2005


Lehigh Valley Health Network

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To Our Member Physicians, Associates and Community:

Last year, we focused on our organization's pursuit of Clinical Integration, an overarching goal defined as "an ongoing process by which we connect independent doctors into a united network to function in concert with hospitals and insurers to achieve better clinical results and cost-efficiencies on a consistent basis." This year's report drills deeper into the specifics of the complex process of attaining Clinical Integration for the benefit of our members.

Like many lofty goals, Clinical Integration can only be attained in manageable pieces which should eventually lock into the whole. In many cases these separate pieces are new concepts, products or approaches which are without defining precedent in our local health care history. Despite their newness, our long experience in navigating the ever-evolving landscape of managed care tells us that these new pieces are important, perhaps essential, influences which will play key roles in shaping the future of our industry. We refer to these as the New Fundamentals of managed care.

We know these building blocks of the future by terms which hold great promise: electronic medical records, the new culture of wellness, innovative health plan design models, health care cost controls, chronic disease management, physician engagement. Beyond their buzz, however, is the challenging responsibility of finding ways to convert these concepts from words to working realities; and in the process, to harness their great potential for the benefit of our member physicians, associates and community.

We are gifted with the intellectual resources of willing Lehigh Valley Physician Hospital Organization and Greater Lehigh Valley Independent Practice Association member committees organized to address these topics. Through their efforts, we are successfully pursuing the New Fundamentals through a logical 3-part process: DEFINING the needs; DESIGNING the products and/or pathways that will best meet these needs; and, finally, DELIVERING these new solutions for the benefit of our collective members.

Augmenting the efforts of our committee leaders are the financial resources which are constantly being reinvested to transition these priorities into ways to achieve greater productivity.
The following pages detail some specifics on the pursuit of these New Fundamentals and how your organization is working to unlock them to bring you the rewards of a highly professional Clinically Integrated network: superior clinical results and new levels of cost-efficiency. From these two ideals, important fulfillment points of our profession flow—chief among them: better health and outcomes for our patients. We are confident that this ideal is attainable and that our organization possesses the structure and momentum to do so.

A fact not lost on us veterans of managed care is that the years have seen many names in the health insurance industry come and go, but our network continues to flourish. This is a tribute to your dedication, support and steadfast pursuit of our mutual goals. We look forward to achieving even greater fulfillment as we continue to work together to define, design and deliver the future of health care in our community.

Bruce A. Ellsweig, M.D.
Chair, Board of Trustees,
Greater Lehigh Valley Independent Practice Association, Inc.

Gregory G. Kile
Executive Director,
Lehigh Valley Physicians Hospital Organization, Inc.

David M. Caccese, M.D.
Chair, Board of Trustees,
Lehigh Valley Physician Hospital Organizations, Inc.
"Preferred Health Management helps doctors achieve optimum health levels..."

"Lehigh Valley Physician Hospital Organization's support for providers has been excellent. If my practice has a question or concern on coverage or new insurers contracted through Valley Preferred, we always get a prompt and knowledgeable response from their licensed health insurance specialists. They are proactive and on top of the many changes in our profession. The Clinical Integration initiative will provide vital documentation on how network doctors manage care efficiently and effectively. Pay-for-performance programs get doctors to abide by national guidelines for medical treatment and outcomes. Preferred Health Management helps doctors achieve optimum health levels for patients with our society's most common diseases and the criteria to measure progress."

—Kenneth G. Ryder, Jr., M.D.

Forward Progress: a Constant for the Lehigh Valley Physician Hospital Organization

There are many positive characteristics highlighting the Lehigh Valley Physician Hospital Organization's history, but the constant trait that has touched each of our 13 years is forward progress in addressing the effects of health care delivery impacting our member physicians and hospitals. This can be directly attributed to the fact that we are structured as a provider-driven organization with an abiding respect for value of our member physicians. By consistently pursuing and providing solutions for these essential caregivers, our mission benefits the other major stakeholders in the health care equation—insurers, employers and patients.

Insurers benefit through LVPHO programs to control the incidence and severity of serious medical illness episodes...thus helping to manage costs.

