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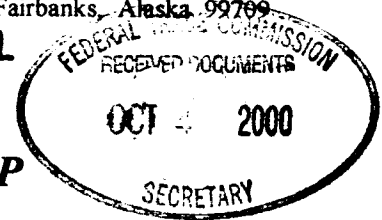
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September 27, 2000

Federal Trade Commission
Office of the Secretary
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Re: In the Matter of the Alaska Healthcare Network, Inc.
File No. 991-0103

Dear Secretary Clark:

I appreciate the opportunity to provide comment to the Federal Trade Commission ("FTC") regarding allegations that the Alaska Healthcare Network, Inc. ("AHN") restrained competition by price fixing and refused to deal with payors except on collectively agreed-upon terms among other issues. I understand these are FTC allegations and do not constitute an admission that any laws were violated.

For the public record, I believe AHN should be shielded from the FTC alleged challenges of unlawful competitive practices since the physician network: 1) is a "non-exclusive" entity whose members have and continue to contract individually with health plans and other health care purchases prior to and since the establishment of AHN and who may affiliate with other networks, 2) AHN's lay administrator provided median fees representing the Fairbanks North Star Borough medical community to NYLCare at their request, but never negotiated prices for the provision of health and medical services with NYLCare or any third party insurance carrier as alleged in the FTC complaint, 3) AHN and its Contract Committee have not collectively refused to deal with third party carriers, 4) Only the AHN lay administrator had possession of the fees of the competing medical practices and they were never disclosed to the competing medical practices. Furthermore, the fees were only provided to third party carriers requesting the fees, and 5) AHN has met antitrust safety zones that would not be contested under the antitrust laws. Physician service integration through AHN has resulted in improved quality care, access to multi-specialty medical disciplines, and efficiencies that should have been analyzed rather than ignored by the FTC investigators under the rule of reason.

The FTC should encourage AHN's efforts with third party insurance carriers who sought AHN's assistance. Many of them did not have the resources to come to the Fairbanks North Star Borough for an extended period of time to meet and contract with physicians. Only representatives with Blue Cross of Washington and Alaska met with the AHN physicians and only Blue Cross of Washington and Alaska had market penetration in the Fairbanks region through direct clinic contracts.

AHN's willingness to perform delegated administrative services at no cost to the carriers and have their administrator provide median fee information to the carriers requesting this information was considered useful and appreciated. My understanding of FTC policies permit an IPA network to have a lay person collect and analyze fee data from physicians for use in developing a fee schedule as long as the sharing of such sensitive information among the network's physician participants does not occur. Fee information was never provided to competing physician participants and accordingly it was not feasible under AHN auspices for physicians to discuss fees or set prices for services. The AHN median fees provided by its administrator were considered by the insurance carriers in preparing their fee offers which were subsequently messaged to the individual AHN medical practices. Discussion of their practice fees or the health plan fee offers among the AHN physician participants did not occur.

Since AHN had no opportunity to become involved in financial risk (no health plan offered risk contracting in the Fairbanks North Star Borough), it was believed by the leadership that the AHN participating members should integrate economically and clinically to create efficiencies. According to FTC antitrust guidelines "physician network joint ventures that do not involve the sharing of substantial financial risk may be lawful if the physicians' integration through the joint venture creates significant efficiencies and the venture, on balance, is not anti-competitive". Examples of possible cost savings methodologies available to physician networks include "improved cost controls, case management and quality assurance, economies of scale, and reduced administrative or transaction costs".

AHN creates efficiencies through its group purchasing programs for medical liability coverage, clinic equipment and supplies, and clinic waste disposal. This economic integration results in substantive cost savings due to economies of scale and reduction of transaction costs. Further cost savings are available to the AHN affiliated medical practices if they elect to purchase the Medic computer system recommended by the Network.

AHN encouraged clinical integration among its affiliated medical practices by implementing quality care programs and reviewing appropriate service utilization by AHN physicians. AHN, at the request of a third party payor, would evaluate individual physician participants' and the network's aggregate performance consistent with clinical guidelines (quality goals and outcomes). The clinical guidelines, adopted by the AHN physicians, impact treatment and service utilization, and were intended as benchmarks in evaluating individual practitioners and network aggregate performance. Physician practice patterns could be modified based on the evaluation of AHN's medical director and the Utilization Management and Quality Improvement Committee.

In cooperation with one insurance carrier, AHN and its participating medical practices were involved in physician credentialing, case management, pre-authorization of medical and institutional services, and retrospective service review. AHN developed a formulary which was cost effective, efficacious, and reflected local prescribing patterns by the physicians in Fairbanks. This formulary was approved for use by the insurance carrier.

There are barriers to fully integrating clinical services among the AHN affiliated medical practices. Differing opinions among physician members regarding the functionality of a case management information system and the amount of capital (in excess of \$450,000) to purchase a computer system that could provide physician and institutional data on the quality, cost, quantity, and services provided as well as many administrative functions delayed a decision by the AHN physicians.

Finally, I would like to express my support for the position enunciated by Commissioners Orson Swindle and Thomas B. Leary that the proposed "structural" remedy to cure AHN's allegedly unlawful conduct is inappropriate in this particular case. While they believe that limits on a physician group's "market shares" can be appropriate they were not persuaded that this provision will operate in a rational and predictable way in a market as small as Fairbanks. Clearly, Fairbanks is not Houston, Texas; Los Angeles, California; Minneapolis, Minnesota; or for that matter any city with a population greater than 31,000 people. The proposed structural relief as addressed by the dissenting Commissioners could lead to the possible break-up of two multi-specialty group practices in Fairbanks and could inhibit medical specialists, needed in the community, from coming to Fairbanks.

Some of the FTC staff investigators may desire to establish a new precedent concerning structural remedies for the country, but Fairbanks is not the right place nor is this the right time to test their theory. If this structural remedy is employed in Fairbanks will it become a precedent advanced by the FTC in other communities? I am concerned with the impact this new unprecedented structural remedy will have on large medical groups and IPAs across the country. This theoretical structural remedy should be fully tested in large communities where competitive medical practices and multiple physician networks exist before its adoption by the FTC Commissioners.

I was administratively involved in AHN since its establishment in 1996 through January 2000. I currently provide management consulting services in the Fairbanks North Star Borough and reside in North Pole, Alaska. If you have any questions concerning my comments or seek further clarification, please let me know.

Thank you.

Respectively,



Gary B. Schwartz