



Mediscene Newsletter

Volume 29 Issue 2

August 2008

REPORT CARDS FOR PAYORS

The American Medical Association recently launched a campaign to fix the Claims Payment System that some experts suggest is actually the culprit for much of price escalation and waste in our healthcare system. Doctors sometimes spend as much 14% of their total collection on claims administration. Many experts believe this average should be lowered to 1% at best. Health policy makers claim that an estimated annual \$210B in wasted administrative claims processing costs could be eliminated if payors were efficient.

UnitedHealthcare had the lowest rating of contract compliance, according to the AMA report. About 62% of the medical services billed were paid by United at the contracted rate, compared with 71% for Aetna and 98% for Medicare. Medicare performed better than the private insurers in most areas.

As physicians and hospitals come under scrutiny and are being requested to provide transparency as to the types and quality of services they provide, many welcome the report cards on the health insurance industry and their responsibilities to patients and to individuals who provide services to those patients.

Another survey of hospital executives performed by California-based Davies Public Affairs found 91% of hospital executives have a somewhat or a very unfavorable opinion of UnitedHealthcare. Davies Public Affairs asked hospital executives for their opinions on health plans. Nearly all those surveyed, 96%, had dealings with UnitedHealthcare; 93% had dealings with Cigna; 87% with Aetna; 76% with Coventry; 69% with state/regional BlueCross BlueShield plans; and 63% with WellPoint/Anthem.

HEALTH PLAN REPUTATION

Plan	Somewhat or very unfavorable	Somewhat or very favorable
UnitedHealthcare	91%	9%
WellPoint/Anthem	48%	20%
Cigna	47%	44%
State/regional BCBS*	38%	46%
Aetna	37%	58%
Coventry	35%	38%

*Phrased to Distinguish from WellPoint-Owned Blues Plans

Source: Davies Public Affairs, 2008 National Payer Survey, 113 Hospital Executive Respondents Representing More than 500 Hospitals Nationwide; *American Medical News* 4/7/08

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HEALTH PLAN REPUTATION

Category	Respondents rating United worst	Those rating United best
Contract negotiations	64%	4%
Fixing claims	60%	8%
Processing/paying claims	59%	4%
Honesty and candor	58%	5%
Timeliness/responsiveness	51%	4%

Source: Davies Public Affairs, 2008 National Payer Survey, 113 Hospital Executive Respondents Representing More than 500 Hospitals Nationwide; *American Medical News* 4/7/08

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Mediscene Newsletter

Volume 29 Issue 2

August 2008

THE PART-TIME PRACTICE OPTION

The 2007 Retention Survey conducted by the American Medical Group Association (AMGA) and Cejka Search indicates that physicians practicing on a part-time basis rose from 13% in 2005 to 19% in 2007, with the largest percentage found in the 35-39 age bracket. Of that age group, 15% of the male and 85% of the female physicians chose to work fewer hours.

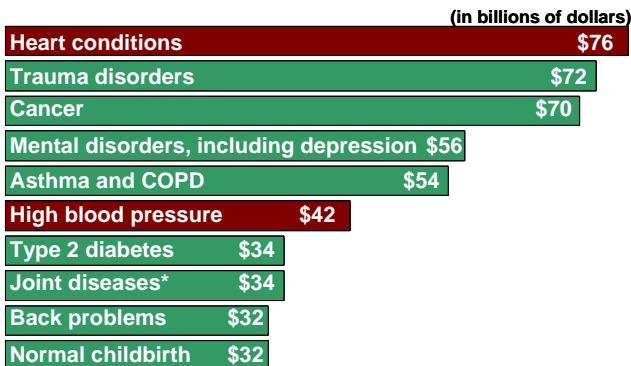
Over two-thirds of the female physicians (69%) and 11% of their male colleagues claim "family responsibilities" as the reason for their part-time status. In contrast, male physicians said "unrelated professional or personal pursuits" (31%) and "preparing for retirement" (29%) were the main impetus for working fewer hours.

Retention strategies that have proved successful include the use of hospitalist services (86%) as well as the use of physician assistant's and nurse practitioners (79%). Additionally, almost 95% of the survey respondents believed mentoring promotes retention with 56% having assigned a mentor to newly recruited physicians.

INTERESTING VITAL SIGNS

The 10 most expensive healthcare conditions and the top ten drugs prescribed by cardiologists are shown in these two graphs.

