Developing a Framework of Values for HPHC’s Partnerships

Background

Peter Drucker, the management guru, is quoted as saying “The greatest change in corporate culture – and in the way business is being conducted – may be the accelerating growth of relationships based not on ownership but on partnership…alliances of all sorts.” As Drucker predicted, in health care as in other sectors of the economy physicians, hospitals, insurers and others are adapting to the rapidly changing marketplace by forming various kinds of partnerships and alliances. In accord with this trend HPHC has formed crucial relationships with Perot Systems (for IT), MedImpact (for pharmacy management), PacifiCare Behavioral Health (for behavioral health management), Health Plans, Inc. (for the self insured market), and others.

On August 6, 2004 HPHC and UnitedHealth Group announced formation of a new partnership. UnitedHealth Group (http://www.unitedhealthgroup.com) describes itself as a “family of businesses” that provide network-based health care services, business services to national employers and health plans, information technology services, and specialty health services. UnitedHealthcare (http://www.unitedhealthcare.com/), the UnitedHealth Group company offering health benefit plans to small and mid-sized employers serves more than 14 million members and had revenue of $27.2 billion in 2005. The announcement, released simultaneously in MA and MN said:

**Harvard Pilgrim Health Care and UnitedHealth Group form strategic business and marketing alliance**

*Relationship Strengthens Consumer Access and Affordability*

Minneapolis, Minnesota (August 6, 2004) – UnitedHealth Group (NYSE: UNH) and Harvard Pilgrim Health Care (Harvard Pilgrim) announced today that they have agreed to form a strategic business and marketing alliance to improve service and overall value for national, self-insured customers.

This business alliance improves access and choice for consumers by combining the highly regarded Harvard Pilgrim network of 22,000 doctors and 130 hospitals in Massachusetts, New Hampshire and Maine with UnitedHealth Group’s national network, and by offering a simplified administration and care management portfolio in a single, integrated package. This comprehensive set of services is now available for large, self-funded, multi-location employers and their employees for January 1, 2005 effective dates of service.

“This alliance will provide significant value to people receiving their health benefits from large multi-location employers, as it builds on the strengths of our two organizations for their benefit. Employers will receive exceptional national network access and cost advantages as well as seamless administration on the UnitedHealth Group information technology platform,” stated Charles D. Baker, president and chief executive officer of Harvard Pilgrim. “UnitedHealth Group has spent more than $2 billion in targeted

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1 On Googling this quote I find it cited in many places but I have not yet been able to locate the original source in Drucker’s prolific writings.
technology and business process improvement initiatives over the past five years, and our customers will directly benefit from their investments.”

Robert J. Sheehy, chief executive officer of UnitedHealthcare said, “Harvard Pilgrim has long been known as a facilitator of high quality health care services for people in Massachusetts and the northeast. It is the only health plan in the U.S. to achieve a top-ten rating for both member satisfaction and clinical quality in the National Committee for Quality Assurance’s Quality Compass 2003. We have the highest respect for Harvard Pilgrim’s expertise, and are pleased to bring a new relationship with this nationally renowned not-for-profit organization to our customers.”

On January 1, 2005 HPHC and UnitedHealthcare began to offer the Passport Connect product targeted to self-funded, multi-site employers with a minimum of 1000 employees (later expanded to a minimum of 200 employees) nationwide. UnitedHealthcare provides the account and member services for Passport Connect. As of September 2006 Passport Connect had almost 55,000 members.

Building on the success of Passport Connect, on January 1, 2007 HPHC and UnitedHealthcare will begin to offer Harvard Pilgrim Choice Plus and Harvard Pilgrim Options, a national Preferred Provider Organization (PPO) product, to employers with 150 or more subscribers on a fully insured or self-insured basis. For this product HPHC will provide account, member, and provider services for employers headquartered in Massachusetts, Maine and New Hampshire and UnitedHealthcare will service employers headquartered in other states. Internally HPHC calls this segment of its business the “National Program.”

HPHC needs a partner with national scope because HPHC’s health insurance markets increasingly require national solutions. More and more employers in MA, NH, and ME have employees dispersed in different areas throughout the country. If HPHC remained a purely regional health plan it would continue to lose these accounts because employers prefer contracting with a single enterprise rather than having to contract with different insurers in different areas. Blue Cross plans nationwide have created such a solution for employers through the “Blue Card” reciprocal network. Other major competitors, for example Tufts, have aligned with a national carrier (i.e., CIGNA HealthCare). UnitedHealthcare, with more than 500,000 physicians and 4,600 hospitals in its network, provides the needed national scope for HPHC. At the same time UnitedHealthcare has not developed a strong presence in New England, so HPHC’s regional network and excellent reputation meet a need for UnitedHealthcare as well.

