



HOSPITALS TO DIE FOR

In 1970, 60% of hospital deaths were autopsied. Today just 10% of patients who die in the hospital undergo an autopsy. In large part this trend stems from the fact that physicians tend to believe with all of their tests and scans they know exactly why the person died. However, technology can be fallible. A 2003 study review in the Journal of the American Medical Association reports that of the 850,000 annual hospital deaths, the cause is misdiagnosed in 8% of cases. This list shows teaching hospitals do the most autopsies, often exceeding the national average. Arguably, the instructive power of an autopsy can result in better quality care.

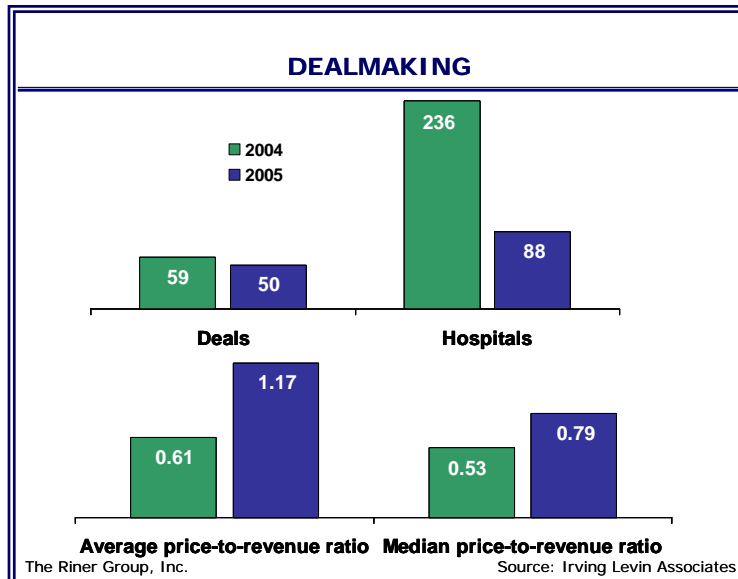
HOSPITAL AUTOPSY RATE*			
University of Iowa Hospitals & Clinics (Iowa City, IA)	32%	Northwestern University Memorial Hospital (Chicago, IL)	20%
University of Washington Medical Center (Seattle, WA)	31%	Duke University Medical Center (Durham, NC)	18%
University of Colorado Health Sciences Center (Aurora, CO)	30%	University of North Carolina Hospitals (Chapel Hill, NC)	17%
University of Minnesota Medical Center, Fairview (Minneapolis, MN)	28%	University Hospital at University of Texas (San Antonio, TX)	16%
Dartmouth-Hitchcock Medical Center (Lebanon, NH)	28%	Johns Hopkins Hospital (Baltimore, MD)	16%
University Hospital at University of Michigan (Ann Arbor, MI)	23%	New York-Presbyterian Hospital (New York, NY)	15%
University of Cincinnati Medical Center (Cincinnati, OH)	20%	Hospital of the University of Pennsylvania (Philadelphia, PA)	15%
University of Massachusetts Memorial Medical Center (Worcester, MA)	20%	Mount Sinai Hospital (New York, NY)	15%

Source: Men's Health 4/05
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*Percentage of annual hospital deaths given an autopsy, excluding those under criminal investigation

DEALMAKING

Fewer hospitals changed hands in 2005 compared to 2004, but the price for acquisitions rose.

