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Managing within the grip of rapid growth

President Gregg Coughlin has led Greater Rochester Independent Practice Association since 2002

By WILL ASTOR

Gregg Coughlin concedes some might see his job as a balancing act. He does not.

The president of the Greater Rochester Independent Practice Association, Coughlin heads what is the only physician organization to have made the Rochester Top 100 list of fastest-growing private companies.

The 51-employee GRIPA placed third in 2004, a feat made possible first by a pair of items: Unlike many IPAs, it is a for-profit venture; and it has grown its revenues from \$11 million when it was founded in 1996 to more than \$300 million.

IPAs' main function is to negotiate contracts between physicians and HMOs. In that respect, they are akin to labor unions. But physician organizations tend to have concerns beyond salaries and benefits that orient labor organizations.

Coughlin, 55, has no problem balancing GRIPA's medical and fiscal concerns. A CPA with an MBA who at one time planned a career in medicine, he is familiar with the medical and financial ends of the business.

If Coughlin could be said to be doing a high-wire act, it is not because of GRIPA's extraordinary growth spurt, or at least not directly because of that growth. Rather, it is because of GRIPA's largest contract, a \$180 million deal with Excelsus Blue Cross Blue Shield, Rochester Region that kicked in last year.

The Choice/Choice contract accounts for 55 percent of GRIPA's business. A key feature is that GRIPA assumes some risk that usually would be taken by the insurer. What makes the contract a balancing act for Coughlin is virtually all of GRIPA's doctors also belong to the larger Rochester Individual Practice Association, which also represents providers to the Blues.

Which IPA pays the best reimbursement has a lot to do with doctors' decisions on which IPA to work through, which in turn determines which IPA gets paid by the Blues, Coughlin says. GRIPA is exposed to risk RIPA does not take, but GRIPA also has to guarantee higher or at least com-



Photo by Kimberly McKinzie

Coughlin: "We are for-profit but there's not a big separation between the doctors and managers. We are for-profit but there's never been a conversation to grow GRIPA just for the sake of growing GRIPA."

parable payments to its physicians. Among GRIPA's marketing handouts is a glossy sheet highlighting payments to GRIPA doctors that in the last half of 2003 on average outpaced payments realized by RIPA physicians.

Coughlin concedes GRIPA's needs to manage risk and guarantee favorable returns to doctors—and those imperatives appear to be at odds. But, he insists, they are no problem.

"Our doctors do expect a better paycheck," Coughlin says. "But it's not all on GRIPA to manage the risk. We are for-profit but there's not a big separation between the doctors and managers. We are for-profit but there's never been a conversation to grow GRIPA just for the sake of growing GRIPA. We enter these contracts as much to give our doctors (clinical) control as for anything else."

Others, however, see Coughlin's job as not necessarily easy.

"It's a very difficult model. I think Gregg has had his frustrations," says Rochester Health Commission CEO John Oberlies, who until last year headed RIPA.

Much of GRIPA doctors' risk control is done through strategies such as chronic-disease case management, which have been proven to work over the long run but may not always bring immediate savings, Oberlies says. In the short run, liabilities could climb. Physicians might not see the reimbursement they would like or the IPA could be caught in a financial pinch.

If that were to happen, GRIPA would not be the first IPA of its type, a subset of the genre called physician hospital organizations, caught in a squeeze.

"I think there were quite a few (physician hospital organizations) at one time, but most were not that successful. GRIPA has been unusually successful," ViaHealth CEO Samuel Huston says.

GRIPA was started by ViaHealth doc-

tors in 1996. It is owned by ViaHealth and physician organizations associated with ViaHealth's hospitals. GRIPA is structured like a preferred-provider organization, which generally have smaller physician panels and try to keep costs down largely by keeping patients within the panel, which is supposed to tightly manage care.

Initially, GRIPA served only the ViaHealth plan, an insurance product it owns and licenses to the Blues. Some 75 percent of ViaHealth workers, including system CEO Huston, are on the ViaHealth plan. The 14,000 or so ViaHealth Plan subscribers, however, account for less than 10 percent of GRIPA's business.

The idea behind the ViaHealth Plan and GRIPA was to create an organization that would simultaneously represent doctors and hospitals. GRIPA co-founder Richard Gangemi M.D.—ViaHealth senior vice president of academic and medical affairs—once explained GRIPA's goal was to not put hospitals and doctors in separate, isolated negotiations with the payer, and to thus enable a more integrated approach in which doctors and hospitals could cooperate.

For their first year, ViaHealth Plan and GRIPA—managed by a ViaHealth official—stayed relatively tiny. In 1997, the GRIPA board hired James Smith, a health care administrator who had worked for a mix of provider and payer organizations to head and develop GRIPA.