Now that the National Program is about to be launched attention is shifting to a third component of HPHC’s alliance with UnitedHealth Group – the outsourcing of HPHC’s core administrative systems to United’s technology platform to support local HPHC products. As HPHC grows and offers a widening range of products it needs a more powerful and supple information technology infrastructure. In addition, HPHC’s current platform, Amisys, is approaching the end of its useful life and will no longer be supported after 2008. In February 2005, after several years spent reviewing its options, HPHC announced its selection of the United technology platform:

Harvard Pilgrim Health Care Selects United Technology Platform

February 18, 2005

Wellesley, Mass. – After a multi-year evaluation of technology options, Harvard Pilgrim Health Care has selected the United technology platform, developed by UnitedHealth Group, to replace Harvard Pilgrim’s current core administrative system. The United technology platform provides one of the most flexible and powerful benefits administration
and claims processing systems in the country, and its implementation will significantly reduce Harvard Pilgrim’s projected costs over the life of the ten-year agreement. After an 18-month planning and development period, implementation of the United technology platform is expected to begin in 2006 and will be phased in over approximately three years.

“As we develop a wider array of coverage options for employers and consumers, along with the tools they need to make the best possible choices, it’s increasingly important to have the most sophisticated, responsive and advanced technology available,” said Charles D. Baker, President and CEO of Harvard Pilgrim Health Care. “When fully integrated, the United technology platform will give us access to technology that is already supporting a huge number of product variations and constituent relationships for other health plans and efficiently processing hundreds of millions of transactions a year.”

Passport Connect, the National Program, and CASR (“Core Administrative System Replacement”) are the three main prongs of the relationship between HPHC and UnitedHealth Group.

Customer: The customer for the November 15th EAG meeting was Bruce Bullen, HPHC Chief Operating Officer.

Questions for the Ethics Advisory Group
United Health Group and Harvard Pilgrim each have 30+ years of history, which means that their distinctive cultures have momentum and depth. United is national, for-profit, and relies on standardized provider policies and customized systems for its large national employer accounts to succeed. HPHC is regional, not-for-profit, and relies on strong provider, account, and member relationships to succeed. In addition, a significant size and scale difference exists between the two organizations. The November 15th EAG meeting focused on developing a framework of values for HPHC in its partnerships, not only with United Health Group but also with its many business partners. In particular, in its work with United and other partners, what traditional HPHC values are challenged? What traditional values can be advanced? And, in what ways should HPHC consider adapting its traditional values and culture to facilitate the partnership?

Here are some examples of issues that come up in partnerships to help the EAG focus its deliberations on the values-related questions that arise in partnership relationships:

1) HPHC has a reputation for maintaining high levels of service and quality. With more and more partners involved in trying to meet its operational performance expectations, how should HPHC think about ensuring that it continues to meet traditional service and quality goals?

2) When HPHC and a partner offer joint products or services, there are inevitable design or operational decisions necessary. In other words, the business processes of both partners may need to be modified to support a true joint venture. An example with respect to United Health Group is that in developing a national PPO product, HPHC had to keep in mind the desires of “national” accounts for seamless enrollment, billing, reporting, and

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2 By an amusing coincidence the Boston/New England chapter of the Association of Strategic Alliance Professionals (http://www.strategic-alliances.org/) is holding a meeting at the same time as the November 15 EAG meeting on the topic of “David Allies with Goliath – the challenges and rewards of Big Company and Small Company Alliances”!
specialty services nationwide and therefore agreed to use United’s systems and outsourcers for these purposes for the new national PPO products. At the same time HPHC retained local constituent service responsibilities for accounts headquartered in its service area. **What framework of values should be applied to such decisions?**

3) As another example, with respect to Health Plans Incorporated, the TPA purchased by HPHC and discussed by the EAG at its January 26, 2006 meeting, HPHC had to rethink its sales strategies and servicing model for self-insured business and refer business that it would previously have pursued directly to avoid competing with its new subsidiary. **What framework of values should be applied to such decisions?**

4) HPHC has relied to date on a cross-functional, customer-oriented business process model. HPHC is attempting to expand this model to include external business partners – for example, the operational teams on the CASR project, made up of HPHC and United Health Group staff. Staff from different organizations may have different views of value to customers and organizational mission. **How should HPHC think about aligning the goals of HPHC and non-HPHC staff to achieve desired performance levels, if the goals of HPHC and its business partners are not always in perfect alignment?**

