

Daily Briefing

"Nation's news in five minutes"

News for Health Care Executives • Monday, January 28, 2008

Hospitals critique CMS's billing audit program as expansion looms

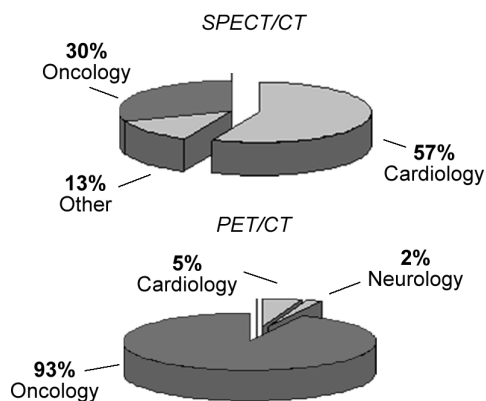
Hospital groups are voicing opposition to a CMS pilot program that recouped nearly \$250 million from providers in California, Florida, and New York last year and is now poised for a nationwide rollout across 2008, the *Wall Street Journal* reports.

See story #1

RESEARCH HIGHLIGHT Hybrid imaging technology pipeline slowing

Although research continues in cardiac and neurology applications, future growth in PET/CT volumes will continue to center around growth in oncologic studies. SPECT/CT, in comparison, has yet to find breakthrough applications to spur rapid uptake of hybrid technology. Future developments in hybrid imaging are expected to be slow and incremental, centering on improvements in detector technology and developments of novel radiotracers. To learn more, please see the Innovations Center's *Future of Diagnostic Imaging* brief.

Hybrid imaging case mix breakdown, 2006



Source: Advisory Board research, 2007

THIS DAY IN BRIEF

Washington Post examines adequacy of lifetime health benefit caps

The *Washington Post* yesterday highlighted the "small but growing number of American families" exhausting lifetime health benefit caps of \$1 million or more that are routinely included in insurance policies.

See story #2

Report cites lack of reform proposals addressing provider workforce

A new report by health care staffing firm AMN Healthcare finds that while presidential candidates have proposed numerous strategies for expanding coverage to the nation's 47 million uninsured residents, none of the leading contenders have laid out comprehensive plans for addressing the looming shortage of nurses and physicians.

See story #3

Baxter issues recall for certain doses of blood-thinner Heparin

Baxter International has issued a voluntary nationwide recall for nine lots of its injectable anticoagulant Heparin amid an increased number of adverse event reports related to the product.

See story #4

Finance Watch: Fast Company defines 10 habits of incompetent managers

Writing in the October 2007 *Fast Company*, Margaret Heffernan, author of several business books for women, illustrates the 10 major traits that define incompetent managers.

See story #5

NAMES IN THE NEWS

Advocate Health Care (Ill.) (#8) ■ Ben Taub General (Texas) (#8) ■ Condell Health Network (Ill.) (#8)
Kaiser Sunnyside Medical (Calif.) (#8) ■ Lake Forest Hospital (Ill.) (#8) ■ Texas Children's (#8)
University of Pennsylvania (#3) ■ University of Texas M.D. Anderson Cancer Center (#9)



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► Today's Headlines

1 Hospitals critique CMS's billing audit program as expansion looms

Hospital groups are voicing opposition to a CMS pilot program that recouped nearly \$250 million from providers in California, Florida, and New York last year and is now poised for a nationwide rollout across 2008, the *Wall Street Journal* reports. Under the initiative, private auditing firms review Medicare claims filed by hospitals and receive contingency fees based on the value of wrongful payments they identify. In addition to flagging \$14.3 million in Medicare underpayments in fiscal year 2007, the auditors identified \$357 million in federal overpayments, \$17.8 million of which were overturned on appeal; an additional \$77.7 million went toward contingency fees and administrative costs. In light of the program's results to date, Acting CMS Administrator Kerry Weems says the program is a "valuable tool" for the agency in recouping past improper payments and deterring future over billing.

