Joseph Caruncho helping to reform health-care system ...

It was not long ago that when you thought of health care for the elderly, the initials HMO sprang to mind. But for the past six years, the buzz in the health-care arena has been PSO (provider-sponsored organization) as the model to watch. And its advent is due in large part to a local attorney.

He is Cuban native Joseph Caruncho, 48, who established Preferred Care Partners in 2001 as Florida’s first and the country’s third PSO, a Medicare-Plus health plan owned by physicians providing care. He continues to be responsible for developing its revolutionary strategic plan and overseeing its implementation in Miami-Dade and Broward counties with a view to expansion into Central Florida.

Mr. Caruncho was interviewed by Miami Today international editor Michael Hayes.

**Q:** How did Preferred Care Partners come into being, and how unusual is it?

**A:** It came about as an offshoot of my legal career, actually. I had focused my law practice on representing health-care providers, hospitals, physicians, what-have-you. But the last 10 years or so, I focused on representing physicians in terms of trying to identify opportunities for them to improve their practice, improve their quality of life and also their income. A lot of that centered on their struggles to deal with managed care. In 1996, I was at a legal conference, and one of the presenters said that a couple of years later, they were going to come up with provider sponsor organizations, which was basically a way for doctors to band together, form a network and infrastructure –– an HMO light, if you will –– and take control of their destiny and bypass the traditional HMO they were all complaining about. I got very excited about it and came back and started telling my physician groups that this was an opportunity they’d been waiting for to be able to control their destiny and change the way managed care was delivered.

After several months where they were somewhat intimated about that process in terms of raising capital, putting together a management team and those sorts of things, I started thinking of starting the concept myself with their support and investment, the participation of physicians and their input in terms of how you would do it if you did tackle this project, what things you would change about the way HMOs operate.

So that’s how it came to fruition. It has been over 10 years now since that conference took place, but in 2002, we became the first Medicare PSO in Florida –– and only one of three in the country at the time. We got a huge acceptance from seniors and from physicians.

**Q:** What is this service to seniors only?

**A:** Yes, we are like an HMO basically. We provide a full range of health care for Medicare beneficiaries.

**Q:** What Medicaid patients?

**A:** Among our 30,000 members, we do have about 4,000 Medicaid patients who are called dually eligible patients because those are seniors that have Medicare and also qualify for Medicaid because they are low-income.

**Q:** How many physicians are in your program?

**A:** We have about 1,400 in our network right now and 23 hospitals.

**Q:** What geographical area are you in?

**A:** Right now, we are only in Miami-Dade County and Broward County.

**Q:** Are you looking to go farther afield?

**A:** We are. We’re looking to expand into Central Florida for January 2008.

**Q:** Where in central Florida are you looking?

**A:** Our current plan is to move into the Greater Orlando area –– there are four or five counties that surround Orlando.

**Q:** Is that because of a relatively high number of older persons and Hispanic patients there?

**A:** There are a high number of retirees in the Orlando area, and even though we don’t market ourselves as a Hispanic plan, being from South Florida, we do think that we do understand the needs of the Hispanic community. And there is a large Hispanic community in Orlando, a Puerto Rican community.

There’s also a pilot that we’re hoping will be passed by the Florida Legislature in their upcoming session called Florida Senior Care, which for the first time is going to combine the resources of Medicare and Medicaid so that you can pool those resources and provide really flexible and meaningful care to those dual-eligible seniors that I mentioned earlier, the low-income seniors. We’re excited about the potential of that program. We want to make sure that we are in that area so that we can hopefully participate in that.

It’s a cutting-edge program that is leading the nation in terms of that kind of reform. It was started by then-Gov. Jeb Bush, and it’s in that area, so we definitely feel we need to be there in case that program passes and if we’re lucky enough to participate in it.

**Q:** You mentioned physicians having been unhappy with HMOs?

**A:** No. I, the physicians didn’t feel that they were being paid fairly, that too much money was being spent on the bureaucracy and not enough was flowing down to the physicians who are actually providing the care. So one thing we did when we came into the market was we immediately raised the reimbursement –– ours to our primary-care doctors were about 50% higher than what the market was, so we got the market’s attention, and they felt respected by us doing that.

