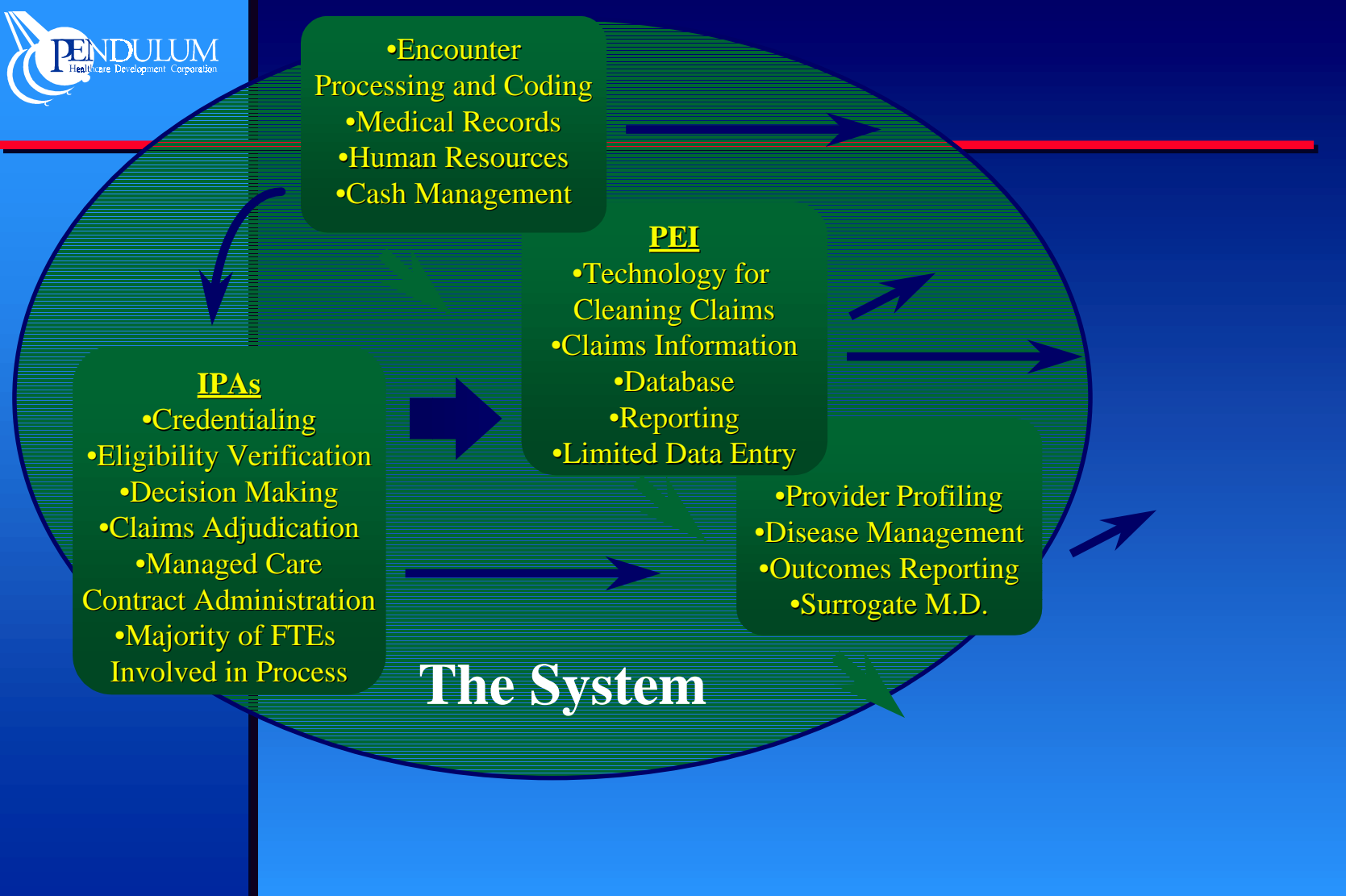
- Encounter
- Processing and Coding**
- Medical Records
 - Human Resources
 - Cash Management

- PEI**
- Technology for Cleaning Claims
 - Claims Information
 - Database
 - Reporting
 - Limited Data Entry

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- Provider Profiling
- Disease Management
- Outcomes Reporting
- Surrogate M.D.

