



Volume 30 Issue 2

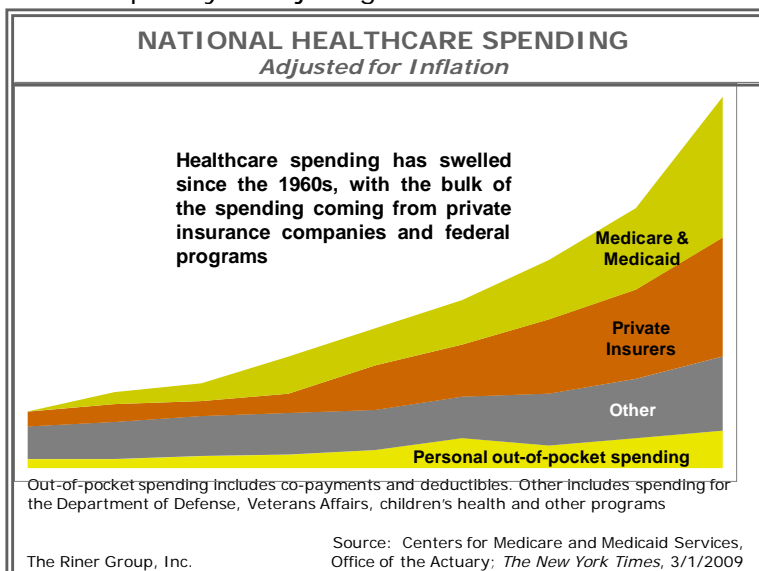
June 2009

VISIT OUR NEW WEBSITE

The Riner Group invites you to visit our new website. We hope you find the look and feel to be pleasing. There are changes offering more assistance for our clients and viewers, such as daily updated articles made available from a variety of organizations on topics of interest to healthcare providers. Let us know what you think or what else you might like to see. We will continue to update the site and will soon be offering videos for your perusal as well.

HEALTHCARE SPENDING – HOW HIGH CAN IT GO?

Healthcare spending continues as a major focus. Healthcare spending has swelled since the 1960s, with a bulk of the spending coming from private insurance companies and federal programs. These graphs highlight various segments responsible for payment. Unbridled healthcare spending cannot continue indefinitely and is consequently a major agenda item in healthcare reform discussions.



HEALTHCARE SPENDING BY INDUSTRY

LISTED AS AGGREGATE AMOUNTS BY TYPE OF EXPENDITURE (\$ IN BILLIONS)

Industry Sector	2007	2006	% change
National health expenditures	\$2,241.2	\$2,112.7	6.1%
Health services and supplies	2,098.1	1,976.1	6.2%
Personal healthcare	1,878.3	1,765.5	6.4%
Hospital care	696.5	649.3	7.3%
Professional services	702.1	661.4	6.2%
Physician/clinical services	478.8	449.7	6.5%
Other professional services	62.0	58.7	5.6%
Dental services	95.2	90.5	5.2%
Other personal services	66.2	62.5	5.9%
Nursing home and home health	190.4	178.4	6.7%
Home healthcare ¹	59.0	53.0	11.3%
Nursing home care ¹	131.3	125.4	4.7%
Retail outlet sales of medical products	289.3	276.4	4.7%
Prescription drugs	227.5	216.8	4.9%
Other medical products	61.8	59.6	3.7%
Durable medical equipment	24.5	24.2	1.2%
Other nondurable medical products	37.4	35.3	6.0%
Government administration and net cost of private health insurance	155.7	150.4	3.6%
Government public-health activities	64.1	60.2	6.5%
Investment	143.1	136.6	4.8%
Research	42.4	41.3	2.7%
Structures and Equipment	100.7	95.2	5.8%

¹Free-standing facilities only. Additional services of this type are provided in hospital-based facilities and counted as hospital care.

