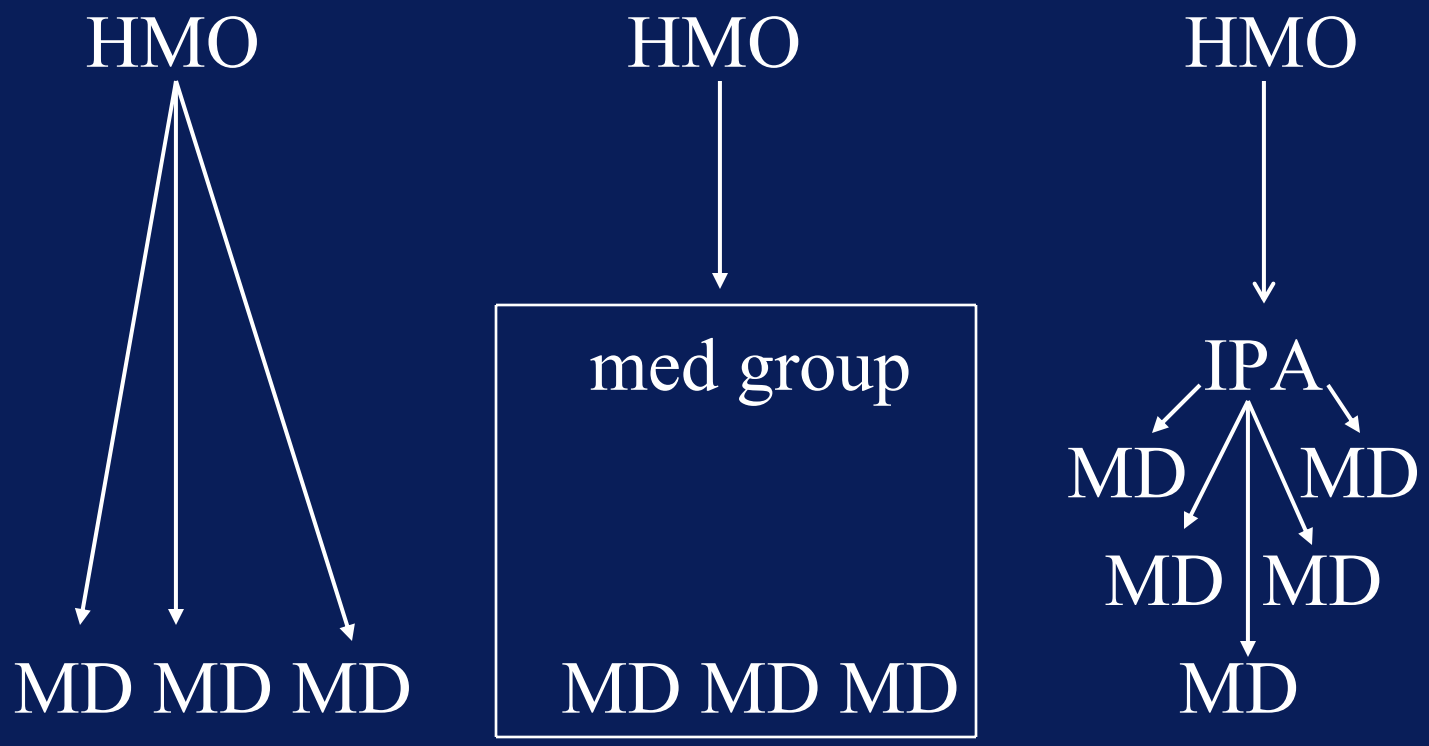
IPA Overview

Lawrence Casalino M.D., Ph.D.
University of Chicago

FTC Health Care Competition Hearing Sept. 25, 2003

What Is An IPA?



How Many IPAs?

- National Survey of Physician Organizations (NSPO):
  - 463 IPAs (probably < 1,000 exist)
  - median age: 6 years
  - median size: 233 MDs
- Number of IPAs is declining
  - (Community Tracking Study site visits)

Clarify

- IPA ≠ "IPA model HMO"
- IPA may be owned by:
  - some or all of its MDs (most common)
  - a hospital ± physicians
  - an individual (typically an MD)
  - a Physician Practice Management Company

HMO-IPA Payment
Classic Method

- capitation to IPA for PCP and specialist services
- shared risk pool for hospital, ancillary, and other services
- though IPA is capitated, it may pay individual MDs via fee-for-service

HMO-IPA Payment
Global Capitation

- HMO capitates IPA for:
  - primary care and specialist services
  - hospital services
  - ancillary services

Brief History of IPAs

- many IPAs: defensive strategy against managed care
- a few IPAs: actively trying to control costs and improve quality
- current crisis: with decline of capitated contracting, ? rationale for existence
- move to PPOs and to HMO-MD direct, individual contracting

Possible Advantages of IPAs for Consumers

- broad choice of physician and hospital
- availability of familiar solo and small group practice setting
- ? lower costs
- ? higher quality

Possible Advantages of IPAs for HMOs

- one-stop shopping to get MD network
- inexpensive to create
- ? increased MD cooperation with utilization management and quality improvement
- ? IPA itself:
  - does credentialing
  - UM
  - quality improvement
  - takes most financial risk

Possible Advantages of IPAs for MDs

- gain HMO contracts
- gain negotiating leverage against HMOs
- while remaining in own small practices
- high MD productivity and attention to costs of operating their practices
- inexpensive to create
- ? one UM system and referral network for multiple HMOs
- ? keeps MDs at center of health care

IPAs vs. Medical Groups

- MDs less committed to IPA
- lack of scale economies:
  - multiple IT systems
  - multiple office managers, billing offices, etc.
- lack of "command and control"; difficult to govern
- compared to large medical group, easier and cheaper to create and maintain

Issues

- costs
- quality
- patient satisfaction
- physician satisfaction
- anti-trust

IPA Effects on Costs

- ability to lower utilization:
  med group > IPA > HMO individual contract
- extra layer of admin expense compared to HMO individual contract
- ↑ costs from ↑ MD negotiating leverage
- compared to large medical groups:
  - lack scale economies
  - but high MD productivity and attention to costs of operating practice

IPA Effects on Quality

- ↑ satisfaction for patients, MDs, staff who prefer small practice setting
- ? IT and governance capabilities
- expect med group > IPA > indiv. MD, but:
- NSPO: IPAs use as many care management processes as medical groups

Antitrust:

- FTC/DOJ Guidelines: IPAs not permitted to negotiate fees unless:
  - share substantial financial risk and
    - < 20% of MDs per specialty (exclusive)
    - < 30% of MDs per specialty (non-exclusive)
  - or are clinically integrated

Clinical Integration:MedSouth

- Denver area IPA
- Feb, 2002 FTC Advisory Opinion
- Clinically integrated:
  - web-based EMR
  - guidelines, protocols, feedback to MDs
- Non-exclusive contracts between IPA and physicians