Employers benefit from our initiatives to reduce costs through the development of healthier employee populations and the measurement systems to maintain them. They also enjoy a wider selection of health plan choices made available through the many health insurance companies contracted with Valley Preferred. In addition, Valley Preferred provides valuable services to simplify the process of health plan selection and administration with insurance firms.

When the many fiscal and procedural responsibilities of physicians, hospitals, insurers and employers are in balance, the ideal result is better health care quality, value and service for the patient.

Performance Evidenced by Consistent Growth

Working to benefit all stakeholders on our local health care scene is a task that the LVPHO and Valley Preferred is uniquely structured to accomplish. Testimony to this is consistent growth

“They’ve done an excellent job...”

"The collective knowledge and advocacy that the Lehigh Valley Physician Hospital Organization and the Greater Lehigh Valley Independent Practice Association provide were important when they began in 1993 and remains vital to this day. They’ve done an excellent job on managed care issues which affect the quality of patient care here in our Lehigh Valley community."

—Wayne E. Dubov, M.D.
in terms of clinically-driven medical-based programs in development and in use. There are presently dozens of individual programs and initiatives at work, but they all have two basic goals: to manage costs while increasing quality. Another indication of performance is growth in overall membership. In terms of physician membership and client membership, we continue to demonstrate healthy growth.

How are we doing it?

We believe the answer is four-fold:

1. **Accept the New Fundamentals.** We acknowledge the fact that many of the traditional rules of health care delivery have changed and will continue to do so. A set of New Fundamentals are now at work and they will shape the future of our industry.

2. **Defining the challenges.** The creation of these New Fundamentals is driven by the pursuit of solutions to the myriad components of health care delivery. Each possess unique characteristics and actions; each require equally unique solutions. Only by carefully defining individual areas of need for change can we then create pathways for their fulfillment.

3. **Designing solutions.** As often stated, we are blessed with a dedicated membership of fertile minds and focused energy. By harnessing the intellectual resources of member physicians and hospitals, we have been able to design programs to address the needs of health care delivery in our operating region of Eastern Pennsylvania. By combining these valuable community-based resources with the best information available from national and international experience, we continue to design solutions for clinical integration, disease management, electronic medical records and other tools and programs essential to providing better, more cost-effective health care.

4. **Delivering solutions to Lehigh Valley Physician Hospital Organization members.** Once “best solution” programs and services have been designed, it is our responsibility to deliver them to member physicians as seamlessly as possible and help them implement these new tools in a cost-efficient manner. Additionally, it is our duty to monitor their usage and incent physicians properly to use them for the benefit of their practices and patients.

This report is an attempt to show how we have worked to build these New Fundamentals of health care delivery. And how we plan to continue doing so for the benefit of our physician/hospital membership and related stakeholders in the health care equation.

"...positive programs for providing and measuring quality of care."

“They’ve designed and delivered positive programs for providing and measuring quality of care. Instead of steering physicians punitively, the Lehigh Valley Physician Hospital Organization provides opportunities to look at criteria measuring the quality of patient care on a regular basis. You see what’s going well and what could be better. The Lehigh Valley Physician Hospital Organization also provides payers with the means to access performance results. In the long run, this delivers better medicine and better patient care.”

—Vilas K. Deshpande, M.D.
Creating a Culture of Wellness
Through Care Beyond the Coverage

While it is now generally accepted in the health care industry that better health costs less, this has been a guiding beacon of our efforts for many years. This belief has manifested itself in a strong array of programs and products aimed at managing health care costs through the promotion of healthier living by the populations we serve. These programs and the benefits they create is what we mean by our hallmark statement: “Care Beyond the Coverage.”

During the past year we launched a new website for Valley Preferred which contains numerous interactive tools to promote this culture of wellness. Now with the click of a keyboard, individuals can access personal health calculators and resources designed to enable the benchmarking and monitoring of their condition. One of the options now available through our new website is the Health Risk Assessment, a broad profiling application for proactive population health management. This provides participants with a summary of their personal health risks and habits that can be changed to live a healthier life.

Other assessments are also available for cardiac risk, diabetes risk, personal fitness and well-being.

An additional series of initiatives which are more high-touch than high-tech are also at work to promote this wellness environment. These include onsite corporate health fairs and worksite wellness programs, corporate counseling and Preferred EAP, a regional employee assistance program and employee organizational effectiveness consulting firm.

