

Group Health Cooperative of Puget Sound—A Short History

We have selected for this issue a short history of Group Health by Don Glickstein, previously published in "GHC Clinical Forum," and a critique written by Dr. Abraham Bergman of a historical work on 50 years of Group Health by Walt Crowley (beginning on page 62). He proudly signed the preface with his Health card #15330.

We feel the two pieces will help to better appreciate the ambience and culture of our Groups North and South of the Columbia. As Don Glickstein tells it in the last paragraph of his paper, two physician brothers, one working at Group Health and the other at Northwest Permanente, "when my brother and I compare notes, it is like putting on a comfortable shoe."

Arguably driven by economic circumstances, the marriage of GHC and Northwest Permanente is not a rhapsodic affair; perhaps it has elements of convenience. It is mainly a mature decision based on our many commonalities. It can be said that most of us do recognize that "we are family," pre-nuptial agreements notwithstanding. We trust this union will help the couple "fight the savage war between us and for-profit health corporations for market share."

If you would like to know more about Group Health, order the "To Serve the Greatest Number" history of GHC for \$2 as long as the supply lasts. (See gray box below on page 63.)

- Ek Ursin, MD, Associate Editor

World War II was ending, and with relatively few employers offering health coverage, severe illness or injury could wipe out workers' savings.

A coalition of Seattle-area consumers, union members, business people, and Grange members explored alternatives to the existing fee-for-service health care system. In 1945—the same year Kaiser Permanente opened to the community—the coalition incorporated as Group Health Cooperative of Puget Sound.

The consumer-governed, nonprofit organization faced two challenges: finding people willing to invest in \$100 memberships for a health care plan that existed only on paper, and finding physicians willing to work on salary to provide prepaid care.

Hard work and persuasion sold the memberships.

Hard negotiations with the 16 physicians of Seattle's Medical Security Clinic resulted in the original medical staff. Medical Security owned a 55-bed hospital on Seattle's Capitol Hill. The Cooperative agreed to buy the hospital and to contract with the physicians for patient care.

On January 1, 1947, Group Health Cooperative officially opened.

Today, managed health care is mainstream; in the postwar years, integrating health care delivery with prepayment for services was radical. As with KP, Group Health met with resistance from the medical establishment, which viewed it as a competitive threat. Cooperative physicians were barred from medical societies, the staffs of other hospitals, post-graduate education classes, and specialty certification. Group Health patients were denied admission to other hospitals.

In 1949, Group Health filed a lawsuit charging the King County Medical Society with restraint of trade. Two years later, the Washington State Supreme Court ruled unanimously that the society had violated state antimonopoly laws. Medical societies were now barred from discriminating against physicians in prepaid group practices.

In those early years, KP and Group Health (which have different service areas in the Northwest) encouraged each other. At one point, KP even gave the Cooperative marketing leads for potential customers.

The Cooperative's most explosive growth occurred in the 15-year period from 1969 to 1984, when enrollment nearly tripled from 122,000 to more than 332,000. The growth was so intense that in 1973, Group Health put a year-long freeze on accepting new members.

With expansion to Tacoma and Olympia in the 1970s and to Eastern and Central Washington and Idaho in the 1980s (through its Group Health Northwest affiliate), Group Health evolved from a Seattle-centered organization into one with regional interests. To serve consumers in distant areas, it augmented its staff-model HMO with a primary-care network, using selected community physicians.

A cost-based revolution came to the health care industry in the 1980s. Where once the Cooperative had no managed-care competitors in its service area, by mid-decade it had nearly two dozen. Group Health lost significant numbers of enrollees to competitors whose premiums often failed to reflect the real costs of health care or who were more interested in managing costs than managing care in an integrated way. To meet the challenge, Group Health changed its pricing structure, overhauled marketing programs, and began developing systems that allowed it to respond more quickly to the needs of employer groups and enrollees.

Like KP, Group Health has been a pioneer. Its Center for Health Studies opened in 1983, but the Cooperative has long been an active participant in research. Its semi-

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nal role in the Rand Corp.'s Health Insurance Experiment in the mid-1970s established for policymakers the clinical quality and cost-effectiveness of staff-model HMOs. The Center for Health Studies and KP's Center for Health Research have a history of collaboration.

The Cooperative also has been a national leader in developing clinical guidelines and in using evidence-based and population-based medicine. Like KP, Group Health has been praised by impartial reviewers for its clinical quality.

As a cooperative, Group Health is governed by an 11-person Board of Trustees of volunteer consumer members elected by their peers. Consumers have been integrally involved—including votes in advisory referenda—in forming broad policies related to transplant issues, abortion services, mental health, and care of senior adults.

In 1997, consumer-members voted by an 80-20% margin to approve an affiliation between Group Health and KP. The affiliation—unique in the Kaiser Permanente family—creates a joint nonprofit company, Kaiser/Group Health, to oversee and coordinate Group Health and Kaiser Permanente Northwest. They make up the Northwest Division. Each of the local organizations retains its own governance system and is responsible for activities such as quality assurance and health care delivery.

The promise of the affiliation extends beyond greater economies of scale and marketing opportunities. From research collaboration to national reciprocity to the newly renamed Group Health/Kaiser Permanente Community Foundation, the organizations are working with each other to improve patient care and service.

One senior leader described Kaiser Permanente and the Cooperative as “identical twins separated at birth.” And, indeed, staff have often migrated between the two. For example, Kaiser Permanente leaders Bruce Perry, in the Southeast Division, and Bob Pfothenauer, in the Central East Division, are Group Health alumni, as is Mary Durham, Director of the Center for Health Research and Vice President for Research at Kaiser/Group Health.

There are even family connections. Robert S. Thompson, is Director of Group Health's Department of Preventive Care. His brother, John J. Thompson, is Director of Laboratories at Kaiser Permanente Northwest.

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Emotional State—Body State

“As we shift our emotional states, we shift our basic body chemistry. If we shift from a less healthy emotion to a healthier emotion, we shift our body chemistry in the direction of health.”

*O. Carl Simonton, MD
Co-author of Healing Journey*