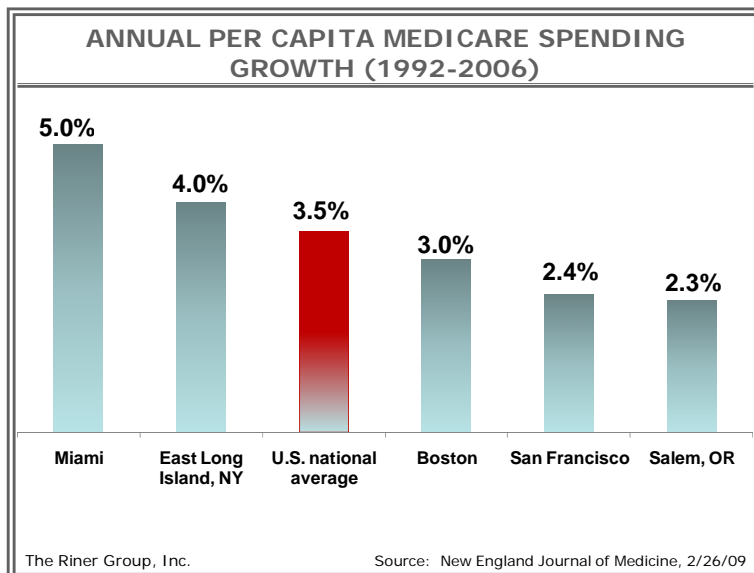
Note: All figures rounded

Source: CMS Office of the Actuary, National Health Statistics Group

The Riner Group, Inc.

MEDICARE SPENDING VARIES BY GEOGRAPHY

A new study in the New England Journal of Medicine suggests the differences in cost growth are largely because of discretionary decisions of physicians. Researchers found significant variation in spending among regions studied.



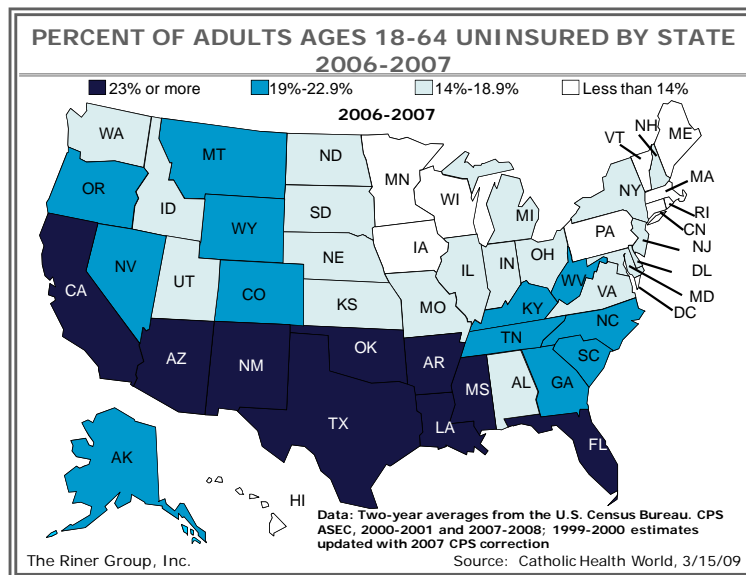
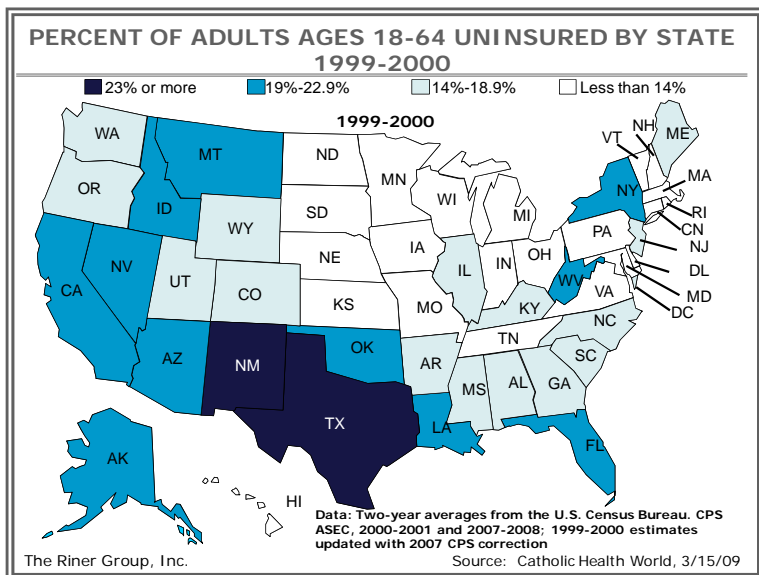