The System



•Encounter
Processing and Coding
•Medical Records
•Human Resources
•Cash Management

MSOs
IPAs
PSNs
PHOs

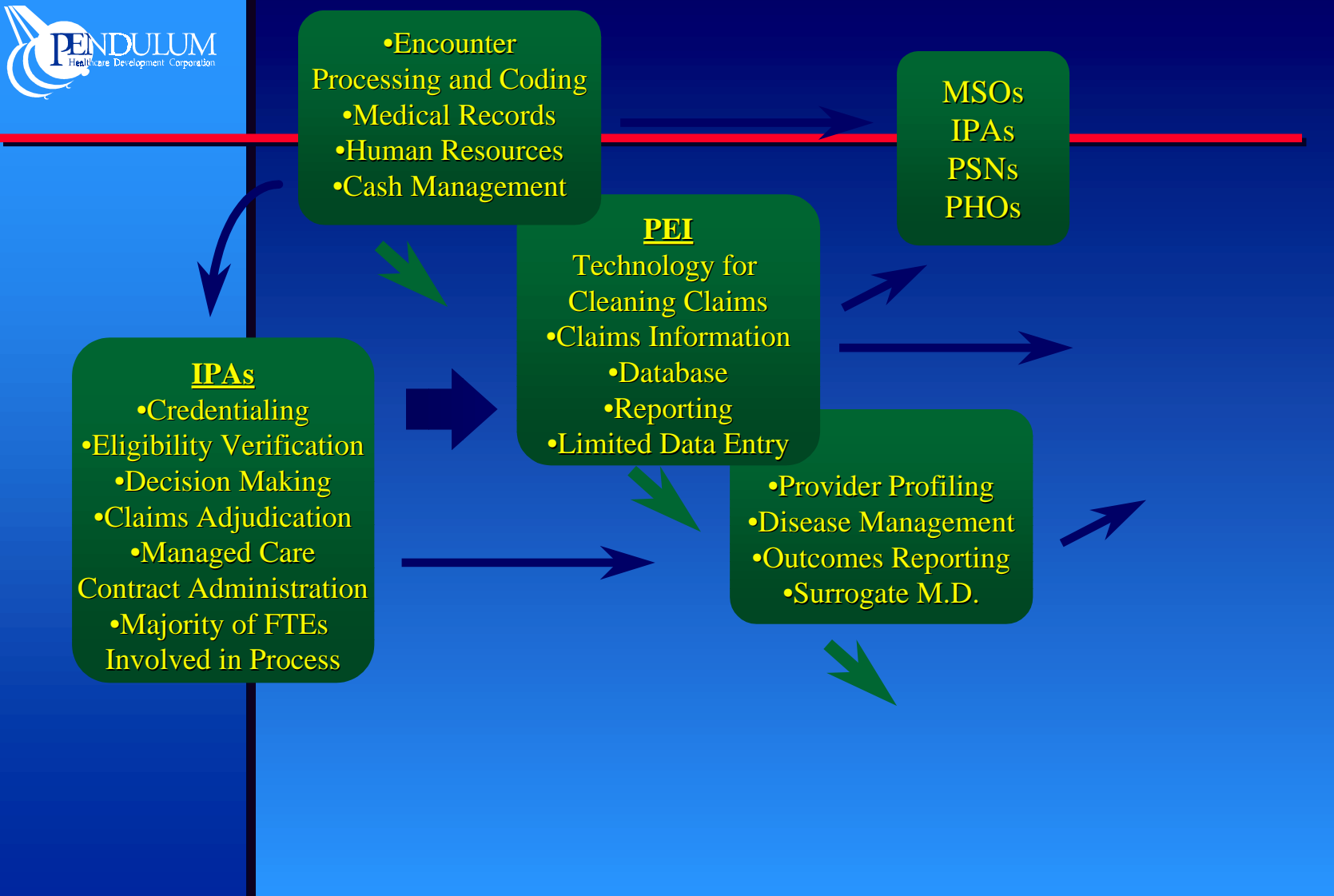
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- Encounter Processing and Coding
- Medical Records
- Human Resources
- Cash Management