Another thing was that they weren’t
...as creator, chief executive of Preferred Care Partners

trusted, they were made to jump through so many hoops for no reason, and that was in two basic areas. One was that every single thing they wanted to refer their patient for—for example, if a physician wanted to refer a patient to a cardiologist—it took two, three, or four days of some bureaucratic HMO reviewing that request. So we took about 80% of the things that primary-care doctors refer out, including all specialist visits, and streamlined that with what we call the quick-referral process. Basically, the physician just hands the referral to the patient, and they’re on their way, and they don’t have to wait for approval on that.

A third thing is that the HMOs would cut different deals with specialty groups every so often, whereby they would all of a sudden tell a physician now he or she would have to use a certain cardiologist, for example. That’s not only disruptive for the physician but for a senior who has developed trust with a specific specialist.

It’s very traumatic to have to switch all of a sudden. It is actually also not very good business because the new specialist has to now run a whole new battery of tests on that senior patient to diagnose something that the previous specialist had missed. So we made a change. We also built a special network around the primary-care provider, and we asked them to whom do you like to refer, we will bring that specialist in, and make it transparent to the members.

Q: While physicians are obviously experts in providing health care for their patients, they may not be so expert in business practice, so they require some one like you to marshall it all for them.

A: That was really the balance that we had to strike. We had found that HMOs were in an adversarial relationship with their physicians. We thought that by definition, anything that we pay for has to be medically necessary—that’s a legal requirement, and that means that a doctor signed off on it. So how could we work in cooperation with the folks that are fighting with us every day? We approached this. So we went about it this way. We built a new network around the primary-care provider, and we asked them whom do you like to refer, we will bring that specialist in and make it transparent to the members.

Q: You recently acquired another organization?

A: We actually have great relationships with our hospitals. I have a good personal relationship with the CEOs and the heads of the hospital chains and it’s because we approach it the same way. Our critical success factors for a company were very simple—we said we’re going to do the things it takes to establish long-term relationships with our primary-care physicians and hospitals. We’re looking to reach out and do excellent customer service so we can retain our members and figure out what they need. Then once we know the member for a long time and that our providers are working with us, then we are going to care for the patient with those two folks as partners. So having a collaborative relationship not only with doctors but also with hospitals is very important to us. The way we do it is the exact same way as we do with the physicians. We’re tough negotiating with them in terms of getting a fair contract, because we need to do that in order to have enough money to stay in business and provide care, but we pay them a fair reimbursement so that they can also focus on quality. We pay them promptly, we pay them what we agreed to in a contract with both sides.

Q: You also have participated in a roundtable last August with former U.S. House of Representatives Speaker Newt Gingrich on the future of the health care system.

A: That was actually during the 100-idea Summit that Speaker Rubio had hosted. Newt Gingrich was one of the keynote speakers during that Summit and I did have the opportunity to be invited to sit at a roundtable with about 10 other folks after his speech and exchange ideas. He has some very innovative ideas on health care. It was a real treat to be able to listen to his insights on the future of health care.

Q: What is your vision for health care?

A: I think the doctors, through our kind of model where they’re made part of the process, are becoming much more informed in terms of where the waste is and empowered by getting out of the way, and also informed through the process of educating. I think the next step is to move even more in the direction of getting more involved in the way we’re involved doctors. We’re a little way away from that, but some of the reforms that are coming in terms of medical savings accounts and what-have-you have a potential to give patients that pool of money and let them spend it. That together with a lot of education and information of a much more transparent system can have the potential for overhaul.

It’s doing with the patient what we’ve been able to do successfully with the physician, which is to bring them into the fold, let them know where the dollars go very transparently, take the mystery out of health care and make them part of the process. I think that’s the key to the solution long term for health-care cost.

Q: Are you married, do you have children of your own?

A: I do, I have a couple of beautiful kids. I have a 20-year-old daughter, and I’m a theater major at Florida State University. She is a beautiful singer and actress. And I have a son, Joe Jr., who is a senior at Palmetto Senior High School and a theater kid and a great singer and performer. So they both are in the arts instead of business but they’re very talented and I told them just find what you have a passion for and go for it.