Smith, who is president of Excellus' Central New York Blues organization, developed deals with Unity Health System, Lakeside Hospital in Brockport and Clifton Springs Hospital to expand GRIPA's reach. He also struck a deal with Preferred Care, the area's second-largest HMO, for GRIPA to handle Preferred Care's Medicare business.

As the organization expanded, Smith looked to hire a chief financial officer. He thought first of a former employee—Coughlin—who he had recruited as CFO of Alliance Health Network, an Erie, Pa.-based HMO Smith had headed before going to GRIPA.

He and Smith had kept in touch after Smith went to GRIPA in 1997, Coughlin says. When he worked in Erie, Coughlin, who is from Rochester and whose family was living here at the time, commuted to Pennsylvania—a trip of “two hours and 41 minutes if everything was going right.”

After Smith went to GRIPA, Coughlin recalls mobile conversations with Smith in which each would be on the Thruway but headed in opposite directions—Smith going from Rochester to Erie and Coughlin going the other way, or vice versa.

“Gregg was the first one I thought of,” Smith says. “He has always been a results-



Photo by Kimberly McKinzie

GRIPPING GROWTH—Greater Rochester Independent Practice Association president Gregg Coughlin has led the organization to become one of the region's fastest-growing firms. Its revenues have risen from \$11 million in 1996 to more than \$300 million.

oriented guy. He knows the ins and outs of health care finance like few people. It's unusual for a (physician hospital organization) to be as successful as GRIPA. Gregg was responsible for the financial strategies that made it work.”

Huston concurs.

“Gregg is very smart, very intelligent,” Huston says. “(Hospital and health care finance) is a very complicated business. It's hard for people who aren't familiar with it to understand. He is really, really

good at it.”

Where Coughlin shines, Huston says, is that he understands the business from so many different angles. Third-party payers, hospitals, doctors and other providers each have their own needs. Coughlin has worked for virtually every type of U.S. health care organization and has the experience to harmonize the sometimes conflicting needs of different players.

“I'm like an old pair of slippers,” Coughlin says. “I've been everywhere.”

Coughlin's sympathy with the health care professions is genuine. He planned to be a doctor, an ambition that got derailed after he completed a year of medical school.

One of five siblings, Coughlin grew up in Rochester where he attended a Catholic elementary school and graduated from McQuaid Jesuit High School in 1967.

When Coughlin was 10, his father, a civil engineer who developed a pre-911 central call system for the Rochester Fire Department, died.

“He died the year it was implemented,” Coughlin says. “He had a heart attack. So I guess you'd say I was raised by my mother and sisters.”

Anthony Pizzarelli M.D., an obstetrician and the father of his high school sweetheart, Christine Pizzarelli, became a father figure for him. Pizzarelli's example largely was responsible for his own decision to study medicine, Coughlin says.

Christine Pizzarelli now is Christine

CLOSE-UP

Gregg Coughlin

Position: President, Greater Rochester Independent Practice Association

Education: B.S. in biology, LeMoyne College, Syracuse, 1971; MBA, Rochester Institute of Technology, 1976

Family: Wife, Christine; children, Greg, 30, Charlotte, 29, Claire, 25, Liza, 18, Ana, 17, Tony, 15, Tessa, 12; four grandchildren

Residence: Rochester

Outside activities: Coach and treasurer for East Side Little League; chauffeur for daughters' cheerleading activities; golf

Quote: “I'm like an old slipper; I've been everywhere.”

Coughlin. She and Coughlin first met as an unintended consequence of a somewhat harebrained moneymaking plan hatched by a classmate of Coughlin's older brother.

Coughlin and the older brother would paint house numbers on the curb in front of city residences. The numbers were supposed to be an aid to police or fire fighters who might be otherwise searching for an address. The boys imagined that appreciative homeowners would be pleased to shower them with donations.

"It lasted about three days—until we painted a number in front of the city's commissioner of environmental services' house," Coughlin says.

In a curious set of coincidences, Craig Zicari, the classmate whose older brother, Bruce, Coughlin schemed with, is a health care attorney with Harter, Secrest & Emery LLP in Rochester. Coughlin's son, Greg, an attorney who previously worked for a New York City firm, recently joined Harter, Secrest.

In the curb-painting debacle, Coughlin and Bruce Zicari got off with a stern lecture from the police, who warned them not to further deface city property. They did no further painting, Coughlin says. But while painting curbs, he had spotted an attractive young lady heading into a house on Yarmouth Avenue. It was Christine.

"We didn't make any money," Coughlin says. "But I found a wife."

Certain that he wanted to follow in his future father-in-law's footsteps, Coughlin majored in biology at LeMoyne College in Syracuse, graduating with a bachelor of science degree in 1971.

