



President’s budget proposal to call for Medicare, Medicaid cuts

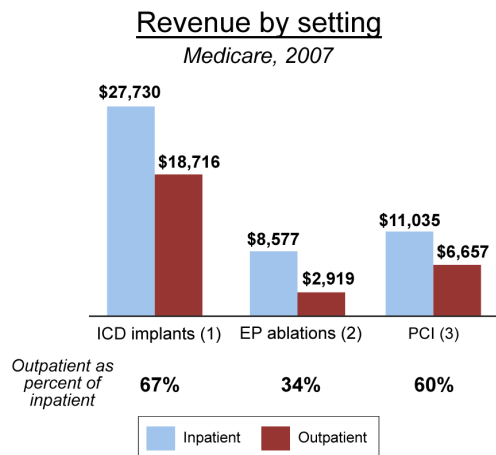
In a budget proposal set to be unveiled Monday, President Bush will suggest legislative changes that would cut Medicare and Medicaid spending as part of a strategy to use health care savings to “put the nation on track to achieve a budget surplus by 2012,” the *New York Times* reports.

See story #1

RESEARCH HIGHLIGHT

Sizable disparity in hospital revenue by care setting

Under current payment policies, CMS provides a strong disincentive for taking cath-lab business outpatient. Looking at inpatient versus outpatient hospital revenue for implantable cardioverter defibrillator implantation, electrophysiology ablations, and percutaneous coronary intervention, there is clearly a huge difference by care setting. To learn more, please register for the Health Care Advisory Board’s 2007–2008 National Member Meetings.



(1) DRG 515: ICD implant without cath; APC 107
(2) DRG 518: PCI without stent or AMI; APC 86
(3) DRG 558: PCI with drug-eluting stent without major cardiovascular diagnosis; APC 656

Source: CMS rules, 2006; Innovations Center analysis, 2007

THIS DAY IN BRIEF

Business group endorses individual health coverage mandates

Adding its voice to the health reform debate, the National Business Group on Health yesterday issued a statement expressing support for individual coverage mandates but opposing “pay or play” requirements that would force employers to provide health insurance to their workers or pay a fee.

See story #2

Employer coalition to reward physicians for creating ‘medical homes’

In an effort to promote care coordination and lower health costs, a coalition of large employers is launching a program under which physicians will be eligible for substantial bonuses for creating “medical homes” for workers covered by the companies’ health plans.

See story #3

Study illuminates benefits of endovascular rather than open AAA repair

Endovascular repair of abdominal aortic aneurysms using a stent-graft is associated with lower short-term mortality and complication rates than conventional open surgery among Medicare patients, according to a study in today’s *NEJM* that the *Wall Street Journal* says is “likely to hasten the trend” toward greater use of the endovascular approach.

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Service enhancements for Advisory Board children’s members

The Advisory Board is pleased to announce service enhancements available at no additional charge to all children’s institutions holding an Advisory Board research membership.

See story #5

NAMES IN THE NEWS

Baylor College of Medicine (Texas) (#7) ■ Beth Israel Deaconess (Mass.) (#4)
Case Western Reserve (Ohio) (#7) ■ Children’s Hospital of New Jersey (#7) ■ Enloe Medical (Calif.) (#6)
Gottlieb Memorial (Ill.) (#7) ■ Harvard Medical School (Mass.) (#4) ■ Jersey City Medical (#7)
Loyola University (Ill.) (#7) ■ Newark Beth Israel (N.J.) (#7) ■ Texas Heart Institute (#4) ■ University Hospitals (Ohio) (#7)



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Thursday, January 31, 2008

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► Today's Headlines

1 President's budget proposal to call for Medicare, Medicaid cuts

In a budget proposal set to be unveiled Monday, President Bush will suggest legislative changes that would cut Medicare and Medicaid spending as part of a strategy to use health care savings to “put the nation on track to achieve a budget surplus by 2012,” the *New York Times* reports. The two health programs account for roughly one-fourth of all federal spending, costing the government a combined \$627 billion last year—a figure that is expected to double within a decade. The *Times* notes that in light of this considerable cost burden, the president has “repeatedly said that the costs of Medicare and Medicaid, which dwarf spending for lawmakers’ pet projects, are unsustainable.” According to budget documents, Bush will propose legislative changes in Medicare that will save \$6 billion across the next year and roughly \$91 billion between 2009 and 2013; his budget proposal last year, by comparison, suggested changes designed to shave \$4 billion off Medicare spending in the first year and approximately \$65.6 billion across five years. To achieve those savings, Bush plans to suggest cutting annual payment updates to hospitals for inpatient care by \$15 billion across five years. Hospitals serving a large portion of low-income patients, meanwhile, would face \$25 billion in cuts across five years, while capital payments for hospital construction and equipment purchases would be docked by a total of \$20 billion. Additionally, the budget would decrease special Medicare payments to teaching hospitals by \$23 billion across the next five years, a move that the president of the Greater New York Hospital Association says would “undermine [teaching hospitals’] ability to train young [physicians] at a time when the nation is facing a [physician] shortage.” Furthermore, the budget would trim \$1.2 billion from the Medicaid program next year and nearly \$14 billion across five years, not including the estimated tens of billions of dollars the president will likely seek through regulatory changes not subject to congressional approval.

