



## SUPREME COURT APPROVES USE OF RISK ARRANGEMENTS

The **U.S. Supreme Court** has set the stage for a congressional review of the federal HMO statute and the ERISA Act with its recent decision not to allow an HMO member to sue its HMO for "giving doctors a financial incentive to cut treatment costs". It said that the Congress has supported managed care principles through the passage of numerous laws over the past 27 years and that authorization of the suit would undermine the ability of HMOs to function, either as for-profit or not-for-profit businesses.

The decision was unanimous. The court left the door open for HMO members to continue to sue their physicians in state courts for damages. The underlying suit pertained to an Illinois HMO member who suffered a ruptured appendix and onset of peritonitis because her HMO physician delayed diagnostic tests for eight days so that the tests could be performed by an HMO provider.

The patient was awarded malpractice damages in a state court, but had brought the separate federal suit under the Employee Retirement Income Security Act (ERISA) claiming that the HMO had violated its obligation to act in the best interests of a patient.

## AETNA DEVELOPMENTS

**Aetna U.S. HealthCare** has cancelled its plans to create a new west central Region that would include Colorado and several surrounding states. It will once again be a part of the region based in Texas.

Connecticut-based **Aetna, Inc.** has ended its talks to sell the new Financial Services unit that it created earlier this year, following a takeover offer from California-based **Wellpoint Health Networks** and the Dutch insurer **ING**, to ING Group. ING was also interested in Aetna's international insurance operations. Aetna is continuing with plans to split the company into a health insurance unit and a separate financial services unit.

Aetna U.S. Healthcare, the health insurance unit, also seems to be moving away from its **U.S. Healthcare** connections. **Michael Cardillo**, President of Aetna/U.S. Healthcare and former head of U.S. Healthcare, has announced his retirement. **Len Abramson**, the founder of U.S. Healthcare, has just resigned from the Aetna, Inc. Board of Directors.

## COLUMBIA/HCA DEVELOPMENTS

Last month, Tennessee-based **Columbia/HCA** has announced that it has reached a tentative agreement with the federal government to settle the Medicare billing fraud charges that it was facing. The announced settlement was for \$745 million. The hospital group did not admit any wrongdoing. There are still a few remaining civil issues and a criminal investigation to be resolved.

Columbia, the following week, announced that it is dropping the "Columbia" from its name and becoming **HCA – The Healthcare Company**. The name of HCA's Colorado joint venture with The **HealthONE Alliance, Columbia/**

**HealthONE**, will also be changing.

## HOSPITAL NOTES

The summer is the time when many HMOs are renewing their provider contracts, particularly facility contracts. Two recent contract negotiations were of note. **Anthem Blue Cross Blue Shield** renegotiated its contracts with **Columbia/HealthONE** after a round of public "deadline setting". The Blues also renegotiated its contract with Ft. Collins' **Poudre Valley Health System**.

## MEDICARE POPULATION AWAITS HMO ANNOUNCEMENTS

Colorado's seniors are waiting to hear from the HMOs in the Colorado Medicare marketplace as to their continued presence in Colorado. The current statute requires HMOs now serving the Medicare beneficiary marketplace to notify the **HealthCare Financing Administration** (HCFA) of their plans for 2001 by Monday, July 3<sup>rd</sup>. Nationally, **CIGNA** has announced that it will withdraw from a number of markets, similar to its withdrawal from Colorado last year.

**PacifiCare** has said that it plans to make its announcement on July 5<sup>th</sup>. Colorado's other two HMOs offering Medicare+Choice plans are **Kaiser** and **Anthem Blue Cross Blue Shield**. The two HMOs offering Colorado's two Medicare Cost programs, the **San Luis Valley HMO** and the **Rocky Mountain HMO** are not affected.

As the deadline draws near, the **White House** has announced that it has instructed **HCFA** to simplify a range of regulations used to

regulate Medicare+Choice plans and the **Congress** is considering increases in the amount of payments to HMOs serving the Medicare population as a means of discouraging new defections from the program for 2001.

### HOSPITAL PROJECTS

Part of the pressure on health plans from hospitals is coming from not only the need to return to or maintain profitability, but the need to grow in the competitive hospital marketplace. In Denver, **Centura** is talking about expanding its **Littleton Porter** and **Avista** facilities. **Columbia/HealthONE** is also getting closer to announcing where it will be building a new suburban hospital, possibly in the neighborhood of I-25 and Lincoln in Douglas County.

There are also three multi-million dollar PET (positron emission tomography) scanners being installed in the Denver area with one at **University Hospital**, another at **Porter Memorial** and now a third at **Denver Health Medical Center**.

### CRITICAL MASS RACE

California-based **PacifiCare**, the nation's fifth largest HMO, has announced that it will withdraw all of its products from the Ohio and Kentucky markets it now **serves** by year end. This action reduces the states under PacifiCare's Eastern Division to Colorado alone and makes PacifiCare a regional plan serving eight western states. PacifiCare is transferring its commercial members in these two states to **Anthem Blue Cross & Blue Shield**. Anthem also recently acquired **Blue Cross & Blue Shield of Maine**.

### LAGNIAPPE

Georgia-based **Charter Medical** has sold its **Centennial Peaks** mental health facility to a group of local investors. The group is headed by **Wally Sackett**, the administrator of **Sun Health's Mediplex Specialty Hospital** in Thornton. Sackett will become chairman of the board of the facility, but will retain his current position at Mediplex.

**Community Health Plan of the Rockies**, a Colorado-based, for-profit HMO, has announced that it has signed a contract with **Children's Hospital** in Denver. The two organizations are entering a new era following a somewhat contentious relationship.

Tenants in the defunct **Precedent Health Center**, which is being wound down by **Centura Health** for a future sale, are relocating to new facilities. The Hospice of Metro Denver's unit is moving to **Columbia/HealthONE's (CH-1) Presbyterian/St. Luke's** nearby campus. SCCI Hospitals' unit is moving to CH-1's **Medical Center of Aurora's** north campus. Reports suggest that a sale of the Precedent facility is imminent.

### COMINGS & GOINGS

**Kaiser** Vice President and Boulder/Denver Market Executive Director **Mike Alexander** is leaving the only employer he has ever had, **Kaiser of Colorado**, to accept a new position with **Kaiser in Northern California**. He has held a number of positions with increasing responsibilities since joining Kaiser in 1972...**Jean Farone** has been named Established Business Sales Manager for **CIGNA HealthCare of Colorado**. She was with **Prudential** in Pennsylvania

previously...**Kim Gordon**, the former **Colorado Access** Director of Quality Management, has established a new consulting firm, **The Caley Gordon Group**...**Doug Goetz** has left his COO position at **Sloans Lake Managed Care** to pursue other opportunities ...**Gloria Franczek** has been promoted to Executive Director of the **Gadrian Corporation**, a credentialing firm associated with **COPIC Insurance** ...**Debbie James** has left her regional marketing position with the Arizona-based PPO network, **HMA, Inc.**... **Dr. Virgilio Licona**, the former Medical Director for **Colorado Access**, has established a new consulting practice, **Licon Consulting, Ltd.** In Littleton... **Kevin Burgess** has left his Regional position with **Charter Behavioral Health**.

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