

• • *realizing the*

# VISION

Physician Associates  
2004 Annual Report



# values

- > Be a learning organization
- > Collaborate, communicate & be accountable
- > Ensure quality and innovation
- > Trust and respect each other
- > Be strategic in what we do
- > Make a difference in the communities that we serve

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*“Physician Associates, as a high quality, regional leader in medical group management, is an essential component of the hospital’s long term managed care plans.”*

SAM BRENEISER  
VP BUSINESS DEVELOPMENT  
HUNTINGTON HOSPITAL

# vision

- Physician Associates is a virtual group of interdependent physicians who share a common vision.
- Each physician will be held responsible and accountable for providing the best possible care without being wasteful.
- Our superior reputation results in our being an essential physician group for Payors, Employers and Members.
- Being responsive to market-place changes, acting together and focusing on providing consistent and superior results enables us to be successful.
- We are a leader in the ongoing evolution of our health care system.

# discussion

A discussion with Board Chair, Dr. Steven Davis, and President and CEO, Dr. Bart Wald, on key elements of the vision statement, including how the vision is being realized.

## What is a virtual group?

**Dr. Steven Davis (SD)** A virtual group has the essentials of a traditional medical group where you have common interests and goals. You're also tied together through

ever-increasingly complex medical system that requires higher levels of integration and coordination. The only way that they're going to be able to meet those requirements is to develop group infrastructure and to use

common systems that you utilize. Yet, at the same time, a virtual group is intentionally structured in a way that maintains independence and the convenience of small-group and solo practice.

## Why would physicians choose to be part of a virtual group?

**Dr. Bart Wald (BW)** Our physicians have chosen to have independent practices and yet they need to meet the challenges of an

tools to overcome the intrinsic separateness of their practices. While they'll never be a group because they choose not to be, they will need to meet the performance levels of a group. The virtual group allows them to accomplish this.

## What is the common vision?

**BW** The first sentence of our vision statement states, "Physician Associates is a virtual group of interdependent physicians

who share a common vision." This is probably the most critical piece of our common vision.

**SD:** I think if you were to expand on that and asked our physicians about their common vision, it would be to provide quality health care in a hassle-free system that allows them to care for their patients and take care of their office and staff, unencumbered by past, inefficient systems.

## How has the vision statement changed over the years?

**BW:** There have been three changes. We changed "independent physicians" to "interdependent physicians." This was recognition of the fact that a virtual group and a shared vision would require an acknowledgement of the interdependency, the complex relationships and the need for high-level coordination between physicians. So eventually, it was time to announce to our physicians that the IPA needed to evolve.

The second change we made was to change "health plans" to "payors" recognizing that the health plan industry was changing and that we would deal with multiple types of insurance products, not just HMOs. This also reflects our belief that we should be able to provide the benefits of coordinated and accountable care to all of our patients, not just our HMO patients.

The third change was that "each physician will be held responsible and accountable"

rather than "each physician will hold themselves responsible and accountable. This also relates to interdependency.

## How has the reaction of the community of physicians to the vision statement changed over the years?

**SD:** I think that they've had "buy in" to it. The collegial group feeling has really improved in the last five years beyond anything that we had before in the IPA.



### **To what do you attribute that?**

**SD:** I think it's due to the way that we do business now. The fact that we streamlined systems and put programs in place that reduce the hassle factor.

**BW:** They've also bought into it because they recognize that our day to day operations and our commitment and resources are very much driven by the vision statement.

### **How did PA become an essential physician group for payors, employers and members?**

**BW:** The contributing factors would be the high level knowledge that we have about healthcare, the relationships we've developed with all of the stakeholders and that we're willing to hold our physicians accountable for their performance. Integrity also has a lot to do with it. We do what we say we're going to do, what we believe is in the interest of the organization, whether it's easy or it's difficult, whether we like it or not.

**SD:** The business aspect is that we've proven ourselves to be stable, and able to be there now and in the future. There's a confidence in that. There's a confidence of survivorship.