If you have not yet visited the new Valley Preferred website, we encourage you to do so soon at www.valleypreferred.com. It has proven to be an invaluable means to convey information and attract new subscribers to our health coverage services and products.

Preferred Health Management:
An Expanded Role in 2005

The majority of our local health care resources are dedicated to treating the following chronic conditions: asthma, diabetes mellitus, congestive heart failure, vascular disease (including coronary artery disease), hypertension, hyperlipidemia and maternity management. These approaches should ultimately offer more efficient care paths, thereby reducing time and resource expenditures while still improving care quality.

"...we have strength in numbers."

"Today's health care providers work in a society layered with administrative controls, from the federal level on down. As an independent doctor, you can feel pretty alone in this environment. Conversely, as a member of the Lehigh Valley Physician Hospital Organization we have strength in numbers. It's very beneficial to have a consolidated group led by experienced managed care professionals. It's not so much united we stand, as it is united we survive."

—Gregory J. Radio, M.D.
Six years ago, we began an initiative to design a customized disease management program to address the chronic diseases which absorb the lion's share of our region's health care resources. Recent years have seen this initiative come into clear focus with the development of our proprietary program, Preferred Health Management. This physician-driven program integrates disease management with resources for delegated case management, utilization review and a battery of health and wellness programs. This past year saw more aggressive communication to share the benefits of this program with our members. Preferred Health Management provides member practices with specialized RN managers who interface with physicians and patients to educate, monitor and motivate at-risk patients to become active self-managers of their health. Essential to our structure is the abiding truth that the doctor/patient relationship is the single most important component in the delivery of effective care.

Delivering an effective new way to expand practice resources, without losing control of patient care

Preferred Health Management is structured as a support resource for busy physicians. After a patient has been diagnosed with one of the designated chronic conditions, the member physician can access the resources of Preferred Health Management to assist with the education, monitoring and compliance issues through an assigned health manager. The patient then receives personalized education on the challenges, consequences and solutions to his or her condition, as well as a complete regimen of activities and medication instruction. Motivation to stick with the regimen is provided and the physician receives regular reports and the opportunity to issue directives at every juncture in the process.

Also helping member physicians is a self-auditing tool which measures outcomes on a per-patient basis. This enables member physicians to view patient outcomes quickly in chart audits which are also shared with our medical team to help assure we are meeting nationally recognized standards. An aligned incentive program is also in place to boost the pursuit of results which meet or exceed defined improvement parameters.

A major benefit of the program is that physicians can delegate many of the duties of managing patients with chronic illnesses without relinquishing control. “Many of today’s busy practices do not have time to consistently educate, motivate and record the progress of chronic disease patients,” explains Susan Phifer, R.N., Director of Preferred Health Management. “That’s when it pays to delegate that portion of the care. We research best practices and work closely with the patient to stay on the correct clinical pathway. We keep the patient’s doctor informed every step of the way through our programmed communication system. The doctor remains the primary caregiver and ultimate authority throughout the relationship. Proper patient care gets delivered without taxing the resources of the practice.”

Currently, the benefits are limited to member physicians with patients covered by Oxford Health Plans, a UnitedHealth Group, and Lehigh Valley Hospital and Health Network Health Plan. The measured results of the program have demonstrated positive outcomes and several other insurers have expressed interest. It is anticipated that more insurers will extend coverage for Preferred Health Management services in the near future.

“...working hard to stay ahead of the curve...”

“The Lehigh Valley Physician Hospital Organization, Greater Lehigh Valley Independent Practice Association and Valley Preferred have grown by offering personalized services, high quality products and programs, and a respect for doctor involvement at every stage of the care providing process. I find it very positive that, despite their dramatic growth, there's a continued focus on always improving the quality of their services, products and programs. Their leadership in programs like information technology and disease management is invaluable. They're working hard to stay ahead of the curve and it shows in the benefits they deliver to their members."

—Linda L. Lapos, M.D.
HSAs and HRAs: New Funding Structures for Health Plans

Another key area of cost control defined is the price of health plan premiums paid by employers and, increasingly, by employees through co-payment arrangements. With the dramatic premium spikes experienced by both in recent years, it is no surprise that new ways to address this cost issue are an important New Fundamental in the health insurance industry. The Consumer Driven model through Health Savings Accounts (HSAs) and Health Reimbursement Arrangements (HRAs) is one of the most recent solutions to address this challenge.

