FYA For Your Advantage

An Essential Tool for Healthcare Leaders

Sponsored by PHNS The HealthCaring Solution

Volume 8, Issue 7 - April 6, 2009

From TrendLeader Connections

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***FYA* - For Your Advantage** is produced by **TrendLeader Connections**. TLC offers a variety of healthcare products and services that help executives to differentiate between "fads" and "trends" and to make connections with "Trend Leaders" within the healthcare industry.

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Push for EMRs Comes from Government... and Wal-Mart

The big box store that sells kitchen cleaning items by the case, along with huge quantities of canned tuna fish and a six-month's supply of hair gel wants to now sell an electronic medical record (EMR) for physicians.

Wal-Mart has announced that it is poised, through partnerships with its Sam's Club Division, Dell and eClinicalWorks, to offer an EMR hardware, software and ongoing technical support and maintenance package at a price point attractive to the small groups in which most U.S. physicians practice.

According to *The New York Times*, this spring the company will launch its system at under $25,000 for the first physician and about $10,000 for each additional practitioner. After installation and training, ongoing maintenance and support will cost about $4,000 to $6,500 annually. Wal-Mart says that pricing structure undercuts rival suppliers by as much as half.

Wal-Mart's move comes as the Obama administration is trying to jump-start the adoption of digital medical records with $19 billion of incentives in the economic stimulus package. About $17 billion of those funds will flow through Medicare and Medicaid payment incentives to physicians and hospitals to encourage use of EMRs.

Wal-Mart says it had explored the opportunity in health information technology long before the presidential election. About 200,000 health care providers, mostly doctors, are among Sam Club's 47 million members. And the company's research showed the technology was becoming less costly and interest was rising among small physician practices, according to Todd Matherly, vice president for health and wellness at Sam's Club.

Between 2011 and 2014, use of a "qualified" and "meaningful" EMR can earn physicians up to $64,000 in incentives and hospitals as much as $11 million. After 2014, payment penalties for failure to use EMRs kick in.

Only about 17 percent of the nation's physicians are using computerized patient records, according to a government-sponsored survey published last year in *The New England Journal of Medicine*. The use of electronic health records is widespread in large physician groups, but three-fourths of the nation's doctors work in small practices of 10 physicians or fewer.

In the package, Dell is offering either a desktop or a tablet personal computer. Many physicians prefer tablet PCs because they more closely resemble their familiar paper notepads and make for easier communication with the patient, since the doctor is not behind a desktop screen.

eClinicalWorks, which is used by 25,000 physicians, mostly in small practices, will provide the electronic record and practice management software, for billing and patient registration, as a service over the Internet. This "software

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Push for EMRs Comes from Government... and Wal-Mart (Continued...)

as a service" model can trim costs considerably and make technical support and maintenance less complicated, because less software resides on the personal computer in a doctor's office.

Dell will be responsible for installation of the computers, while eClinicalWorks will handle software installation, training and maintenance. Wal-Mart is using its buying power for discounts on both the hardware and software. Wal-Mart's role is to put the bundle of technology into an affordable and accessible offering.

"If Wal-Mart is successful, this could be a game-changer," David J. Brailer, MD, PhD, former National Coordinator for Health Information Technology under President George W. Bush, told *The New York Times*.

Wal-Mart piloted its EMR package over the last several years in its 30 in-store clinics operating in eight states. In a generally unfavorable retail climate, Wal-Mart just announced that its sales exceeded expectations in February with a five percent increase.

The financial incentives in the administration plan – more than $40,000 per physician over a few years, to install and use electronic health records – could accelerate adoption. When used properly, most health experts agree, digital records can curb costs and improve care.

But many, especially physicians in small offices, doubt the wisdom of switching to electronic health records, given their cost and complexity.

Wal-Mart, however, has the potential to bring not only lower costs but also an efficient distribution channel to cater to small physician groups. Traditional health technology suppliers, experts say, have tended to shun the small physician offices because it has been costly to sell to them. Taken together, they make up a large market, but they are scattered.

Nathan Cohen of the consulting group, Sg2, believes that "even if physicians can purchase an EMR through a retail source, hospitals and health systems still have a major role to play in helping physicians with implementation and getting connected with local information exchange initiatives."

"As I discussed in a recent article summarizing the HIT provisions of the stimulus bill, 'free is not free' in health care. Although Wal-Mart's EMR may be inexpensive, the technology is only a fraction of the overall cost of change. Physicians cannot implement an EMR effectively without major practice redesign and behavior change. To be successful, practitioners require assistance with these processes."

FYA has reported Wal-Mart's aggressive moves into the healthcare market over the last few years. The first of its big moves was the selling of some generics for four dollars per prescription. In an investor call last month, Wal-Mart went further hinting that it hopes to enter the pharmaceutical benefits management (PBM) market. And more recently there was a modest roll-out of the Dossia Personal Health System (PHS) among 20 Wal-Mart employees.