### **What are a few examples of PA being responsive to the market-place changes?**

**BW:** First, it's important to note what some of those market-place changes are. Number one would be the ever-increasing concern about quality and the documentation of it. Number two is growing concern about the

cost of care. Number three would be changes in Medicare that recognize the additional costs and skill it takes to care for chronically sick and older Medicare patients. The fourth element would be increasing interest in non-traditional HMO insurance products.

**SD:** There's an employer push, in the marketplace, for physician quality and I think that we're in the front row of pay-for-performance programs. We're not scoring in the places we want to in all of our satisfaction and performance surveys but we're responsive in evaluating it and making changes where needed. We have made great strides in following up with members who have not had HEDIS related services.

**BW:** We've got expanded data warehousing capabilities and we've developed new ways of sharing important clinical information with our physicians for them to act on. Actually, quality has become a critical element in our physician reimbursement.

### **What is PA doing to be responsive to members concerns about healthcare costs and insurance?**

**SD:** Due to the advancing costs of health care and the rise in premiums, people are looking for us to be more efficient. As a result, over the past year, we've started analyzing efficiency as a quality measure.

### **How is PA a leader in the ongoing evolution of our health care system?**

**SD:** Bart and the executives are politically involved much beyond an IPA our size; both state and even national organizations. We're primarily involved in our trade association, the California Association of Physician Groups, of which Bart is the Vice Chair. The other thing is that we are, as much as anybody, a leader in IT Services. In the past year, we've provided IT services for other IPAs that, for various reasons, would not have been able to do this on their own.

**BW:** We've been trying to play a constructive role as a moderator between the health plans and hospitals, trying to make sure that the community's interests are represented in these difficult negotiations. We are also developing clinical programs for high-risk and specific chronic disease patients and we certainly respond to community clinical care needs as we did during the recent flu vaccine shortage.

### **Where does PA go from here, particularly over the next year?**

**SD:** I'm blinded by one thing and that's moving towards shared standardized electronic medical records.

**BW:** Physicians have been talking about a virtual group for the last five years. In 2005, for the first time, our strategic goals will include developing a business plan for the development of the virtual group. This is the number one goal of the year and it has become increasingly clear to us that the

most critical element will be the development of a plan to acquire and implement electronic medical records in our physician's offices. We need to increase our involvement in physician practices.

**SD:** The true outcome of this will be that it's going to make patient care more efficient and safer. There are certainly huge challenges involved in making and implementing a system change like this. We recognize that but we also know that the end result will be more streamlined work processes, better communication between our specialists and our primaries, and better patient care through the ability to recognize missing required clinical services.

I think that it's important for the individual doctors to understand that, by virtue of our size and IT abilities, we're going to be able to obtain services and products for them that they would be unable to obtain themselves, five or even ten years from now. They're going to be ahead of the game at a level of service beyond what an individual practice can provide.

This move will also mean that PA will realize the vision of being a leader in the industry by fulfilling our obligation to the national political and consumer forces that are demanding that the medical community move toward electronic medical records.

# 2004 strategic goals

- Become indispensable to our providers to ensure the long-term integrity of our provider network.
  - Demonstrate competitive and sustainable standards of excellence for clinical care and service that exceeds patient expectations.
  - Evaluate and implement product and service diversification to take advantage of opportunities in a changing marketplace.
  - Achieve profitable enrollment growth and increase Medicare + Choice enrollment.
  - Create alignment of strategic vision among shareholders, physicians, and employees that strengthens commitment, involvement, and accomplishment of strategic goals.
- Cultivate and expand physician leadership and involvement to engage the network in key clinical and service initiatives.
  - Create a learning organization that promotes physician and employee development, empowerment, flexibility, fun and rewards results.
  - Continue to improve the “way we work” to deliver the best possible care and service without being wasteful.
  - Explore offering new services to physician offices with the goal of enhancing individual practice performance while improving their relative value to PA.