**Relevant precedents**

On January 26th and February 10th 2000 the EAG was asked to suggest a framework of values for HPHC’s response to the financial crisis that existed at that time and to help HPHC set some priorities among its values. The premise of the meetings was captured by Collins and Porras in *Built to Last: Success Habits of Visionary Companies*. “A visionary company carefully preserves and protects its core ideology, yet all the specific manifestations of its core ideology must be open for change and evolution.” Here are excerpts (in italics) from the report of February 10, 2000 followed by comments re potential relevance for November 15th (in brackets):

*Especially in the current “life or death” financial circumstances, HPHC leadership should continue to consider a broad range of values in its decision-making and to share its deliberations publicly. This will give stakeholders opportunity to understand and comment on the values HPHC leadership has considered and the way it has balanced these values.*

[When a trusted and respected organization makes substantial changes stakeholders may question whether the organization is still “itself.” HPHC has historically been very open about why it does what it does. In 2000 the EAG emphasized transparency as a central piece of HPHC’s “core ideology.”]

*The first nine words of the HPHC mission statement—“to improve the health of the people we serve”—remain unchanged as HPHC’s first priority.*

[The report from the September 28, 2006 EAG meeting says much the same – “Several participants suggested that HPHC’s traditional values, as reflected in the mission (“to improve the health of the people we serve, and the health of society”) and the vision (“to be the most trusted and respected name in health care”) stand up very well in the changing environment. These participants felt that HPHC should hold to its traditional values, but should recognize that these values must be applied in new ways in a rapidly changing health care environment.”]

*HPHC can only improve the health of its members through its provider partners. Consequently, in situations that require trade-offs among values, sustaining collaborative and trusting relationships with provider partners should be given high priority.*

[This would seem to be just as true in 2006 as in 2000.]
EAG DISCUSSION/RECOMMENDATIONS

Jim Sabin opened the meeting by thanking Cynthia Gilles and Judy Rosenberg for their superb contributions as consumer members of the Ethics Advisory Group. The fact that HVMA has declared its intention to accept only the Tufts Medicare Advantage program means that Cynthia and Judy have had to change their insurance in order to maintain their care at HVMA. Jim introduced and welcomed Carol Pratt as a new consumer member of the EAG. Carol was an active consumer participant on the Member Appeals Reconsideration Committee for several years.

Jim introduced Ruth Mickelsen from Allina Hospitals and Clinics as a guest at today’s meeting. Ruth directs the Office of Ethics and Values at Allina and was interested in learning more about the HPHC ethics program. In addition, Jim thanked Joe Dorsey who he described as “the parent of the HPHC ethics program” for coming to today’s meeting. Joe led the initial exploration of options for an ethics program in 1995, the launching of the program in 1996, and supervised the ethics program until he returned to HVMA in 2002.

Bruce Bullen helped the EAG put today’s topic into the broad context of organizational change. Four of the six EAG meetings in 2006 have focused on ways in which HPHC is transforming itself as it adapts to a rapidly changing marketplace: employer self insurance (January), market segmentation (May), private fee-for-service Medicare Advantage (September) and new partnerships (November). In circumstances of substantial change it is natural, inevitable and important for HPHC and its key constituents to ask – how do these changes interact with our values? Are we being true to our core commitments or not?

With regard to the partnership with United, Bruce explained that HPHC had to protect its position in the local marketplace. Many of HPHC’s employer customers have employees outside of New England, and HPHC was losing accounts to competitors who could offer national coverage through a single portal. If HPHC does not maintain an adequate member base it will become too expensive to compete as unavoidable administrative costs are spread over a smaller enrollment.

HPHC formed the partnership with United to prevent membership loss and meet the needs of local customers who required national access, not because it wanted to transform itself into a national program. United wanted a strong regional partner in New England in order to improve service to its national customers who needed access in Massachusetts, New Hampshire and Maine. HPHC’s and United’s strategic interests were aligned.

Bruce emphasized that the relationship with United is partnership, not acquisition. Massachusetts regulations and HPHC’s not for profit status would make acquisition difficult. HPHC is not interested in being acquired and New England is not an attractive market for United to seek an acquisition – margins are small in the region. However, every partnership – especially with a large and powerful partner like United – requires careful oversight, new systems to structure the relationship, and new skills to manage the many “street level” interactions that occur. Bruce defined the challenge as “how to permit both partners to be themselves.”

