

Executive Resources, LLC

("EXEC")

Inside this issue:

Health Care Spending	1
Community Health Center Past and Future	1
Hospitals See Drop in Paying Patients	2
Outpatient Prospective Payment System	2
U.S Health Stagnates for Fourth Year in a Row	3
Executive Introduces New Web Site	3
Have You Performed a Medical Staff Satisfaction Survey Recently?	4

EXEC can assist your hospital relative to CMS's Recovery Audit Contractor (RAC) review. If there is an apparent risk factor at your hospital, we propose to conduct a detailed review of a sample of your most recent three months of completed medical records. The objective is to test your hospital's overall vulnerability to a detailed RAC review. We review a focused sample (20%) of all discharges in the eleven case types identified by CMS as most likely to contain inappropriate admissions. We test a random sample (8.5%) of your hospital's most recent month's discharges to measure appropriateness of all utilization based on Interqual's [Audit and Pediatric ISD-A \(Intensity/Severity/Discharge/Appropriateness\) Review System Criteria](#).

If your hospital is at risk, we can: 1) Conduct a detailed review of a medical records sample, 2) Test appropriateness of coding, 3) Identify areas of weakness, and 4) Quantify potential risk.

Please contact Jim Hull in our office for further details.

Health Care Issues

Mid-Winter 2009

Health Care Spending

The *Associated Press* reported on January 6, 2009 that health care continued to take up a greater share of the economy in 2007, as spending on hospitals, doctors and other services increased 6.1% to \$2.2 trillion. There was a silver lining in the numbers the government reported as the increase in health spending was the smallest since 1998, thanks largely to the growing use of generic drugs. About 67% of medications dispensed in 2007 were generic drugs — up from 63% the year before. Generics can cost as little as one-third the price of brand-names. Overall, according to the *AP*, health spending came to \$7,421 per person for the year. Officials emphasized that the good news about slowing the increasing costs of health care extended only to prescription drugs. All other major health sectors — such as hospitals, physicians, nursing homes and home health — grew at the same rate or slightly faster than the year before. Since

prescription drugs generate only about 10% of all health spending, officials question how much longer the transition to generics would dampen the growth in health care costs. "I wouldn't expect the good news to continue," said Richard Foster, chief actuary for the Centers for Medicare and Medicaid Services. According to the *AP*, historically, health spending has been somewhat insulated from the effects of a slowing economy, which means health care makes up an even greater share of the overall economy during recessions. In 2007, the health sector's share came to 16.2%, up from 16% the year before.



Community Health Center Past and Future

On December 26, 2008, *The New York Times* reported that President Bush will leave office "with a health care legacy in bricks and mortar: he has doubled federal financing for community health centers, enabling the creation or expansion of 1,297 clinics in medically underserved areas." The President's Community Health Center initiative commenced in 2001 with the proposed opening or expanding of 1,200 Federally Qualified Health Centers (FQHC) over five years. "Despite the unprecedented growth" of these clinics, "wide swaths of the country remain without access to affordable primary care," and the economic recession "has only magnified the need as hundreds of thousands of Americans have lost their employer-sponsored health insurance along with their jobs," according to the *Times*. "Many centers are finding that federal support is not keeping pace with the growing cost of treating the uninsured," the *Times* reports. In response to the growing need,

congressional Democrats are proposing to increase federal funding of FQHCs, effectively "making the centers a likely feature of any health care deal struck by Congress and the Obama administration," the *Times* reports. Although President-elect Barack Obama "has said little about how the centers may fit into his plans to remake American health care," he was a sponsor of a Senate bill in August 2008 that would have quadrupled federal spending on the program from \$2.1 to \$8 billion, the *Times* reports. Obama's nominee for HHS secretary, former Senate Majority Leader Tom Daschle, also has expressed support for FQHCs. According to the *Times*, if Obama's plan to overhaul U.S. health care, which is estimated to cost more than \$100 billion, "runs into fiscal obstacles, a vast expansion of community health centers may again serve as a stopgap while universal coverage waits for flusher times".



