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Keeping Competitive

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## St. Joseph's Medical Center

### Keeping Competitive

**S**t. Joseph's Medical Center is located in South Bend, Ind., a town still relatively insulated from managed care and all its demands. Yet for nearly nine years St. Joseph's has been positioning itself to compete in a health care marketplace that one day may be dominated by managed care.

Early on St. Joseph's leadership gained insight into national health care trends as a member of the Holy Cross Health System, which has hospitals in California and Utah where managed care penetration is much higher.

"We learned from our colleagues in California that segmenting our businesses and developing niche services would help us deliver care more efficiently and position us for managed care in Indiana," attested Carol Norris, cancer program administrator.

In 1987 St. Joseph's initiated a service-line management structure, a reorganization that forced staff to analyze true costs, said Norris. "Our organizational structure required us to follow our service lines by DRGs and ICD-9 codes. As a result, we know our contribution margin and net income by procedure and by DRG."

Norris and her colleagues are preparing for the inevitable change in health care delivery, taking what they have learned from service-line management and applying it to managed care. "Managed care companies are interested in a hospital's quality indicators—patient satisfaction, morbidity, mortality, infection—as well as their cost for the service," Norris said. "When we are approached with managed care contracts, we will have this information available."

At this time St. Joseph's does not have a managed care contract strictly for oncology, but the hospital has

been approached about hospital-wide contracts that affect cancer. Recently St. Joseph's negotiated a contract that would include lab, radiology, radiation oncology, and anesthesia services, using a CPT-4 fee schedule.

Preparing for this contract led St. Joseph's into a new area—analyzing volumes and costs based on number of lives covered—and was a useful learning experience for Norris and her colleagues. Although recent developments have postponed fee schedule implementation until 1997, "the preparation was good practice for assembling our team and the tools we will need in the future to figure our costs as they relate to predicted volume," Norris said.

St. Joseph's established a physician-hospital organization (PHO) for leverage in winning contracts that require both hospital and physician services. Determining physicians' charges can be a difficult task, Norris said, especially when physicians are not hospital employees. Many physicians may be reluctant or unable to provide their length of stay, average daily charges, and cost-per-procedure data. According to Norris, St. Joseph's work in building collaborative relationships with physicians has encouraged information sharing that helps win contracts.

#### COOPERATION AND COMPETITION

Inherent in service-line management is the need to cooperate with local hospitals to offer services in as wide a geographic area as possible. St. Joseph's created an informal network of providers, redefining its scope of what a network can be. "Our idea of network expanded from the facilities that share our bottom line to the local providers that contribute to it," said Norris.

St. Joseph's service-line manage-

ment was organized to provide a full continuum of care—from early detection and prevention, through diagnosis and treatment, to follow-up and long-term management. Linking with a hospital thirty miles away to provide additional services, such as cancer screening, ensures that St. Joseph's meets every aspect of the continuum. "Our relationship with local hospitals is based on shared ownership and achieved outcomes," Norris said. "Where managed care might eventually force us to work with these hospitals, we have some systems already in place."

St. Joseph's has been a leader in bringing St. Joseph County's major providers together to develop a local oncology data network that would unite the cancer registries of at least four hospitals and one major medical oncology group. In conjunction with the Indiana State Department of Health, the project's ultimate goal is to create a main repository for all parties to access, possibly through St. Joseph's cancer registry or St. Joseph County's Chamber of Commerce. The centralization effort will bring St. Joseph's closer to its goal of accessing cancer incidence and mortality in the entire community. If the network succeeds, the Department of Health intends to replicate the network in other counties in Indiana.

This kind of cooperation is nothing new for St. Joseph's, one of two major hospitals in St. Joseph's County. St. Joseph's main competitor, a 529-bed facility, is just two miles away. The hospitals collaborate in presenting tumor conferences, breast cancer forums, and educational conferences in an effort to promote quality care in the local setting.

With 80 percent of St. Joseph's medical staff working at both sites, "the physicians do not think in

terms of 'the hospital' but rather in terms of patient care—improving physician knowledge and practice to improve patient outcomes," Norris said. By working together in as many areas as possible, the hospitals not only save money, but also provide more efficient care.

St. Joseph's is undergoing a clinical pathway development process that Norris hopes one day will be

replicated throughout St. Joseph's formal and informal network hospitals. St. Joseph's existing colon and rectal cancer pathways have led to decreased length of stay, reduced resource utilization, and improved quality outcomes. Neutropenia and outpatient chemotherapy pathways are under consideration.

Norris is part of a team that convenes voluntarily to discuss

pathway implementation across multiple sites. What makes this team unique, Norris said, is the willingness of each member to set aside position and title to work together toward an ultimate goal. "If we can manage the patients and achieve good outcomes—whether or not we share the same bottom line—we can provide quality care locally." ■

*St. Joseph's Medical Center, located in South Bend, Ind., is a member of the Holy Cross Health System and is the second-largest hospital in St. Joseph County (pop. 245,000). The oncology program has been providing quality oncology services for more than twelve years. An extensive expansion and remodeling of the radiation oncology center has recently been completed.*

#### **VITAL STATISTICS**

- Total system-wide bed size: 339

- Dedicated cancer unit beds: 29
- New analytic cancer patients seen each year: 820
- Managed care penetration in Indiana: 9.3 percent

#### **PATIENT SUPPORT SERVICES**

- The 24-hour Health Information Center's resource library contains books, pamphlets, and videotapes about cancer prevention, early detection, technology, and treatment.
- Nurses are available 24 hours a day to answer health-related

questions through ASK-A-NURSE, a confidential health information service.

- Cityline, a free telephone service, provides information on cancer warning signs, cancer prevention and detection, nutrition and cancer, and breast cancer.
- A computerized Health Risk Analysis analyzes personal and family history and lifestyle and provides information about present health risks and preventive measures.

