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Report  
**GENOMICS**

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# MANAGED HEALTHCARE EXECUTIVE®

JULY 2003

## Healthy futures

Whether saving the lives of critically ill babies or saving millions in Medicaid costs, Dr. Larry Cook has a formula for success

# Healthy futures

**A**FTER ATTENDING the delivery of a baby in a community hospital in Louisville, Ky., Dr. Larry Cook paused for a moment in the hallway, still in his green hospital scrubs. The new baby's grandmother, a woman in her 50s, beaming with joy, approached Dr. Cook and threw her arms around him instinctively. Hugging him she said, "Dr. Cook, 21 years ago you attended the delivery of my daughter and provided her newborn care. And just now, you've attended the delivery of her child."

Realizing he was on his second generation made him feel a bit old, but Dr. Cook was especially proud to see that child released from the hospital several days later in good condition. After 34 years as a critical care neonatologist, he has seen literally thousands of babies leave the ICU and ultimately go home to begin healthy, productive lives. "I also get cards from my former patients telling me about their graduations or marriages, and that is truly one of the nice things about being in this profession for so long," he says.

Beyond his practice in medicine, Dr. Cook also serves as CEO and chairman of the board for University Health Care, which does business as Passport Health Plan, the sole-source, provider-owned Medicaid plan that serves Louisville and 15 counties in the commonwealth of Kentucky

with 125,000 members and 3,000 providers. Unlike most physician executives, he divides his time between actively practicing his medical specialty, serving as chairman of the Department of Pediatrics at the University of Louisville School of Medicine and managing its \$30-million annual budget, teaching medical students, serving as chief of staff of the Kosair Children's Hospital, and fulfilling his role as the leader of a top-performing HMO.

**Whether saving the lives of critically ill babies or saving millions in Medicaid costs, Dr. Larry Cook has a formula for success**

**Julie Miller** | MANAGING EDITOR  
photographs | **John Nation**

Some days he's responsible for as many as 50 critically ill babies in the intensive care unit, and that, he says, gives him perspective on the needs of Passport's members, 70% of which are children. "On my rounds, I talk to the mothers of those critically ill babies, and I have a good sense of what life is like for them and can extrapolate that experience

to the experiences of the elderly, the adults and the young adults we serve," he says.

At the end of the day, Dr. Cook often finds himself submitting bills to his own plan. He says there are times when a multitude of issues are on his mind: whether he'll be paid in a timely fashion, whether his patients will be treated well, and whether he'll be able to provide the services they need without breaking the bank.

"Tragically, this country has millions of children living in poverty who are undereducated and have inadequate access to healthcare," Dr.





**DR. LARRY COOK**



**“We should always prioritize our children because they’re the future and have 70 or 80 years ahead of them.”**

Cook says. “Working with Passport has enabled me to feel like I’m doing something for the underserved population of children. Universal quality care for children is my passion. We should always prioritize our children because they’re the future and have 70 or 80 years ahead of them. Unfortunately we have our priorities out of line in this country.”

**Passport to longevity**

The country’s financial slowdown has left states scrambling to make ends meet, exerting a strain on Medicaid, calling for inevitable budget cuts. Known as a survivor among other managed care Med-

icaid programs that no longer exist in Kentucky, Passport estimates that it has avoided as much as \$92.4 million in costs in the past five years while growing from 95,000 to 125,000 members. Dr. Cook says reducing utilization while maintaining acceptable reimbursement rates is the formula Passport has come to rely on.

“Doctors don’t want to see large volumes of patients and render substandard care,” he says. “They want to see reasonable numbers of pa-

tients, render good care and feel good at the end of the day about what they’ve done—but not have to be financially compromised for doing that.”

When providers endure a 20% reduction in payments, they’ll make up for it by seeing 20% more patients in the same amount of time, he says. That reduces quality. Even in the current atmosphere of belt tightening, Passport would like to keep its providers happy and hold on to its prevention and wellness programs because giving that up “will break our hearts and compromise who we are,” he says.

Dr. Cook’s survival advice for today’s Medicaid HMOs centers on building a service-oriented plan with a methodology for long-term success. Withholds figure prominently into the formula. Passport began with a 10% withhold and returned more than half of that at the end of its second year. For the past three years, the plan has returned the entire withhold to providers. Dr. Cook says the strategy has established a huge amount of trust between the plan and its doctors while satisfying the financial responsibilities to keep the plan in business.

**Depth of leadership**

Upon its inception, Passport created its Partnership Council, comprised of providers, physicians and member advocates, who resolve specific issues, direct programs, and monitor utilization and quality. The 28-seat council has the legal authority to participate in decisions for the plan, and is in partnership with University Health Care and Kentucky, which funds the \$440 million program.

“There’s a schizophrenia with that setting,” Dr. Cook comments. “The same people who are sitting around the table as owners are also among the largest providers in the system. They want to be paid as much as they can but also want to save money and protect their investment in Passport. These are really good business people who made the sacrifices necessary in a managed care plan so it could survive.”

When University Health Care established the Passport Health Plan in 1997, the founding group of Medicaid providers contributed capital, assumed risk and brought onboard AmeriHealth Mercy Health Plan as their administrator. AmeriHealth Mercy, now serving nearly

**AT A GLANCE**



University Health Care  
dba  
Passport Health Plan, Inc.