The budget proposal, however, does not include plans to alter payments to insurance companies for private Medicare Advantage plans, a fix that many Democrats favor. The *Times* notes that while congressional Democrats “often pronounce Mr. Bush’s budget dead on arrival,” lawmakers this year may “feel obliged” to pass a Medicare bill during the first half of 2008 to prevent a scheduled 10% cut to the Physician Fee Schedule slated to take effect July 1. Some legislators say such a bill would “become a vehicle for other changes in Medicare and Medicaid,” according to the *Times* (Pear, [Times](#), 1/31 [registration required]).

2 Business group endorses individual health coverage mandates

Adding its voice to the health reform debate, the **National Business Group on Health** (NBGH) yesterday issued a statement expressing support for individual coverage mandates but opposing “pay or play” requirements that would force employers to provide health insurance to their workers or pay a fee. The NBGH—a not-for-profit association representing nearly 300 large U.S. employers—also voiced opposition to changing the favorable tax treatment of employer-sponsored plans, asserting that the current system is a key reason that so many people have affordable coverage through their employers. Instead, the NBGH says individuals who purchase their own insurance should receive the same tax benefits as employers. Additionally, NBGH’s president notes that requiring employers to offer coverage or pay a government fee is “very harmful to working families and our economy because it will only force employers to eliminate jobs, move more jobs offshore, stunt future job growth, or raise consumer prices.”

In a toolkit approved by its Board of Directors, the NBGH identifies more than 20 principles the organization believes are vital to improving access to affordable care and reducing costs. For example, to achieve universal coverage through health coverage mandates—which the group says would “strengthen and stabilize health insurance risk pools”—the NBGH suggests that individuals under age 65 be given access to a range of coverage options offered through employers, federal or state governments, insurers, or other “pooling arrangements.” The group adds that any reform efforts should promote health care consumerism and preserve current Employee Retirement Income Security Act regulations. Noting that the need for health reform is at “an all-time high,” the NBGH asserts that reform efforts should be based on the notion of shared responsibility among business, government, insurers, individuals, and providers (NBGH [release](#), 1/30). To learn more about NBGH’s position on health reform, please visit the organization’s [website](#).

3 Employer coalition to reward physicians for creating ‘medical homes’

In an effort to promote care coordination and lower health costs, a coalition of large employers is launching a program under which physicians will be eligible for substantial bonuses for creating “medical homes” for workers covered by the companies’ health plans, the *Wall Street Journal* reports. The newest initiative from Bridges to Excellence—a program supported by health insurers and large employers such as **General Electric**, **IBM**, and **Verizon**—builds on another incentive-based program that last year paid out roughly \$10 million in bonuses to physicians in 18 states. Under the latest program, physicians will be required to take an “integrated approach” to care coordination by following up on referrals, systematically tracking tests, flagging abnormal results, and adhering to chronic disease treatment guidelines. Participating physicians will be awarded \$125 annual bonuses for each patient covered by one of the employers, up to a maximum of \$100,000 annually. Executives with Bridges to Excellence estimate that the bonuses—intended to help finance patient care initiatives such as electronic medical records and stem the decline of the primary care physician workforce—will represent roughly half of the \$300 per patient in savings the coalition expects to glean from care quality improvements across the program’s inaugural year. Commercial payers and the Medicare program, meanwhile, are increasingly adopting similar measures to improve care quality; the *Journal* estimates that practices can typically receive 2% to 6% of their revenue in bonus payments for meeting targets for recommended cholesterol screenings, diabetes check-ups, and pap smears, among other care areas (Fuhrmans, *Journal*, 1/31 [subscription required]).

4 Study illuminates benefits of endovascular rather than open AAA repair

Endovascular repair of abdominal aortic aneurysms (AAAs) using a stent-graft is associated with lower short-term mortality and complication rates than conventional open surgery among Medicare patients, according to a study in today’s *NEJM* that the *Wall Street Journal* says is “likely to hasten the trend” toward greater use of the endovascular approach. For the observational study, researchers from **Beth Israel Deaconess Medical Center**, **Harvard Medical School**, and **CMS** analyzed outcomes for 45,660 Medicare beneficiaries who underwent open or endovascular AAA repair between 2001 and 2004; the researchers tracked patients’ status through 2005. Among 22,830 matched patient pairs—who were on average 76 years old—the researchers found that those in the endovascular group experienced perioperative mortality rates of 1.2%, compared with 4.8% among patients in the open surgery group. Furthermore, the survival benefit associated with endovascular repair widened with increasing patient age, and endovascular repair across all age groups was associated with shorter length of stay and a greater chance of discharge to home. While noting that late survival rates were similar among the two groups, the researchers add that the “survival curves did not

converge until after three years,” leading them to conclude that endovascular repair imparts a “prolonged benefit.”

