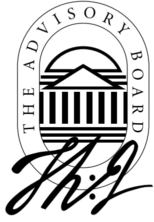


THE ADVISORY BOARD

Daily Briefing

News for Health Care Executives ● Wednesday, March 19, 2008

"Nation's news in five minutes"

SPOTLIGHT

Physician ownership affects referral patterns to ASCs, study finds

Physicians who refer the highest number of patients to physician-owned ambulatory surgery centers disproportionately send privately insured patients to these centers and Medicaid patients to hospital outpatient departments, according to a *Health Affairs* Web exclusive, reinforcing concerns that physicians with ownership stakes in ASCs may cherry-pick the most lucrative patients.

See story #1

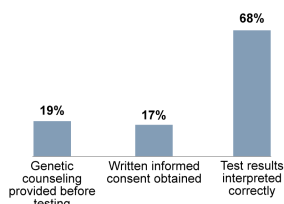
RESEARCH HIGHLIGHT

Direct-to-consumer marketing a double-edged sword

While recognizing the shortcomings of direct-to-consumer testing—particularly the potential gaps in analysis that can occur if a patient does not engage in genetic counseling—many experts in the field welcome the enhanced focus on the relevance of genetic testing that has been spurred by many of these commercially available tests. Still, general consensus is that without proper interpretation of results, the growing utilization of direct-to-consumer tests is far too hasty and profit-driven. To learn more, please register for the Innovations Center teleconference, "The Genetic Testing Frontier."

Without input from genetic counselor, results often misinterpreted

APC commercially available gene testing for familial adenomatous polyposis (FAP)*



*Study included 177 patients; FAP is a disease caused by a mutation of the APC gene if prophylactic colorectomy is not performed

Source: Giardiello et al., *NEJM*, 3/20/97

THIS DAY IN BRIEF

WSJ examines debate surrounding reuse of medical devices

In an effort to reduce costs and "stem a rising tide of medical waste," a growing number of hospitals are recycling and reusing medical devices labeled as single-use, a process that is FDA-approved but opposed by device manufacturers who say the practice raises safety concerns, the *Wall Street Journal* reports.

See story #2

Mortality risks for lung cancer resections lower at teaching hospitals

Patients undergoing lung cancer resections at teaching hospitals are roughly 17% less likely to die compared with patients undergoing the procedures at non-teaching hospitals, according to a study published in today's *Annals of Thoracic Surgery*.

See story #3

N.Y. Times: Dermatology, plastic surgery most competitive residency programs

As thousands of medical students await notification this week on residency program placements, the *New York Times* examines trends in students' specialty choices, noting that dermatology and plastic surgery are among the most competitive residency options.

See story #4

FROM THE ADVISORY BOARD

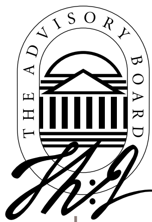
Inpatient market forecasting tool available

The Innovations Center's Inpatient Market Forecasting tool allows members to apply—and customize—Innovations Center predictions of future utilization and profitability to their own institution's historical data, creating a robust, flexible tool for strategic planning.

See story #5

NAMES IN THE NEWS

Johns Hopkins (Md.) (#3) ▪ **Mercy Health System (Ark.)** (#7) ▪ **Mercy Medical Center (Ark.)** (#7)
University of California-Berkeley (#8) ▪ **University of Chicago** (#1)



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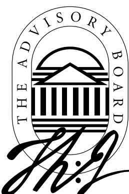

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Today's Headlines

1 Physician ownership affects referral patterns to ASCs, study finds

Physicians who refer the highest number of patients to physician-owned ambulatory surgery centers (ASCs) disproportionately send privately insured patients to these centers and Medicaid patients to hospital outpatient departments, according to a *Health Affairs* Web exclusive, reinforcing concerns that physicians with ownership stakes in ASCs cherry-pick the most lucrative patients. Using 2003 discharge abstracts for ASCs and hospital outpatient departments in the Pittsburgh and Philadelphia metropolitan areas, researchers led by a senior fellow at the **University of Chicago**'s National Opinion Research Center analyzed the referral patterns of physicians who accounted for the top 50% of referrals to physician-owned ASCs and compared them with the referral patterns of high referrers to hospital outpatient departments and nonphysician-owned ASCs; because state records did not identify physician owners, the researchers used high referral numbers to physician-owned ASCs as a proxy for ownership. In reviewing more than 1 million discharge records, the researchers found that Medicaid patients accounted for just 1.4% of referrals to physician-owned ASCs by the top 50% of physician-referrers, while self-pay/indigent patients accounted for just 1.8% of referrals in that group, despite the fact that 11% of Pennsylvanians are insured by Medicaid and 10% are uninsured. Additionally such high-referrers sent roughly 45% of Medicaid patients to hospital outpatient departments and 55% of those patients to physician-owned ASCs. In contrast, high-referrer physicians sent just 8% of commercially insured patients to hospital outpatient departments, while sending approximately 92% of patients with commercial/**Blue Cross Blue Shield** coverage and 91% of Medicare patients to physician-owned ASCs, leading the researchers to conclude that "high-referrers/physician-owners at physician-owned ASCs directed lower-paying Medicaid patients away from their affiliated ASCs and to hospital outpatient departments at a rate about 36 percentage points higher than they directed patients with higher-paying private insurance to outpatient departments."

