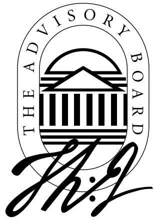


THE ADVISORY BOARD

Daily Briefing

"Nation's news in five minutes"

News for Health Care Executives • Friday, February 08, 2008

Moody's details link between quality initiatives, bond ratings

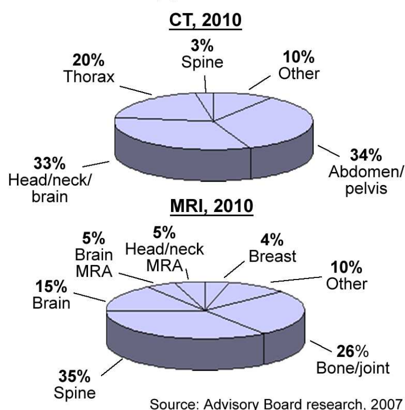
Moody's Investors Service recently released a special comment explaining how it integrates hospitals' quality initiatives into a rating, what it expects in a focused quality strategy, and what indicators demonstrate that a quality initiative is improving financial performance.

See story #1

RESEARCH HIGHLIGHT

Balancing premium technology and needed capacity

As hospitals face growing competition for volumes and increasing scrutiny from payers, matching new technology investments to market demand is imperative. As "bread and butter" exams are expected to account for more than 80% of all premium imaging studies through the next decade, hospitals must balance premium investments with workhorse scanners. To learn more, please see the Innovations Center's *Future of Diagnostic Imaging* brief.



THIS DAY IN BRIEF

Large businesses still back employer-sponsored coverage, report says

Despite reports suggesting that rising health care costs have driven the employer-sponsored coverage system to a "tipping point," large employers are not ready to relinquish their role and instead are seeking systemic changes designed to rein in spending, according to a report released this week by the nonpartisan Employee Benefits Research Institute.

See story #2

Thrombus-aspiration before PCI may improve outcomes, study says

Manually suctioning out loose pieces of clots from blocked arteries before primary percutaneous coronary intervention in heart attack patients with ST-segment elevation results in better blood flow to the heart—a metric significantly linked to 30-day mortality and adverse event rates, according to a Dutch study published in the latest *NEJM*.

See story #3

Merck to pay $671M to settle drug pricing, marketing dispute

Federal prosecutors and Merck officials yesterday announced that Merck will pay $671 million in a civil settlement to resolve claims that it overcharged Medicaid for four drugs, the Associated Press reports.

See story #4

FROM THE ADVISORY BOARD

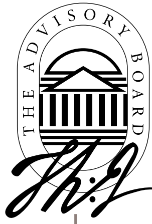
Finance Watch: 2008 likely to bring softening volumes, growing scrutiny

While holding the promise of relative industry stability, 2008 could be a year of transition for the hospital sector given increased scrutiny ignited by the presidential election.

See story #5

NAMES IN THE NEWS

Auburn University (Ala.) (#9) ▪ **Carolinas HealthCare System (N.C.)** (#8) ▪ **Carolinas Medical Center-Lincoln (N.C.)** (#8)
Columbia University (N.Y.) (#3) ▪ **University of Central Florida** (#8) ▪ **Virginia Commonwealth University** (#3)



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Heidi Atlas, Editor in Chief
Rebecca Wexler, Senior Writer; **Rachel Zavala,** Staff Writer

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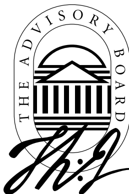
Editorial
E-mail: AtlasH@advisory.com
Phone: 202-266-5600
Fax: 202-266-5700



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E-mail: webhelp@advisory.com
Phone: 202-266-5300

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Today's Headlines

1 Moody's details link between quality initiatives, bond ratings

Moody's Investors Service recently released a special comment explaining how it integrates hospitals' quality initiatives into a rating, what it expects in a focused quality strategy, and what indicators demonstrate that a quality initiative is improving financial performance. Specifically, Moody's defines a comprehensive quality strategy as one that seeks to improve evidence-based clinical outcomes and patient safety, noting that most hospitals set these goals as part of their "mission to provide the best patient care possible," as well as the pursuit of lower costs and improved patient experience. While Moody's says it does not advocate specific quality metrics or standards or tell hospitals how to spend their capital budgets, it lists several characteristics of successful hospital quality strategies, including a long-term commitment by the board of trustees and a dedicated senior management team tasked with overseeing long-term strategy. High levels of physician and nurse buy-in and willingness among providers to adopt new practices and to alter the organization's overall culture also are imperative, Moody's says. High-performing hospitals also tend to be willing to re-assess programs mid-stream, identify and budget for hidden costs early in the process, and "be accepting of a potential downturn in financial performance in the short-term due to increased expenses and capital expenditures."