MSOs
IPAs
PSNs
PHOs

The Market

- PEI
- Technology for Cleaning Claims
 - Claims Information
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 - Reporting
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Insurance
HMOs
PSOs
IDS

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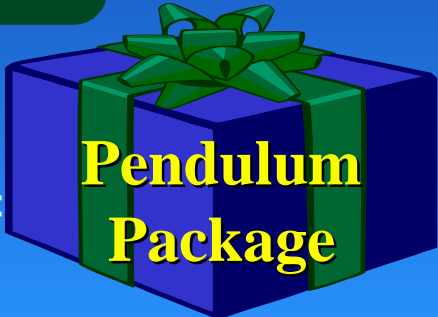
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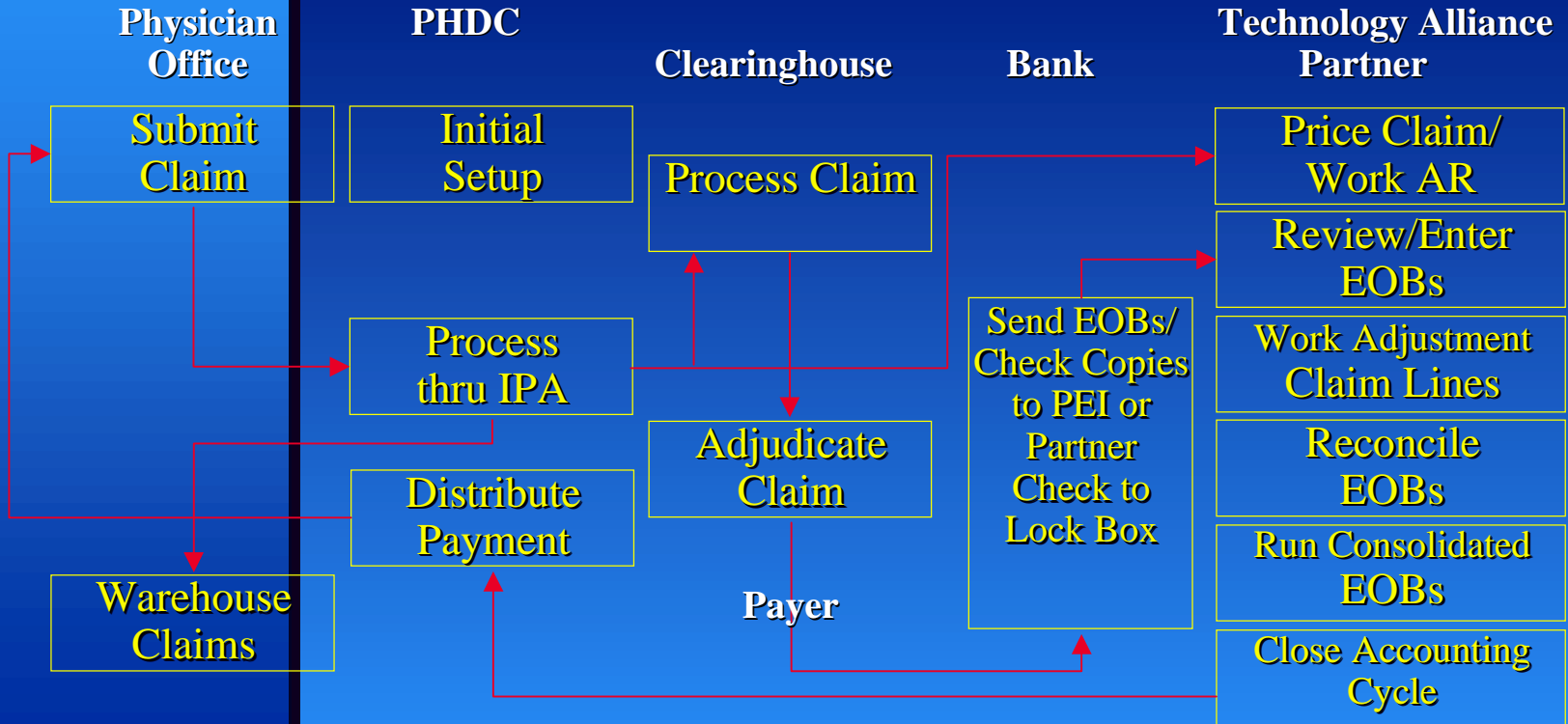