*“Both as individual physicians as well as a virtual group, our top priority is to provide our patients with the highest quality of care and service. As a virtual group, we can maintain our independent practices and, at the same time, benefit tremendously from the infrastructure and support available to large groups.”*

JOHN KOUMAS, DO, CHAIR, CITRUS RMC

KEN WOGENSEN, MD, CHAIR, PASADENA/ARCADIA RMC

# virtual group

**Physician Associates is a virtual group of interdependent physicians who share a common vision.**

For physicians who choose to have independent practices, being part of a “virtual medical group” allows them to meet the challenges of today’s complex health care system.

**In an effort to move our physicians closer to the vision of a “virtual medical group,” we have...**

- Helped PA physicians to acquire common systems that will allow them to meet the performance levels of a group in terms of employing a high level of integration and coordination.
- Teamed up with Esurg and Amerinet to help our physician offices save time and money with group purchasing when buying office and medical supplies.
- Begun offering Labor Relations Seminars to the physician offices in PA’s network. These seminars for physicians and their office managers focused on “Employment Laws & Recruitment and Hiring,” “Wage and Hour Compliance,” “Creating an Employee Handbook”, and “Legislative Developments that affect California Employers.”
- Connected over half of our primary care physicians to an Internet program with Quest Laboratories that allows them to share lab test results among the PA physician network.
- Created a secure, web-based email system “PA DOCS.com” for physicians to communicate with each other and with PA. In 2004, over 500 doctors were connected.

*“By implementing guidelines and rewarding physicians for quality outcomes, PA has been able to provide the best quality of care without being wasteful.”*

DAVID RHODES, MD

UROLOGIST AND FORMER PA BOARD CHAIR

# best possible care

**Each physician will be held responsible and accountable for providing the best possible care without being wasteful.**

From PA's inception, the Board of Directors understood that in the future, documentation of performance and outcomes would become a more important component of success for any healthcare system. In addition, as healthcare costs have escalated greatly over the last five years, cost management has become an increasingly important social issue.

**PA needs physicians who can provide quality care and service “without being wasteful.” To help our physicians meet these challenges, we ...**

- Expanded our quarterly Quality Dashboards, showing each physician's scores for clinical quality ( HEDIS ) indicators, the percentage of diabetic patients whose blood sugar and cholesterol levels were controlled; and patient satisfaction and peer satisfaction levels. Peer satisfaction surveys measure how effective our physicians are at helping each other to provide quality care and service.
- Distributed to our physicians lists of patients in need of preventive screening tests or who need better blood sugar or cholesterol control, vaccines, pap smears or mammograms.
- Expanded our physician incentive program built on individual performance in clinical, service and efficiency measures. Recognizing that PA needs physician leaders who have the interest and ability to drive the organization, participation in meetings, committees and skill building symposiums has also been included in our physician bonus program.



*“We are very happy with the long term relationship we have built with Physician Associates. We consider Physician Associates a critical part of our network and an organization that focuses on the long term and the deliverance of high quality, cost effective healthcare to our members.”*

DAVID JOYNER, SENIOR VICE PRESIDENT  
NETWORK MANAGEMENT  
BLUE SHIELD OF CALIFORNIA

# superior reputation

**Our superior reputation results in our being an essential physician group for Payors, Employers and Members.**

At PA, our reputation is hard-earned and a result of our dedication, commitment, and effort. The professional relationships that have developed are based on a mutual respect which benefits us all.

**We have indeed become of vital importance to our Payors, Employers and Members and this reality is reflected in...**

- **Exclusivity.** A growing number of primary care physicians have made the decision to work exclusively with PA to access HMO contracts. PA's successful five year track-record, along with our efficiency initiatives that make it simpler for physicians to interface with PA, have made this type of commitment possible for the PCPs. Over 50% of our total commercial membership and 63% of our senior membership have chosen exclusive PCPs.
- **Consistent service.** Our Customer Service unit consistently answers calls in less than 30 seconds. Our Claims team pays electronic claims in ten days. Direct authorizations are processed immediately and other authorizations are processed within 3 days. Provider Relations averages over 400 physician office visits in a month. Excellent customer service is embedded in our culture.