Moody's notes that it does not directly incorporate quality accolades from outside groups when determining rankings but instead considers quantifiable indicators that a hospital's quality efforts have produced results, including increases in patient volumes and market share, success in physician and nurse recruitment, reductions in nursing turnover, improved employee and patient satisfaction, and reductions in malpractice premiums. Looking ahead, Moody's vice president notes that "providers that are incurring losses or operating with thin reserves and unable to invest in quality initiatives may be at a competitive disadvantage" compared with financially stronger providers, given that high-deductible and co-pay plans may "create a more discerning health care consumer." Recognizing that some safety net hospitals, including large academic medical centers, have favorable clinical outcomes but weak financial performance because of large Medicaid and self-pay patient populations, Moody's notes that it attempts to understand those hospitals' efforts to improve financial performance and debt service coverage while maintaining sound quality outcomes and upholding their commitment to teaching and research. Many academic medical centers, Moody's notes, are able to maintain above-average bond ratings thanks to patient interest created by favorable clinical outcomes. Moody's concludes that, even with softening seen in FY 2006 operating margins, hospitals will continue to "push a quality agenda into the foreseeable future" (Moody's release, 2/6; Moody's report, January 2008 [subscription required]).

2 Large businesses still back employer-sponsored coverage, report says

Despite reports suggesting that rising health care costs have driven the employer-sponsored coverage system to a "tipping point," large employers are not ready to relinquish their role and instead are seeking systemic changes designed to rein in spending, according to a report released this week by the nonpartisan **Employee Benefits Research Institute** (EBRI). The report is based on discussions and data presented at a December 2007 EBRI policy forum aimed at assessing whether the employer-sponsored coverage system is at risk of disappearing. According to EBRI's analysis, the employer-based coverage model is in fact "incredibly stable" in terms of workers' eligibility for coverage, the percentage of workers who have coverage, and the share of premiums paid by workers. The report notes, for example, that while certain analyses document a drop in the percentage of employers with fewer than 200 employees offering coverage from 68% in 2000 to 59% in 2007, a longer-term

calculation spanning from 1996 to 2007 suggests that, historically, the portion of employers in this group offering benefits has held relatively steady at 59%.

In analyzing the road ahead for large employers, the report cites a Towers Perrin survey showing that more than 80% of responding employers want to continue to offer health benefits and "see a value in the role that employers play in the current system." But large employers also want to see major changes because of economic concerns, and more than 60% of large employers anticipate major federal health reform in the next eight years, although they have not agreed on a single model for change. EBRI points to three factors that could spur large employers to drop coverage: the removal of the employer tax deduction for health benefits, the enactment of a universal or national health care system, or the erosion of Employee Retirement Income Security Act (ERISA) protections. Finally, EBRI documents several exceptions to the generally stable outlook, cautioning that cost concerns remain a major barrier for small employers seeking to offer employee health benefits. Retiree health benefits also represent a "major exception" says ERBI, citing the significant decline in their availability (EBRI report, February 2008; EBRI release, 2/7).

3 Thrombus-aspiration before PCI may improve outcomes, study says

Manually suctioning out loose pieces of clots from blocked arteries prior to primary percutaneous coronary intervention (PCI) in myocardial infarction (MI) patients with ST-segment elevation results in better blood flow to the heart—a metric significantly linked to 30-day mortality and adverse event rates, according to a Dutch study published in the latest *NEJM*. For the study, researchers from the University of Groningen in the Netherlands randomized 1,071 patients to a thrombus-aspiration group or conventional-PCI group prior to coronary angiography. Using myocardial blush grade—in which researchers take X-rays to determine how blood flow resumes to heart muscles and assign a score of 0 to 4, with higher numbers indicating better blood flow—as the primary outcomes measure, researchers found that 17.1% of the thrombus-aspiration group demonstrated a blush grade of 0 or 1 compared with 26.3% of the conventional-PCI group. And while 56.6% of the thrombus-aspiration group demonstrated a complete resolution of ST-segment elevation, just 44.2% of the conventional-PCI patients experienced that outcome. Patients with higher blush grade had lower mortality and adverse event rates at 30 days compared with lower blush-grade subjects. While noting the limitations of their single-center study, the authors conclude that thrombus-aspiration is "feasible in a large majority of patients presenting with [MI] with ST-segment elevation" and "results in better reperfusion and clinical outcomes than conventional PCI."

