Teaching hospital threatens to sever its ties with HMO

By Angela Stewart
STAR-LEDGER STAFF

Thousands of New Jersey patients enrolled in Aetna U.S. Healthcare will no longer be covered for services provided at Robert Wood Johnson University Hospital come December, if the major heart and cancer treatment center makes good on its threat to end its contract with the state’s largest HMO.

In the highest profile showdown to date between a New Jersey hospital and managed care firm, hospital president Harvey Holzberg said yesterday plans are being made to drop Aetna after Dec. 1 because the HMO is proposing a 30 percent — or $15 million — cut in annual reimbursement for medical services at the New Brunswick hospital. Holzberg also said that Aetna’s denial rate when it comes to covering medical procedures is far too high, which has also strained relations between the Central Jersey health care leader and Aetna. Customers of the HMO account for 15 percent — or between 4,000 and 5,000 of the hospital’s 30,000 annual admissions.

“‘We’re not trying to be heroic. We just can’t afford to take a loss on every patient admission,’” Holzberg said during a press conference held at the hospital yesterday.

He called the decision to drop Aetna an “agonizing” one, but said Robert Wood — an academic teaching hospital with $350 million in annual revenues — is strong enough to take the financial hit, while he noted other hospitals with weaker pictures have been forced to accept reimbursement rates far lower than their costs.

But if Aetna puts a better offer on the table, Holzberg did not rule out reconsidering. He waved off suggestions in an interview however, that the hospital went public with its threat as a way of gaining bargaining leverage.

“At the moment, negotiations are nowhere,” he said.

Aetna officials said in a statement that they will “continue to make every effort to negotiate in good faith.” The HMO also said the split would have minimal impact on participating physicians and services. Only 15 Aetna physicians at Robert Wood do not have admitting privileges at other medical centers and the HMO promises to help those doctors gain new affiliations.

With 821,234 members as of March 31, Aetna is by far the state’s largest HMO, with 37 percent of the market, according to the state Department of Banking and Insurance.

Robert Wood and Aetna seem to differ on exactly when their five-year contract expires, however. A statement issued by Aetna yesterday said the contract ends Dec. 31, while hospital officials yesterday insisted it ends Dec. 1.

Some Aetna customers, such as those enrolled in the HMO and Quality-Point-of-Service or QPOS programs, will be able to continue to access services at Robert Wood Johnson through April 29, 2000, Aetna maintains. Robert Wood says that date is April 1.

In addition, Holzberg said special arrangements may be made for pediatric oncology and hematology patients.

John Matuska, president and CEO of nearby St. Peter’s University Hospital, said his hospital will likely gain many Aetna patients if an agreement cannot be reached.

“Most of our physicians are already in the Aetna network,” he said. “We have not had the problems with Aetna that many other hospitals have had.”

Robert Wood is Middlesex County’s largest hospital and the only one in the Central Jersey region offering open heart surgery. It is also licensed to provide kidney transplants and heart transplants.