



Contact: Cindy Ernst
510-208-1740
cernst@iha.org

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FOR IMMEDIATE RELEASE

**DELIVERING MANAGED CARE THROUGH PHYSICIAN GROUPS:
THE CALIFORNIA “DELEGATED MODEL” IS WORKING BUT NEEDS TO EVOLVE**

Walnut Creek, CA – California’s preferred system for delivering health care – the “delegated model” under which organized groups of physicians accept responsibility for managing the care of HMO enrollees – has been successful in lowering costs and improving quality but is at a critical juncture and needs to evolve, according to a new report from the Integrated Healthcare Association (IHA), a statewide leadership group on health policy and managed care issues.

“Delivering care through well managed physician groups with delegated responsibilities puts decision making into the hands of physicians and closer to the patient. This kind of organized care system also produces better coordinated, higher quality care,” said Steve McDermott, president and CEO of Hill Physicians Medical Group in San Ramon and IHA board chair. “But the relationships between the health plans and the groups need to evolve into more of a mutual partnership with well defined roles and significant provider rewards for high performance.”

Six key findings emerged from the new IHA study:

1. The delegated model is working and has achieved significant results in lowering costs and improving quality
2. The financial situation for physician groups is improving;
3. Physician group success requires sound management;

4. Business relationships between health plans and delegated physician groups remain poor;
5. Physician group consolidation needs to occur; and
6. Paying for performance will help all parties

“There is still a lot of rough water ahead, even with higher premiums bringing more money into the system,” said William H. Stimmler, MD, chairman of the board of directors at of Bright Medical Associates, Inc. in Whittier and board chair for the California Association of Physician Organizations (CAPO), based in Los Angeles. “Provider margins are thin, and physician groups are bargaining hard for better rates and less risk after some very tough years. Strong leadership is going to be required from both health plans and providers to move beyond strategies for short-term business advantage to long-term, quality-centered partnerships.”

The report predicts that the higher performing physician groups will weather the current period successfully and that low performing or less well managed groups will continue to exit the market, as they should. “We simply have too many physician groups taking risk,” said Beau Carter, executive director of the IHA. “Additional consolidation needs to occur, and the challenge to all parties is to ensure that patients do not suffer in a transition, physician groups do not try to grow too quickly, and health plans reward better performing groups with both enrollment growth and performance-based payments.”

The IHA report -- *Delivering Managed Care Through Physician Groups: The California “Delegated Model” Is Working But Needs To Evolve* – is an update to a comprehensive IHA study released in August 1999. It is based on interviews with ten leading physician groups and the four health plans most heavily committed to the delegated model – Blue Cross, Blue Shield, Health Net, and PacifiCare. The field work was conducted and initial findings compiled by a team from Cap Gemini Ernst & Young headed by Michael Goran, MD.

[IHA \(www.iha.org\)](http://www.iha.org) is a statewide leadership group of health plans, physician groups, and health care systems, plus at large academic, purchaser, consumer, and pharmaceutical industry representatives, committed to policy development, public dialogue, and special projects associated with the continuing evolution of managed health care.