**HEADQUARTERS** Louisville, KY

**FOUNDED** 1996

The Commonwealth of Kentucky obtained a Section 1115 Federal Waiver to operate Passport Health Plan.  
Paul E. Patton, Governor  
Marcia Morgan, Secretary of the Cabinet for Health Services

**MODEL/PRODUCTS OFFERED**

Medicaid Only HMO

**FINANCIALS**

Revenues of \$396 million in 2002, compared with Revenues of \$368 million in 2001.

**MARKETS SERVED**

16 Kentucky Counties



**ADMINISTRATOR**

AmeriHealth Mercy Health Plan  
Joyce S. Hagen  
Sr. Vice President and Chief Executive Officer, Kentucky Division  
President, Passport Health Plan

**STAFF**

Larry N. Cook, MD, Chairman and CEO  
Robert Slaton, EdD, Executive Vice President  
William B. Wagner, Chairman, University Health Care  
Partnership Council

**ACCREDITATION**

NCQA has awarded Passport Health Plan an “Excellent” rating. The Health Plan scored 97 of 100 points.

**AWARDS/RECOGNITION**

2003 Kentucky Public Health Association Group Award. This award is given to a group or organization that has contributed to the progress of a health agency or program and has enhanced the health status of the people in Kentucky.

## A CLOSER LOOK

# Third generation

WHILE THE NEONATOLOGIST is dedicated to providing increasingly better care to critically ill babies, Dr. Cook does not anticipate he will be practicing when the third generation of his patients—the grandchildren—arrive. He says he is actively thinking about his future retirement, but that day is not here yet.

Although his various titles and responsibilities overlap, there aren't many days when he can afford time off. His wife Christine practices gynecology and specializes in fertility, which is fitting considering Dr. Cook's role as a doctor who cares for newborns. Having related disciplines, they split their business travel in a divide-and-conquer method, but still struggle to find downtime.

"Leisure travel is one of my main

hobbies, and fly fishing," he says. "The best thing about fly fishing is that the trout live in nice places. My favorite place to fish is in the Madison River Valley in southwest Montana near Yellowstone, although, I haven't found too many places where I don't love to cast a line."



Retirement will allow Dr. Cook time to volunteer as a physician, a businessman or simply as a citizen. He enjoys reading and breathing the cool morning air at his river cabin in Oregon, which he plans on visiting more often when his schedule allows.

But for right now, he says he's excited about his multiple roles in healthcare. On his desk, however, he has a constant reminder of the joys of leisure time: a professional, framed portrait of himself and the biggest steelhead he ever caught.

— Julie Miller

**"We didn't want managed care Medicaid to be a bad deal for members or providers."**

one million Medicaid members, manages the day-to-day operations of Passport. Services such as case management, provider relations, disease management and data analysis are performed by 180 associates in the Louisville, Kentucky office. All back room functions, like claims processing and information system support, are centralized out of the Philadelphia headquarters.

The founders "had an identity with this member population," Dr. Cook says. They were historic safety-net providers whose practice was heavily composed of Medicaid patients under the previous system. "This is our business as a managed care plan," he says. "These patients need us and are important to our mission and our revenue. So we all decided to step up to the plate and be willing to take risks for a good purpose." Dr. Cook says prior to Passport, he and other University of Louisville School of Medicine leaders realized that Medicaid composed a large percentage of revenue and a large number of patients that the school depended on for teaching. Passport has helped the school

retain the revenue and the patients.

Being a provider-owned, provider-led organization with no competition in the region doesn't mean Passport can rest on its laurels. Dr. Cook says nothing would "torpedo our program faster than an upswell of provider or member dissatisfaction." He's proud of the low attrition rate and the value that Passport can offer physicians. For example, the 24/7 nurse call line is helpful to members, but also alleviates the after-hours calls to the physicians.

Providers also enjoy financial rewards for extended hours, clean claims and high member satisfaction scores. The plan has received an "Excellent" rating from the National Committee for Quality Assurance.

"We didn't want managed care Medicaid to be a bad deal for members or providers," Dr. Cook says. "We have an excellent rapport with Kentucky's political leaders and the Department of Medicaid Services, so in spite of a bleak financial outlook for the states, I'm optimistic that we've convinced enough strategic people that we're going to be fine."

Passport keeps in touch with legislative decision makers on a regular basis. Dr. Cook is personal friends with Sen. Mitch McConnell (R-Ky.), who works to gain support for issues that benefit Medicaid MCOs. He says he is especially pleased with the passage of the economic stimulus bill that promises to provide close to \$20 billion in federal relief to the states and would result in almost \$276 million for Kentucky. "It's our understanding that about \$138 million would go to the Medicaid program," Dr. Cook says.

Passport is responsible for 20% of Kentucky's Medicaid budget. The plan cares for the largest metropolitan area in the commonwealth, but still serves a significant population of rural providers and members in its region. The rural segment is represented in the plan's partnership council by the Rural Health Advisory Committee.

Dr. Cook says he would love to see the Passport model upheld as a benchmark for Medicaid HMOs across the country. "One of the most exciting days of my professional life was being able to present the Passport model to Donna Shalala when she was Secretary of the Department of Health and Human Services," he says. "She was very complimentary." **MHE**

*Passport*  
HEALTH PLAN<sup>SM</sup>  
*Administered by*  
AmeriHealth Mercy

