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New Network Counts On Hometown Advantage

By Heather Wicks

In the spirit of “bigger isn’t necessarily better,” a new PPO network has formed in the West with the goal of bringing local expertise to area employers. Built from five regional provider networks, VentureNet Healthcare intends to compete with national insurers such as UnitedHealthcare, CIGNA HealthCare and Aetna.

The area needs more competition, says Bob Smith, director of marketing and network management for Arizona Foundation for Medical Care, a leading network in the VentureNet PPO. He says the area is saturated with health plan consolidations, including the recently completed UnitedHealthcare-PacifiCare merger begun two years ago and UnitedHealthcare’s bid for Sierra Health Services in Nevada. “We have the relationships and we tend to do better in general local networks with our contracting,” Smith says.

Medical Mutual of Ohio has taken its regional approach outside of Ohio recently in its effort to grab market share from the nationals. Michael Taddeo, the company’s vice president of national network development, says the local edge is a key to competing with the nationals. Medical Mutual purchased a financially troubled HMO in South Carolina and has networks in Georgia, Indiana and Wisconsin.

Taddeo says a regional insurer competes by truly localizing its products. “An insurer like United is pretty much sticking to a cookie-cutter approach, whereas a regional can adapt itself to a local market,” he says.

He adds that regional plans are more nimble because they’re not limited to one single approach; they’re able to design products to fit the local market. Where a regional plan does have trouble competing is when it tries for companies that have employees evenly distributed across the nation.

Gaining local market share is the primary goal for VentureNet. The Arizona Foundation is one of the leading

groups in the partnership, which also includes California Foundation for Medical Care, Universal Health Network/Nevada Preferred Professionals, First Choice Health in Washington and HealthCare Direct in Oregon, which has a reach into Washington, Idaho, Montana and Alaska.

Smith says the PPO uses its relationships with providers to negotiate better contracts than the national insurers manage, which translates into lower premiums for employers. Smith believes VentureNet could offer access at one-third to one-fourth the cost of some competitors.

The band of brothers formed by the Western networks relies on reciprocity agreements to tie everyone together. While there will be one central location for sending claims and a central service center, the networks will maintain their current provider contracts.

VentureNet joins 93,000 providers, 670 hospitals and 10,000 ancillary service providers across eight states, including Alaska, Arizona, California, Idaho, Montana, Nevada, Oregon and Washington. The five participating networks that comprise VentureNet currently serve 3 million lives. There also is one membership card for all the networks. To keep overhead low, the networks have retained their local contracts.

On the other side, the individual networks benefit from having a more competitive product that includes an integrated care management piece.

“The utilization of plan benefits and the cost of contracts really determine the total cost of the plan,” Smith says. VentureNet intends to manage both areas by leveraging its contracts along with controlling utilization using a full suite of medical management services. Smith emphasizes that it’s not just the chronically ill who will be targeted for services—the total health of an employer group will be managed with wellness services. ■