Dossia was established by major U.S. employers such as Intel, British Petroleum, Pitney Bowes, Cardinal Health, Applied Materials, AT&T, Sanofi-Aventis and Wal-Mart, to create a web-based system that enables employees to gain access to their own personal health data, which is now largely inaccessible to them. Dossia uses a web-based infrastructure to empower individuals to manage their own healthcare, improve communications with their doctors and provide more complete and accurate information for healthcare providers than the current system, which continues to be fragmented and still partially paper-based.

It has been common knowledge that Wal-Mart is establishing retail clinics in its stores. Wal-Mart is projecting about 2,000 retail clinics by 2014. There are currently 55 in operation according to *The Wall Street Journal*. Wal-Mart is forming partnerships with healthcare clinic operators for these in-store, retail clinics.

With the Wal-Mart mandate that all retail clinics use the same EMR system from eClinicalWorks, you can expect to take EMRs off your radar screen and into your strategic planning.

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Governing Through Economic Meltdown

By Rick Kneipper, Chief Administrative Officer and Co-Founder of PHNS

Not since the Great Depression have both Wall Street and Main Street been so intensely focused on the continuing meltdown of the once mighty U.S. economy. It's becoming mind-numbing to see the latest financial disasters de jour unfold, ranging from outright frauds of epic proportions like Bernie Madoff's alleged Ponzi scheme, to the shocking collapse or near-collapse of most of the country's and world's financial institutions and the falls from grace of once venerable public companies like AIG, General Motors, General Electric and others.

And the financial pain has seriously imperiled numerous hospitals and other healthcare providers throughout the country. At long last, our governmental leaders, business leaders and the public are demanding explanations of how this happened and why it wasn't prevented or at least alleviated.

While it's easy and perhaps emotionally satisfying to blame all this financial chaos on greed, compensation excesses, fraud, overreaching, unforeseen economic changes, incompetence, deregulation, etc., etc., etc. It is also clear that the leadership of our business and governmental organizations failed to provide appropriate levels of oversight, governance and risk management.

The National Association of Corporate Directors has recognized this failing and just released an excellent report that urges boards of directors to improve dramatically their overall governance of corporate management, risk oversight and strategic direction. This much-needed review of governance isn't just for the public companies that have failed or disappointed, but also should apply to not-for-profit institutions such as hospitals that have unique fiduciary duties both to operate their business in a fiscally responsible manner and to fulfill their public healthcare mission. Indeed a governance review might be even more applicable to not-for-profit hospitals because, unlike for-profit hospitals, not-for-profit boards generally aren't directly responsible to anyone since they don't have stockholders or other true owners who oversee the boards' performance and can change the boards if they are dissatisfied with their performance.

So, let's consider the recommendations of the National Association of Corporate Directors, and how they might apply to not-for-profit hospital boards:

- Boards should dramatically increase their risk oversight by seeking outside professional help in identifying potential risks and should spread risk oversight among multiple board committees. *Does your hospital have: a risk management plan that was approved by the board? A system of internal controls for monitoring risks and implementing the risk management plan? A monthly risk management report to your board?*
- Boards should increase their involvement in corporate strategy, including alignment of the skills of board members with the future direction of corporate strategy. *Does your hospital have a strategic plan that has been updated to reflect the difficult realities of today's economy and healthcare industry? Has your board considered whether its members have the skills and experience required for the future direction of your hospital?*
- Boards should re-evaluate and realign executive and management compensation to ensure alignment with corporate strategy. *Has your board considered whether the methods and amounts of compensation of the hospital's executives and employees are properly aligned with the hospital's financial results? The world now seems to believe that executives of failing banks, automobile manufacturers and other companies that receive government financial assistance ought not to be collecting large compensation packages when their companies are in financial trouble.*

Should this last circumstance apply to not-for-profit hospitals that are in financial trouble and are receiving massive government financial assistance through Medicare, Medicaid, tax exemption and other assistance?

I would like to hear your comments.
Send them to:
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Doctors Donate to Reduce Hospital Layoffs

The *Boston Globe* newspaper reported that the heads of 13 medical departments at Beth Israel Deaconess Medical Center have volunteered to collectively donate $350,000 to the Boston hospital in an effort to reduce planned staff layoffs.

They are also calling on hundreds of other doctors affiliated with Beth Israel Deaconess to donate money as a way to save colleagues' jobs.

"We invite you to consider making as generous a contribution as possible," the department heads wrote in a letter to about 1,100 physicians on the Beth Israel Deaconess staff and in private practices that are affiliated with the hospital. The money "will support job preservation among the hospital staff in order that they can continue to provide great service to our patients."

Beth Israel Deaconess, one of the city's major academic medical centers, said last month it was facing a $20 million loss in the current fiscal year, and would be looking at cost-cutting measures including layoffs.