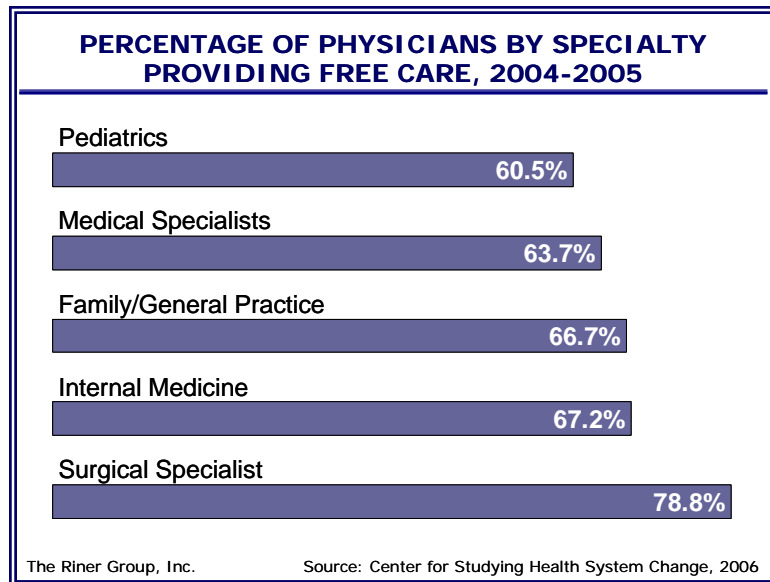


Healthcare service providers announced 116 deals in the second quarter of 2006, down from 129 in the second quarter of 2005 and 128 in the first quarter of 2006. That included 13 hospital deals, compared with 14 in the second quarter of 2005 and 10 in the first quarter of 2006. Combined, the health services and technology sectors announced 263 deals in the second quarter of 2006 for the total value of \$67 billion. The recently announced private equity buy-out of HCA will heavily influence third quarter activities.



FEWER VOLUNTEERS

Squeezed by managed care companies, decreasing reimbursement from the federal government and increasing operating costs, physicians are cutting back on volunteer work and charity care. A recent study by Paul Ginsburg, President of the Center for Studying Health System Change which is based in Washington, showed that approximately 68% of physicians provided free or reduced cost medical care in 2004-2005, down from about 72% in 2001-2002 and 76% in 1996-1997.



WHAT'S HAPPENING IN CARDIOLOGY?

- In 2006, 1.2 million Americans will have a first or recurrent coronary attack.
- Cardiovascular disease will be the cause of 1 in 2.5 deaths for women.
- 36.2% of male and 36.6% of female baby boomers will have cardiovascular disease.

Source: American Heart Association, 2006

HEALTHCARE COSTS CONTINUE TO RISE

The average annual medical cost for a family of four participating in a Preferred Provider Organization (PPO) is up 9.6% from \$12,210 in 2005 to \$13,382 in 2006 according to Milliman, Inc., a consulting and actuarial firm. Unlike other major healthcare cost studies which look at costs in terms of annual premiums or just the employer's share, the Milliman study also factors in employees' costs, including out-of-pocket expenses. This study found that employers are projecting to pay about \$8,362 or 62% of the total medical cost for a family of four. Employees are projected to pay about \$5,020 (\$2,810 in payroll deductions and \$2,210 in cost sharing).

The vast majority of businesses are planning to curtail medical plans for current and future retirees, according to a study by Watson Wyatt, a global management consulting firm. The survey of 164 companies found that 14% plan to eliminate the benefit for future retirees over age 65, and 6% plan to eliminate it for their current retirees over age 65.



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THE CHINA / INDIA CHALLENGE

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The explosive economic growth of China and India represents both an opportunity and a significant challenge to the United States. The graph provides a quick snapshot of key economic factors.

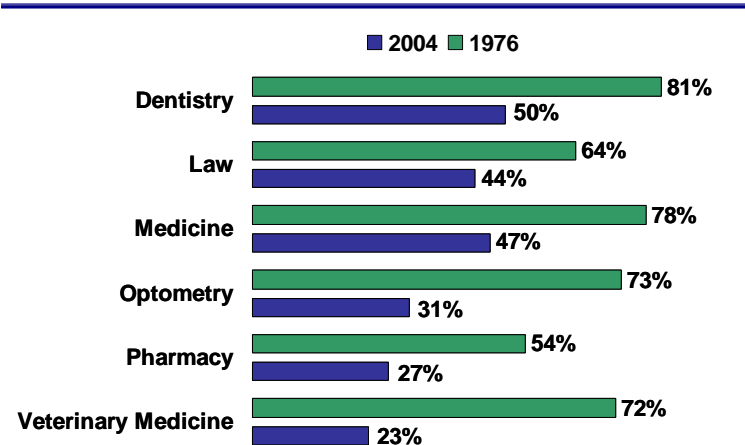
	US	China	India
GDP by PPP	\$12.37 trillion	\$8.16 trillion	\$3.67 trillion
GDP – per capita	\$41,800	\$6,200	\$3,400
GDP – real growth rate	3.5%	9.2%	7.1%
Population growth rate	0.92%	0.58%	1.4%
Investment (of GDP)	16.8%	43.6%	24.8%
Inflation rate (consumer prices)	3.2%	1.9%	4.4%
Public debt of GDP (federal and state debt combined)	64.7%	28.8%	82%
Stock Market gain 04-05	14.2%	20.7%	80%
Literacy	97%	90.9%	59.5%
	male: 97% female: 97%	male: 95.1% female: 86.5%	male: 70.2% female: 48.3%
GDP in 2025 (estimated)	\$19.32 trillion	\$34.65 trillion	\$14.22 trillion
% mix agricultural–mfg–service	-	18%-36%-46%	22%-24%-54%
Labor force	149.3 million	791.4 million	496.4 million
Military expenditure – Percentage of GDP (2004)	3.3%	4.3%	2.93%
Imports	\$1.727 trillion	\$631.8 billion	\$113.1 billion
Exports	\$927.5 billion	\$752.2 billion	\$76.23 billion
Industrial production growth rate	3.2%	27.7%	8.2%