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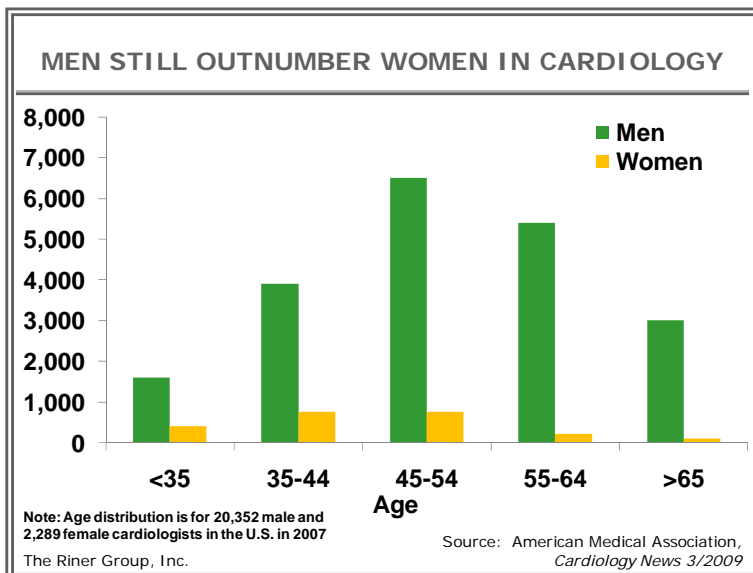
THE COVERED AND NON-COVERED ISSUE

In communities with large numbers of uninsured people, even those with full coverage can sometimes have difficulty obtaining care and being satisfied with the quality of the care they receive, according to a new report from the Institute of Medicine. The research performed by the Institute of Medicine showed that high numbers of uninsured people can have an adverse effect on the wellbeing of communities. Obviously this is a complex issue with multiple facets. The maps show the distribution of uninsured individuals by state, 1999-2000 vs. 2006-2007.



WORKFORCE SHORTAGES

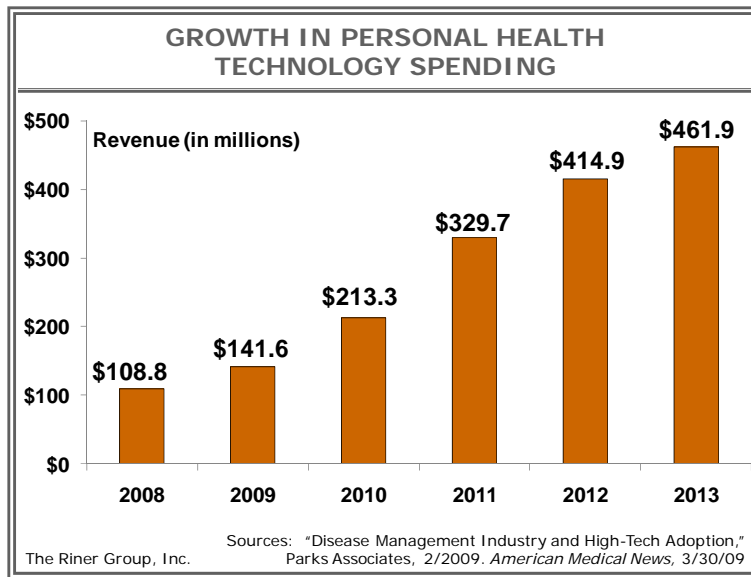
The current economic challenges have changed the retirement horizons for many healthcare professionals. This is compounded by the work requirements of many specialties. This graph shows women are still a small but increasingly larger percentage of cardiologists; coupled with lifestyle demands of younger physicians, this will likely have implications on the number of cardiologists needed to treat a growing patient base.