*“In the five years that I have been with PA, I have been extremely pleased with the quality of service. Every request that I have made has been met promptly, politely and efficiently. The bottom-line is that this has been a problem-free relationship.”*

ROBERT MCCARTER

PHYSICIAN ASSOCIATES MEMBER

# being responsive

**Being responsive to market-place changes, acting together and focusing on providing consistent and superior results enables us to be successful.**

One of the most significant factors contributing to PA’s success is that we have an annual strategic process, the results of which are a coordinated plan and strategy that adds value to our members and physicians. At the same time, we’re flexible enough to look at the market, and adjust our plan if necessary.

**Our ongoing efforts to provide “superior results” have produced such outcomes as ...**

- Network expansion. With the help of a number of physicians, especially Dr. Isaac Bartley, and our network development team, we created a new physician network in the Glendale Adventist Hospital region.
- Proper coding initiatives. In 2004, PA conducted audits and education sessions to correct coding deficiencies and educate physicians on better coding and documentation practices. Medicare reimbursement to the health plans is increasingly tied to the member’s health status. The corrected claims and encounters yielded \$1.2 million dollars to PA.
- PA’s standards of excellence. PA created a QI Task Force to define clinical and service standards of excellence and develop programs that will further increase quality throughout the PA network.
- Improved Pay for Performance (P4P) Scores. We improved our clinical (HEDIS) scores compared to our 2003 performance.

## Network Pediatric Immunization Rates

	DTP	IPV/OPV	HepB	Hib	MMR	VZV
<b>Numerator</b>	885	908	806	958	1,001	971
<b>Denominator</b>	1,081	1,081	1,081	1,081	1,081	1,081
<b>2004 Rate</b>	81.9%	84.0%	82.0%	88.6%	92.6%	89.8%
<b>2003 Rate</b>	63.6%	70.9%	70.4%	69.9%	88.0%	84.5%

## Network P4P Rates

	% of Diabetics Controlled			
	Mammo	Pap	HbA1c	LDL
<b>Numerator</b>	4,513	13,418	1,794	1,844
<b>Denominator</b>	6,222	17,020	2,804	2,804
<b>2004 Rate</b>	72.5%	78.8%	64.0%	65.8%
<b>2003 Rate</b>	71.9%	75.9%	59.4%	49.3%

*“PA’s values, their approach to managing the delivery of quality care and their commitment to the communities they serve so closely matches our own that the choice became an obvious one.”*

SUSY S. KREISKOTT, PhD

VICE PRESIDENT – OPERATIONS, OMNICARE

# ongoing evolution

**We are a leader in the ongoing evolution of our health care system.**

PA has indeed become a recognized leader in the health care industry and we are working both externally and internally, to meet the growing challenges of our ever changing health care system.

## **In 2004, examples of our efforts include...**

- PA’s significant involvement in our trade association, the California Association of Physician Groups (CAPG). In 2004, Dr. Wald chaired the CAPG Public Policy Committee which was instrumental in defeating several legislative bills that threatened our industry. Dr. Wald was elected Vice Chair of CAPG for 2005.
- The participation of a number of PA’s executives in health plan strategy groups. One group was instrumental in getting Pacificare to make important changes in their Quality Incentive program.
- Entering into an MSO agreement (effective in 2005) with Omnicare Medical Group, a IPA made up of over 120 primary care physicians and more than 300 specialists operating in the Lynwood, Compton, Paramount, and Gardena area of Los Angeles County. Omnicare selected PA both for the superiority of our technology solutions as well as the caliber of our employees and Board.
- Signing an agreement to license PA’s online referral, claims and eligibility systems with Garden Grove based Affiliated Doctors of Orange County (ADOC). The new licensed version will be installed in late January 2005.
- Enhancements to our Web product. In 2004, we increased the percentage of authorization requests submitted over the Internet to 85%.
- Working with Blue Shield on a pilot project with RelayHealth, a physician-patient electronic communication program, to encourage secure email communication between physicians and patients requesting appointments, prescription refills, lab result reports and electronic clinical consultations.

