

Integrated Healthcare Delivery Systems: An Overview for Health Information...

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by Marleeta Jones-Burns, ART

Integrated healthcare delivery systems are rapidly becoming the environment of the future. This trend will make managing healthcare information even more of a challenge than it has been during previous decades. As with the shift of focus on coding accuracy for appropriate reimbursement in 1984, it is the health information manager who must meet the challenge of integrating and managing healthcare data. This article offers an overview to inform health information managers about the changes surrounding integration activities, why and where this trend is occurring, comments regarding its success, and how it impacts the HIM profession.

Integration of Healthcare Delivery Systems No Longer "New" News

Integration has been the leading cover story for many healthcare publications during the last 18 months. However, despite the frequency with which we encounter the term "integrated delivery system," the implications of integration-especially as it concerns health information managers-is not well understood, so we will begin with a practical definition.

What is Integrated Healthcare?

Integration is mergers, acquisitions, and more. At its simplest, it is the integration of healthcare providers and the expansion of the range of care-sometimes called the continuum of care-either horizontally or vertically from a single provider to two or more providers.

St. Anthony Publishing conducts a survey of integrated delivery systems on an annual basis. The result of the survey is called "The Integrated 100" and represents the top 100 integrated systems in the nation. The report is about 700 pages long, so you can see there is no shortage of information on the subject or number of health systems integrating. Here is how St. Anthony distinguishes between vertical and horizontal types of integration:

- Vertical integration-Incorporates multiple levels of care with multiple types of providers and relationships. A comprehensive service continuum with a single management, administrative, and information network support structure
- Horizontal integration-Coordinated provision of care between providers of like services and same levels of care affiliated in arrangements for the purpose of increasing productivity, but retaining administrative autonomy

Why Have Healthcare Entities Integrated?

Integration is an effort to add value to the delivery of healthcare services. This includes value that will theoretically benefit the provider, the patient, and the payer. When a healthcare system can deliver care of greater value than its competitors, it will be able to attract and retain more patients or covered lives, an obvious benefit to the financial integrity-and, sometimes, the survival of the medical institution. Adding value can mean providing care at a lower cost or providing better services to the patient and the families supporting the patient. These values are of major concern to both employer and payer in reducing cost of premiums and healthcare services.

Figure 1		Future Growth and Success of Integrated Health Systems
Quarter ending	Number of mergers or acquisitions	
September 20, 1996	271	
June 30, 1996	236	Surveys show a steady increase in integration of health systems with no indication that the pace will slow in the near future. The most visible integration activities are those related to mergers and acquisitions, which

continue to increase at a record rate. *Modern Healthcare* reported a 15 percent increase in mergers or acquisitions in healthcare during the quarter ending Sept. 30, 1996¹ (see Figure 1). Hospitals usually play a central role in these transactions.

Some industry watchers question whether these integrated delivery systems will succeed in adding value. "If they are adding costs and not necessarily adding value to the customer, then Judgment Day can't be more than two or three years off," says healthcare expert Peter Boland, president of Boland Healthcare in Berkeley, CA.

Nevertheless, integration is continuing, and for many more reasons beyond the potential promise of added value. It may be some time before any evaluation of true value can be measured with any measure of certainty. Market upheavals and pressures must subside somewhat first, and quality measurements themselves have quite a distance to go in terms of sophistication.

Measuring the Economic Health of Integrated Delivery Systems

The economic health of many integrated delivery systems is questionable. One measure of economic health is called the Economic Value Added (EVA). This is a measure of financial performance devised by Stern Stewart, a New York consulting firm. An organization's EVA is equal to its net operating profit after taxes, minus the cost of capital funds.

In our survey we found that only 11 of the 45 integrated systems for which we were able to calculate EVA figures had healthy ratings. The majority of organizations that had unhealthy ratings simply were not adding to their economic value.

Aside from integrated systems, it is also noted that the majority of hospitals, both investor and voluntary nonprofit, are in similar situations. As a contributing team member of your healthcare system, you may want to know your own EVA rating and understand how your health information management activities support corporate financial goals.

Other economic measures, such as return on equity, also point to the poor economic health of many integrated systems. These figures suggest that some of the organizations are not sustainable financially. The "integration" may not be over as these entities are merged with other organizations. Once the merger or acquisition is completed, the real integration may be just beginning.

Challenges Facing Integrated Delivery Systems

Vertically integrated systems too often add layers of bureaucracy and personnel without adding value. David Norton, principal with Towers Perrin/IHC in Atlanta, GA, notes that ownership doesn't equate with integration. "What we really have is a [veritably] diversified company because they own all the pieces, but that doesn't necessarily mean that the physicians and the hospitals are any more integrated than they were before," Norton says. "It's really the treatment of the patient that needs to be integrated—not necessarily the delivery of services." If the providers are not truly integrated, as described by Norton, a health information manager may not see much difference in day-to-day operations. However, if the patient's continuum of care is complemented by the true integration of operating systems and patient care data, one can expect to see many changes, such as shared data and information support systems. For example, it is likely that a master patient index (MPI) would require acceptance of multiple types of alphanumeric numbering systems in order to accommodate a variety of sites of service.

The greatest challenge that integrated delivery systems face is succeeding at the local level, where they must compete against entrenched local competition. Therefore just being bigger is not always an advantage.

Figure 2

Top Five Integrated Delivery Systems

Rank	System Name	Degree of Integration
1	Kaiser Permanente -- Northern California Region	2
2	New York City Health and Hospitals Corporation	3
3	Kaiser Permanente -- Southern California Region	4
4	Mount Sinai Health System	1

2	Sisters of Providence Health System	4
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Are There Regional Trends in Integration of Health Systems?