The Riner Group, Inc. Source: Innovate May-June 2006

WHERE HAVE ALL THE MEN GONE?

Academic institutions are focusing on the numbers of men that remain in higher education. A California commission recently looked at gender imbalances in the nation's largest higher education system and came away with startling findings. The most important finding was the male drop-out rate. The entering class of 2000 in California's university system was 57% female and the graduating class in 2005 was 66% female, indicating a significantly higher drop-out rate for males. However, the importance of a college degree is significant because workers with bachelor's degrees earn salaries averaging 62% higher than full-time employees with only high school diplomas. More importantly, in a global economy a bachelor's degree is just a starting point. Changes are occurring in professional schools as well. The graph on the left shows male enrollment in professional programs in the University of California system in 1976 compared to 2004. However, men still outnumber women in cardiology as shown in the graph on the right. These graphs may indicate gender differences within segments of the various professions.

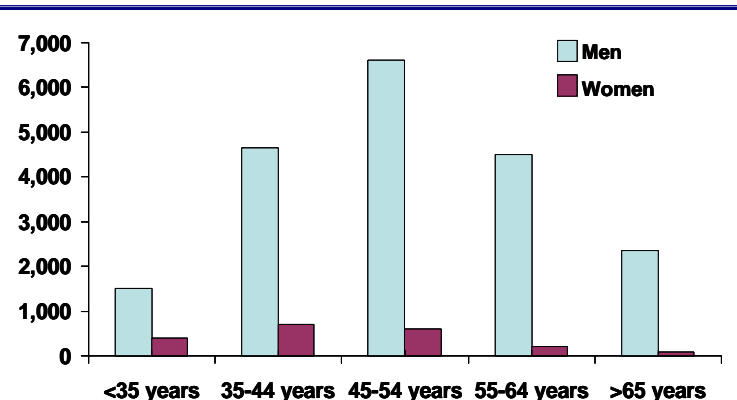
MALE ENROLLMENT IN PROFESSIONAL PROGRAMS



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Source: California Postsecondary Education Commission

U. S. CARDIOLOGISTS



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Source: American Medical Association

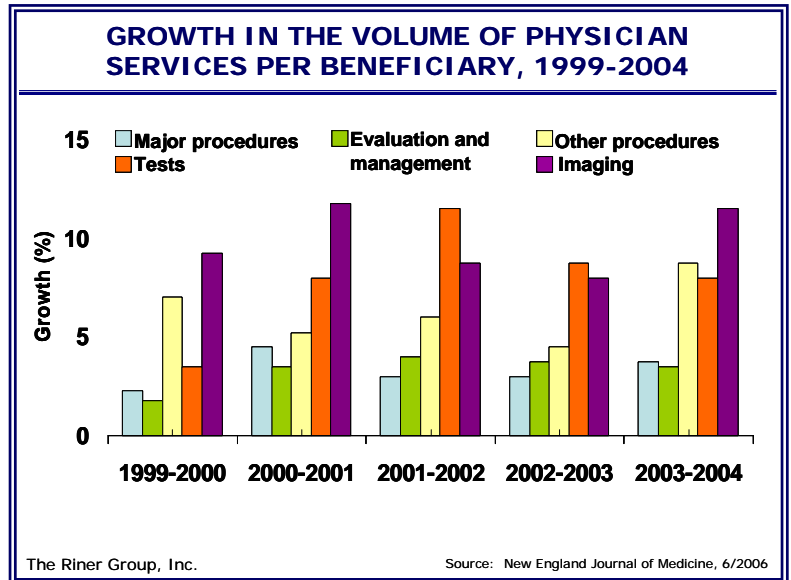


THE NEW ERA OF MEDICAL IMAGING

Rapid advances in biomedical imaging have greatly enhanced the ability of physicians to diagnose and treat a variety of diseases. In fact, one could strongly make the case that much of medicine today involves imaging.