The researchers add that while high-referrers also directed 98% of patients classified as self-pay or indigent to a physician-owned ASC, those patients were primarily referred for cosmetic surgery, suggesting they were likely insured patients paying out-of-pocket for procedures not covered by their health plan. Meanwhile, the researchers found that the top 50% of physician-referrers to hospital outpatient departments and nonphysician-owned ASCs sent approximately 95% of patients to hospital outpatient departments regardless of insurance status and were slightly more likely to send commercially insured patients to a nonhospital facility than Medicaid enrollees. Noting ongoing concerns that physician ownership in ASCs could "unravel [the] safety net by directing lucrative patients to their own facilities while sending low-paying patients elsewhere," the study's lead author says the findings indicate "that's exactly what's happening" (Gabel et al., *Health Affairs* study, 3/18; *Health Affairs* release, 3/18).

2 *WSJ* examines debate surrounding reuse of medical devices

In an effort to reduce costs and "stem a rising tide of medical waste," a growing number of hospitals are recycling and reusing medical devices labeled as single-use, a process that is **FDA**-approved but opposed by device manufacturers who say the practice raises safety concerns, the *Wall Street Journal* reports. Under a typical recycling process, hospitals ship devices—ranging from scissors to surgical saws—to reprocessing facilities, where the items are cleaned, sterilized, and tested for reuse; according to the FDA, the process results in a one-in-a-million chance of a contaminant "surviving." While just 2% of devices labeled for single use are currently recycled, one leading reprocessing company estimates that reprocessing all eligible single-use devices could save the health

care industry roughly $1.8 billion annually and eliminate substantial amounts of waste from local landfills. Adding to the support for device recycling, the Government Accountability Office in January released a report based on eight years of FDA data concluding that "there is no evidence that reprocessed single-use devices create an elevated health risk for patients," an endorsement the *Journal* notes could "ope[n] the door to more widespread use" of the process.

Device makers, however, maintain that single-use products are not designed to hold up to harsh sterilization chemicals, adding that even after sterilization, many devices could still harbor viral and bacterial pathogens. Meanwhile, the **Association of Medical Device Reprocessors** says that products made from rigid, hard metals, or durable polymers and plastics can safely be reused between two and five times. Moreover, the FDA reports that among the 65 adverse events involving or suspected of involving reprocessed devices reported to the agency between October 2003 and July 2006, the devices were "just one of several possible causes of harm," and the adverse events largely mirrored those reported for brand new versions of the same products. Responding to calls for increased oversight, the FDA in 2002 began requiring that reprocessed devices be labeled as such. Several states, meanwhile, are pushing for legislation that would require providers to secure informed consent from patients before using reprocessed devices on them. Supporters of device recycling, however, have decried such requirements, noting that many products historically designed as reusable devices now carry single-use labels (Landro, *Journal*, 3/19 [subscription required]).

3 Mortality risks for lung cancer resections lower at teaching hospitals

Patients undergoing lung cancer resections at teaching hospitals are roughly 17% less likely to die compared with patients undergoing the procedures at non-teaching hospitals, according to a study published in today's *Annals of Thoracic Surgery*. For the study, researchers from **Johns Hopkins University** School of Medicine in Maryland analyzed data from the Nationwide Inpatient Sample (NIS) database on 46,951 lung resections performed from 1998 to 2004—56% of which were performed at teaching hospitals—to determine whether outcomes differed significantly between teaching hospitals and non-teaching hospitals. Teaching hospitals were defined in the NIS as those with **Accreditation Council for Graduate Medical Education**-approved general surgery and thoracic surgery residency programs. After dividing the data by procedure type—including segmentectomies, lobectomies, and pneumonectomies—the researchers found that the overall in-hospital mortality risk for the procedures was 3.2% at teaching hospitals compared with 4% at non-teaching hospitals, translating to a 17% lower overall mortality risk at teaching hospitals. For lobectomies and pneumonectomies specifically, the mortality risks at teaching hospitals were 21% and 20% lower, respectively, than those at nonteaching facilities. Noting that the decreased risk of in-hospital mortality at teaching hospitals was independent of surgical volume at all but the highest-volume hospitals, the researchers conclude that "the combined effect of teaching hospitals and increased [surgical] volumes [could] be associated with improved outcomes." Adding that the study is believed to be the first to "show that teaching hospitals are factors associated with good patient outcome, independent of volume," the researchers postulate that several characteristics specific to teaching hospitals—such as the availability of dedicated surgical ICUs run by intensive-care specialists, larger hospital staffs, and specialty services including 24-hour respiratory therapy—could contribute to improved outcomes. Noting that the findings are in slight contrast to "others comparing outcomes for complex surgeries at teaching and nonteaching hospitals," the researchers say their findings raise the question of where patients should be referred for the surgical treatment of lung cancer, adding that future research should focus on identifying specific beneficial processes of care at teaching hospitals and considering new standards for lung cancer resections "independent of hospital volume and teaching status" (Meguid et al., *Annals of Thoracic Surgery*, 3/19 [subscription required]; Reuters, 3/18).