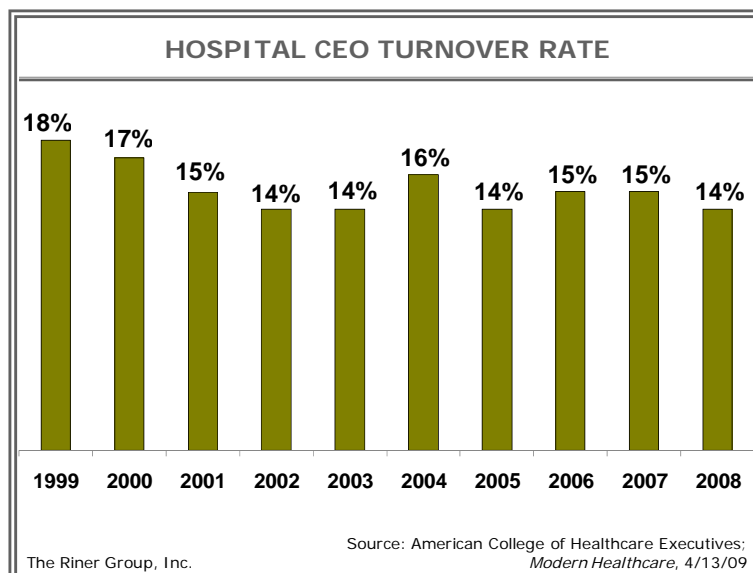
DISEASE MANAGEMENT – OUTPATIENT FOCUSED

Revenue forecasts for personal health technology spending would suggest that the number of patients using disease management technology such as Home Health Monitoring Systems will grow exponentially over the next few years. A recent study by the market research firm, Parks Associates, projects that revenue in the personal health technology sector will rise from about \$100 million in 2008 to more than \$460 million in 2013.



RELATIONSHIPS

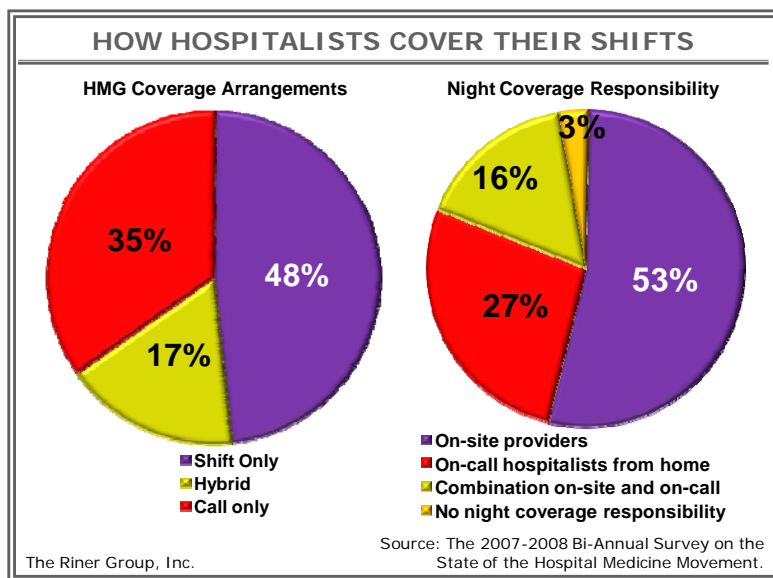
A tremendous amount of focus is being placed on physician-hospital alignment strategies. Intricate to those alignment strategies are the relationships physicians develop with the management team and specifically the CEO who heads the management team of the hospital. Frequent turnover at the CEO level often can jeopardize relationships. CEO turnover at acute care hospitals fell slightly in 2008, according to a survey by the American College of Healthcare Executives, but many are predicting larger turnover rates for 2009.





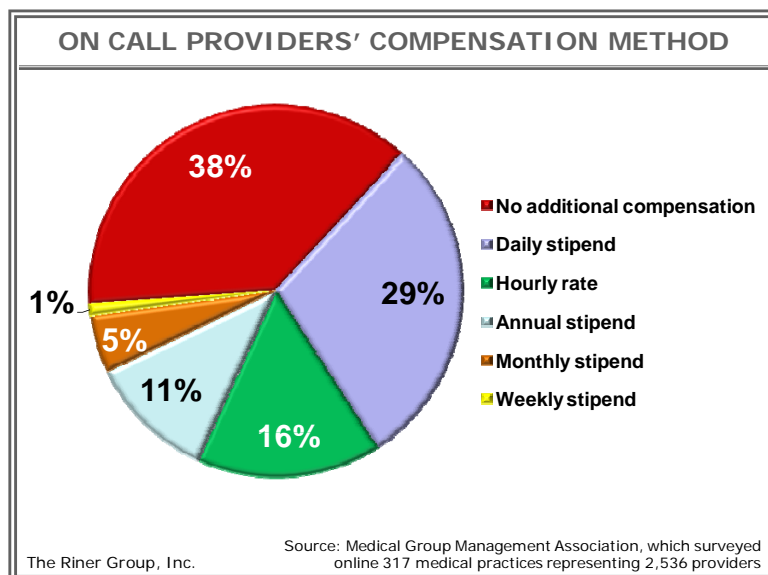
HOSPITALISTS

One of the fastest growing specialties in medicine today is Hospitalist medicine. However, the hospitalist programs are all structured differently and sometimes hospitalists go by different names. Most hospitalists (94%) did not characterize themselves as nocturnists, but on average spend 14% of their time working at night.