In many cases, employers can lower their premiums through these consumer driven options. Valley Preferred started by offering these products through two insurers specializing in Consumer Driven Health Plans in 2004. Fervent interest among local employers now have nearly 100% of Valley Preferred's 21 contracted health insurance companies offering HSA or HRA products...and the interest is just starting to get traction.

Basically, these insurance products can cut premiums because they are structured with a High-Deductible Health Plan. HSAs which are teamed with an employee-owned health savings account may be funded by a blend of tax-deferred contributions from the employee, the employer or both. HRAs give employers the opportunity to offset the deductible for employees and also provide a tax benefit without prefunding. Funds in the accounts are used to pay for covered health expenses that apply toward the deductible or for health expenses that aren't covered by insurance, should the employee or family members need medical care.

Along with cost savings, a major benefit is that employees are empowered to take an active role in their own health care decisions—hence the term Consumer Driven health care. Saving for future health care needs encourages wellness and healthier living. This incentive dovetails well with several Valley Preferred educational and wellness programs designed to encourage healthier life choices and lifestyles. Among these initiatives which have seen continued growth in utilization during the past year are Valley Preferred's Health Fairs, on-line Health Risk Assessments and other Corporate Health Enhancement Programs.

The good news about these new health plan funding structures is they have reduced the number of Americans without health insurance. According to the America's Health Insurance Plans, 27% of the small group market who had not previously offered health insurance were able to offer coverage through HSAs, and 37% of policies in the individual market were purchased by individuals who had no insurance. While there are understandable apprehensions about how these new vehicles will work for our members, the LVPHO stands ready to communicate any concerns to HSA/HRA payers, doing our part to ensure that these new funding methods mature into products that are viable for all stakeholders.

Electronic Medical Records: Necessity, Eventuality, Challenge

There is no doubt in any sector of our health care community that electronic medical records are both a necessity and an eventuality. The need is obvious. Medical data has traditionally been recorded on paper, which is difficult to share with other providers and shield from errors. Interoperable electronic medical records promise to drive down health care costs in many ways: less time focused on physical record creation and transfers among caregivers, reductions in unnecessary tests and treatments, and an overall improvement in patient outcomes.

"...programs like Preferred Health Management help us in achieving desirable goals..."

"The Greater Lehigh Valley Independent Practice Association and Lehigh Valley Physician Hospital Organization have proven to be effective in teaming with the hospitals and getting goals accomplished. The business side of practicing medicine locally now works better than ever before. As a family medicine practice, programs like Preferred Health Management help us in achieving desirable outcomes for many of the major diseases we treat. Preferred Health Management's specialists really engage the patient with their own care and work closely with them and their doctors to bring it all together for better patient results...and that's the bottom line."

—James W. Manley, D.O.
in procedural repetition, and fewer medication and treatment errors by providing appropriate data at the point of care.

That this new way of recording and exchanging vital health care data is an eventuality is more than obvious—it is a Federal mandate. We are now two years into a ten-year timetable set by the Federal government to shift the majority of Americans into a digital medical record system that can be universally accessed by physicians and hospitals.

There is also empirical proof for the financial promise of a new electronic medical record system. Last July, the Greater Lehigh Valley Independent Practice Association teamed with the Information Services Department of Lehigh Valley Hospital and Health Network to sponsor a 3-part presentation by John W. Bachman, M.D. of the Mayo Clinic. Dr. Bachman spearheaded the introduction of a system-wide electronic medical records system at his famed home institution and is a recognized authority on the subject.

While he acknowledges the resistance among some practices to shift to electronic records, Dr. Bachman insists that the long-term returns in efficiency are worth it.

“Our research clearly indicates improved cash flow for practices. Over a two-year span, electronic medical records increased billings by 18% and continue to rise thereafter,” he said, adding emphatically that “Paper records waste time and result in inefficiencies from 30% to 40%. You can’t afford to do it anymore. These efficiencies make it impossible. We need to go digital.”