3 Cynthia Gilles introduced the concept of “street level bureaucracy” as useful for the discussion. In Street Level Bureaucracy: Dilemmas of the Individual in Public Service (Russell Sage, 1980) Michael Lipsky argued that policies are in large measure shaped by front line implementation. Lipsky’s perspective suggests that the results of policies and strategic choices and the interpretation of what the policies/choices actually mean depend in great measure on what happens at “street level.”
I have summarized the wide-ranging discussion under four areas that the EAG suggested as components of a values framework for partnerships:

1. **The core mission – “improving the health of the people we serve” – remains the same.**
   Although the ways in which the mission is pursued will vary over time in accord with opportunity and environmental circumstances, the mission itself is steady. As an example, when the PPO model became a larger segment of HPHC’s business the medical management group found new ways to promote quality by going directly to HPHC members, as in HPHC’s programs for diabetes and asthma. (The EAG considered the values dimensions of direct outreach to members at its 5/16/02 meeting on “Becoming an e-HealthPlan: the Ethics of “high touch/high tech” and its 1/16/03 meeting on “Targeted Outreach: The Ethics of “Data Mining.”)

2. **For HPHC, good relationships with providers are crucial for pursuing the core mission.**
   In reflecting on the perspective it took during the financial crisis of 1999-2000 the EAG reaffirmed the centrality of HPHC’s relationship with providers. The EAG noted, however, that experience since 2000 has shown that the word “only” in the 2/10/00 report (“HPHC can only improve the health of its members through its provider partners”) no longer applies – HPHC’s “public health-like” activities in areas like asthma and diabetes are also pathways to improving health.
   Bruce explained to the EAG that the design of the new National PPO has HPHC managing relationships with providers in its service area. This ensures that the key relationships with providers (and members whose employers are headquartered in HPHC’s service area) will reflect HPHC’s values and priorities.

3. **HPHC’s commitment to transparency is especially important in circumstances like major new partnerships.**
   An external participant at the meeting commented that when organizations change – as is happening for HPHC in its partnership relationships – HPHC staff and external constituents will ask – “what are the real motives here…what is really going on?” Widely publicized examples of corporate duplicity (Enron, Fannie Mae, Halliburton, WorldCom…) have created a high level of public suspicion about corporate behavior. In circumstances like this it is crucially important for staff and constituents to be able to understand what is happening and why – to be able to kick the corporate tires. The participant cited Bruce Bullen’s lucid explanation of the rationale for the partnership with United and his open responses to questions from the group as (a) reassuring and (b) just the kind of transparent communication that is called for.

4. **HPHC’s values must be supported by systems and skills.**
   Joe Dorsey commented that “as long as people like Charlie Baker and Bruce Bullen are at the helm we can be confident that HPHC will stick to its core values.” Others agreed that leadership is crucial, but emphasized that maintaining organizational integrity requires an infrastructure as well. HPHC staff involved in the intricate work required to implement the new core administrative system described how members of the multiple HPHC/United projects bring their experience of HPHC and United cultures to the collaboration. Like travelers, HPHC and United staff have to learn new skills to communicate with the culture they are now partnering with. This requires new skills and systems that support core values. HPHC must continue to learn from its experiences in partnerships and continue to adapt its internal structures in service of maintaining fidelity to its mission.
Summary

1. The EAG understood and endorsed HPHC’s need for partnerships and alliances as a necessity for pursuit of HPHC’s mission. As an example in today’s discussion Angela Eaton from Fidelity explained how the Passport product positively affects their national PPO’s network in MA, NH, and ME.

2. HPHC remains committed to its traditional mission (“to improve the health of the people we serve, and the health of society”) and vision (“to be the most trusted and respected name in health care”). HPHC may change the way it pursues mission and vision but changing the means do not alter the ends. As an example, when the closed network/prepaid group practice model became less prevalent, HPHC developed new ways of reaching out directly to members to promote health improvement.

3. New partnerships such as HPHC/United will inevitably trigger uncertainty and concern among staff and external constituents. Transparency with regard to the rationale for changes and the details of how they are playing out is crucial for cultivating and retaining trust.

4. As important as leadership is for maintaining fidelity to mission and vision it is not enough to ensure HPHC’s integrity. Systems that shape the ways in which HPHC engages with its partners and staff skills for relating to partners are also crucial.

5. The EAG thanked Bruce Bullen for giving it the opportunity to work with the values dimensions of HPHC’s partnerships and alliances!

Jim Sabin