If any geographic trend is discernible in integrated activities, it is that integration is "trans-regional." A good example is the recent Med-Partners/Mullikin acquisition of Summit Medical Group. Med-Partners/Mullikin is a physician management company based in Birmingham, AL, the home of MedPartners. The Mullikin name comes from a multispecialty physician group-driven integrated delivery system/HMO of the same name in southern California. Summit Medical Group is the largest multispecialty group in New Jersey.

Is There a Trend Involving For-profit and Not-for-profit Health Systems?

Integration activity can involve for-profit and not-for-profit organizations equally. In some instances the not-for-profit systems find the publicly traded for-profit entities attractive partners. Most appreciated is the for-profits' ability to provide the not-for-profits with the cash needed to remain competitive.

For example, in a recent move, the Santa Barbara, CA-based for-profit Tenet Healthcare Corp. acquired the 1327-bed not-for-profit Deaconess Incarnate Word Health System in St. Louis, MO. Tenet already owns 408-bed Lutheran Medical Center in St. Louis. For Deaconess, integration meant survival. Without it "the system could not stand alone," says a spokesman for Deaconess.

Which Systems Are the Most Integrated?

In our survey we rank systems by size. But with more than one element to account for, we have devised a formula that includes the following:

- revenue
- number of covered lives
- number of provider arrangements
- number of inpatient admissions and outpatient visits
- number of beds
- number of physicians

Obviously, not all systems are integrated to the same degree. They range along a continuum from low to high levels of integration. To reflect this, we have assigned each of the 100 systems a ranking value of 1 through 5. Less integrated systems with a ranking of "1" are horizontally integrated. These systems coordinate care between like providers but do not typically have centralized administrative functions. Ancilla Systems, of Hobart, IN, a horizontally integrated, not-for-profit delivery system with seven acute care hospitals, is a good example of horizontal integration.

At the other end of the scale are systems that are fully integrated. For these, a vertical orientation is clearly visible, and most administrative functions, including medical records and information systems, are performed for the entire system by a centralized staff.

Are There Other Unusual Components of the Integration Trend?

Although integration usually involves hospitals, nursing homes and home health providers are also joining vertically and horizontally integrated entities. An example is the recent proposed merger of Living Centers of America and GranCare, whose merger represents a \$1.8 billion, long term care company. This merger underscores the idea that integration is not just for the financially ailing, but also for growth industries like long term care.

What Is the Impact of Integration on Jobs in the Healthcare Industry?

Remember that for the most part, integration activity has been triggered by the high cost of healthcare in the 1990s. Employers demand lower premiums for healthcare services. Payers such as insurance companies and HMOs give the employer lower rates and, in turn, demand lower charges from hospitals and physicians. This ripple effect results in pressures on facilities to

lower their operating costs, and that often means staffing cuts-the "doing more with less" scenario to which we have all become accustomed. What keeps the pressure on is the competition between health systems to attract and retain patients.

Issues of Interest to Health Information Managers

Issues of consideration for health information managers are vast. They range from selecting and implementing new technology to effectively handle multiple sites of shared patient data. The following are only a few areas of consideration for the health information professional:

Information Data Systems

The evolution of integrated delivery systems will require at least a basic, if not in-depth, knowledge of information data systems. Standardization of uniform data sets is crucial to integrating all provider information within any health system, regardless of structure. Accessing and retrieving patient data from a centralized database that may be offsite and hundreds of miles away will challenge a vertically integrated system.

Proficiency in Computer Skills

Health information management professionals must gain proficiency in computer skills to survive the electronic data era. We must learn to build models and project strategic position statements regarding the patient care data sets we are entrusted to manage.

Confidentiality of Patient Information

Although this issue is not new, it will be a profound challenge to introduce patient confidentiality to the variety of ambulatory sites of service that exist in some integrated health systems. Organizations must maintain a consistent policy that assures protection of a patient's right to confidentiality, regardless of where the service is rendered. With such a diversity of knowledge in this area, it may prove to be one of the greatest challenges within the integrated health system.

Coding Accuracy

Integrity of codes that reflect the appropriate diagnoses (reason for encounter) and procedures (what was actually done as the result of the necessary encounter) remain a core challenge for the health information manager. Consistency in the use of multiple classification systems and the staggering discrepancies in the way codes are used could be major issues for the health information manager, as well as risk for the integrated system. The risk, of course, includes potential patterns of fraudulent billing practices as demonstrated by the codes submitted on both Part A and Part B claims.

Training

Integrated training programs in all aspects of information management is critical. Health information managers need to consider how they will maintain consistency of coding strategies across all provider settings. Training instruments will need to standardize coding policy for uniform coding practices.

Training of cross-functional departmental teams that manage the integrity of patient data is also an issue. This is an intricate piece of the new initiatives in many integrated systems and requires ongoing training in reimbursement issues.

With a great deal of emphasis on training within newly formed integrated systems, it is likely that the cost of training could be prohibitive unless new methods of training are employed, such as teletraining or online classrooms.

All of this is very challenging-even maddening at times. But at the same time it is exciting. This is a great opportunity for HIM professionals to expand our management skills into new markets of patient care and support new industries created to manage the change. Those who position their careers for these changes will shape the future within the integrated health systems of the new millennium.

Note

1. Japsen, Bruce. "Merger forecast: No end in sight for manic pace." *Modern Healthcare* 26, no. 44 (1996): 5.

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Article citation:

Jones-Burns, Marleeta. "Integrated Healthcare Delivery Systems: an Overview for Health Information Managers." *Journal of AHIMA* 68, no.9 (1997): 24-30.

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