

Primary-care doc group joins Boston fray

Physicians bent on calling the shots are raising their profile in the Boston area as an alternative to networks established by large teaching hospitals or by Columbia/HCA Healthcare Corp.

A healthcare delivery organization composed exclusively of primary-care physicians earlier this month joined the battle for market share. Primary Care, a for-profit, limited-liability corporation, comprises 150 physicians in six neighborhood clusters that include Boston and its southern suburbs.

Physician networks

The Norwell, Mass.-based corporation has organized physicians on the staffs of community hospitals beyond the current reach of several regional healthcare networks.

Primary Care is the second major physician-oriented organization to take root in the shadow of hospital-led companies such as Partners HealthCare System, the network formed by Massachusetts General Hospital and Brigham and Women's Hospital, and Pathway Health Network, a five-hospital system led by Deaconess Hospital that's in the midst of merging with Beth Israel Hospital (April 29, p. 4).

A company called Allied Community Health System incorporated in December 1995 with seven hospitals and 12 physician groups, following a bumpy four months during which the original level of announced participation thinned out (Aug. 14, 1995, p. 11).

Both Allied and Primary Care are trying to devise their own financial formulas that gather strength from community hospitals while supporting the supremacy of physician practices.

Primary Care's aim is to align financial incentives among community-based physicians and community hospitals and to work out a complementary relationship with insurers, said spokesman Guy Spinelli, M.D.

The corporation got off the ground with an initial ante of \$500 per physician to do the legal work, Spinelli said. Ownership in the corporation is through its six local "pods," which are legal organizations made up of existing large group practices or created expressly for the venture, said Spinelli, who heads one of the local subgroups, Quincy (Mass.) Primary Care.

No assets will be merged. Each of the

six local provider organizations initially will operate semi-independently to handle widely different demographic makeup and varying relationships with community hospitals, Spinelli said.

Plans are to forge alliances with the community hospitals by working out a risk-sharing arrangement that will keep the local facilities from being reduced to vendor status, he said.

The venture then will take advantage of existing hospital expertise in developing and managing information systems.

The goal is to tie the network together with information technology and clinical policy through a chief executive officer, a network medical director and a specialist in managing medical information, Spinelli said. That would give insurers an incentive to turn over contractual control of clinical decisionmaking to the physician organization.

A successful venture also would prevent for-profit hospital chains from gaining a foothold in that area of metropolitan Boston, Spinelli said.

Columbia last month staked a claim to the Boston-area healthcare market with an 80% interest in a two-hospital organization, MetroWest Medical Center, in the west suburbs of Framingham and Natick (May 6, p. 26).

For-profit healthcare companies supply an instant capital infusion. But Spinelli said Primary Care is counting on mutual self-interests of community-based providers to exploit their existing assets for the benefit of the group without the need for sizable upfront expense.

For example, community hospitals already have expertise in information systems, and their base of investment and know-how can be tapped for the networkwide data integration needed. "You don't need umpteen million dollars to do that," Spinelli said.

But after six months of strategic rumination, Allied Community Health System has concluded it can't compete without a capital infusion and is weighing offers from 10 potential equity partners for a joint venture, said President Richard Vernick, M.D.

The for-profit corporation has raised \$1.4 million so far from the seven hospital shareholders and 650 physicians in the venture, of which 400 are primary-care doctors, Vernick said. Another \$1.4 million has been pledged, he said, and the hospitals have extended a line of credit to get the venture moving.

Originally conceived as a vehicle for central contracting and information system integration, Allied concluded it would have to do more than that to compete as a "tightly bound and cohesive" network against the tertiary giants, Vernick said. "We do have to change a lot of the structure and the stress of the organization to include a physician management component."

That would include the purchase of

Physician-led group weighs in

Six local subgroups in Boston area combine to form Primary Care



physician assets and a partnership with a for-profit physician practice management company, he said.

Primary Care was formed partly in opposition to that approach, drawing some physicians who originally were interested in joining Allied. "Their original reason for not joining was that they did not want to have anything to do with hospitals," Vernick said.

But he questioned whether a physician organization can organize successfully without striking a bargain with hospitals as key participants. "They can't live without capital," he said.

—John Morrissey