However, although short-term complication rates were lower in the endovascular repair group, 1.8% of patients who underwent endovascular repair experienced a rupture within four years, compared with only 0.5% of open-repair patients. Patients in the endovascular group also proved more likely to require reinterventions related to AAAs, although most reinterventions were minor. Nonetheless, potentially offsetting some drawbacks of endovascular repair, open-surgery patients were significantly more likely than endovascular repair patients to require surgery for laparotomy-related complications—including abdominal-wall hernias and bowel obstruction—four years following the initial repair; open-surgery patients also proved more likely to be hospitalized without surgery for abdominal-wall hernias and bowel obstruction. Saying that the relative long-term complications for both procedures “must be considered in comparing the two therapies at the population level,” the researchers conclude that the analysis “confirms the perioperative benefits of endovascular repair over open repair.” While agreeing that the findings indicate that endovascular repair may be superior for the oldest patients, the chief of adult cardiac surgery at the **Texas Heart Institute** adds that the “durability of [endovascular aneurysm repair] is still up in the air...and there is still a group of patients on the younger end that may yet, based on current technology, require an open operation” (Schermerhorn et al., *NEJM*, 1/31 [subscription required]; Burton, *Journal*, 1/31 [subscription required]; Edelson, *HealthDay*, 1/31).

► From the Advisory Board

5 Service enhancements for Advisory Board children’s members

The Advisory Board is pleased to announce service enhancements available at no additional charge to all children’s institutions holding an Advisory Board research membership.

The Advisory Board invites members to explore these services at its brand-new dedicated children’s homepage, now live at www.advisory.com/childrens. While access to the vast majority of research resources—including supporting tools and calculators, on-call analyst support, and each program’s full library of best practices and studies—will continue to be granted based on each institution’s specific membership portfolio, the new children’s services afford pediatric members expanded access to select materials highly relevant to their needs.

Having conducted a series of interviews with executives at children’s hospitals and health systems to better understand their unique challenges, a dedicated research team designed the three-part initiative outlined below:

Children’s Best Practice Compendium

The online Children’s Best Practice Compendium showcases published best practices featuring pediatric exemplars—drawn from the entirety of all 11 Advisory Board research programs. As a special service to pediatric members, every children’s institution with an active membership in any research program will have access to the full range of compendium practices. Organized into eight topic areas, the best practices and associated implementation tools can be downloaded in PDF format with a single click. This growing library of more than 80 best practices covers research released since 2000 and is updated continually with new publications.

Advisory Board Children’s Quarterly

Similar in concept to the Compendium, the Advisory Board *Children’s Quarterly* captures three months of pediatric-relevant news stories, journal reviews, and fresh research in a single document.

Drawn from Advisory Board publications serving a wide range of constituencies—such as the *Daily Briefing*, *Finance Watch*, and *Nursing Executive Watch*—the *Quarterly* offers children’s members a bird’s eye view of the news and information most suited to their interests, also highlighting children’s institution “names in the news.”

Online Forecasting and Benchmarking Tools

The Pediatric Outpatient Market Estimator incorporates the most recent demographic and utilization forecasts from the Advisory Board’s Innovations Center, generating current and forecasted outpatient volume estimates for any set of U.S. zip codes or counties. The Center’s flagship Inpatient and Outpatient Market Forecasters will also soon be available to all children’s institution members.

For more information

The Children’s Best Practice Compendium is accessible through the Advisory.com [website](#). Members may also contact childrens@advisory.com with questions.

6 Non-labor costs: Fellow drives projected \$2M in savings

The Advisory Board Academy Fellowship is proud to recognize Alan Weintraub, director of materials management from **Enloe Medical Center** in Chico, Calif., who—through the fellowship’s Project Practicum—designed a rigorous, data-driven approach to identifying non-labor cost savings opportunities. Less than one year in, savings **exceeded \$750,000** compared with a target of \$350,000, with projected savings through next year exceeding **\$2,000,000**.

The Advisory Board Academy Fellowship is a two-year program of in-class learning designed to accelerate the readiness of high-potential leaders to assume the senior-most positions in America’s leading hospitals. Participants apply insights derived from classroom learning through completion of a Project Practicum of strategic significance to their organization. The Project Practicum allows participants to immediately contribute at a higher level to support organizational initiatives.