The System + The Market =

**Pendulum
Package**

How Is This Done?

(Example)





Comparison Of Health Plan Reimbursement By Specialty

	Contract 1	Contract 2	Contract 3	Contract 4
Withhold Amount:	No	5.00%	No	No
Administrative Fee:	No	10.00%	No	No
Specialty				
Percent Reimbursed - Specialty	5.6%	2.25%	112.96%	52.99%
OB/GYN				
Plan Total	\$1,637,197.00	\$6,448,642.00	\$8,247,710.00	\$6,856,768.82
Medicare Total	4,797,818.09	4,797,818.09	4,797,818.09	4,797,818.09
Specialty Total	8,753,945.00	8,753,945.00	8,753,945.00	8,753,945.00
Percent Reimbursed - Medicare	34.12%	134.41%	171.91%	142.91%
Percent Reimbursed - Specialty	18.70%	1.82%	94.21%	78.32%
OTO				
Plan Total	279,381.00	910,161.00	1,308,284.00	925,241.34
Medicare Total	620,909.27	620,909.27	620,909.27	620,909.27
Specialty Total	1,075,696.00	1,075,696.00	1,075,696.00	1,075,696.00
Percent Reimbursed - Medicare	45.00%	146.59%	210.70%	149.01%
Percent Reimbursed - Specialty	25.97%	1.73%	121.62%	86.01%
PAINMGT				
Plan Total	153,602.00	657,523.00	1,671,158.00	770,854.49
Medicare Total	551,255.24	551,255.24	551,255.24	551,255.24
Specialty Total	1,205,655.00	1,205,655.00	1,205,655.00	1,205,655.00
Percent Reimbursed - Medicare	27.86%	119.28%	303.16%	139.84%
Percent Reimbursed - Specialty	12.74%	2.19%	138.60%	63.93%

Note: Withhold and Administrative Fee not Deducted.

Source:PHDC



Aged Accounts Receivable: Detail By Days Past Due

Contract Name	Patient Control Number	PEI Claim Number	Date of Service	Submitted Amount	Allowed Amount from Contract	Current 0 to 30 Days	31 to 60 Days	Past Due 61 to 90 Days	Over 90 Days
Aetna									
	12435	5874211	01/04/00	\$58.00	\$54.00		\$54.00		
	12435	5874211	01/04/00	5.00	5.00		5.00		
	9999	1547899	01/15/00	58.00	54.00		54.00		
	9999	1547899	01/15/00	4.00	1.95		1.95		
	A12345	55541245	12/18/99	58.00	54.00			54.00	
	45362re	5487545	02/01/00	37.13	37.00	37.00			
	45362re	5487545	02/01/00	14.78	14.78	14.78			
				\$234.91	\$220.73				
Healthlink									
	23456	1212457	02/17/00	\$101.00	\$105.00	* \$101.00			
	fgrt45362	8521477	02/17/00	125.00	114.00	114.00			
				\$226.00	\$219.00				
Provider Network of America									
	223376	3377448	02/27/00	\$95.00	\$87.00	\$87.00			
	srt5890	3478061	02/19/00	235.00	220.00	220.00			
	srt5890	3478061	02/19/00	140.00	112.00	112.00			
				\$470.00	\$419.00				
Private Healthcare Systems									
	19876	3098162	01/27/00	\$85.00	\$78.00		\$78.00		
	3792	3109763	02/12/00	117.00	125.00	* 220.00			
	224978	3871002	02/19/00	58.00	55.00	55.00			
				\$260.00	\$258.00				
TOTALS:	11			\$1,440.91	\$1,116.73	\$960.78	\$192.95	\$54.00	