Dramatic improvements in imaging technology account for much of the rapid increase in the volume of these services and in the expenditures for their use. The rapidity with which technological advances occur is also, in part, responsible for a change in location for much of this imaging activity. What was previously performed on an inpatient basis is now moving to an outpatient setting. More importantly, specialists outside the field of radiology are providing services that were previously almost the exclusive domain of radiologists. As a result, significant turf wars exist throughout medicine concerning privileges and abilities to perform the imaging activities.

According to the MedPac, between 1999 and 2004 the growth in volume of imaging services per Medicare beneficiary outstripped the growth of other services provided by physicians. Some would counter and say imaging is an anchor to much of modern medicine.



QUALITY OF LIFE – A TOP CONCERN FOR PHYSICIANS

Compensation is high on a list of reasons physicians stay within a medical practice, according to a new study by Delta Physician Placement of Dallas in partnership with Drury University of Springfield, Missouri. Right behind compensation is concern for quality of life. However, contrary to popular belief that only younger physicians are concerned with having a good work-life balance, this current study found no difference in work ethic across age or gender.

The *Physician Age and Gender vs. Work Ethic and Retention* survey, conducted in early 2006 looked at a random sample of 264 US physicians to determine whether there are gender and age differences among practicing physicians regarding their work ethic and their desire to leave existing employers. In general, all physicians want a high quality of life, not just women and young physicians. Only 60% of those surveyed believe that physicians should schedule at least 4.5 days of patient contact per week, and roughly one-third (32%) prefer not to work with patients continuously during each week.

Factors that prompted physicians to stay in a practice or leave included:

- 32% listed compensation as a reason to stay.
- 15% listed workload as a reason to stay, whereas another 15% listed workload as a reason to leave.
- 15% indicated wanting more family time as a factor influencing their decision to leave.

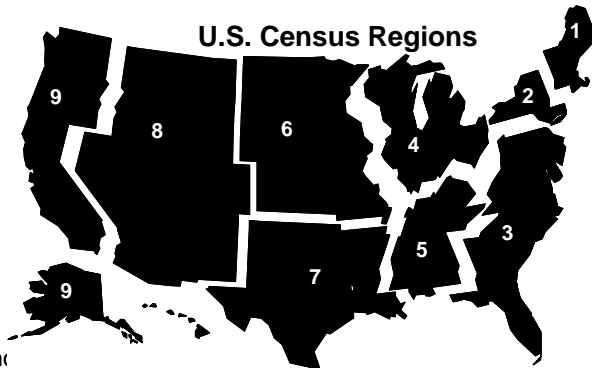
The most important factor in retaining physicians is organizational leadership; of the physicians responding to questions concerning factors that influence staying or leaving their present employers, 25% listed organizational support as a reason to stay and 18% listed lack of support as a reason to leave. More than one-third (36%) of all physicians responding to the survey said their present employer "falls far short of expectations," supporting the importance of organizational leadership.



DID YOU KNOW?

Market Watch - Physicians per 100,000 Civilian Population by Census Divisions

	Census Division	Physicians	Population in millions	Physician/ population ratio
1	New England	58,945	14,205	415
2	Middle Atlantic	150,798	40,193	375
3	South Atlantic	163,782	54,344	301
4	East North Central	126,172	45,838	275
5	East South Central	43,015	17,342	248
6	West North Central	51,599	19,568	264
7	West South Central	76,631	32,853	233
8	Mountain	48,090	19,384	248
9	Pacific	139,483	47,082	296



The Riner Group, Inc

Source: AMA 2005; H&H Research, 2005

• Insurance/Payor Activities - According to the Kaiser Family Foundation, insurance premiums rose a total of 87% from 2000 to 2005, far greater than the rate of inflation. Meanwhile, health insurers' collective profits climbed 246% to \$11.4 billion in 2004 from \$3.3 billion in 2000, according to the data from Weiss ratings.

In a study by American Medical Association it was found that the rapid consolidation among health insurers has created near-monopolies across the country. The study found that in 56% of the 294 metropolitan regions examined, one health insurer controlled 50% or more of the HMO/PPO market; a single insurer controlled at least 1/3 of the market in 95% of the areas.

