

The Need for New Capabilities and New Products: *One Medical Director's Perspective*



Bruce Perry, MD
Medical Director,
The Southeast
Permanente Medical
Group, Inc

I'm often asked why The Southeast Permanente Medical Group (TSPMG) is among the Permanente Medical Groups in the forefront of the development of "new Kaiser Permanente systems and products." I will briefly outline our rationale for developing these new capabilities and new products.

I fully understand that the need for these technologies and products is very much driven by the environment in which medical groups operate. Each Permanente Medical Group has its own unique market conditions, history, and circumstances in their regions. My perspectives are driven by the metropolitan Atlanta health care environment, which may differ remarkably from other parts of the country.

In Georgia, our major competitor is dominating the market and devouring a larger and larger market share each year. Other competitors are shrinking, and we, ourselves, are in a stagnate growth mode. My immediate rationale is, therefore, a defensive one to allow us to stay in the Atlanta market. In order to reposition ourselves in this market and remain a viable competitor, we have undergone large-scale organizational change, including the rollout of products with cost-sharing features.

In the national Kaiser Permanente

Program, we have called this set of activities "next generation products." This is a misnomer, because the characteristics of these insurance products were actually defined in the 1970s. These products require new and distinct capabilities. For the Kaiser Foundation Health Plan, the capabilities include, the ability to administer a wider variety of products individualized for major employers; the ability to administer deductibles and other cost-sharing features; and the ability to experience rate these products and to handle the greater complexity of claims and benefit administration.

For TSPMG, these products require the ability to accurately code, bill, and collect as well as to understand the complexities of a wider array of benefit structures that the Health Plan would sell. In a cost-sharing plan, physicians must assist those members as they

make complex medical decisions where cost may play a factor.

In Atlanta, we continue to develop, launch, and manage these new products to help us attract higher levels of profitable growth. Although we've had success with large employers, we have not been successful in serving small- and medium-size employers, which represent a substantial part of this market. We have developed these capabilities so we may offer two

distinct products. One is a three-tiered product that includes:

- Tier One—the core delivery system,
- Tier Two—a leased PPO, and
- Tier Three—a standard Point of Service

This is a total replacement product that is necessary to penetrate the Atlanta small-group market to meet both geographic and choice considerations. The second product is a deductible product, generally in the range of \$500-\$1000, that is sold to individuals and to some major groups.

In addition, I have led the medical group in developing systems necessary to implement these new products and also enable us to better manage operations across all lines of business. The capabilities of coding, billing, collecting, and assisting with health care decisions those members who are paying out-of-pocket costs for some services, are not only needed for administering new products but also for an array of future circumstances that may confront our medical group, such as emergence of a national single-payor system.

Georgia was one of the first KP Regions to implement the KP HealthConnect systems. Last year, we achieved two important milestones—upgrading our appointment scheduling system, and implementing a new registration and billing system. We will spend much of this year laying the foundation for KP HealthConnect

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Clinicals (the Automated Medical Record and other features). These new systems are certainly revolutionizing the way we conduct business, deliver care, and communicate with each other.

I believe that Permanente physician leaders should be in the forefront of developing these new capabilities. They can assist the Health Plan in developing rational benefit structures that protect our most vulnerable patients. Our leadership can ensure that the plans

be easily implemented, both for our patients and for our physicians. Through leadership in developing these products, we can ensure that we are enhancing the skills of our physicians in confronting not only these products but also an entirely different set of services that may be required in the future. We can assist the Health Plan in developing products that build on our unique history, structure, and demonstrated quality and not just follow our competitors.

So for me, I have a clear and present need for the TSPMG to be in the forefront of the development of these capabilities to preserve our well-being in Atlanta. Ultimately, I believe we should lead this work because it will be important to our future growth and stability. ❖

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The Undertaking

I am highly enthusiastic over the possibilities to provide prepaid medical care of the highest quality at low cost through a group organized like the Permanente Foundation under the superb direction and honest leadership of Dr Sidney Garfield ... Every possible assistance should be given to this undertaking.

—Dr Karl Meyer, Director, Hooper Foundation, University of California, 1945