TOP 10 MOST EXPENSIVE HEALTH CONDITIONS



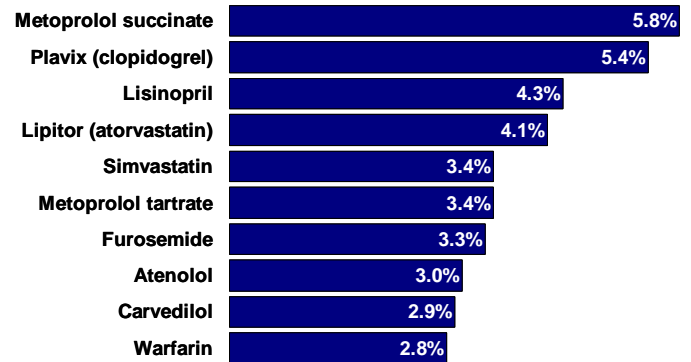
*Includes osteoarthritis

Note: Based on 2005 data for visits to doctors' offices, clinic, & emergency departments, & for hospital stays, home healthcare, & prescription drugs

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Source: Agency for Healthcare Research and Quality;
Cardiology News July 2008

TOP 10 DRUGS PRESCRIBED BY CARDIOLOGISTS



Note: Based on 33,076,114 prescriptions written from January to March 2008

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Source: Verispan; *Cardiology News* July 2008



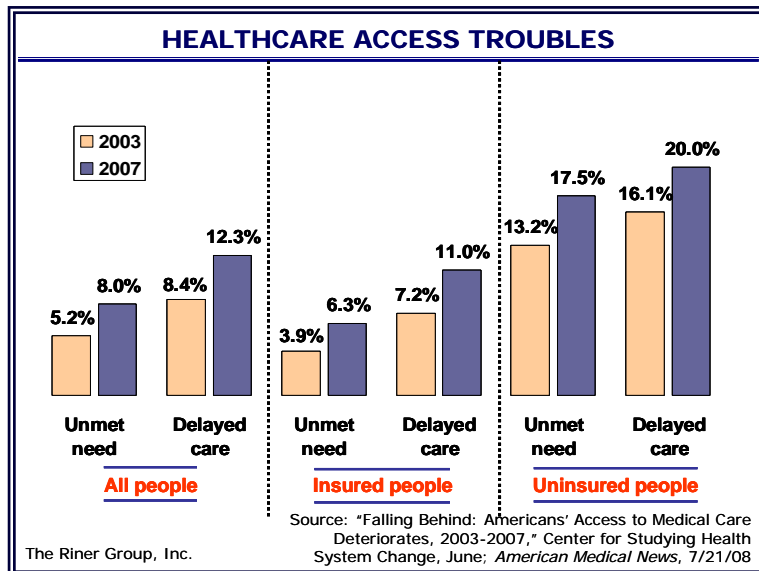
Mediscene Newsletter

Volume 29 Issue 2

August 2008

HEALTHCARE ACCESS

59 million Americans reported they delayed or didn't seek needed healthcare in 2007, up from 36 million in 2003. This graph shows the percentage of the population experiencing access problems.



HEALTHCARE ACCESS BARRIERS

	2003	2007
Worried about costs	65.2%	69.0%
Could not get timely appointment	30.1%	34.6%
Could not get to doctor's office/clinic when open	18.4%	28.6%
Health plan would not pay for treatment	18.9%	28.1%
Takes too long to get to doctor's office/clinic	12.0%	17.8%
Doctor or hospital doesn't accept insurance	11.9%	16.4%
Could not get through on the telephone	9.8%	16.0%
Do not know where to go/can't find a doctor	1.7%	1.1%
Had to wait in doctor's office/clinic too long	1.1%	1.1%
Could not get a referral	0.9%	0.4%
Change in health insurance	0.5%	0.4%

Source: "Falling Behind: Americans' Access to Medical Care Deteriorates, 2003-2007," Center for Studying Health System Change, June; *American Medical News*, 7/21/08

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The overall number of non-elderly who are underinsured grew 62% between 2003 and 2007, according to a Commonwealth Fund report. Low income people constitute the largest portion of those lacking adequate insurance, but the population of the underinsured, middle-income individuals is approaching the same level.

