

## Embarking on a bold health-care experiment

By Peter Neurath

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If the recently formed Puget Sound Health Alliance manages to accomplish anything truly significant, the reason may lie with who's been hired to lead it. Two seasoned and highly regarded health-care experts have been chosen to lead the alliance, which aims to improve medical care and tame medical inflation in the Puget Sound region.

Margaret Stanley, the alliance's executive director, and prominent consultant Lance Heineccius, whom Stanley picked as program director, each bring nearly 30 years of experience in health-care policy in both the public and private sectors.

Stanley has strong management experience as well -- including stints as administrator of the California Public Employees Retirement System and administrator of the Washington State Health Care Authority.

As a consultant, Heineccius has authored several studies, including two that were widely distributed -- "A Study of State Purchased Health Services," for the state in 1991, and "Health Care Delivery System and Financing Options," in 2000.

The Puget Sound Health Alliance was organized in December as a private, nonprofit corporation with the monumental task of drawing to the table all interests -- business, labor, local governments, health professionals and insurers -- to reach consensus about how to improve both health and health care through measuring and paying for quality care.

The goals: making people healthier and improving their health care. Achievement of those goals, it's believed, would slow the rate of health-care cost increases in King, Pierce, Snohomish, Thurston and Kitsap counties.

Various insurers have developed quality measures or physician report cards, but the task the alliance has set for itself is to devise common measures that everyone will use.

It's a tall order. Although the alliance counts many big names among its some 60 members -- such as The Boeing Co., Washington Mutual Inc. and Starbucks Corp. -- it was not clear that it would amount to anything more than just one more organization grappling with the seemingly intractable issues of health-care cost and quality.

Then, in late June, the alliance hired Stanley, who had just retired as a senior vice president at Regence BlueShield. Stanley, in turn, this month hired Heineccius, who had just completed an 18-month project for Puget Sound Neighborhood Health Centers.

That got everyone's attention.

"Suddenly the alliance got lots of credibility," said Randy Revelle, policy and public affairs vice president at the Washington State Hospital Association.

Stanley and Heineccius "are two of the strongest health-care thinkers in the state," said Revelle, who was King County executive in the early 1980s.

Stanley's boss at Regence BlueShield, Mary McWilliams, the carrier's president, said Stanley's "varied experience makes her uniquely qualified to lead the alliance."

"I believe," McWilliams said, that "her appointment could be the tipping point toward results from this coalition of purchasers, payers, providers and consumers."

Tom Curry, chief executive of the Washington State Medical Association, had this to say about Stanley and Heineccius: "They add a degree of gravitas that the alliance did not have."

However, he added, some observers wonder about what some aspects of their experience might mean for the alliance. In the minds of some, Curry said, Stanley and Heineccius are associated with the state's controversial experiment with health-care reform a dozen years ago.

In the early 1990s, Stanley served as vice chair of the Washington Health Care Commission, which drafted recommendations for profoundly changing Washington's health-care system.

The premise of the commission, of which Revelle was executive director, was much the same as that of the alliance: "The fundamental goal of the state's health system should be to maintain or improve the health of all residents at a reasonable cost."

Drawing on the commission's recommendations, the Democratic-controlled Legislature passed the 1993 Health Services Act. The law -- which Republicans largely repealed two years later -- envisioned universal health care within a framework of "managed competition," featuring state-certified health plans delivering a price-controlled uniform package of benefits to all state residents.

It required employers to sponsor health insurance and to pay at least half the cost of the lowest-priced health plan in their areas.

This "employer mandate" was generally unpopular among businesses and actively opposed by such groups as the Association of Washington Business and the National Federation of Independent Business.

The law created the Washington State Health Services Commission, for which Heineccius served as director of policy and research between 1993 and 1995. The agency was charged with implementing the law's reforms. It disappeared when the law was repealed.

In contrast with sweeping reforms imposed by liberal lawmakers, the Puget Sound Health Alliance aims collaboratively to improve the existing health-care system.

Stanley and Heineccius indicated they agree with this strategy.

Stanley said the "objectives and collaborative nature" of the alliance are "just up my alley," and "just the kind of things I believe in."

Heineccius, too, finds collaboration appealing. What appeals him as well is the "comprehensive nature" of the alliance -- its focus on not only on cost but the interaction of cost and quality, and its recognition that "all parts of the system need to be in alignment."

Stanley said the alliance's main purpose is to improve health and health care and to restrain cost increases in this region by:

- Creating a health-care data repository, initially with insurance claims data of more than 700,000 people
- Gaining agreement on standardized physician and hospital performance measures
- Standardizing clinical guidelines for physicians when treating patients with various health problems
- Aligning financial incentives for physicians to practice health care based on what science says is clinically best for patients, for individuals to take personal responsibility for their own health, and for businesses and other purchasers of health insurance to steer employees toward better health.

Some employers already are realigning incentives.

The Wall Street Journal last year reported on Pitney-Bowes' use of financial incentives to improve employee health and to cut costs. The company lowered the employee co-pay costs for drugs treating asthma and diabetes to 10 percent from 50 percent.

The idea was that in making these drugs more affordable, patients would buy them and avert the cost of more expensive care by keeping their diseases in check.

It worked. Median costs fell 15 percent for asthma patients and 12 percent for diabetes patients.

King County has turned to financial incentives, too, as the county struggles to curb health-care costs that have been climbing at the annual rate of about 15 percent.

Starting next year, county employees may voluntarily take an annual confidential wellness assessment, which will result in personalized action plans. Those plans will suggest healthy actions employees can take such as eating more fruits and vegetables, stopping the use of tobacco, exercising more and losing weight.

Employees who take part will pay less in deductibles and co-pays. Dual goals are better health and lower costs.

"We don't want high blood pressure to become a stroke, or high cholesterol a heart attack," the county said in a May newsletter. "The goals are improved health and contained costs."

Stanley said the alliance now is organizing three committees to work on quality improvement, health information and technology, and communications.

It's also forming four clinical-improvement teams to recommend treatment guidelines, performance measures and incentive alignments pertaining to diabetes, heart disease, mental health and musculoskeletal conditions such as back pain.

As for funding, Stanley said the alliance has more than \$1 million in the bank, contributed mainly by member employers and health insurers. And it's looking for grant money.