* Note: Amount allowed is more than submitted charge. Insurance will pay the lesser of the two amounts

Contract Compliance Monitoring

(Example)

HCFA 1500		
Date of Service: 2/3/00		
CPT Code	Description	Billed Amount
63030	Laminotomy	\$1,500.00
11402	Excision of lesion, trunk	\$100.00

Check Payment Rules:

- Multiple surgeries on same day
- First surgery - 100% of fee schedule
- Second surgery - 75% of fee schedule
- Additional surgeries - 50% of fee schedule

Check Fee Schedules:

63030	\$1,098.40
11402	\$99.11

Underpayment

\$111.03

Contract Compliance Review

CPT Code	Paid Amount	Contractual Amount
63030	\$1001.40	\$1,098.40
11402	\$60.30	\$74.33

Network Report

Episode Frequency and Charges by Condition

Condition	Total Episodes	%	Total Charges					Average Charges per Episode			
			Overall	%	Professional	Facility	Meds	Overall	Professional	Facility	Meds
Lower Respiratory Infection	1,045	3.61	\$278,024	1.53	\$70,698	\$177,197	\$30,128	\$266	\$68	\$170	\$29
Osteoarthritis (degen.jt,dls)	88	0.30	274,780	1.51	106,605	140,717	27,459	3,123	\$1,211	1,599	312
Sinusitis	957	3.30	265,768	1.46	146,706	42,312	76,750	278	153	44	80
Wound/Injury	466	1.61	263,078	1.44	117,990	128,594	16,495	565	253	276	35
Shortness of Breath	116	0.40	254,448	1.40	36,176	213,226	5,046	2,194	312	1,838	44
Acute Sprain/Strain	655	2.26	254,173	1.40	152,536	76,318	25,319	388	233	117	39
Psychotic/Major Depression	168	0.58	227,623	1.25	104,469	56,751	66,403	1,355	622	338	395
Chest Pain	236	0.81	213,233	1.17	114,013	89,700	9,520	904	483	380	40
Bursitis/Synovitis	410	1.42	211,816	1.16	112,309	72,229	27,279	517	274	176	67
General Medical Exam/Service	2,149	7.42	206,951	1.14	206,951	0	0	96	96	0	0
Other Skin Disorders	483	1.67	205,524	1.13	88,539	27,323	89,662	426	183	57	186
Diabetes	151	0.52	201,954	1.11	74,531	46,547	80,877	1,337	494	308	536
Benign Neoplasm	141	0.49	194,989	1.07	89,332	103,773	1,885	1,383	634	736	13
Headache	429	1.48	187,702	1.03	90,888	43,589	53,225	438	212	102	124