More than 400 managed care mergers were completed between 1995 and 2005. In a separate report by Irving Levin Associates, consolidation has continued in 2006 with nine managed care mergers totaling \$100.1 million announced in the first quarter of 2006.

• Demographics - US population may be aging, but the number who died in 2004 represents the biggest one-year decline since World War II, according to preliminary government data released recently. Nearly 50,000 fewer Americans died in 2004 than in 2003, according to data based on about 90% of US death certificates. The preliminary number of US deaths in 2004 was 2,398,343 compared with 2,448,288 in 2003. The last decline this large occurred in 1944 when there were about 48,000 fewer deaths than in 1943.



DID YOU KNOW? (continued)

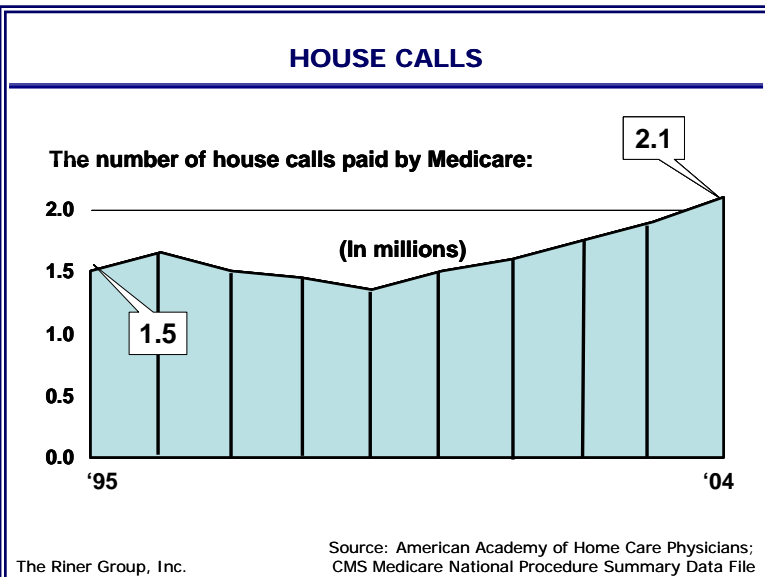
- **Population and Technology** - Rapid shifts in population and new technology have altered the way patients of all ages are treated. Technology will have far greater effect on inpatient demand than relatively modest growth in the proportion of US population age 65 and over, according to a study from the Washington-based Center for Studying Health System Change. This study which forecasts inpatient use between 2005 and 2015, estimates that the aging population will increase utilization of inpatient services by only about three-quarters of one percent a year – or just 7.6% over that decade-long period. Part of that small increase is due to the modest overall increase in the US population aged 65 and older, which is predicted to grow from about 12.4% in 2005 to 14.5% in 2015.

- **Construction** - The total costs for all healthcare construction in 2005 are expected to reach \$36.6 billion dollars, a nearly 50% increase since 2001, according to preliminary second-quarter forecast from Heather Jones, a construction economist at FMI Corp., Raleigh, N.C. The projected total cost for hospitals alone is \$22 billion, and that is forecast to increase to about \$35.6 billion by 2010. These data would suggest a cautionary note concerning inpatient construction and expenditures. One of the trends that is equally important, if not more important, would be the transformation of site of care leading to higher emphasis on outpatient utilization and services.

- **Change of Place** - Home-based programs in the US tend to serve early discharge patients who can be safely monitored at home. However, a program in Portland was designed to specifically substitute home care for hospital treatment. This approach has also been tried in the UK, Israel and Italy. In Australia, a similar project in the state of Victoria treats about 250 patients a day.

The program in Portland has successfully treated more than 300 home-based patients since 2001. The average length of stay for the at-home patients is little more than 3 days, compared to the average of about 4 days for patients choosing to stay at the hospital for their ailment.

Results from the US home-hospital study published in the December 2005 from the Annals of Internal Medicine showed solid financial savings. The study, which included the Portland VA and two other facilities, found that the price tag for treating similarly ill patients at home was \$5,081, or a third less than the \$7,480 cost of treating a patient in a hospital bed. This at-home approach is one of but many new methods being employed for treating patients. Watch this trend to evolve with time and have potential major impact on utilization of services in our traditional care-giving settings.