CALL COVERAGE

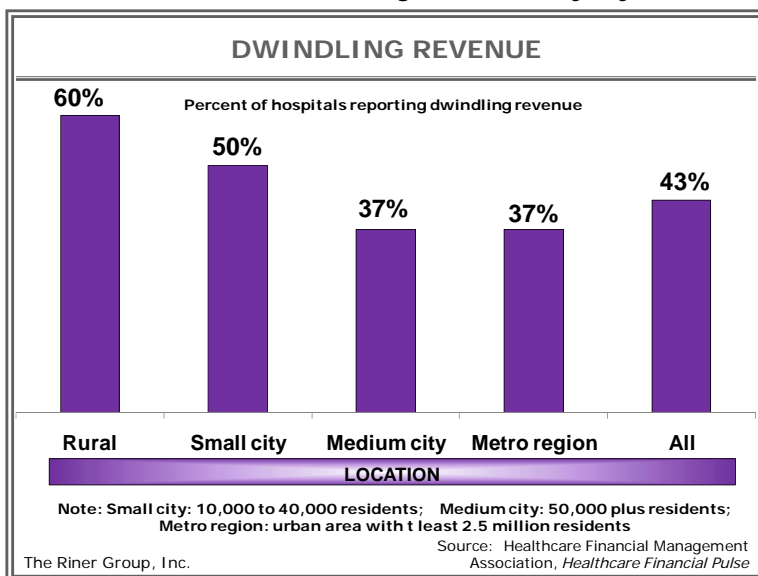
Sixty-two percent of healthcare providers receive some form of additional compensation for on-call coverage, according to a new survey report by the Medical Group Management Association.





FINANCIAL CHALLENGES

The economic situation affecting the United States as well as the rest of the world has not left hospitals or health systems unscathed. The percentage of hospitals saying net patient revenue fell in the last half of 2008 as compared to the first half is shown here according to a survey by the Healthcare Financial Management Associations.



DID YOU KNOW?

- Overhead costs continue to rise for physician practices. New research calculates that a physician may spend nearly three weeks a year on health-plan related tasks just to get paid for services they have already rendered. How much of a medical practice's administrative overhead can be classified as "waste" is still up to debate. Two new *Health Affairs* reports attempted to put a price tag on these clerical tasks and on how much a medical practice must spend before it can extract a check from an insurance company. In one study, University of California at San Francisco researchers calculated that the annual cost of performing billing-related tasks comes to about \$85,276 per physician. In another, Cornell Medical College and the Medical Group Management Association's researchers estimated that the total cost of the nation's physician-health plan interactions is somewhere between \$23 billion and \$31 billion.
- Cyber Medicine – The American Medical Association has reported that as many as 70% of all doctor visits are for information only or for matters that can be easily handled over the phone. Data shows that more than 36 million Americans have been treated successfully through telemedicine, telephone, or email consultations. In addition there is also a growing population of patients who can't travel to the doctor easily, therefore physicians and patients are turning to electronic communication as a supplement to traditional visits. We would anticipate this trend to continue in a significant way.
- It isn't easy. Calculating the scope of a typical primary care doctor's care coordination tasks for a typical Medicare beneficiary, researchers with the Center for Studying Health System Change concluded that without changes to how care delivery is organized, "care coordination is likely to remain an ideal but elusive goal in Medicare." In a report published in the February 17th issue of the *Annals of Internal Medicine*, researchers tracked 2,284 primary care physicians using 2005 Medicare fee-for-service claims data, and they calculated that a typical primary care doctor coordinated care between 229 other physicians working in 117 other practices. Breaking those numbers down further, the researchers found that the primary care physicians dealt with between 35 and 95 other primary care providers, between 40 and 118 specialists, and between 30 and 104 surgeons. Nonphysician providers such as nurse practitioners were not included in those calculations. Compound this issue by the fact that primary care physicians are often underpaid, and many medical students are failing to see primary care as a specialty in which to spend their careers.