MORE AMERICANS UNDERINSURED

Income below 200% of poverty	2003	2007	Change
Insured all year, not underinsured	18.8 million	16.3 million	-13.3%
Underinsured	11.4 million	13.8 million	21.1%
Uninsured during year	29.2 million	28.0 million	-4.1%

Income at 200% of poverty or more	2003	2007	Change
Insured all year, not underinsured	82.2 million	73.9 million	-10.1%
Underinsured	4.2 million	11.6 million	171.4%
Uninsured during year	12.5 million	16.6 million	32.8%

Source: "Falling Behind: Americans' Access to Medical Care Deteriorates, 2003-2007," Center for Studying Health System Change, June; *American Medical News*, 7/21/08

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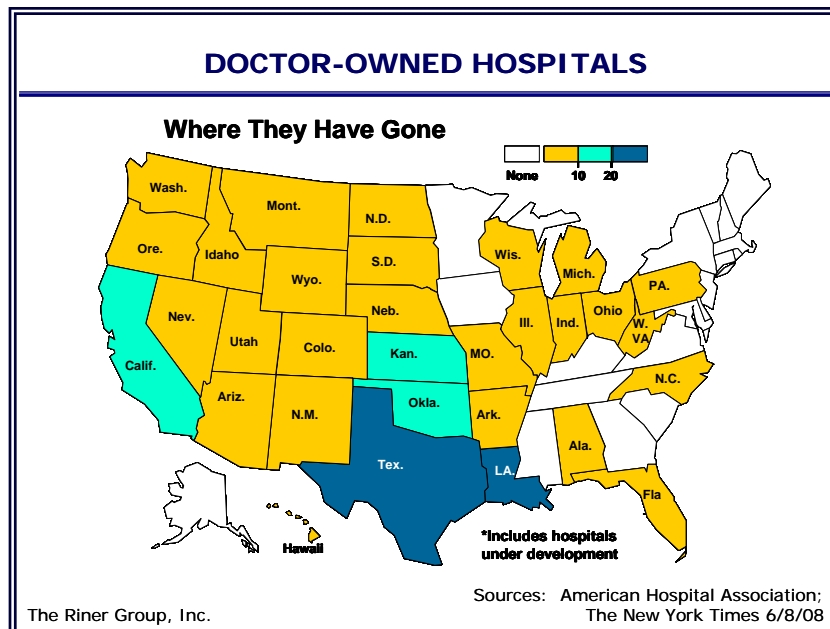
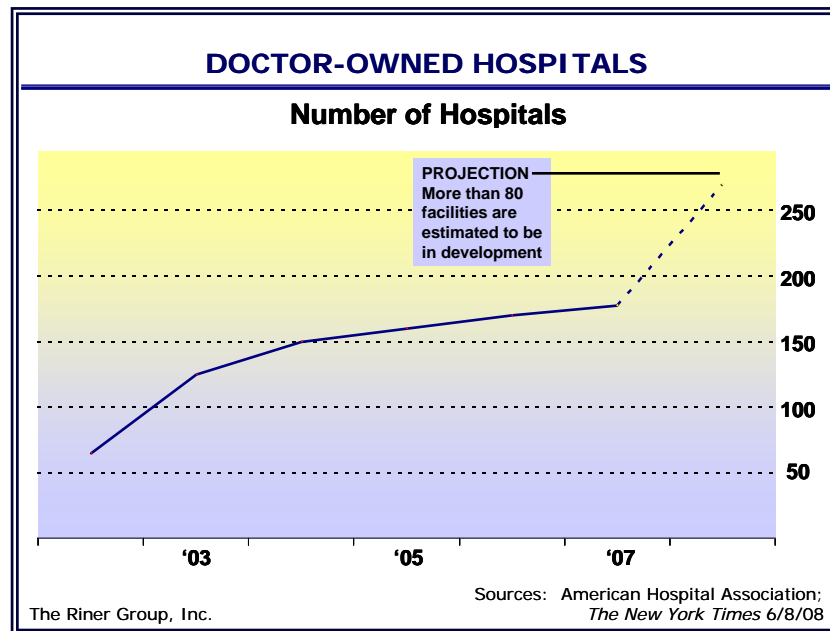
Mediscene Newsletter

Volume 29 Issue 2

August 2008

DOCTOR-OWNED HOSPITALS

Considerable politics and lobbying is occurring to minimize or reduce the number of doctor-owned hospitals. The largest lobbyist supporters against the movement for doctors owning hospitals are the American Hospital Association as well as the American Federation of Hospitals. Debate, pro and con, centers around the issue of overutilization, competition, quality of care, access to more profitable services, patient selection etc. The graph shows the distribution of doctor-owned hospitals.





