



WHY A NEWSLETTER?

The Arizona managed care environment is well established, yet dynamic. As publishers of the Directory of Arizona Managed Care®, we have been given the opportunity to interview nearly every managed care organization and major provider in the state. While our interviews have identified serious efforts on the part of the business press to track health care and managed care efforts in both Phoenix and Tucson, a publication focusing on Arizona managed care will fill an important niche.

By providing a simple, yet comprehensive newsletter which compiles information from across the state on a routine basis, we intend to publish a "newsletter of record" which can address the industry's issues from the position of an "inside and knowledgeable source". With over a decade of managed care information publishing experience, we hope to bring our abilities to observe, examine and anticipate market changes that will support our subscribers and their staffs in keeping ahead of the game.

INTERGROUP AND REGIONAL DROP OUT OF AHCCCS

Two of Arizona's AHCCCS providers are dropping out of the State's program prior to the end of the current contract year which ends September 30th. **Regional AHCCCS Plan**, which is operated by the **Regional Health Plan (Regional)**, dropped out as of May 1st due to the financial

difficulties being experienced by its parent, **Regional Healthcare Services**. These financial problems stem from a contractual misunderstanding with **Intergroup** over capitation compensation to Regional for serving Intergroup members in Pinal County.

Regional served approximately 10,000 members in Pinal County. Its members are being transferred to the **Phoenix Health Plan (PHP)** which is expanding into Pinal County. PHP is owned by **PMH Health Resources, Inc.** now serving nearly 22,000 AHCCCS members in Maricopa county.

Intergroup is terminating its AHCCCS contract and closing its Intergroup Select product effective June 1. Intergroup serves nearly 8,000 AHCCCS members in Maricopa County. Its members are also being transferred to PHP. Intergroup's membership had been capped under the current contract, but it had the opportunity to have the cap dropped in conjunction with the current bidding process.

A spokesperson for Intergroup said that the AHCCCS program did not seem to offer significant opportunities for enrollment growth in explaining the plan's decision. Decreasing profitability in AHCCCS contracts may also have played a factor according to industry sources.

The next round of AHCCCS contracts with health plans begins with bids due by today. It has been reported that **United HealthCare** plans to submit a bid

to become an AHCCCS contractor in the upcoming contact period. Plans will be selected in June with open enrollments in August. Current contracts run through September 30th. Approximately 375,000 AHCCCS members are covered by the remaining 12 plans.

REGIONAL PICKS QUORUM

In addition to their contract with the **Maricopa Medical Center**, Nashville-based **Quorum** has picked up a second Arizona system to manage. The **Board of Regional Healthcare Services (Casa Grande)** has selected **Quorum Health Resources** to manage the system while it continues to assess the full scope of the damage resulting from the contract it held through its affiliate, **Regional Benefits Plans** (a Third Party Administrator), to serve **Intergroup** clients in Pinal County.

Under the agreement, Regional was reportedly obligated to provide services on a capitated basis while internally operating as if it were a discounted fee-for-service arrangement. Quorum will also be investigating the transactions related to the managed care contract.

ARIZONA MEDICARE RISK MEMBERSHIP UPDATE

The **Medicare Risk** marketplace, with nearly 641,000 beneficiaries, is one of the most important markets for HMO products in Arizona. The **Health Care**

% **Financing Administration** (HCFA) reports 222,822 Arizonans (35%) enrolled in HMOs. The following table shows Medicare Risk enrollment from HCFA for Arizona based plans:

PLAN JANUARY/MAY 1997

FHP	88,269/ 88,501
Intergroup	43,895/ 46,058
CIGNA	32,402/ 34,178
HealthPartners	21,224/ 22,974
Humana	19,281/ 19,815
Premier	2,856/ 4,569
Blue Cross	1,335/ 3,351
Maricopa County	<u>2,527/ 2,377</u>

TOTAL 211,789/ 221,823

In addition to the above beneficiaries, some Arizonans are covered by out-of-state plans.

**ARIZONA MANAGED CARE
LEADER PROFILE**

Once each month, *Arizona Managed Care Newsletter®* will profile one of Arizona's leading managers as they guide their organizations through the white water rapids of today's marketplace.

LEADER: Edward J. Munno, Jr.,
President & COO

FIRM: Intergroup Healthcare Corporation, a unit of the newly formed **Foundation Health System** (FHS). Mr. Munno has been with FHS and its predecessor, Foundation Health, since 1991. He held the corporate positions of Vice President of Sales and then Chief Marketing Officer before coming to Arizona in 1995.

PREVIOUS FIRM: Prior to joining Foundation, he was with Equicor.

EDUCATION: B.A., Loras College

MOST IMPORTANT CHALLENGE FACING MANAGED CARE TODAY: "The negative perception of managed care caused by the constant media attacks based on isolated instances and anecdotes. Managed Care (plan) members are losing confidence in the system even though member satisfaction surveys show an overwhelming majority believe their managed care plans are delivering as promised."

UNIVERSITY MERGER OFF

Tucson's **University Medical Center** and **University Physicians, Inc.** have cancelled their previously announced plans to merge as a result of changing market conditions.

MEETING OF NOTE

The **Arizona Health Care Administrators' Forum** for June will be held on Friday June 13th. The speaker will be **Jonathan Weisbuch, M.D.**, Director of the **Maricopa County Public Health Services**. For more information call Sheila Jones at **602-381-4364**. This will be the last meeting until September.

COMINGS & GOINGS

Jack Kelly has been named Director of the AHCCCS program by the State Senate. He has been acting Director for the past year...**Troy Johns** has joined **Intergroup** as Director of Marketing & Sales. He previously was with **Frontier Community Health Plans** in Denver...**Dr. Sam Benjamin** is leaving his position as program director at the

Arizona Center for Health & Medicine to become the Chief Medical Officer of **Mariposa, Inc.**...**Kristi McShay** has moved to **Scottsdale Memorial Hospital** as Manager of Managed Care. Previously she was the CFO for the **Scottsdale PHO**...**Mike Opich** is now Director of Contracting for the **Scottsdale PHO**. He was formerly with **Aetna U.S. Healthcare**...**Quorum** has named **Claudia Griffiths** to act as interim administrator at **Regional Healthcare Services** following the award of its new management agreement...**Pat McNamara** has been named Director of Managed Care for the **John C. Lincoln Health Network**. He was with **Phoenix General Hospital** prior to its merger with John C. Lincoln...**Caroline Berger** has become Director of Marketing & Public Relations for **Columbia**. She was with Columbia's Southwest Florida Division...**John Gawaluck, Ernst & Young's** Managing Partner for Arizona has moved to E&Y's Nashville office where he is Coordinating Partner for **Columbia/HCA**...**Dr. Malik Hasan** has been named Chairman and CEO of **FHS** succeeding **Dan Crowley**.

If you like this newsletter, you may be interested in our [Directory of Arizona Managed Care®](#). Call 1-888-HMO-INFO for more info.

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