*“Physician Associates provides our employees with a vital source of preferred physicians and excellent customer service and support. PA cares for the Azusa Pacific University community!”*

KIM LEAVITT, BENEFITS MANAGER  
AZUSA PACIFIC UNIVERSITY

# making a difference

## **Giving Back, Making a Difference: Physician Associates in the Community**

While our focus is providing our members with the highest quality of medical care, we are also committed to making a positive difference in the communities in which they live and work.

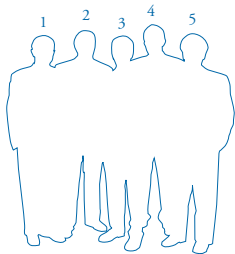
**PA is a long-time supporter of community projects that make a difference in the lives of many San Gabriel Valley residents. In 2004, these included ...**

- American Red Cross/City of Pasadena Blood Drive
- Scholarships: For the 4th year PA awarded four \$1000 scholarships to four local high school students interested in pursuing a career in Science.
- Special Events: PA participated in over 130 events in 2004 including senior health fairs, health seminars and employer group open enrollment meetings.
- Spark of Love Toy Drive: For the 5th year, PA participated in the Pasadena Fire Department/ABC News “Spark of Love” Toy Drive. In 2004, we broke our previous record of being the largest single donor in the Pasadena area by donating over 450 toys.
- Response to the Flu Vaccine Shortage: PA held 6 flu clinics for those members who were eligible for the flu vaccine, inoculating over 1,000 of our members. We also reimbursed our senior members for costs of the vaccine obtained elsewhere.

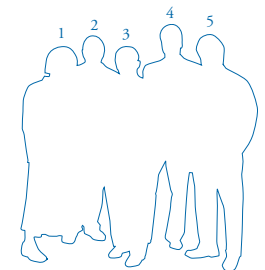


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- 5. Harry Magnes, MD, MMM



- 1. Audrey Reid, MD, MPH, JD **Not pictured**
- 2. David Battin, MD, MBA  
Gamini Hethumuni, Stephanie Hethumuni, George Madanat
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- 4. Clayton Varga, MD, MBA
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## Management Team

Barton Wald, MD  
*President and Chief Executive Officer*  
Teresa David  
*Chief Operating Officer*  
Harry Magnes, MD  
*Chief Medical Officer*  
Joseph Daniels, MD  
*Medical Director*  
Lubna Al-Ayed  
*Director – Financial Operations*  
Stephanie Bamford, RN  
*Director – Quality Improvement*  
Yolanda Denson, MSN, RNC-NP  
*Director – Health Services*  
Jim Haggard  
*Director – Information Services*  
Becky Nething  
*VP, Claims/Customer Service*  
Betty Sable  
*Controller*  
Virginia Fleming  
*Director – Human Resources*  
Maggie Hart  
*Director – Provider Relations*  
Karen Carrol-Kowalski  
*Director – Marketing/ Customer Service*  
Mark Kroeger  
*Director – Contracting*  
Paula Russell  
*Director – Decision Support*



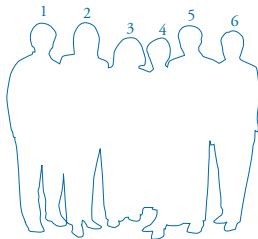
*“We all need to accept the responsibility and accountability to deliver the best possible care in the most efficient and effective manner.”*

STEVE McDERMOTT

CEO – HILL PHYSICIANS IPA

## Executive Team

1. Harry Magnes, MD
2. Teresa David
3. Virginia Fleming
4. Betty Sable
5. Bart Wald, MD
6. Becky Nothing







PHYSICIAN  
ASSOCIATES

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