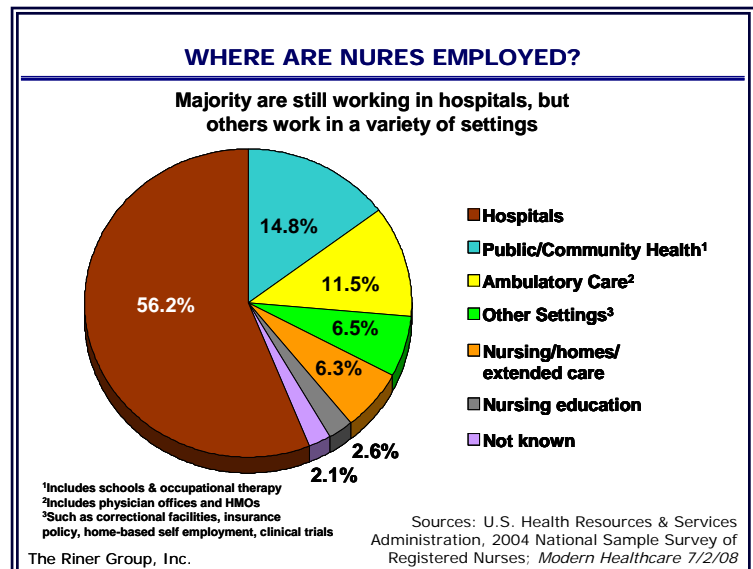
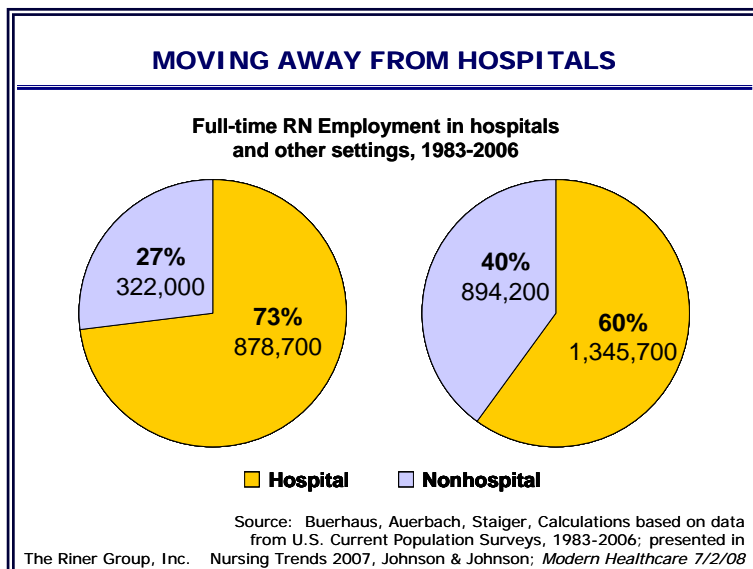
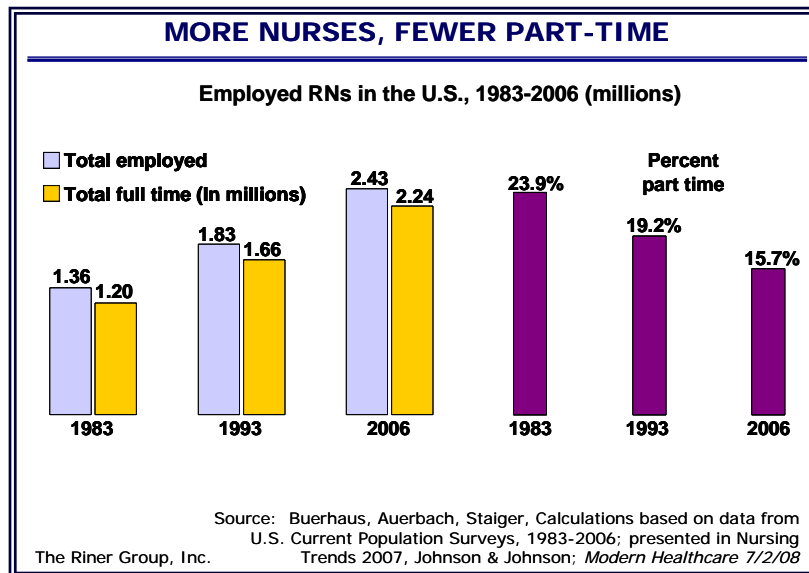
Mediscene Newsletter

Volume 29 Issue 2

August 2008

GAPS IN NURSING CARE

There appears to be an ongoing shortage of nurses. Projections from researchers at Vanderbilt University, the Congressional Budget Office and Dartmouth College show the nursing shortage worsening, despite recent gains that have deflated prior predictions that the national number would fall short by 765,000 nurses by 2020. Nurses' average age has crept steadily upward from 37.5 years old in the early 1980s to 44 years in 2006. It appears the age of the average nurse will rise until about 2015 when an exodus of retiring baby boomers will finally reverse the trend. According to the above trio's analysis, 95% of nursing employment growth between 2002 and the last year came from workers age 50-64. Additionally, the historically female-dominated career no longer represents one of the few professional options for women only. Many are beginning to see a chance to boost supply of nursing by targeting men. Men account for 6% of registered nurses, according to federal figures. Men appear to gravitate to higher intensity nursing jobs in trauma and critical care.