- **Routine Home Visits** - In 2004 Medicare paid for about 2 million home visits, still less than the 1% of outpatient visits for medical evaluation and management, according to research published in November 2005 in the Journal of American Medical Association.

Medicare has launched a 3-year pilot project in which 15,000 chronically ill elderly patients in California, Texas and Florida can receive in-home care 24/7 from board-certified physicians. The patients have their doctor's cell phone numbers pay nothing beyond their traditional fee-for-service Medicare.

The project aims to keep older patients out of the hospital, frequently the most costly and traumatic venue for healthcare services.



DID YOU KNOW? *(continued)*

- **New Cardiac Technology** - Drug-eluting coronary stents were first launched in the European market, although acceptance there was slow because of cost issues. Utilization has since grown as prices dropped due to competition, with some centers in Europe now using drug-eluting stents in more than 90% of the cases. Over 6 million drug-eluting stents have been implanted in patients world-wide in just the last 3 years. Cardiologists are now evaluating the next-generation drug-eluting stents with features such as biodegradability that promise to further expand the market.

At least 28 companies are pursuing 35 development programs for percutaneous valve repair or replacement devices. Both synthetic and combination synthetic/biological materials are being employed and a wide range of design concepts are under development.

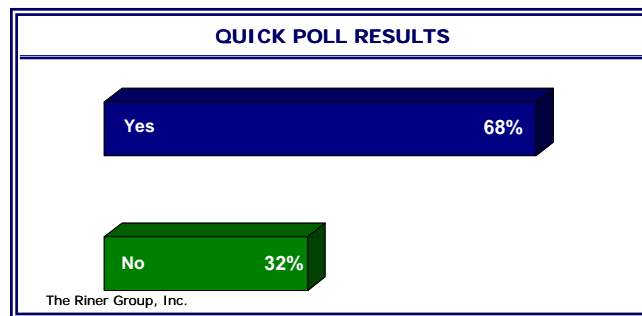
- **Use of Implants** - According to the FDA the annual number of implantable cardioverter defibrillators (ICDs) implanted in the US increased from fewer than 10,000 implants in 1990 to close to 100,000 in 2002.

However, the healthcare systems in other Western nations are apparently not quite as aggressive in making use of ICDs. According to a presentation at Heart Rhythm 2006 in Boston by Wyn Davies, a consulting cardiologist at St. Mary's Hospital (London), the rate of ICD implantation in the US exceeds that of the UK by a factor of 10.

QUICK POLL RESULTS

The following question was posted on the Riner Group Website for the month of April 2006.

“Do you think there is enough money in the healthcare system as we currently know it to provide healthcare for the uninsured?”



This is a highly contested question. One solution that people have proposed is discussed below.

There are currently about 45 million Americans without health insurance. Some advocate that by reallocating some money already devoted to health insurance, the government might be able to go a long way to solving this problem. However, the solution may not be palatable and certainly would be controversial.

Next year, the federal government expects to provide over a \$130 billion for Americans to buy health insurance. This amount is equivalent to about 11% of all federal income tax revenue and more than a fifth of federal spending on Medicare and Medicaid. By 2010 this is expected to rise to \$180 billion.

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QUICK POLL RESULTS (continued)