However, noting that the program is "riddled with flaws," several hospital groups are mounting a campaign against its anticipated expansion. Specifically, the hospital organizations say the initiative's "bounty hunter" payment methodology fosters overly aggressive auditing. Lending some weight to that argument, a CMS review of rejected claims from California-based inpatient rehabilitation facilities last year upheld 60% of the auditors' findings but "determined that many had been handled inconsistently," according to the *Journal*. Hospital groups also say many audits are not handled by qualified medical personnel and do not offer providers the chance to fix errors, and the vice president of the **American Hospital Association** expresses concern that "any kind of question"—even a subjective query—"is a reason for denial." Noting that CMS is "addressing many of these concerns" in its effort to expand the program, supporters of the initiative say auditing firms will be required to have a medical director and coding experts and will have to return contingency fees for claims upheld on appeal, even if further appeals are possible (Francis, *Journal*, 1/26 [subscription required]).

2 *Washington Post* examines adequacy of lifetime health benefit caps

The *Washington Post* yesterday highlighted the "small but growing number of American families" exhausting lifetime health benefit caps of \$1 million or more that are routinely included in insurance policies. While it is unclear exactly how many people exceed their lifetime benefit caps, an annual survey by the **Kaiser Family Foundation** indicates that 55% of workers with employer-sponsored coverage had a lifetime limit in 2007, up from 50% in 2004. Furthermore, nearly one-quarter of workers last year faced a lifetime cap of less than \$2 million. Noting that some insurers' limits have not been revised in decades to account for health care inflation, advocates for the chronically ill are launching lobbying efforts to persuade Congress to require insurers to increase lifetime caps to as much as \$10 million.

For example, seizing on the nation's "renewed appetite" for health reform, the **National Hemophilia Foundation** is resurrecting a 1990s lobbying initiative championing increased lifetime benefit caps, according to the group's vice president. A spokesperson for **America's Health Insurance Plans**, however, says raising lifetime caps is not the solution to chronically ill patients' cost burden. Instead, he suggests addressing "ever-spiraling cost of new therapies, drugs, and medical devices to get more value for every health care dollar," adding that "we need to be addressing those costs directly—not just the fact that people are incurring those costs" (Lee, *Post*, 1/27 [registration required]).

3 Report cites lack of reform proposals addressing provider workforce

A new report by health care staffing firm **AMN Healthcare** finds that while presidential candidates have proposed numerous strategies for expanding coverage to the nation's 47 million uninsured residents, none of the leading contenders have laid out comprehensive plans for addressing the looming shortage of nurses and physicians. AMN Healthcare—the nation's largest temporary health staffing company and the sole funding provider of the **Council on Physician and Nurse Supply** at the **University of Pennsylvania**—based its analysis on a review of publicly available information regarding the health reform platforms of Republican and Democratic presidential candidates. Calling physician and nurse supply a “critical component of health care delivery,” the report cites **HHS** data indicating that the nation is currently experiencing a shortage of roughly 120,000 nurses and that the average hospital nurse vacancy rate is 8.5%. Meanwhile, the **Council on Graduate Medical Education** projects a deficit of roughly 90,000 physicians by 2020, and other analysts say the shortage could reach 200,000 by 2025.

The report finds that Democratic presidential hopeful Sen. Hillary Clinton (D-N.Y.) has proposed \$300 million in federal funding for boosting nursing school enrollment, establishing mentorship programs for newly graduated nurses, and recruiting more minorities to the profession, among other objectives. Former Sen. John Edwards (D-N.C.), meanwhile, has proposed initiatives to retain 50,000 nurses who are leaving the field and increase capacity at U.S. nursing schools by 30% across five years; he also suggests enhancing nurse retention by issuing “federal challenge grants supporting ‘magnet hospitals’ with superior work environments.” And Sen. Barack Obama (D-Ill.) has proposed unspecified increases in nursing school funding. None of the leading Democratic presidential candidates, however, have released proposals designed to shore up domestic physician supply, and the top Republican candidates have not referenced nursing or physician workforce issues in their health reform platforms, according to the report. While calling plans to extend health coverage “laudable and necessary,” the report concludes that such initiatives “will founder on the shoals of an inadequate supply of nurses and physicians under our current system of nurse and physician training” (AMN Healthcare [report](#), 1/27 [registration required]).