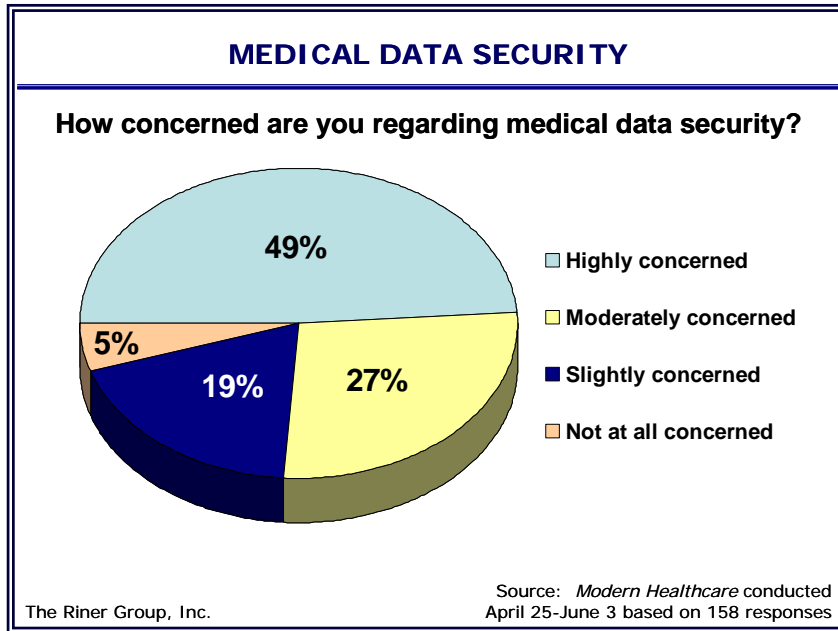
Mediscene Newsletter

Volume 29 Issue 2

August 2008

ELECTRONIC RECORDS – WHAT ABOUT SECURITY?

Numerous data breaches involving electronic health records have many people concerned about the security of their medical information, according to a recent online poll conducted by Modern Healthcare.



SAFETY INSPECTIONS ON FOREIGN DRUG MANUFACTURERS

In fiscal 2007, the Food and Drug Administration conducted 332 safety inspections on some of the 3,249 foreign establishments that manufacture drugs. The Government Accountability Office lists the countries with the highest number of plants and the total number of inspections per country. Some are inspected more than once. The graph lists the top five nations by the number of manufacturing plants and the number of times they are inspected. This matter needs to be observed carefully as individuals look to foreign countries for pharmaceutical supplies.

FEW INSPECTIONS

Number Per Country	Plants	Inspections
China	714	19
India	410	64
Canada	288	20
Germany	199	25
Japan	196	22

Source: Drug Safety: Preliminary Findings Suggest Recent FDA Initiatives have Potential, But Do Not Fully Address Weaknesses In Its Foreign Drug Inspection Program," Government Accountability Office, April 22, 2008; *American Medical News* 5/26/08

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Mediscene Newsletter

Volume 29 Issue 2

August 2008

TRENDS IN CONSUMER PRICE INDEX

Medical care prices at the consumer level increased in 2007 at a moderate rate similar to those of recent years. Specifically, the medical care component of the Consumer Price Index (CPI) rose 4.4% last year. That is comparable to the 4.2% average annual increase over the 5-years (2003-2007) referenced, during which year-to-year increases vary from 4.0% to 4.7%. The last dozen years has manifested relative stability in medical care inflation in contrast with rates two to three times as great in previous decades.