DID YOU KNOW? *continued*

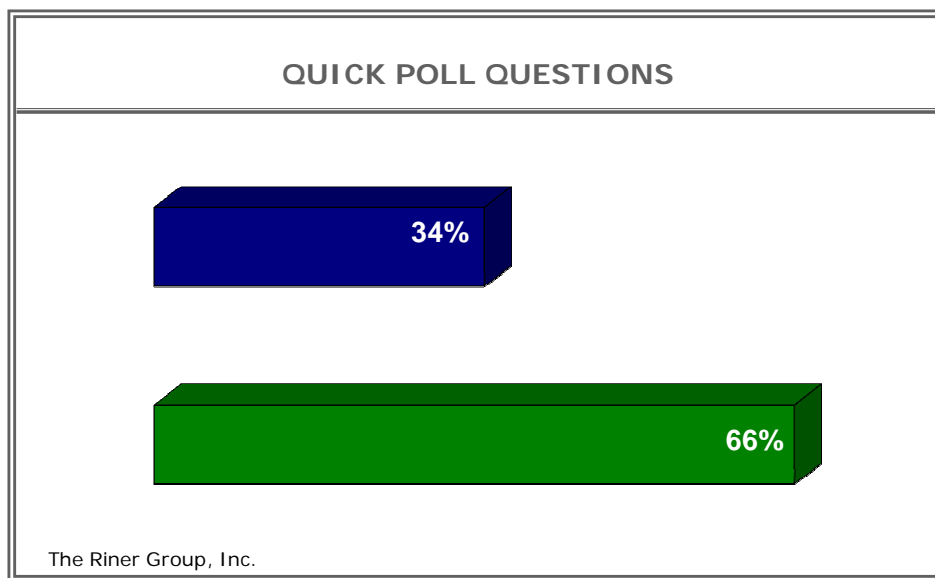
- A survey of more than 4,000 member hospitals in the American Hospital Association found that only 1.5% have a comprehensive electronic health record system implemented across all clinical units, with an additional 7.6% having basic systems that included functionality in at least one clinical unit. The American Recovery and Reinvestment Act of 2009, as part of an effort to reform the U.S. healthcare system, contains extensive provisions to create a national, comprehensive health information system. The entire matter is compounded by the fact that only a small percentage of a patient's total healthcare occurs within the hospital setting. Most of healthcare is delivered in an outpatient environment (doctor's office, other settings). The electronic record systems developed for hospitals frequently are not applicable in an outpatient or office setting, and frequently the two settings have difficulty communicating with each other. While there will be significant funds devoted to this area, most experts feel that the complexity of the situation is greatly underappreciated by those touting and advocating an easy solution for cost containment and electronic connectivity in this arena.
- Who knew? The current economic environment has caused much financial and frequently emotional strain. In that regard, a recent study is worthy of note from physicians at Dartmouth College in the U.S. and Warwick University in Britain. They conducted personal interviews with 16,000 men and women regarding the role of sex and money in providing happiness in their lives. The results were recently published in a paper entitled "Money, Sex and Happiness: An Empirical Study," published by the National Bureau of Economic Research, a nonpartisan institute that provides economic information to policymakers, businesses and universities. The study produced elaborate formulas that allowed scientists to assign economic value to various factors associated with happiness. Of interest was the fact that having more sex had the same effect on happiness as a pay raise. Increasing the frequency of sexual intercourse from once a month to once a week increased happiness as much as a \$50,000 pay raise; getting married produced a \$100,000 worth of happiness; while divorce yielded \$60,000 less happiness – Found money! Who knew?
- Few consumers comparison shop when choosing hospitals for common procedures. While patients with especially complex cases and rare conditions may need to get care at one of America's Best Hospitals, most straightforward or common procedures – such as hip replacements and heart bypass operations – happen at community hospitals close to patients' homes. Relatively few of the 35 million people admitted to a hospital annually do much in the way of comparison shopping. Nearly 60% of people say they would choose a hospital based on familiarity, where only 35% would seek out a higher rated facility, according to a 2008 survey by the Kaiser Family Foundation, a nonprofit healthcare facility.
- Monitoring outcomes is all the rage at present. This is especially true within the context of our hospitals. However it is frequently overlooked that two-thirds of people over age 65, and almost three-quarters of the people over 80, have multiple chronic health conditions, and 68% of Medicare spending goes to people who have five or more chronic conditions. As a group, such patients fare poorly often times by any measure. It is difficult to measure the impact of one disease process or another. Still patients with multiple health problems are largely overlooked by medical research and will become a greater care burden for clinics and hospitals. The issue of comorbidity and multiple chronic health conditions will need to be factored into how we measure clinical outcomes.
- Evidence Based Medicine – The Safe Practices Survey, published in the April 1, 2009 Journal of the American Medical Association found that high scores on safety surveys did not link to lower inpatient mortality. The researchers "evaluated results on the Safe Practices Survey using several scoring methodologies, but regardless of the method, there was no significant difference from the lowest to the highest quartile in terms of mortality." This is but one study looking at this entire facet. Obviously the issue of patient safety is a high concern for all clinicians and hospitals caring for patients. However, we will need to look at the data carefully to make sure some of our efforts are providing the results we are attempting to attain.