That established, the questions loom on how to go about incorporating a system that can be used by all network practices and institutions...and how to pay for it. In our leadership role, it is the responsibility of the LVPHO to assist in answering these questions and we are in the process of doing so through the work of our Information Services Committee members.

At this point, several initiatives have been set into motion. Our entire physician membership will be surveyed for their thoughts on the introduction of a universal electronic medical records system linked to all practices and hospitals in our network. Predictably, our membership remains polarized by the benefit and cost issues of such a sweeping change, but the input thus far has been invaluable in helping us build a pathway that would prove as painless as possible for all concerned.

In addition, research continues on EMR systems now in place at similar-sized networks throughout the nation. Careful studies are being conducted on the leading technology models as well as the benefits and shortfalls of each. Committee members report that input from all efforts is being accumulated for assessment and assembly into recommendations which will help shape our next steps in this very important initiative which is critical to continued clinical progress at the LVPHO.

“...the right information technology will reduce medical errors and increase efficiency.”

“We have a long way to go before we establish a shared medical record system but I think everyone agrees that electronic medical records (EMRs) are an eventuality for our profession. The success of the Computer Assisted Physician Order Entry (CAPOE) initiative has proven that the right information technology will reduce medical errors and increase efficiency. The challenge at this point is how to get so many local practitioners to buy into the same EMR system. Lehigh Valley Physician Hospital Organization has taken a lead in the process by seeking input from doctors in our community. Their input will help in decisions on a shared medical record system that must be cost-effective and interface with the hospitals.”

—Neal J. Berkowitz, M.D.
2005 Year in Review

Greater Lehigh Valley Independent Practice Association, Inc.

- GLVIPA, and Lehigh Valley Hospital and Health Network Information Services sponsor special presentation on "Electronic Medical Records" by Dr. John W. Bachman of the Mayo Clinic. Digital records have increased operational efficiencies.
- Committee activity links Clinical Integration with Valley Preferred's care management efforts in the marketplace.

Lehigh Valley Physician Hospital Organization, Inc.

- Dr. John Jaffe assumes role as full-time Executive Medical Director of the LVPHO/Valley Preferred.
- LVPHO Board names new Chair, Dr. David Caccese.
- LVPHO drives Clinical Integration to next level of Year 2 of three-year plan.
- Gregory Kile, LVPHO Executive Director, chairs the 2005 American Heart Association's Lehigh Valley Heart Walk.
- LVPHO physician membership reaches 900 by year-end.
- Gregory Kile presents educational forum on Consumer Driven health care topics to Valley Preferred physician practices and at OB/GYN Grand Rounds.

Preferred Health Management

- Health Managers enhance support services for physicians, offering personalized education on the challenges, consequences and solutions to patients diagnosed with chronic health conditions.
- Dr. Jack Lenhart, LVPHO/Valley Preferred Medical Director, discusses Asthma and Allergies on local radio talk shows – WLEV and WCTO.

Valley Preferred

- Membership increases 16% since 2004.
- Provider network growth exceeds 3,400 physicians.
- Network payer claims activity since inception (1994) surpasses $1 billion.
- Offers Preferred EAP counseling services to self funded clients.
- Sponsors new initiative: Burn Prevention Foundation's Safety Lines newsletter.
- Launches new website.
- Initiates Corporate Health Enhancement Programs as part of Care Beyond the Coverage wellness initiative.
- Offers on-line Health Risk Assessment and Health Calculators.
- Promotes new Billboard Campaign and Radio Ad, which emphasizes the straightforward simplicity of Valley Preferred solutions to health coverage challenges.
- Receives National Finalist honors for the 2005 Silver Microphone Radio Advertising Award Competition – category for healthcare-related services and products.
- EDI efforts benefit patients and providers by offering more efficient and cost-effective methods for claims submission.
- Health Expo showcases contracted health insurance companies and wellness initiatives for small and large businesses.
### Greater Lehigh Valley Independent Practice Association, Inc.

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**2005 Payer Relations Committee**

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### Administration

- Gregory G. Kile, Executive Director
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- Joseph E. Felix, Director of Operations
- Eileen E. Hildenbrand, GLVIPA Coordinator
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- Marilyn M. Minder, Executive Assistant
- Susan T. Phifer, R.N., Director, Preferred Health Management
- Patricia A. Sank, Director, Provider Relations