4 *N.Y. Times*: Dermatology, plastic surgery most competitive residency programs

As thousands of medical students await notification this week on residency program placements, the *New York Times* examines trends in students' specialty choices, noting that dermatology and plastic surgery are among the most competitive residency options. The popularity of specialties dedicated to physical appearance is a marked reversal from a quarter-century ago, when medical students viewed general surgery and internal medicine residencies as prime placements. According to a report from the **Association of American Medical Colleges** (AAMC) and the National Resident Matching Program, only 61% of seniors at American medical schools whose first choice was dermatology received a residency in that field last year, compared with 98% of those whose first choice was internal medicine and 99% of those whose first choice was family medicine. Meanwhile, there exist far fewer positions in dermatology—320 residencies in 2007 compared with 5,517 residencies in internal medicine and 2,603 in family medicine. The *Times* notes that dermatology and plastic surgery are not only drawing more applicants but are also "attracting some of the best and brightest future doctors"; seniors accepted in 2007 as residents in dermatology, plastic surgery, and otolaryngology had the highest median medical-board scores and highest percentage of medical society members among 18 specialties, according to the AAMC report. Meanwhile, students in fields such as family medicine that "manage the most prevalent serious illnesses" are being replaced in part by graduates of foreign medical schools, some of whom leave the U.S. to practice in their home countries when upon completion of their programs.

Considering this trend, the *Times* notes that dermatologists are enjoying newfound esteem due to the increased variety of available treatments and devices, and society's increased interest in cosmetic treatments. In addition to finding the variety of conditions within the specialty alluring, dermatologists cite the appeal of the specialty's lifestyle benefits; dermatologists' work week averaged 40 hours in 2006 compared with an average 50 hours for internists. The specialty also offers greater earning potential; internists earn an average $191,525, while dermatologists earn an average $390,274, according to an annual survey conducted by the **Medical Group Management Association**. Additionally, the *Times* notes that dermatologists are not as reliant on insurance payments, since patients often pay out of pocket for cosmetic procedures not covered by plans. One medical student awaiting news of his residency match says that prospective dermatologists also value the opportunity to treat emotionally devastating and physically obvious conditions that are "equally important for [people] emotionally as a life-threatening disease" (Singer, *Times*, 3/19 [registration required]).

► From the Advisory Board

5 Inpatient market forecasting tool available

Given the importance of future trends in volumes and reimbursements to today's strategic planning efforts, the Innovations Center has launched its Inpatient Market Forecaster to allow members to apply—and customize—Innovations Center predictions of future utilization and profitability to their own institution's historical data. Through the Web-based tool, members upload their own data, which is then combined with local demographic projections and Innovations Center forecasts of future health care trends to generate current portfolio analyses alongside five- and 10-year projections of volume, ALOS, bed days, and finances. Unlike most planning tools, which are largely based on demographics, the Inpatient Market Forecaster provides rigorous, comprehensive forecasts

incorporating the impact of new technologies, changes in care patterns, reimbursement, regulation, and many other disparate factors.

For more information

For more information about the Inpatient Market Forecasting Tool and to initiate use of the tool, click here.

6 Building a physician leadership franchise

On April 28, the Physician Leadership Academy will host a special full-day session for senior leaders at the Advisory Board's office in Washington, D.C., to share learning on what drives physicians to take on and remain engaged in leadership roles.

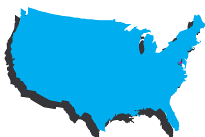
Expert faculty will share excerpts from the most requested Physician Leadership Academy courses and demonstrate the extraordinary teaching that is transforming physician perspective at health systems nationwide. They will also highlight case studies detailing the benefits current health system partners have gained—in particular, more productive dialogue and problem solving on critical organizational challenges, improved satisfaction and engagement among current physician leaders, and a larger pool of leadership candidates.

