The Birth of a Health Plan

UH Med Schools’s Plan

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In today’s world only those universities that have learned to function successfully as capitalistic enterprises are able to gain greatness.

The funds available from tuition and taxes are no longer able to support the research functions that are the essence of a great institution of higher learning. Those funds are obtained either as research grants or as a result of the successful marketing of a university’s substantial intellectual assets.

In no other field has this been as obvious as in health care. From Harvard to Stanford, the provision of medical care by their faculties has been a major source of funding of the research missions of medical schools.

Until 1993, there were only three U.S. medical schools without a successful faculty practice plan. Such plans are the mechanism by which full and part-time faculty join together to provide medical care. The proceeds are used to supplement faculty salaries and support educational and research programs. The University of Hawaii John A. Burns School of Medicine was one of the three.

Recognizing that this was a serious impediment to the attainment of preeminence in the medical sciences, the faculty members of the medical school formed University of Hawaii Health Care Associates in 1993.

The medical school had been envisioned as a community-based school and therefore part-time or unpaid faculty had always provided much of the teaching. Clearly, these physicians were essential to the success of Hawaii Health Care Associates; 250 were recruited to participate as members.

Initially, its income was derived from the provision of medical care to Hawaii Quest patients. Rather than distribute all of this income to themselves, the physician members of Hawaii Health Care Associates, as a public service, agreed to divert a significant amount to fund their start-up and to invest in a unique new venture.

All successful medical school faculty practice plans have been organized around a university medical center. No such medical center existed in Hawaii so a different approach was needed.

An opportunity became available when Hawaii Dental Service decided to concentrate its efforts on providing dental insurance and give up its management contract with HDS Medical, a mutual benefit health insurance company. Hawaii Health Care Associates negotiated the transfer of this management agreement to U-Med, a wholly owned subsidiary. Subsequently, HDS Medical became University Health Alliance.

The vision was a health-care system, in which physicians are partners, that would allow coordination of all aspects of the care delivered to its members. This became complete when Hawaii Health Care Associates sold some of its interest in U-Med to Hawaii IPA, an independent physician association made up of the finest primary care and specialist physicians in the state.

With this transaction, the number of physicians participating in this exciting new health-care system was increased to 336. Eventually, this number will increase to approximately 800.

These organizations form a vertically integrated system that allows coordination of all aspects of health care while preserving the professional values that are so important to the practice of medicine:

- University Health Alliance administers health insurance plans.
- Hawaii IPA provides health-care services to members of University Health Alliance and other plans.
- Hawaii Health Care Associates provides the research required to assure that the care delivered is cost-effective and of the highest quality.
- U-Med manages these organizations.

All of these organizations have pledged to uphold the highest ethical and professional standards. All are dedicated to excellence in health-care delivery. All have pledged to support the educational and research goals of the UH medical school.

As the University of Hawaii seeks to chart a new course to excellence, enterprises such as described above should be encouraged. It represents a truly community-based effort to answer the health-care needs of the public and at the same time provide additional financial support for educational and scientific programs. It is a fine example of a merger of academia and capitalism.

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