PERCENTAGE CHANGES IN THE CONSUMER PRICE INDEX AND SELECTED COMPONENTS

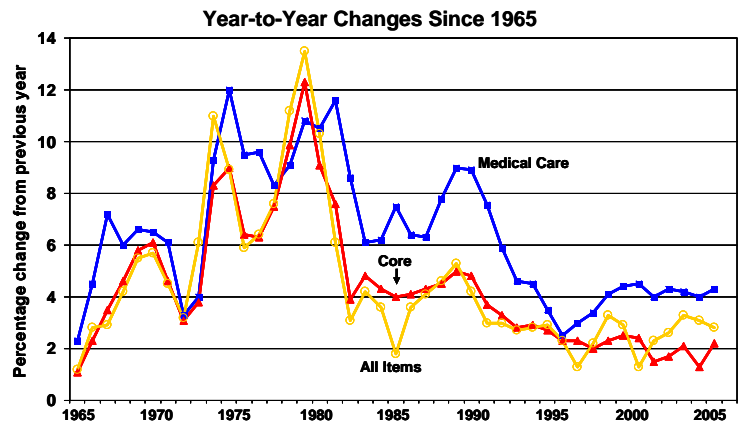
	2007	2006	Last 5 years (2003-2007)*		2007	2006	Last 5 years (2003-2007)*
All items	2.8	3.2	2.9	Food and beverages	3.9	2.4	2.8
Commodities	2.1	2.4	2.3	Housing	3.1	3.8	3.1
Services	3.3	3.8	3.3	Apparel	-0.4	0.0	-0.8
Energy	5.5	11.2	11.3	Transportation	2.1	4.0	3.8
All items less energy	2.6	2.5	2.2	Recreation	0.5	1.4	1.0
All items less food & energy	2.3	2.5	2.0	Education & communication	2.4	2.7	2.1
All items less medical care	2.8	3.2	2.8	Other goods & services	3.6	2.6	2.6
Medical care	4.4	4.0	4.2				
Medical care commodities	1.4	3.6	2.5				
Prescription drugs	1.4	4.3	3.1				
Medical care services	5.3	4.1	4.7				
Physicians; services	3.9	2.2	3.1				
Hospital services	6.7	6.5	6.4				

*Annualized rate, representing a yearly price change assuming conditions are the same throughout a 12-month period as in the referenced period.

Note: Statistics pertain to the consumer price index for all urban consumers, after seasonal adjustment in the case of monthly data. Annual figures are based on yearly average indices.

The Riner Group, Inc. Source: Bureau of Labor Statistics website at www.data.bls.gov/data

CPI ALL ITEMS & MEDICAL CARE INDICES

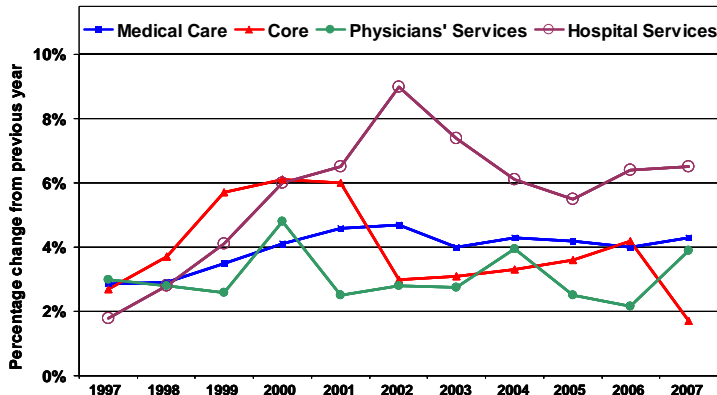


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Source: Bureau of Labor Statistics

YEAR TO YEAR CHANGES IN MEDICAL CPI

1997-2007



The Riner Group, Inc. Source: Employed Benefit Research Institute 10th Annual Report, Jan. 2008



Mediscene Newsletter

Volume 29 Issue 2

DID YOU KNOW?

August 2008

- Hospitals are beginning to take a different approach to bad debt. According to a report by the international credit ratings agency, Fitch Ratings, bad debt levels fell among for-profit hospitals in the first quarter of 2008. For-profit hospitals saw bad debt levels as a percentage of revenues fall from 18.4% in the fourth quarter of 2007 to 17.7% in the following quarter.

Past surveys for the Medical Group Management Association estimated physician practices' bad debt level in the 5%-10% range. For not-for-profit hospitals, Fitch said the percentage in 2006, the latest data available, was 5.5%. Bad debt is generally defined as payments written off as uncollectable. Among for-profit chains, Tenet had the lowest bad debt experience in the first quarter of 2008 at 12.1% of revenues.

- Large employers are beginning to offer employees the option of receiving medical care overseas. Some insurers have entered into agreements with medical travel companies to offer employees of certain businesses an option for receiving medical care overseas. For example, BlueCross BlueShield of South Carolina offers service through Companion Global Healthcare and sends patients to Joint Commission International accredited hospitals in Thailand, Singapore, Turkey, Ireland and Costa Rica. Hip replacement surgery can cost \$30,000-\$40,000 in South Carolina compared with \$9,000 in India and \$12,000 in Singapore.

- Watch for HMO premium rates to rise. HMO premium rates are expected to increase 11.8% in 2009, which is on track to outpace inflation in underlying healthcare trends, according to an analysis by Hewett Associates, a global human resources consulting and outsourcing company. HMO premium rates for the Southeast are expected to rise 15.4% in 2009 – the highest rate increase of any region in the United States.