Coughlin and Christine married after Coughlin's graduation and headed for Nebraska. Coughlin had not been accepted by any of the medical schools he applied to but did get into a pharmacy program at Creighton University in Omaha with the understanding that after a year he could transfer to medical school.

The academics went well at Creighton, Coughlin says. But he was struck with a sudden epiphany when he had to dissect a corpse for an anatomy class.

"I realized I couldn't be a doctor," Coughlin says. "I was too squeamish. I finished out the year but that was it."

Returning to Rochester, Coughlin found work at the old R.T. French Co. plant in Rochester, dumping 100-pound bags of mustard seed into a grinder. He found dumping some 400 bags of seeds a day into a mustard grinder to be a far cry from the medical career he had envisioned and "a great inducement to furthering my education."

Remembering he had liked an accounting course he took as an elective at Creighton, Coughlin decided to go into the field. He landed a job at Ernst & Young LLP in Rochester and within six months moved mostly into the firm's consulting department. After a one-year course at Rochester Institute of Technology, Coughlin earned an MBA in 1976.

The accounting firm was active in the health care field and Coughlin's consulting work gravitated toward that area. He became well-known in local health care circles and in 1981 went to work for Strong Memorial Hospital as associate finance director. From there, he moved in 1984 to a director of finance position with the Upstate Health System Inc.

Upstate Health System was an early attempt at developing an integrated health care system in Rochester. It was to have merged St. Mary's, Park Ridge and Highland hospitals. When the merger failed to materialize, Upstate Health dissolved.

From 1985 to 1989, Coughlin and a partner ran a Rochester-based consulting firm, Heylin Associates. Preferred Care was one of its biggest clients and in 1989 Coughlin accepted a job as controller at Preferred Care.

By the time he left after some three years, Coughlin says, "I was uncomfortable in the job and I imagine they were uncomfortable with me."

Preferred Care CEO John Urban recalls no such discomfort, however. He would have liked to keep Coughlin at the HMO.

"It was my impression that Gregg was the type of person who needed to keep moving on. I think he just needed to keep challenging himself," Urban says.

Money may have been a factor. Coughlin and Christine had six children by the time he left Preferred Care. They are parents to seven now: Tessa, the youngest, is 12. Greg, 30, is the eldest. The couple has two adult daughters, Charlotte, 29, and Claire, 25, and three teenagers: Liza, 18, Ana, 17 and Tony, 15.

"I was the richest poor person I knew," Coughlin says, wryly acknowledging the financial burdens of raising a large family.

Not that he regrets having a large family. A star baseball player in high school, Coughlin reluctantly had to admit to himself in college he did not have the talent to play professionally.

In his off-work time, he coaches Little League baseball and ferries his high school age daughters to cheerleading events. He also plays golf. Even in leisure, Coughlin does not entirely escape finance. He is treasurer and coach for the East Side

Little League.

That Coughlin is a devoted family man is key to his leadership abilities, Smith believes.

"People see how Gregg is with his family, how important it is to him and it means something to them," Smith says.

Whether motivated by the financial demands of a large family, a restless spirit or both, Coughlin moved through many jobs through the 1990s. He was CFO at a Syracuse HMO, worked as contract manager for the Wellcare Management Group in Kingston, south of Albany, and as finance manager for Blue Cross Blue Shield of Watertown, which is now part of Smith's Excellus Blue Cross organization. In a two-year departure from health care, he worked as finance manager for the New York State offices of a national law firm.

The end of the decade found Coughlin at GRIPA under Smith. In 1999, RIPA, which had originated as an HMO-owned IPA under Preferred Care, severed ties with Preferred Care to ink a contract with the Blues as their IPA. Preferred Care moved part of its IPA load to a new in-house organization. But it also gave a significant portion to GRIPA.

GRIPA physicians now treat some 30 percent of Preferred Care subscribers, Urban says.

When Smith moved to the Syracuse Blues in 2002, Huston says, GRIPA conducted a national search for Smith's replacement. Coughlin initially did not apply for the job.

"We kind of had to talk him into it but it turned out he was far and away the best candidate, hands down," Huston says.

Having now seen the Choice/Choice contract in place and working, Coughlin professes satisfaction with GRIPA's position. The IPA is not hugely profitable. Ironically, the ViaHealth Plan, which now accounts for a fraction of its business, is the only operation it lost money on last year, Coughlin says.

The organization can for now take that loss. GRIPA does not have heavy capital requirements, he says. All it needs is enough of an operating profit to pay its bills and meet its payroll so it can function with minimal retention of earnings. Still, he says, he is determined to make sure the loss is not repeated in 2005.

Otherwise, he is happy.

"Life's got a funny way of taking care of things," Coughlin says. "I wanted to be a doctor and I ended up in finance. And I don't think I would have had the same knack for medicine."

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