Hospitals Seeing Fewer Paying Patients

Hospitals See Drop in Paying Patients

In a November 7, 2008 article *The New York Times* reported that, “In another sign of the economy’s toll on the nation’s health care system, some hospitals say they are seeing fewer paying patients - even as greater numbers of people are showing up at emergency rooms unable to pay their bills. While the full effects of the downturn are likely to become more evident in coming months as more people lose their jobs and their insurance coverage, some hospitals are already experiencing a fall-off in patient admissions. Some patients with insurance are deferring treatments like knee replacements, hernia repairs and weight-loss surgeries - the kind of procedures that are among the most lucrative to hospitals including some that rely heavily on patients making sizable cash outlays. According to the *Times*, patients may feel too financially insecure to take time off work or spend what could be thousands of dollars in out-of-pocket expenses for elective treatments. The loss of money-making procedures comes at a difficult time for hospitals because these treatments subsidize charity care and unpaid medical bills that are increasing.

The *Times* reported that a September survey of 112 nonprofit hospitals by Citi Investment Research indicated overall inpatient admissions were down 2-3% compared with a year earlier. As fewer paying customers show up, there has been a steady increase in the demand for services by patients without insurance, many of whom show up at hospital emergency rooms, which are legally obliged to treat them. The situation is exposing a main vulnerability of the nation’s hospital care system, which executives say relies heavily on private insurance to subsidize certain services. When there is a decline in profitable procedures paid for by private insurance, hospitals have less money to offset the relatively lower fees they receive from government insurance programs like Medicare and Medicaid. The financial outlook will become even worse, with the prospect of Medicaid payment cuts from state governments that are facing large budget shortfalls.

To mitigate this trend, EXEC advocates performing a Comprehensive Community Needs Assessment of your hospital’s service area focusing more towards revenue enhancements via programs and services as contrasted to strictly cost reductions.

“I still need more healthy rest in order to work at my best. My health is the main capital I have and I want to administer it intelligently.”

Ernest Hemingway

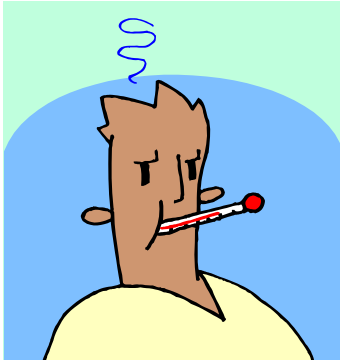


Taking Off on Outpatient Prospective Payment System Changes

Outpatient Prospective Payment System

The Centers for Medicare and Medicaid Services (CMS) will be focusing on strengthening ties between payment and quality by: 1) Reducing the CY 2009 payment update factor by two percentage points for most services for hospitals that were required to report quality measures but failed to meet specific requirements for CY 2009; 2) Increasing the number of measures that hospitals are required to report to receive the full CY 2010 market basket update from seven measures in CY 2008 to 11 measures in CY 2009 (CMS added four imaging efficiency measures that will be calculated using Medicare claims data); 3) Implementing a voluntary test validation program beginning with January 2009 encounters; and 4) Analyzing ways to align payment incentives for high quality of care across settings. CMS is also making changes to Ambulatory Patient Classifications (APCs) by: 1) Establishing five imaging composite APCs that provide a single APC payment when multiple imaging procedures are provided in a single session using the same imaging modality; 2) Adopting four new APCs for certain Type B emergency department visits; and 3) Adopting two separate Partial Hospital Program rates calculated using cost data from hospitals.