- CMS announced over \$36M in PQRI (Physician Quality Reporting Initiative) bonuses. A little more than half the professionals who participated in Medicare pay-for-reporting initiatives will receive a bonus this year, with average payments tallied at \$600 per individual and more than \$4,700 for group practices. It is generally felt by many that the amount of money returning to physicians for their investment is far below the amount they expend in complying with requests to participate in these pay-for-performance initiatives. Watch this entire matter continue to evolve.

- Recruiting physicians to rural areas continues to be a major challenge. A recent study published in the *Journal of Academic Medicine* states if 125 medical colleges and universities each added 10 seats per class to a rural medicine curriculum it is calculated that they could produce 11,400 rural physicians during the next decade – more than double the current estimate of 5,130. Their findings are based on the assumption that schools without a rural medicine program would add one, and those *with* established programs would add 10 additional students per class.

- Data from the National Institutes of Health (NIH) suggest research and development growth has migrated overseas. For example, the total number of NIH registered clinical trials conducted in India rose from just 12 in 2003 to 713 as of late June. Likewise, NIH registered trials in China grew from just 14 in 2003 to 779 currently. Those overall numbers are low in comparison to the United States which registered 6,797 clinical trials in 2003 and 33,123 as of late June. But, the rate of growth for conducting clinical trials in China and India expanded by more than 5000% in both countries compared with about 400% growth in the United States.

- Patients are rarely using online ratings to pick physicians – For all the concerns and mistrust over physician rating sites, recent research shows, at least for now, few patients are actually using online information to select their physicians. A Harrison interactive poll commissioned by the California HealthCare Foundation found that although more than 80% of the state's adults turned to the internet for health-related information, less than one-quarter have looked at physician rating sites. Only 2% of those surveyed made a change of physicians based on information posted on the rating site.



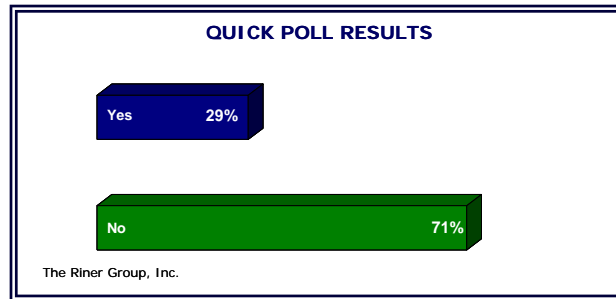
Mediscene Newsletter

Volume 29 Issue 2

OUR QUICK POLL RESULTS

August 2008

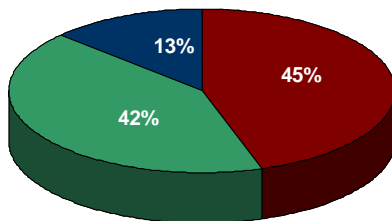
The following question was posted on the Riner Group Website for the month of January 2008.
"Do you think doctors will make more house calls?"



Perspective: Physicians may indeed make more house calls if the results of a recent survey by Medical Economics is any indication. Seven in ten *primary care* doctors said they believe a revival of house calls will ease crowding in emergency departments and will lead to better patient care. However, at the present time just 1% of respondents say they currently conduct house calls with any regularity, defined as seeing 25 or more patients in their homes weekly. The survey included 7,000 physicians in family practice, general practice, internal medicine, geriatrics, geriatric psychiatry, pediatrics and palliative medicine.

THEY SAID . . .

Do you wish you could make house calls?



- Yes, but the economics of primary care make it impossible.
- No, I prefer that patients come to my office.
- I already do make house calls.

Source: Medical Economics' Web Polls are surveys of those who choose to participate and are therefore not valid statistical samples; results from the Web Poll at www.memag.com, 12/07

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THE BENEFITS OF HOME CARE

When asked if...	Respondents who agreed
House calls will increase patient comfort	89%
House calls will lead to more direct patient care	80%
House calls will result in fewer emergency room visits	69%

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Source: HouseMD Today, December 2007