4 Baxter issues recall for certain doses of blood-thinner Heparin

Baxter International has issued a voluntary nationwide recall for nine lots of its injectable anticoagulant Heparin amid an increased number of adverse event reports related to the product. Baxter says that although it normally receives roughly 60 to 70 reports annually of possible Heparin-related allergic reactions, it has already received 150 such reports in January of this year alone, including one death that may be associated with the drug. The company began recalling the units in question—which include 10mL and 30mL multi-dose vials of 1,000 units/mL heparin sodium injection typically used for hemodialysis and invasive cardiac procedures—on Jan. 17 as a precautionary measure and is currently “conducting a thorough investigation of these reports to identify the cause of the increase in allergic-type reactions.” Baxter is recommending that providers discontinue use of the product and “segregate the recalled product from the rest of their inventory” (Baxter [release](#), 1/25; Burton, [Wall Street Journal](#), 1/25 [subscription required]).

► From the Advisory Board

5 *Finance Watch: Fast Company* defines 10 habits of incompetent managers

The following is an excerpt from the Finance Watch, a monthly publication that provides timely perspectives on the major events and trends that shape hospital finance, offering actionable information to assist chief financial officers with the management of their institutions and workforce.

Writing in the October 2007 *Fast Company*, Margaret Heffernan, author of several business books for women, illustrates the 10 major traits that define incompetent managers. Heffernan—a former CEO and media executive who has “hired and fired so many incompetent people”—warns that two or more of the following habits in a manager should compel company leaders to “sound the alarm.”

For more information

To review the list of habits, please see the January issue of the [Finance Watch](#).

6 *100-Day Volume Campaign* study now available

The Health Care Advisory Board is pleased to present *100-Day Volume Campaign: Member Toolkit for Identifying and Executing on Short-Term Growth Opportunities*. This study aims to dramatically reduce the time-to-results by scripting process changes and completing some of the more onerous planning activities ahead of time. Within five major avenues for short-term growth, the toolkit contains a compendium of 24 practices that have produced documented volume gains among member hospitals. To make the strategies easier to evaluate individually and relative to one another in the context of facilities’ own markets, each practice is presented with the following:

- Standardized practice capsule format
- Specifications on information needed to estimate cost and benefit
- Implementation support

The practices themselves have been drawn from case studies of leading hospitals and health systems; these tactics have demonstrated their ability to rapidly achieve volume growth. Focused on optimizing the value of existing hospital offerings, these strategies are designated to solve operational issues that, for many institutions, stand in the way of volume growth. In general, they are inexpensive to implement, relying in large part on improved use of existing capital equipment and human resources.

For more information

Health Care Advisory Board members may order or download this brief by visiting the Health Care Advisory Board [website](#) on Advisory.com. For more information about this study or the Health Care Advisory Board, please contact Neha Shah shahn@advisory.com.

7 Performance goals: Margins, accountability, and growth

After 18 months of industry analysis and member feedback, H*Works Consulting is pleased to introduce four new additions to its portfolio of engagements to assist hospitals and health systems in achieving many of the member-identified, hard-to-reach, high-priority goals that will improve organizational performance.

- The **100-Day Volume Campaign** is designed to support hospital leaders in rapidly expanding their patient volumes across a short time period. This engagement focuses on short-term growth opportunities to expand effective capacity and improve the draw of referrals.
- The **High-Performing Hospital Diagnostic** identifies longer-term opportunities within well-managed hospitals and health systems to expand operating margin as a means of funding capital investments. By examining all hospital functions—including revenue cycle, productivity, supply chain, and operational processes—the diagnostic pinpoints and prioritizes functions that fall short of best-practice performance.
- The **Performance Management Initiative** is a new research collaborative that investigates best practice process and methodology for driving performance accountability to directors, managers, and frontline staff. This is particularly useful for organizations that notice alignment of strategic and operational goals as root causes of underperformance.
- The **Physician Practice Improvement** engagement aims to eliminate or reduce losses associated with owning specialty and primary care physician practices.

For more information

These four new engagements round out a robust portfolio of consulting initiatives grounded in best practice research. To learn more about these new offerings or any other H*Works engagement, please contact Liz Colacicco at 202-266-5478 or colacice@advisory.com.

