



SUMMER RENEGOTIATIONS UNDERWAY

Despite the heat, many health plans utilize the summer months to renegotiate their provider contracts. Contracting is a little more tedious this summer because many health plans are short-handed in their provider relations/contracting departments. The closure of many group practices and the physician organization changeover to the "Messenger IPA" format on the part of many physician organizations is leading to more complex negotiations as well.

As noted earlier, many plans are also changing over fee-for-service provider contracts. These contracts are usually less than 100% of current Medicare rates and often in the 80% range. These levels are resulting in the closure or restructuring of many medical groups, especially those with "outside" ownership. In addition, many providers are being hurt by reported "slow payment" from the health plans.

In one recent "failed" negotiation, **Phoenix Memorial Health System** terminated its relationship with **Humana's** HMO operation, ending a long term relationship due to the inability to reach an agreement on compensation.

MORE MEDICAL GROUP EVOLUTION

Tennessee-based **PhyCor** has ended its relationship with the **Casa Blanca Clinic** in Gilbert. The group has consolidated down to a single location and is now composed of only 20 physicians. Many of the group's former physicians are establishing new,

independent practices in the Mesa and Gilbert area.

The Mayo Clinic has re-evaluated its approach to community-based primary care primary care. Over the past few years, it has bought several Phoenix-area medical practices. It has recently decided to focus its efforts on its tertiary care mission and will be working with the physicians to develop new types of relationships.

CRITICAL MASS RACE

Earlier this year, Colorado-based Kinetra was acquired by Healtheon/WebMD from Eli Lilly & Co. Kinetra facilitates networks between health care providers.

Pennsylvania-based Rite Aid, Corp. has completed the sale of its Scottsdale-based subsidiary PCS Health Systems to a Texas firm, Advanced Paradigm. Advanced agreed to pay \$1 Billion for the firm. Following the completion of the sale, the corporate headquarters of the merged firm will be split between Texas and Arizona and the president of Advanced will relocate his offices to Scottsdale.

The California-based hospitalist group, IPC, The Hospitalist Co., has expanded its Phoenix operations with the addition eight new physicians from the staff of Carebridge following its termination of operations. IPC has also recently expanded its client roster to include Aetna, PacifCare, Intergroup and HealthChoice. It began its Arizona operations in Tucson.

HOSPITAL NOTES

Phoenix-based Baptist Hospitals

and Health Systems has completed its sale of Phoenix Baptist Hospital and Medical Center along with its Arrowhead Community Hospital and other Phoenix operations to Tennessee-based Vanguard Health Systems.

Vanguard also owns the Maryvale Hospital in Phoenix. Baptist has also completed the sale of its Western Arizona Regional Medical Center in Bullhead City to Tennessee-based Community Health Systems. Community also operates the Payson Regional Medical Center.

The Arizona Hospital & Healthcare Association is relocating its offices from Tempe to Phoenix this fall.

The Arizona Healthcare Federation, a consortium of mainly rural Arizona hospitals, has dissolved.

As Phoenix Children's Hospital continues its preparations to move into a remodeled Phoenix Regional Medical Center late next year, St. Joseph's Hospital and Medical Center is expanding its pediatric services.

After losing it three years ago, the Arizona State Hospital has regained its Medicare certification.

SHORT NOTES

It appears that the KidsCare program will be losing \$76 million in future funding for its children's health insurance plan. The reason for the forfeiture of the funds is the inability of the plan to achieve its ambitious goals in enrollment. While the group met its target of signing nearly 75,000 applications, just over half of the enrolled children were identified as