For more information

To register, or for more information about this special session or the Physician Leadership Academy in general, please contact Maggie Weiss at weissm@advisory.com or 202-266-5807.

Regional Round-up

7 Around the nation: Bite-sized hospital and health industry news



- **Arkansas: Mercy Health System** of Northwest Arkansas last weekend opened its $125 million **Mercy Medical Center** in Bentonville and successfully transferred all 80 patients from **St. Mary's Hospital** in Rogers—which simultaneously closed. Licensed for 200 beds, the new facility features 160 private patient rooms with space for approximately 40 more on a shelled-in seventh floor, state-of-the-art technology, more space, and additional specialists. According to Mercy officials, the complete move—which hospital officials had been planning for more than a year—took approximately four and a half hours (Sims, *The Morning News*, 3/17; Minton, *Arkansas Democrat & Gazette*, 3/17).

- **New Hampshire:** The state House last week rejected a proposal that would have added privacy restrictions to electronic health records (EHRs), including provisions that would have enabled patients to block access to their EHRs, see who viewed their records, prevent the transfer of their EHRs to certain physicians, and restrict use of their personal data for marketing or fundraising purposes. While supporters of the measure said that costs would be limited and that some patient privacy restrictions are already built into EHR software, hospitals and other providers opposed the bill on the grounds that if enacted, some provisions would complicate physicians' workflow and result in additional unknown costs (*New Hampshire Business Review*, 3/13 [registration required]).

- **New Jersey:** Sen. Joseph Vitale (D-Middlesex)—the Democratic chairman of the state's health committee—on Monday unveiled a universal health care proposal that would create a self-funded, state-sponsored plan for all residents and extend coverage to the state's 1.4 million uninsured residents. Under the plan—which would be phased in across three years—coverage would first be extended to uninsured children and their parents by expanding the state's FamilyCare program, and the state would attempt to reform New Jersey's health insurance market to lower health insurance costs, particularly for small businesses and the self-insured. The state-sponsored health plan would determine premiums using a sliding income scale. Estimated to cost more than $1 billion, the plan would be funded through a combination of unused federal and state funds already allocated to subsidize medical costs for low-income residents, as well as with money the state would expect to save in lower reimbursements to hospitals for charity care (Lu, *Philadelphia Inquirer*, 3/18 [registration required]).

- **Pennsylvania:** The Pennsylvania Heath Care Quality Alliance (PHCQA)—a coalition of the state's four **Blue Cross and Blue Shield** health insurers, hospitals, physicians, and government agencies—today launched a consumer website featuring hospital quality information related to nosocomial infections and care for heart attack, heart failure, and pneumonia patients. Accessible at www.phcqa.org, the website draws information from Medicare, the Pennsylvania Health Care Cost Containment Council, and the **Joint Commission**. Noting that the site is still a work in progress, PHCQA officials say they plan to add additional clinical areas and quality measures at a later date (Goldstein, *Philadelphia Inquirer*, 3/19 [registration required]; Fahy, *Pittsburgh Post-Gazette*, 3/19).

Endnotes

8 Et cetera

Mind reader: Scientists develop brain-scan machine that predicts thoughts

Building on previous research seeking to decipher the brain's "inner language," neuroscientists at the **University of California-Berkeley** have developed a brain-scan machine that was able to guess the images people viewed in a study with high accuracy—potentially paving the way for the development of brain-reading devices that might even be able to reveal the content of dreams, the *Chicago Tribune* reports. For the study, published earlier this month in *Nature*, the researchers first used a brain scan to find patterns of activity when two subjects—the study's coauthors—looked at a defined set of 1,750 black-and-white images of objects such as bales of hay, starfish, or a sports car. In the second phase of the study, the two subjects looked at 120 new photos while in the scanner, and the computer program analyzed those same photos to predict how their brains would respond. Matching its predictions to the brain scans associated with each photo, the program demonstrated 92% accuracy for one subject and 72% accuracy for the other. While noting the findings are an "impressive advance," experts say that the machine's uses would be "limited in the short-term," with a study co-author noting that the type of brain scan the researchers used is too slow to capture responses to fast-moving images and that the accuracy of the computer model decreased when it tried to guess in real time. Additionally, the scientists note that their model is unable to reconstruct what a person is seeing or imagining from scratch, although brain scanners could eventually be developed for "positive uses" such as helping disabled or paralyzed people to communicate, or even "questionable applications, such as extracting information from unwilling subjects," according to the *Tribune*. The study authors estimate, however, that it could take as long as 30 to 50 years before techniques are advanced enough to "raise urgent ethical issues."

—Manier, *Tribune*, 3/6 [registration required]