

## VEBA Information Article April 2004



In its annual *California Health Care Market Report – 2004*, the *California Health Care Foundation* reports:

“California is big, not just in geographic area or population. It also has enormous resources and faces huge economic and social challenges. In health care, it has work class hospitals and physicians and innovative organizations. At the same time, it also has millions of people with no health insurance and is faced with the monumental task of maintaining a safety net for health care that is fraying under the strain of caring for so many people.”

Key findings of the report include:

1. Hospitals and medical groups once were partners, but they are now more likely to be competitors whose economic interests are more in conflict than in alignment.
2. Medical groups are further challenged by the declining demand for their core competence: managing the care of large numbers of patients enrolled in capitated HMO plans.
3. Variation and practice and performance has emerged as a key issue in payment systems, physician organization and how issues like patient safety are approached.
4. Capacity of hospitals and physicians is now seen as limited instead of excessive, further strengthening providers’ negotiating power.
5. The largest health plans and the largest purchasers continue to have enormous impact on the market. Size is relative and a large HMO in most other states is considered small by California standards. California has five HMO’s with 2 million or more enrollees, only a few other states have total HMO enrollment of 2 million.

Based on these trends it is no longer possible to affect the rapidly increasing cost of health care by negotiating deeper discounts with medical providers. Competitive physician/hospital forces are poised to increase revenues without the need to improve quality or service.

Accordingly, VEBA will be implementing strategies that ask its members to partner with VEBA in an effort to reduce the demand for medical services by taking the necessary steps to improve the quality of their health. Look for announcements in the near future addressing the efforts of the Disease Management initiative.