Noting that thrombus aspiration is easily learned by experienced cardiologists, the study's lead author says he believes the findings will spur broad adoption of the technique. A professor of medicine at **Columbia University** who has conducted research on thrombus removal, however, cautions that other thrombus-aspiration studies using less "passive" suction devices have shown "no benefit and some harm." He says the latest trial—funded by the Dutch medical center and **Medtronic**, which makes the catheter used for aspiration—"is significant, because it is the largest study ever done" on the topic, but he asserts that it will not be "a definitive study" and is unlikely to "to have a major impact" on clinical practice. An editorialist from the **Virginia Commonwealth University**, meanwhile, suggests that the technique could introduce delays in time-to-reperfusion if performed by providers less experienced in the procedure. Calling thrombus extraction "conceptually sound," he adds that, given the already-low mortality rates associated with early reperfusion in patients with acute MI, such a "refinement can be expected to make only small, albeit clinically significant improvements in outcome" (Svilaas et al., *NEJM*, 2/7 [subscription required]; Vetrovec, *NEJM*, 2/7 [subscription required]; Edelson, *HealthDay*, 2/6).

4 Merck to pay $671M to settle drug pricing, marketing dispute

Federal prosecutors and **Merck** officials yesterday announced that Merck will pay $671 million in a civil settlement to resolve claims that it overcharged Medicaid for four drugs, the Associated Press reports. According to prosecutors, between 1996 and 2006 Merck improperly calculated Medicare rebates for the heartburn drug Pepcid (famotidine), the cholesterol-lowering drugs Mevacor (lovastatin) and Zocor (simvastatin), and the withdrawn painkiller Vioxx (rofecoxib) by failing to disclose steep discounts provided to hospitals; the AP notes that federal regulations require drug makers to report the lowest price for their products to ensure that Medicaid programs "get the benefit of the same discount." Merck has agreed to pay $250 million plus interest for a case pending in the Eastern District of Louisiana involving its rebate practices for Plavix and $399 million plus interest for a case pending in the Eastern District of Pennsylvania—which also includes a related Nevada action—involving its marketing practices and pricing programs for Zocor, Mevacor, and Vioxx. Meanwhile, the company also said it will enter into a corporate integrity agreement with **HHS**'s Office of Inspector General in response to allegations that Merck between 1997 and 2001 provided money and other incentives to physicians and health care professionals to encourage them to prescribe Merck products. Stating that the settlement does not "constitute an admission of any liability or wrongdoing," a Merck spokesman said that the company "believes that it acted in good faith and complied with the regulations that were in place at the time." He added that the civil settlements "were the best and most appropriate way to resolve these lengthy investigations and bring these matters to closure" (AP/*New York Times*, 2/7 [registration required]; Goldstein, *Journal*, 2/7 [subscription required]; Merck release, 2/7).

From the Advisory Board

5 *Finance Watch*: 2008 likely to bring softening volumes, growing scrutiny

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.*

While holding the promise of relative industry stability, 2008 could be a year of transition for the hospital sector given increased scrutiny ignited by the presidential election. Although not-for-profit hospital margins remain generally healthy, credit ratings agencies have noted a number of weakening metrics, with continued challenges from softening patient volumes and rising bad debt from an increasing uninsured and underinsured population. Moreover, hospitals face continued pressure to be more transparent with payers and the public, as health care promises to become a central issue in this year's presidential election—although experts say many of the candidates' significant health reform proposals will not be realized until next year.

For more information

To read more about financial outlook for hospitals in the year ahead, please see the February issue of the *Finance Watch*.

6 Business Summit Agenda set for 2008 IT Insights

Leading a department with an ever-expanding set of priorities, chief information officers (CIOs) find themselves constantly balancing their daily operations with the strategic needs of the organization. With limited resources and countless demands, IT executives are being forced to leverage measurement tools to elevate department performance, as well as demonstrate IT's value in advancing institutional goals to senior leadership. This seemingly straightforward endeavor is quickly complicated by the need to identify and track appropriate technical metrics but report their value in business terms.

IT Insights' 2008 CIO Business Summits are devoted to tackling these larger issues. Our goal is twofold: first, to provide IT Insights members with a comprehensive set of strategies and best practices for pursuing physician office connectivity aggressively and effectively; and second, to aid members in selecting core performance measures—those that map to strategic goals—to focus the department on the most critical issues for advancing organizational goals.

We hope that the spring Summit series provides our members with a productive and provocative forum in which these and other questions can be addressed and answered, both within the research materials prepared by IT Insights, as well as through facilitated, interactive sessions through which CIOs can share their own experiences and learn from each other.