Insufficient Fee Analysis Details: Contract: DMC Insurance

Medical Group: Cardiology Contract: DMC Insurance

Code	Market Basket		Contract			All PPO Contracts			Mean		
	Count	Charge	Contracted	% Reimb		Contract 1	Contract 2	Contract 3			
33208	53	\$2,190.00	\$1,224.00	55.89%	(Cont 1)	\$1,971.00	(Cont 2)	\$1,861.50	(Cont 7)	\$1,839.60	\$1,890.70
33210	76	545.00	144.00	26.42%	(Cont 1)	490.50	(Cont 2)	463.25	(Cont 7)	457.80	470.52
33249	24	2,450.00	0.00	0.00%	(Cont 1)	2,205.00	(Cont 5)	2,159.02	(Cont 2)	2,082.50	2,148.84
35473	22	2,250.00	765.00	34.00%	(Cont 1)	2,025.00	(Cont 2)	1,912.50	(Cont 7)	1,890.00	1,942.50
35474	39	2,250.00	935.00	41.55%	(Cont 1)	2,025.00	(Cont 2)	1,912.50	(Cont 7)	1,890.00	1,942.50
36200	102	535.00	340.00	63.55%	(Cont 1)	481.50	(Cont 2)	454.75	(Cont 7)	449.40	461.88
71020	2,581	85.00	58.00	68.23%	(Cont 1)	76.50	(Cont 2)	72.25	(Cont 7)	71.40	73.38
78465	1,906	1,090.00	761.00	69.81%	(Cont 3)	1,007.00	(Cont 1)	981.00	(Cont 2)	926.50	971.50
78472	277	475.00	385.00	81.05%	(Cont 1)	427.50	(Cont 2)	403.75	(Cont 7)	399.00	410.08
78990	1,085	150.00	72.00	48.00%	(Cont 4)	228.00	(Cont 1)	135.00	(Cont 2)	127.50	163.50
92960	117	420.00	300.00	71.42%	(Cont 1)	378.00	(Cont 2)	357.00	(Cont 7)	352.80	362.60
92982	859	2,900.00	1,575.00	54.31%	(Cont 1)	2,610.00	(Cont 2)	2,465.00	(Cont 7)	2,436.00	2,503.67
92995	84	3,000.00	1,332.00	44.40%	(Cont 1)	2,700.00	(Cont 2)	2,550.00	(Cont 7)	2,520.00	2,590.00
93000	5,893	65.00	47.00	72.30%	(Cont 1)	58.50	(Cont 2)	55.25	(Cont 7)	54.60	56.12

Note: Withhold and Administrative Fee not Deducted.

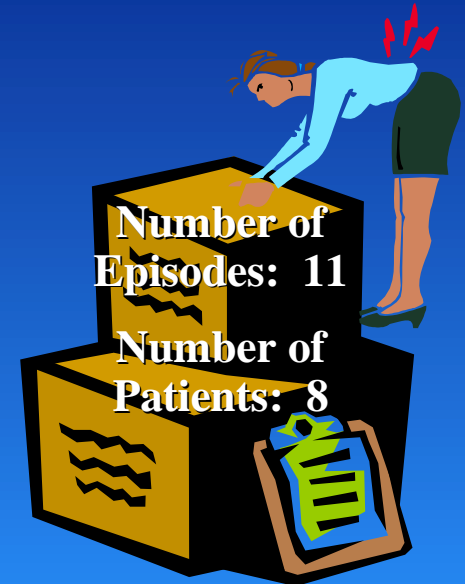
Source: PHDC.

Clinical Practice Summary

Sharing of Care for Episodes of Low Back Pain Disorder

Your Episodes	\$	%	Avg Cost per Episode
Your Prof Costs	\$2,184	21%	\$199
All Prof Costs	\$10,463	100%	\$951

Your Episodes	#	%	Avg Cost per Episode
Sole Care Provider	1	9.09%	\$61
Referred from You	4	36.36%	\$1,616
Referred to You	6	54.55%	\$656