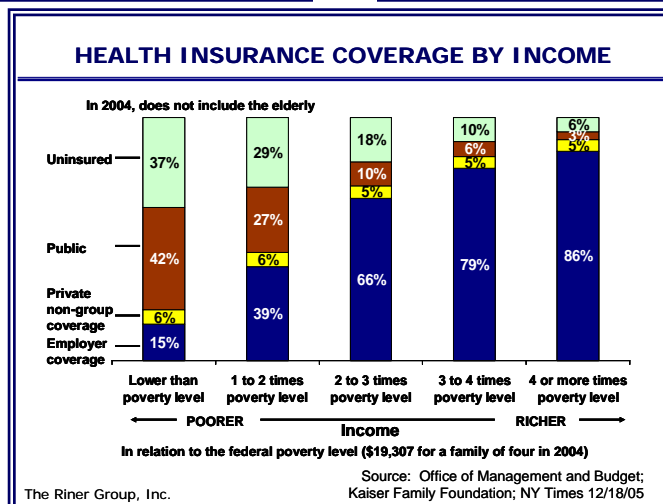
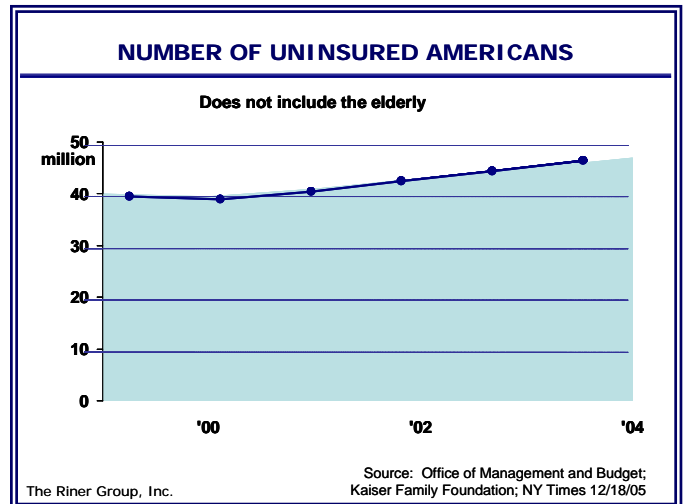
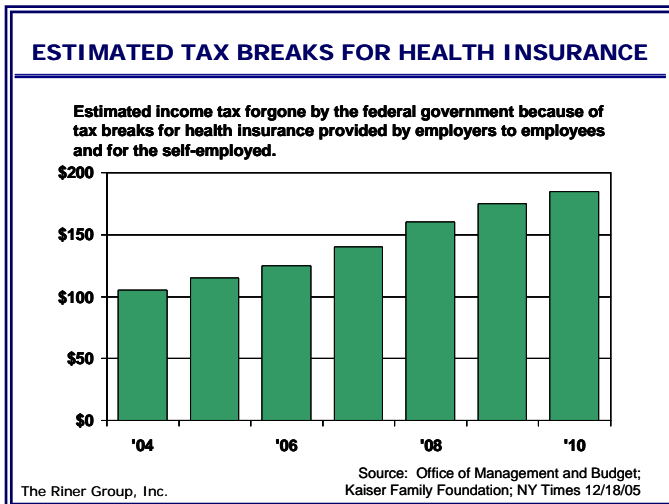
This financing is not seen as direct spending but rather a tax break that allows workers to receive health insurance coverage from their employers without having to pay income taxes.

This fact provides an incentive to businesses all over the country. The subsidy, supplemented by an additional \$11 billion in deductions for medical expenses and billions more in similar tax breaks for health insurance from states and municipalities – helps to explain why 64% of Americans under 65 get health insurance through their employers.

Nonetheless, health insurance provided through employers doesn't provide health insurance to many people who need it most. A recent report by the Kaiser Family Foundation says two-thirds of 45.5 million Americans who lacked health insurance in 2004 earned less than twice what the federal government defines as poverty (for a family of four the poverty line is \$19,300).

Altogether, some feel health insurance tax breaks exacerbates America's medical dilemma: While the nation has the highest per capita spending on health in the world – about \$5,400 in 2002 – 18% of the population under 65 remains uninsured.

Obviously, many solutions will need to be discussed. In reality the economics may be easier than the politics involved in the entire manner. However, the issue of the uninsured remains a major dilemma for our health system and those who provide care therein.





OUR FOCUS

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 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 Service Lines and Vascular Centers, Development of Strategic Alliances and new Business Ventures
- ♥ Group practice management enhancements and clinical practice assessments, compensation modeling
- ♥ Governance and management structuring for physician-hospital alignment strategies
- ♥ Leadership programs/educational forums for healthcare industry executives, trustees, directors and clinicians
- ♥ Executive and career mentoring/coaching for physicians and healthcare executives
- ♥ Temporary management of Heart and Vascular Centers and Cardiovascular Projects

RINER GROUP SPEAKING ENGAGEMENTS

- "The Future of In-House Imaging, Will It Remain Viable?" – ACC Strategies for Success, June 24, 2006, San Francisco
- "Designing a Physician Compensation Plan for Your Practice" – MGMA, August 23-25, 2006, Seattle
- "Designing Your Healthcare Organizations' Physician-Hospital Management Structure, What It May Look Like in 2010" – AHA Society for Healthcare Strategy and Market Development, September 7, 2006, Phoenix
- "Transitions in Traditional Hospital Business Models: The New Frontier in Hospital-Physician Relations with New Responsibilities for Trustees" – Center for Healthcare Governance, October 8-11, 2006, Washington, DC.

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Our SPIRIT ... superb patient care.