OUR QUICK POLL RESULTS

The following question was posted on the Riner Group Website for the months of March - May 2009.

"Would you accept a smug and condescending attitude in your physicians if you knew they were excellent diagnosticians or excellent surgeons?"



Perspective: Maybe a smug and condescending attitude isn't such a bad thing. In a recent phone survey, 20% of 1,009 respondents said they would want fictional TV doctor Gregory House of the Fox drama *House* as their doctor.

Coming in close second was Marcus Welby of *Marcus Welby, MD* at 13%, followed by Hawkeye Pierce of *M*A*S*H* (11%), according to the survey by the American Board of Medical Specialties. Doctors from other popular current shows such as *Lost* and *Grey's Anatomy* didn't break the 10% mark.

Ironically, in the same survey, respondents said the most important attribute they look for in a physician is bedside manner/communication skills (95%) – one department in which the misanthropic Dr. House would seem to suffer. House's diagnostic skill – currently he uncannily manages to solve a life-threatening medical puzzle by the end of every 60-minute episode – was the reason he was chosen as the favorite, according to the survey.



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OUR FOCUS

June 2009

With over twenty-five years of business experience in healthcare, we have worked with physician practices, hospitals, health systems, academic medical centers and healthcare businesses throughout the United States with a focus on strategy, new business development and performance improvement. We specialize in integrating the business and clinical aspects of healthcare. Some of our current projects include:

- ♥ Business development strategies for hospitals, health systems, medical practices, emerging healthcare companies and healthcare related businesses
- ♥ Development of Heart Centers/Heart Hospitals, Enhancement of Cardiac Servicelines and Vascular Centers, Development of Strategic Alliances and new Business Ventures
- ♥ Group practice management enhancements and clinical practice assessments, compensation modeling
- ♥ Development of physician-hospital alignment strategies and the formation of governance and management structures for such – (Co-management agreements; New management companies, etc.)
- ♥ Leadership programs/educational forums for healthcare industry executives, trustees, directors and clinicians. In depth exploration of major trends impacting healthcare
- ♥ Executive and career mentoring/coaching for physicians and healthcare executives
- ♥ Temporary management of Heart and Vascular Centers and Medical Groups
- ♥ Hospital and medical practice quality reporting initiatives

EXAMPLES OF RINER GROUP SPEAKING ENGAGEMENTS

- “The Future of In-House Imaging, Will It Remain Viable?” – American College of Cardiology’s Strategies for Success
- “Designing Your Healthcare Organizations’ Physician-Hospital Management Structure, What It May Look Like in 2010” – AHA Society for Healthcare Strategy and Market Development
- “Transitions in Traditional Hospital Business Models: The New Frontier in Hospital-Physician Relations with New Responsibilities for Trustees” – Center for Healthcare Governance
- “Trends Impacting Healthcare Delivery” – Numerous Business and Health System Forums
- “Compensation & Partnership Models for CV Practices” – Society for Cardiovascular Angiography & Interventions
- “Exploring the Role of Physicians on Hospital and Health System Boards” – American Hospital Association
- “The Challenge and Opportunity of Enhanced Physician – Hospital Partnering” – Numerous venues
- “The Impact of Increasing Physician Workforce Shortages” – Board Retreats at numerous programs provided for health system boards and trustees

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Our PRIORITY ... excellence in the business and science of medicine.
Our SPIRIT ... superb patient care.