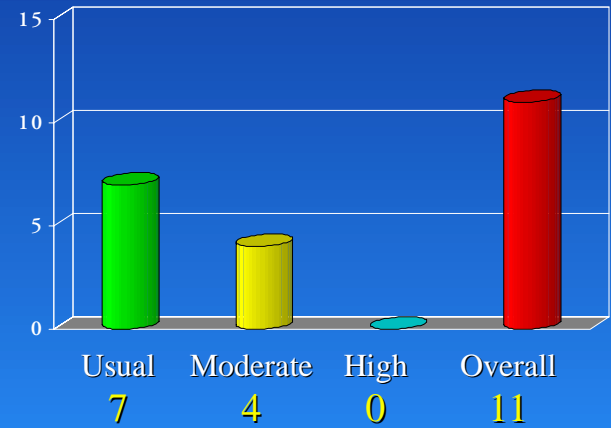


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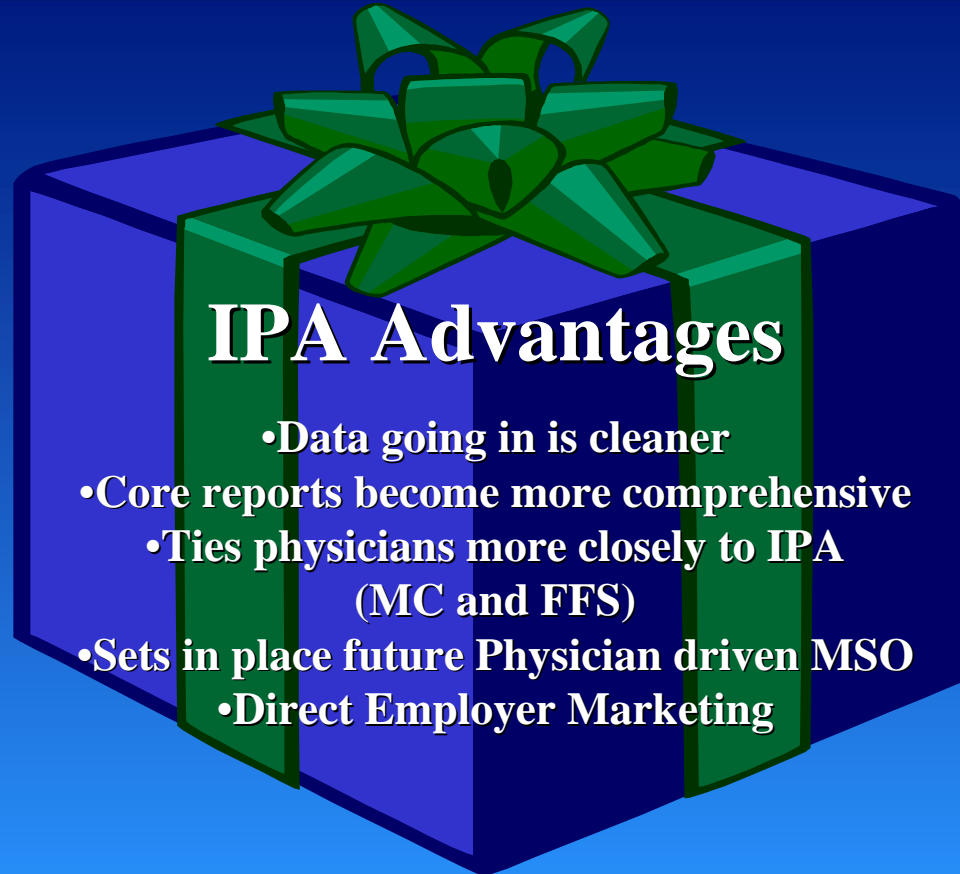
Leading Specialties Involved in Shared Care	Shared Episodes	
	Number	Percent
Adult Med (Internal)	10	91%
Other	6	55%
Family Practice	5	45%
Psychiatry	4	36%
Anesthesiology	3	27%
Orthopedic Surgery	2	18%
Rheumatology	1	9%
Manipulation Therapy	1	9%

Episodes by Severity



Note: Percent of episodes include 'Referred from You' and 'Referred to You' episodes.

Pendulum Package IPA Advantages



Estimating Costs

- Depends upon which services selected
- Depends upon volume of member months
- Depends upon revenue per member month
- Depends upon gross revenue
- Usually averages \$5.00 to \$8.00 PMPM for management fee
- 5% of gross managed care revenue for processing fee
- In some cases a startup fee is charged to download claims info and reconcile accounts before management agreement takes affect.

Shut Down IPA

- Staff termination
- Equipment leases
- Reinsurance tail
- Blue Cross
- Message to patients
- Message to physicians
- Impact on hospital PHO
- Will you loose all BCBSI patients?

Reconstitute a New IPA Under New Management

- Survey physicians
- Create an honorable out for those who decline to participate
- Amend existing agreements for those who want to stay
- Consider opening panel to new doctors from other IPAS
- Consider additional risk and non risk HMO agreements
- Consider direct contracting

Next Steps

- Prepare nondisclosure form for both parties
- Create agenda to decide on services
- Create agenda to decide on contract terms
- Create agenda to finalize costs
- Create agenda to perform initial tasks and timeline
- Approve and sign all agreements

Returning Physicians Influence Over the Quality and Financing of Care