For more information
To register or learn more about the Business Summits, IT Insights members may visit the program's website on Advisory.com. Should you have questions about IT Insights, please contact Ryan Turner at turnerr@advisory.com.

7 Supply expenditures: Reduction through visibility, benchmarks

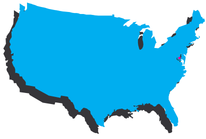
The Advisory Board's Spend Compass has enabled members to reduce total supply expenditures by 3% to 10%, reduce physician preference item spending by $2.5 million, and improve vendor negotiation leverage through price benchmarking that has resulted in $500,000 to $1,500,000 in savings and recaptured contract overpayments of up to $500,000 annually.

The Advisory Board's Spend Compass program provides chief financial officers and supply chain executives with visibility into three main areas: physician preference items, vendor contracting, and investments in new products and devices. High-level dashboards and easy-to-perform account-level analysis give members the data they need to improve supply cost performance, inform vendor negotiations, and better engage physicians in supply chain reform.

For more information
For more information on how your institution can benefit from Spend Compass or Advisory Board research in this area, please contact Chelsea Fleckenstine at fleckenc@advisory.com or at 202-266-5710.

Regional Round-up

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



- **Florida:** The **University of Central Florida** this week received preliminary accreditation from the Liaison Committee on Medical Education for its College of Medicine, enabling the school to begin recruiting students for its inaugural class, slated to start in 2009. While the medical school still must secure full accreditation, it will begin accepting applications in June for 40 spots and has said it will provide full, four-year scholarships worth $160,000 to every student. The school plans to raise $6.4 million to cover the cost of students' tuition and living expenses. Construction on the $68 million medical school in Lake Nona began late last year and is slated for completion in 2010; students initially will take classes in temporary space at the Central Florida Research Park (Zaragoza, *Orlando Sentinel*, 2/7).

- **Iowa:** The Iowa Healthcare Collaborative this week launched the MedCard initiative, which aims to improve patient safety and patient-provider communication by offering patients a card to list all their medications. Officials from the **Iowa Hospital Association**, which participates in the collaborative, hope the card will encourage patients to discuss medication use with their physicians (*AHA News Now*, 2/5).

- **New Mexico:** The state House has passed a measure that would create an 11-member Health Care Authority in July to produce a plan for providing "accessible and affordable" health care for all state residents by January 2009. However, the legislation—which now goes to the Senate—does not address Gov. Bill Richardson's (D) call for a statewide insurance mandate. Commenting on the bill, a spokesperson for the governor—whose own plan is still under consideration by a House committee—says that "another study is unacceptable to the 400,000 New Mexicans who need access to quality health care now" (Baker, AP/*San Jose Mercury News*, 2/6).

- **North Carolina: Carolinas HealthCare System** has received CON approval to build a new $85 million facility in Lincoln County to replace the current **Carolinas Medical Center-Lincoln**. The hospital—slated for completion in late 2010—will include 101 beds and will be 29,000 square feet larger than the current facility, which will likely be turned over to the county when the new hospital is finished (Sulock, *Charlotte Observer*, 2/7).

- **Tennessee:** Beginning in April, **BlueCross BlueShield of Tennessee** will give privately insured members online access to data detailing physicians' adherence to testing and treatment protocols for certain conditions, as well as their charges for various procedures. BlueCross, according to officials, will not recommend particular physicians on the website and will allow providers to review their data approximately 60 days before the information is made available to consumers (Ward, *Nasvhille Tennessean*, 2/7).

Endnotes

9 Et cetera

Clever canines: Dogs may be able to sense hypoglycemia, researchers say

Already adept at "leading the blind, alerting the deaf, and helping the physically disabled with daily tasks," dogs also may be able to reliably detect dangerous decreases in the blood sugar of diabetic patients, *HealthDay* reports. Noting anecdotal evidence that dogs can "sniff out" hypoglycemia, researchers from Queen's University in Northern Ireland are gathering evidence to potentially confirm dogs' promise "as early-warning systems for diabetics." Although it remains unclear what triggers canines to react when a person is experiencing low blood sugar, two domestic organizations have tapped into this ability and currently train dogs to detect low glucose levels. Dogs for Diabetics, for example, trains Labrador Retrievers to sense dips in glycemic levels by scent through a process similar to that used for police dogs that detect explosives and narcotics. More than 100 people are currently on the waiting lists for the trained pups, who have achieved 90% accuracy in detecting hypoglycemia. A veterinarian at **Auburn University** in Alabama, meanwhile, suggests that dogs might pick up on visual cues, rather than scent, to detect hypoglycemia, saying "dogs are very, very, very observant of human behavior."

—Mott, *HealthDay*, 2/3