The Advisory Board Academy Fellowship’s goals are to substantially accelerate the development of high-potential talent and meaningfully increase the leadership capital available to the organization—either through traditional multi-institutional cohorts in the Advisory Board’s Washington, D.C., offices or through an onsite private label partnership.

For more information

The next class of the Advisory Board Academy Fellowship will begin in early February; limited spaces are still available. For more information on the Advisory Board Academy Fellowship or the other Advisory Board Academies, please contact Kate Kooman at 202-266-5493 or koomank@advisory.com.

► Regional Round-up

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



- **California:** After citing Cypress-based **PacifiCare** for 133,000 alleged violations that carry fines of up to \$1.33 billion, state Insurance Commissioner Steve Poizner ordered new audits of the state’s largest health insurers to ensure that current laws are “strictly enforced,” the *Los Angeles Times* reports. Poizner intends to complete the review of claims-handling practices by the year’s end and indicated that his department will “come down on [delinquent insurers] like a

ton of bricks.” Separately, the state Assembly unanimously approved a bill barring insurance companies from giving bonuses or incentives to employees based on policy cancellations; the legislation now goes to the state Senate for consideration (Girion, [Times](#), 1/30 [registration required]).

- **Illinois: Loyola University Health System** this week announced that it will merge with **Gottlieb Memorial Hospital** in Melrose Park. The \$90 million merger—which includes the acquisition of Gottlieb Health & Fitness Center and the **Marjorie G. Weinberg Cancer Care Center**—will enable Loyola to extend certain specialty services to the community hospital and fill Gottlieb’s unused beds. Under the deal, Gottlieb will fund a \$75 million foundation for health programs in Melrose Park and provide \$15 million in working capital at the hospital after Loyola takes ownership. Loyola, meanwhile, will move its general obstetrics services and orthopedic joint program to Gottlieb, freeing up space at its main facility. The deal, which is pending state approval, could close as early as this spring (Japsen, [Chicago Tribune](#), 1/30 [registration required]).
- **New Jersey:** Officials at **Jersey City Medical Center** have announced an affiliation agreement with the **Children’s Hospital of New Jersey at Newark Beth Israel Medical Center**. Under the agreement, Children’s will provide Jersey City Medical with a maternal fetal medicine specialist for high-risk pregnancies and patients in the inpatient obstetrics unit; the specialist will also assist in teaching residents. Jersey City Medical will pay an undisclosed fee for the services (Thorbourne, [Jersey Journal](#), 1/30).
- **Ohio:** Following months of negotiations, **University Hospitals** has finalized a merger of nearly two dozen clinical practices to form **University Hospitals Medical Group**—one of the biggest physician groups in the state. With 850 full- and part-time physicians, the group will enable “both the hospital system and its affiliated research partner, **Case Western Reserve University** School of Medicine, to improve how they recruit and retain faculty,” according to the *Cleveland Plain Dealer*. The group is a subsidiary of University Hospitals, and more than half of the participating physicians will be paid only by the hospital system (Tribble, [Plain Dealer](#), 1/29).
- **Texas:** With the onset of flu season, 21 of the Houston area’s 24 EDs this week were forced to go on drive-by status for medical services. Noting that having 21 EDs on diversion is “unusual but not unprecedented,” the head of the city’s Emergency Medical Service says the facilities continue to accept trauma cases. An epidemiologist at **Baylor College of Medicine’s** Influenza Research Center notes that Houston has not experienced a major flu outbreak in several years, adding that the increase in flu cases this year has been driven partly by the prevalence of a strain not covered by the flu vaccine (Ackerman, [Houston Chronicle](#), 1/29).

► Endnotes

8 Et cetera

TV twist: Pediatricians say new TV drama could perpetuate vaccine-autism fears

The **American Academy of Pediatrics** (AAP) is calling on ABC to cancel the first episode of a new series debuting tonight because it features a lawyer asserting that a flu vaccine made a child autistic, potentially perpetuating “the myth that vaccines can cause autism,” the Associated Press reports. In the pilot episode of the show—called “Eli Stone”—the jurors award the family of the child a huge sum after it becomes known that an executive at the fictional vaccine-maker did not allow his own child to receive the shot. The theory that a mercury-based preservative used in many pediatric vaccines contributes to autism has been “repeatedly discounted” in scientific studies, according to the AP. In a letter sent to the president of the Disney-ABC Television Group, the AAP’s president suggests that many viewers “trust the health information presented on fictional television shows, which influences their decisions about health care.” He adds that the “consequence of a decline in immunization rates could be devastating to the health of our nation’s children.” Responding to the letter, the show’s co-creators say that the episode is fictional and meant to “participate in what is a national conversation,” adding that they are not against childhood vaccination and would be “deeply upset” if parents chose not to immunize their children because of the episode.

—Tanner, [Associated Press](#), 1/28