

MSHA splits with CIGNA, commits to new health care model

George Jackson | Posted: Wednesday, November 23, 2011 1:25 am

On July 1st, Mountain States Health Alliance entered the health insurance business. Four-and-a-half months later, CrestPoint Health serves 20,000 people and serves as the lynchpin for MSHA's Accountable Care Organization.

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TRANSCRIPT

JOSH SMITH, anchor:

On January 1st, if you have CIGNA insurance and go to a Mountain States Health Alliance facility for care you will pay a higher rate than ever before. The reason – both companies failed to agree on a contract deal, a breakdown in talks that impacted thousands of people in the Tri-Cities region.

Since then, Cigna struck a deal with the region's other hospital network. Many have told us they still don't understand why. Tonight, 11 Connects' George Jackson reveals new information in a "You ask, We Investigate" exclusive.

{Report}

Two companies, fierce competitors, but in many ways they're the same. Both not-for profit, but Mountain States Health Alliance and Wellmont Health System have lots of money.

Tax returns show Wellmont made \$622 million in 2010. Mountain States made \$702 million. After expenses, Wellmont had \$34 million. Mountain States had \$44 million. That doesn't include their properties in Virginia.

Marvin Eichorn, CFO MSHA: "Our total assets as a system are about \$2 billion.

Both pay their key people very well. Here's how much the top 20 or so make total at each health system.

In 2010, Wellmont's former CEO made \$745,000. Mountain States' made more than \$1 million.

Both companies do a lot of charity work too. About 11 percent of the people they treat don't pay.

Denny DeNarvaez, CEO Wellmont: "We're in the same communities. We basically see the same mix of patients, and virtually we have the same percentage of uncompensated care."

So, why – with so much in common – did Wellmont's contract negotiations with CIGNA succeed as Mountain States' failed? CIGNA says Mountain States wanted more money than the insurer was willing to pay.

Richard Novack, CIGNA Mid-South Market: "Mountain States has always been a more expensive provider of care and in the most recent discussions and negotiations they wanted that price to go up further."

Wellmont's current CEO Denny DeNarvaez says her company stood up for local employers trying to manage their costs.

DeNarvaez: "If you don't have the providers bringing down their cost of care, you're basically going to have them trying to off-lay that on the employers. And the employers are saying no more, we can't."

Mountain States CFO Marvin Eichorn says it's not that simple. His company offered the same deal to CIGNA and other large health insurance companies with the goal of bringing down costs over time.

Eichorn: "Certainly cost, and managing the cost for employers like ourselves, is one of the planks."

That's where the similarities end. As of July 1st, Mountain States Health Alliance is in the health insurance business. Its subsidiary – CrestPoint Health – covers 20,000 people, most of them Mountain States employees and their families. After just four-and-a-half months, it's one of the ten largest companies of its kind in the Tri-Cities.

Eichorn: "We think with what all is going on in health care right now, we're very well positioned."

GEORGE JACKSON, reporter:

CrestPoint Health is called a third-party administrator of insurance. That means they help companies who are self insured. Individuals can't buy it.

JOSH SMITH, anchor:

George, this has a lot to do with Health Care Reform legislation, right?

GEORGE JACKSON, reporter:

Josh, some will argue it has everything to do with health care reform. Take a look.

This year, Mountain States Health Alliance started a new health network called "Integrated Solutions." ISHN runs two entities, "CrestPoint Health" and another company called "AnewCare," an Accountable Care Organization.

AnewCare and other ACOs are the next big thing in health care. They lump hospitals, doctors, and pharmacies together to save big government programs – like Medicare – big money. They will also get incentives from the Feds if the Supreme Court upholds the health care reform law.

CrestPoint is the lynchpin in this deal. Mountain States employees will allow the company to test this new health care model, and the company hopes more businesses will sign up.

Note: Currently, CrestPoint is the only payor in the AnewCare ACO.