By Al Weiland, MD

A Word From the Medical Directors

What Business Are We In?

Nothing is more important for the health of our organization's future than for the Kaiser Foundation Health Plans and the Permanente Medical Groups to have a shared vision—locally as well as nationally—of the business we are in.

For six months of last year, I had a unique opportunity: I worked in another Kaiser Permanente (KP) Region as the Federation sponsor for the KP Partnership Group (KPPG) in the Mid-Atlantic turnaround effort. It was remarkable to get inside a Permanente Medical Group and Region whose history and operations were quite different from those of my home KP Region, KP Northwest.

Part of my role was to learn the root causes of the problems in Mid-Atlantic and then suggest ways to assist the turnaround. After a number of interviews and after studying events during the past five years, I concluded that this KP *Region's problems did have* a root cause: The local Kaiser Foundation Health Plan and the local Permanente Medical Group had not agreed on what business they were in!

A Question of Growth

This disagreement locally was a manifestation of the same confusion that the Program experienced nationally for several years and that is just being resolved now. About five years ago, when Jay Crosson, MD, Irwin Goldstein, MD, and I were involved in negotiating the National Partnership Agreement with senior leaders of Kaiser Foundation Health Plan, negotiations were pervaded by the sentiment that the business of KP needed to grow rapidly to survive the consolidation occurring in the health insurance marketplace: Cigna, Aetna, US Health, and WellPoint were gobbling up competitors and were threatening to marginalize Kaiser Permanente as a national participant. We began looking for acquisitions, and we ultimately acquired two large network insurance plans: Community Health Plan (in Albany, NY) and Humana Health Plan (in Washington, DC). Our own health plan created a divisional structure to manage existing KP Regions and to serve as the infrastructure for expansion.

At least in the Mid-Atlantic Region, our senior health plan leadership believed that they had a mandate to grow the Kaiser Foundation Health Plan but that the local Permanente Medical Group was not structured to support rapid growth over a larger geographic area. The Humana network—which consisted of more than 5000 physicians (including 4500 specialists) spread out over 27 hospitals—could provide enough capacity and enough geographic access to sustain our rapid growth. Meanwhile, the Mid-Atlantic Permanente Medical Group continued to work as if the business of KP was to provide health care only within our core delivery system medical centers and four hospitals.

Which Business Are We In?

The impact of working on fundamentally different businesses was dramatic. KP in the Mid-Atlantic Region could not create an overall strategic or business plan supported by both the Health Plan and the Permanente Medical Group and could not agree on where investments should be made. The KP Mid-Atlantic Region stopped the joint budgeting process because we couldn't agree on goals and targets. The agreement defining payment from the health plan to the Permanente Medical Group wasn't signed. Information useful for planning and problem-solving wasn't shared. Regional financial performance suffered—and this situation took an enormous toll on the Region's staff.

Benefits of Unifying Our Vision

My conclusion from this experience is that nothing is more important for the health of our organization's future than for the Kaiser Foundation Health Plans and the Permanente Medical Groups to have a shared vision—locally as well as nationally—of the business we are in. I am not implying that we are only a delivery system and not in the insurance business—or that we are primarily an insurer who also happens to organize health care for our members. Our business is that of an integrated enterprise, both financing and delivering health care services. This enterprise will work best when these two functions are designed and managed to be synergistic—each component enhancing and enriching the performance of the other.

This synergy implies that each partner understands what the other needs and wants, and each is willing to step out of our traditional comfort zone. For example, to match local conditions in our current markets and to grow in the future, we must consider different delivery system models and how we use networks and community resources. Our KP Medical Care Program is currently using a variety of successful models and is experimenting with some new ones. We should not assume the existence of a single permanent answer for either the insurance function or for

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the health care delivery function but should instead believe in a core set of principles and in a robust partnership that can solve problems and do planning.

Our primary role as leaders is therefore to make the partnership work and its decision making effective. That way, we can focus our attention on the turmoil in the US health care industry and can present a united front striving to be a role model for US health care.

A Healthy Outcome to the Growth Debate

I'm delighted to report that the KP Mid-Atlantic Region has reached agreement on the fundamental business of that Region and has formed a strong partnership that will complete a successful turnaround during the next several years. I believe that a similar agreement has been reached at the national level and that the KPPG—our organization's joint, senior management group—can lead the enterprise from the shared sense of vision and purpose embodied in the KP Promise.

The last five years have been quite a journey—our Program had a "near-death" experience financially and had to divest itself of several KP Regions just to survive. As we work together to complete our turnaround amid the problems and opportunities of the future, we'll have to remember what we have learned—including what business we are in. ❖

Managing Clients And Contractors, Not Care

Because the way the industry delivers care is changing, the term "managed care" also must change. That term just doesn't have much meaning anymore. Who is it? Is it a company like Empire, who focuses on the insurance side? Is it Well-Point, which focuses on the commercial side and offers multiple products? Is it those of us contrarians who have chosen to be involved in financing and integrated health care delivery?

'Managed care' is an umbrella term that's about as descriptive as saying 'cancer.' It's not a single product, and we're not all trying to put together the same puzzle.

There are only so many ways you can slice and dice the risk pool. I have no problem with what the insurers and other companies are doing, but they're managing clients and contractors, not care. And that is a short-term game we don't play.

David Lawrence, MD
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