U.S. Health Stagnates for Fourth Year in a Row



Health of Americans Continues to Decline

As reported on December 3, 2008 by *United Health Foundation/America's Health Rankings*, "In a disturbing development, the 2008 America's Health Ranking: A Call to Action for Individuals & Their Communities report revealed that the health of Americans has failed to improve for the fourth consecutive year. Key factors contributing to these results included unprecedented levels of obesity, an increasing number of uninsured people, and the persistence of risky health behaviors, particularly tobacco use. Vermont ranks as nation's healthiest state, Louisiana as least healthy state. During the 1990s, health improved at an average rate of 1.5% per year, but improvements against national health measurements have remained flat for the last four years. Smoking, obesity, and the uninsured are the nation's three most critical challenges. Significant reductions in the prevalence of smoking have not occurred since the early 1990s and have virtually stalled in the last four years. According to the Centers for Disease Control (CDC), the adverse health effects from smoking account for an estimated one out of every five deaths each year in the United States. The prevalence of obesity has more than doubled in the last 19 years. An alarming one in four Americans is currently considered obese putting them at increased risk for health issues such as heart disease, stroke, high blood pressure, Type 2 diabetes, and cancer. Nearly 46 million Americans are currently uninsured, leaving them without adequate medical care for chronic conditions or preventive treatment that would help reduce future illnesses. "Effective solutions to many of the health challenges facing our nation are being developed and implemented at the state and community level" said Corinne Husten, M.D., MPH, interim president of Partnership for Prevention. "We must learn from those who are getting it right and be inspired to implement our own creative solutions that will help produce a healthier America. The key is to expand these successful approaches beyond smaller pockets of progress and into widespread actions that are creative, measurable, collaborative, and sustainable."

Executive Introduces New Web Site



EXEC's "hands-on" operational experience can fulfill your unique needs

Executive Resources, LLC launched its new website in October, 2008. With offices in New Jersey and Louisiana and aided by our new website, our team is dedicated to providing quality professional services and products to select organizations within the health care environment. We are a financial, strategic planning, and operational management firm offering a variety of professional services enabling clients to operate in an efficient and cost-effective manner. There is no substitute for operational experience in the healthcare field—that is what EXEC is all about!

Please "check us out" at www.execresources.net. Please call Harry Wright, Bill Cusick, or Larry Sargent to find out more about what EXEC does and how we can help your organization.

Executive Resources, LLC is currently listed in Healthcare Financial Management Association's 2009 Buyer's Resource Guide, a directory of the healthcare industry's leading vendors. See our listing on page 95 of the guide.

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**Call Bill Cusick, Larry Sargent or
Harry Wright for more information.**

WE'RE ON THE WEB AT

WWW.EXECRESOURCES.NET

Decreasing federal and State Medicaid and Medicare payment rates for both physicians and hospitals, the need to attract primary care, subspecialty care, and surgical physicians, and increasing competition all are paramount in the need for a hospital to conduct a Medical Staff Satisfaction Survey. Deploying a satisfaction survey is a cost-effective STRATEGY that hospitals can use to assess their Medical Staff's attitudes, desires, and concerns relative to the hospital's policies, services, and operations.

Have You Performed a Medical Staff Satisfaction Survey Recently?

Hospitals that conduct Medical Staff Satisfaction Surveys do so in order to: 1) Measure physician attitude in various hospital operational areas, 2) Improve physician recruitment and retention, 3) Gauge interest in new programs and services, 4) Focus on areas of improvement, and 5) Obtain feedback from which actions can be taken at a cost-effective price. Hospital are committed to maintaining a high level of satisfaction among their medical staff, as well as a high level of communication and exchange of ideas in order to sustain an environment where issues and concerns are addressed in a satisfactory and timely manner.

Surveys should be performed in a confidential manner and serve as an excellent tool to provide an effective, objective, and systematic process for assessing physician attitudes and concerns with the operations of the hospital. If utilized properly, these surveys can be a useful method to assess a variety of issues and monitor organizational performance.

The EXEC survey questionnaire should be tailored to be representative of your entire Medical Staff, and one that can be completed in no more than 15 minutes to encourage maximum participation. It is important that a hospital design an effective survey instrument that can be easily quantified with objective information.

Please call EXEC at 800-925-1919 for further details.