Mediscene Newsletter

Volume 29 Issue 2

OUR QUICK POLL RESULTS

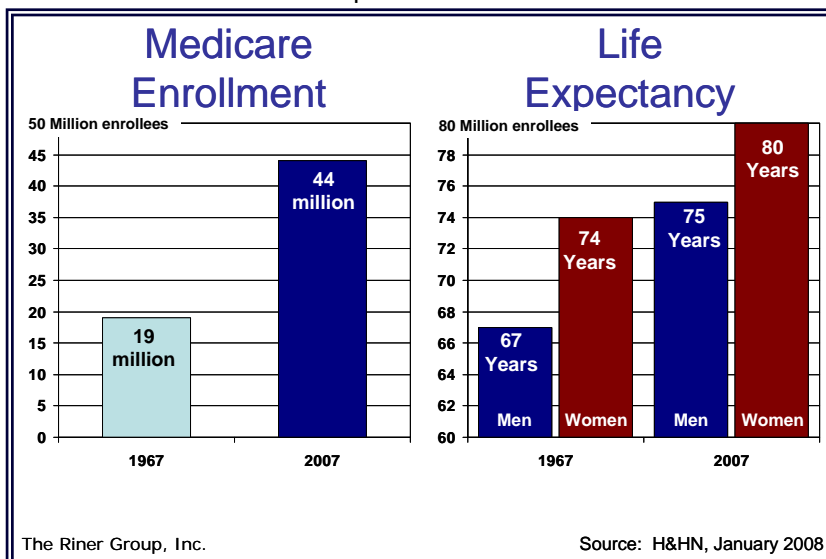
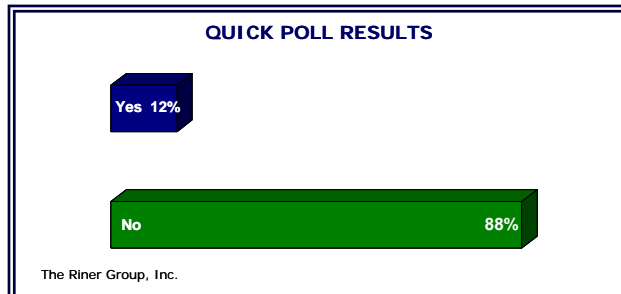
August 2008

The following question was posted on the Riner Group Website for the month of May 2008.

"Do you feel Medicare is adequately funded to provide needed medical services for the elderly population?"

Perspective: There is no question that Americans are living longer. As they live longer they also use more healthcare services than previous generations. That will put enormous strain on public programs, most notably Medicare.

The Program's trustees project the Part A trust fund will be bankrupt by 2019 unless some intervening action is taken. However, the Medicare financial woes aren't the government's alone. Seniors are increasingly being asked to pay for more healthcare out-of-pocket. There are coverage gaps as well, forcing seniors to spend even more of their fixed savings. Upward of 60% of elderly people have an annual income under \$23,880 according to the National Academy on an Aging Society. The data below will help provide a better understanding of the issues and dilemma facing Medicare beneficiaries and providers.



Income and Net Worth

4%	The number of seniors for whom Social Security accounts for 90% of their income
20%	The number of households ages 56-64 that have no retirement savings
\$295,000	The amount a couple – both 65 today and with average life expectancy – needs in savings to pay Medicare premiums and out-of-pocket expenses
\$550,000	The amount that same couple needs in savings if they live until 95

Sources: AARP Policy Institute, 2005; Employee Benefit Research Institute 2006

Home Equity Makes Up A Substantial Portion of Seniors' Net Worth

	Age 65-69	70-74	75 and older
Median net worth	\$114,050	\$120,000	\$100,000
Excluding home equity	\$27,588	\$31,400	\$19,025
% home equity	76%	74%	81%

Source: MetLife Mature Market Institute, "The 55+ Population," Demographic Profile 2004

Nursing Home Costs (2006)

As seniors age, it's more likely that they'll spend some amount of time in a nursing home. Here's the highest and lowest daily rates.

Shreveport, LA	\$104/day
National Average	\$183/day
New York City	\$333/day

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Costs for Covered Services (2008)

Premiums
 Part B - \$96.40 per person per month
 Part D - Varies between \$25-\$40 per person per month depending on the drug plan

Deductibles
 Part A - \$1,024 per hospital stay
 Part B - \$135 per person per year
 Part D - varies by plan

Co-Payments
 Part A - \$256 per day for days 61-90 and \$512 per day for days 91-150
 Part B - 20% of the Medicare approved charge

Source: H&HN, January 2008

Boomers, Gen X at Risk

The Center for Retirement Research at Boston College developed a formula to determine the percentage of households at risk of being "unable to maintain their pre-retirement standard of living in retirement." Baby Boomers and Generation X are at the most risk.

Early Boomers (1946-1954)	35%
Late Boomers (1955-1964)	44%
Generation X (1965-1972)	49%

Source: Risk in Motion: The National Retirement Risk Index, Public Policy & Aging Report, Spring, 2007

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Mediscene Newsletter

Volume 29 Issue 2

OUR FOCUS

August 2008

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
- ♥ Hospital and medical practice quality reporting initiatives

EXAMPLES OF RECENT 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” – Chief of Staff Meeting for Health Management Associates, Inc.
- “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”
- “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.***