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**REPORT 6**  
**BOARD OF TRUSTEES**  
**Referred to Reference Committee E**

10 Resolution 16-506: Support Physician-Driven, Free Market-Based Healthcare Payment Model Creation  
11 and the Restoration of the Patient-Physician Relationship through Innovative Consumer-Driven  
12 Healthcare Financing and Delivery Solutions – Resolution 16-506, introduced at the 2016 annual meeting  
13 and referred for study to the Board of Trustees, called on the Society to endeavor to aid in the creation of,  
14 and partner with, a stand-alone comprehensive and innovative healthcare initiative; ask the Board of  
15 Trustees to create a loan that may be released incrementally up to \$5 million for a stand-alone  
16 comprehensive and innovative healthcare initiative; anticipate that this endeavor be marketed and  
17 promulgated through the county medical societies throughout the state of Pennsylvania; partner with and  
18 provide administrative, secretarial and county resources to this innovative physician-led plan and support  
19 physician-developed processes to manage quality, utilization and cost through a patient- and physician-  
20 driven, free market-based healthcare system; support patient centric and physician facilitated, free market-  
21 based healthcare reform as an alternative to government or commercial insurance-devised payment  
22 models.

18 **Background**

19 Supporting materials provided to the House included a description of The Healthcare Alliance (THA),  
20 which was identified as a consortium of physicians with an innovative concierge insurance model who  
21 will seek contractual relationships in a given geographical service area through a simplified physician-  
22 controlled delivery system that restores the patient-physician relationship. Additional testimony provided  
23 at the Reference Committee E stated that the intent of the resolution was to respond to the market  
24 dominance of commercial and government insurers by creating a new healthcare payment model that  
25 relies on employers to directly underwrite the healthcare costs of their employees. This model would rely  
26 on separately negotiated payment terms with a dedicated panel of physicians that would be free of the  
27 administrative burdens used in insurance contracts, including CPT coding. It was suggested that the loan  
28 would be used to defray the costs of developing the initiative, and to demonstrate that a free-market  
29 alternative to government or commercial insurance-devised payment models is possible.

30 **Discussion:** The Board of Trustees (BOT) believes that the intent of the Resolution is to ultimately  
31 demonstrate that physician-led care offers the best combination of increased clinical quality, avoidable  
32 costs and patient satisfaction. The BOT is also sympathetic to the authors’ desire to eliminate the negative  
33 impacts of commercial and government-sponsored health insurers in the doctor-patient relationship.

34 The BOT believes both issues of a) physician leadership and b) insurer dominance are being adequately  
35 addressed by the Practice Options Initiative (POI), which has been renamed the Care Centered  
36 Collaborative (The Collaborative). This program, which has been supported by up to \$15M in funding,  
37 also seeks to support physician-led care, but through the creation of aggregated physician groups such as  
38 clinically integrated networks (CINs) and accountable care organizations (ACOs). There is ample  
39 literature that shows that through these kinds of contracts with health insurers, physicians can assume  
40 appropriate levels of insurance risk along with considerable control of payment terms, referral networks,  
41 credentialing and other aspects of healthcare delivery that are key to both quality and cost.

42 Yet, the BOT recognizes that CINs, by their very nature, work with insurers. This would be contrary to  
43 the intent of Resolution 16-506, which seeks an “alternative” to insurance-devised payment models. The  
44 BOT believes this different approach would limit the likelihood of success due to the continued market

1 preference of employers to transfer risk by relying on commercial insurers or self-insurance plans. Thus,  
2 while the authors' underlying strategy may have merit, a low likelihood of uptake and the uncertainties of  
3 a new healthcare payment model should temper PAMED's willingness to extend the \$5 million loan  
4 called for in the Resolution.

5 The BOT believes fostering the development of one or more CINs offers a more realistic alternative to  
6 eschewing traditional insurance and market realities, because it seeks a commensurate level of risk  
7 transfer that will be to the benefit of both patients and physicians. In other words, a CIN would temper  
8 many of the negative aspects of commercial and government sponsored insurance and achieve the  
9 outcome of physician leadership.

10 **RECOMMENDATION**

11 1. The Board of Trustees recommends that this report be adopted in lieu of Resolution 16-506

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