► Regional Round-up

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



- **Illinois:** The board of directors at **Lake Forest Hospital** has officially withdrawn its proposal to merge the facility with **Condell Health Network**, the parent of **Condell Medical Center** in Libertyville. The move follows Condell Health Network’s decision last week to enter into “exclusive” merger talks with **Advocate Health Care**, the Chicago area’s largest provider. In a memo to employees last week, the chairman of the Lake Forest Hospital Foundation said the hospital will continue with plans for an expansion in Lake County that includes a \$70 million outpatient surgery center at **Grayslake Outpatient & Acute Care Center** (Japsen, [Chicago Tribune](#), 1/24 [registration required]).
- **New Jersey:** A report released last week by New Jersey’s 13-member Commission on Rationalizing Health Care Resources says the state should provide funds to help “essential” hospitals stay open and “non-essential” facilities shut down. Gov. Jon Corzine (D) ordered the report last year amid evidence that nearly half of the state’s 79 acute care facilities were operating in the red. New Jersey hospitals’ operating margins, meanwhile, were roughly 1% in 2005, compared with 3% nationally. In its much-anticipated report, the commission lays out the drivers of hospitals’ financial distress, including high numbers of uninsured residents, excess hospital beds, and increased competition from outpatient centers. However, although the report recommends closing some of the most troubled facilities, it stops short of naming which ones should be shut down. The report also suggests that the state create an “early warning system” that identifies financially strapped facilities before government bail-outs

become necessary (Stewart/Campbell, [Express Times](#), 1/25; Burling, [Philadelphia Inquirer](#), 1/25 [registration required]).

- **Oregon:** Mortality rates at 12 facilities statewide increased at higher-than-anticipated rates in 2006, according to data released by the Office for Oregon Health Policy and Research, which has been disclosing hospital death rates for selected procedures online for the past three years. Overall death rates decreased in six of the eight conditions tracked by the state between 2004 and 2006, although the declines were not statistically significant. While the majority of hospitals performed relatively equally, **Kaiser Sunnyside Medical Center** emerged as an above-average performer, posting a death rate of 0% among 280 bilateral cardiac catheterization patients (Rojas-Burke, Portland [Oregonian](#), 1/24).
- **Texas:** Noting that cases of whooping cough—or pertussis—have hit their highest levels since the 1950s, **Texas Children’s Hospital** is launching an initiative to protect infants from developing the infection by immunizing family members with the booster shot Tdap. Hospital officials say they have already implemented the “cocoon strategy”—immunizing parents who often unknowingly spread the infection—at Houston’s **Ben Taub General Hospital** and believe it is the first program in that nation to implement the CDC-recommended intervention. The shot will be administered free of charge to 5,800 families in the program’s first year (Ackerman, [Houston Chronicle](#), 1/24).

► Endnotes

9 Et cetera

Toad testing: Researchers probe toad venom’s cancer-fighting potential

Under a program designed to assess whether alternative Chinese therapies can be integrated into mainstream U.S. medical practice, researchers from the **University of Texas M.D. Anderson Cancer Center** are examining toad venom’s potential applications as a cancer-fighting agent, the *Houston Chronicle* reports. The Asiatic toad’s venom—known in China as ChanSu—is believed to have been used as a medicinal therapy during the Song dynasty, which spanned from 960–1279 A.D. Reinforcing the substance’s longstanding role in traditional Chinese medicine, M.D. Anderson researchers say cardiac glycosides found in toad venom may impart a therapeutic benefit by “inhibit[ing] proteins promoting cancer growth.” For example, one study conducted in mice showed that pancreatic tumor cells shrank in as many as 60% of animals that were treated with the venom’s extract. A human trial at Fudan University Cancer Hospital in Shanghai, meanwhile, found that the venom compound helped halt tumor growth in six of 14 patients with advanced lung, liver, or pancreatic cancer. Based on the promising early results, the director of M.D. Anderson’s integrative medicine program says he hopes the venom can eventually be harnessed in pill form and used to treat U.S. patients.

—Ackerman, [Chronicle](#), 1/22