Following the announcement, Paul Levy, the hospital's chief executive, met with employees and solicited ideas to save money and preserve jobs. Last week, he wrote on his blog that the meetings had resulted in enough cost savings to reduce the number of planned layoffs from 600 to 150.

To further reduce the number of layoffs, the department heads each contributed about $27,000 from their annual pay.

"This was a really easy decision," said Dr. Mary Ann Stevenson, chair of the Department of Radiation Oncology. "Most of us have been longtime campaigners for the hospital. There were lots of opportunities to leave over many bad years. Most of us feel very strongly about where we work."

"This is not chicken feed," she added. "It's completely voluntary, but we hope this will start a groundswell of support."

Dr. DeWayne Pursley, chair of the Department of Neonatology and acting chair of obstetrics and gynecology, said, "In my two departments, I'm quite confident that the great majority of physicians will participate. I don't know at what level. People have their own personal issues. Personally, I have three kids in college."

The financial troubles at Beth Israel Deaconess reflect those affecting hospitals around the country. Many have faced unexpected downturns in patient volume as people hit by the recession have put off elective surgery and other procedures that carry large co-payments. Others are also without health insurance as a result of losing their jobs.

After two years of strong growth, inpatient volume at the Boston hospital is down about one percent in the fiscal year that began Oct. 1. As part of cost savings, Levy cut his pay 10 percent, while other senior executives will see their pay reduced five percent. The hospital also will not pay bonuses this year.

"Our doctors have once again shown the affection they have for the hospital staff and have displayed a marvelous sense of community," said Levy. "This is a kind and generous act."

Let's Heal Ourselves First

By Richard A. Norling and Kirk O. Hanson

Each day, patients trust physicians to make decisions about how to best treat illnesses. Physicians trust hospitals to provide them with the most effective medicines and medical equipment. Hospitals trust manufacturers to produce the most reliable, innovative healthcare products. Together, the healthcare industry shares a responsibility to honor this trust by abiding by the highest ethical standards.

Successful ethical standards help ensure that relationships among these healthcare actors are appropriate and transparent. Relationships between manufacturers and providers yield mutual benefits that positively affect patient outcomes. But when financial relationships that could influence decision making are established and not disclosed, a line has been crossed that can shatter patient confidence and damage credibility in an industry that depends on maintaining trust.

Understanding this reality, a groundswell of disclosure initiatives have started to emerge.

Universities such as the University of Pennsylvania and large hospital systems like the Cleveland Clinic recently started voluntarily disclosing all manufacturer payments to physicians. The top five makers of hip and knee implants have agreed to disclose all payments to physicians; and Eli Lilly, GlaxoSmithKline and Merck say they will follow suit next year. The Pharmaceutical Research and Manufacturers of America and the Advanced Medical Technology Association, two of the largest associations representing drug and device manufacturers, respectively, strengthened their codes of conduct related to gifts and other payments and will make public the list of members who abide by the new guidelines. And, most recently, Senators Charles Grassley (R-IA) and Herb Kohl (D-WI) have re-introduced the Physician Payment Sunshine Act that would require manufacturers to disclose payments of value to physicians.

These and other disclosure efforts, when effectively executed, create transparency and can drive a more empowered culture of ethics. But today's efforts are not as comprehensive as they could be.

Trust requires that virtually every healthcare industry organization create a systematic process to ensure that all dimensions of this critical issue are thoroughly addressed.

Healthcare companies need to be regularly measured against their industries' ethics codes. Codes of conduct and the measures created to ensure compliance must be publicly disclosed. Participating companies should be benchmarked against one another to identify gaps and best practices. An external oversight body of experts in the field should provide input into the ethics and compliance process. Information about ongoing compliance should be publicly reported on a regular basis. And clear and understandable rules should be developed to punish those who fail to comply.

The Premier healthcare alliance, a healthcare group purchasing organization (GPO), has a high-level commitment to transparency, best practices in accountability and business ethics. Demonstrating that commitment, Premier led an effort to form an effective voluntary ethics oversight organization called the Healthcare Group Purchasing Industry Initiative (HGPII).

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Let's Heal Ourselves First (Continued...)

HGPII provides a model for other healthcare organizations in creating a comprehensive, self-regulating program.

Developed with guidance from Kirk Hanson, a longtime consultant to industry ethics efforts and professor of business ethics, HGPII exhibits key elements of an effective voluntary effort. HGPII requires participants to follow six core ethical principles. Adherence to the principles must be documented in an annual accountability questionnaire, which is reviewed by a third-party ethics expert and updated or expanded each year to ensure it is reflective of emerging issues and ethical best practices. All responses to the questionnaire are posted publicly on the Web.

HGPII members must also participate in an annual Best Practices Forum to share business conduct practices with other GPOs and representatives from government or other organizations. HGPII plans to expand the current model to be governed by a third-party external advisory board, and to embrace third-party auditing. Failure to follow the HGPII recommendations carries the penalty of expulsion, which would raise questions about that GPO's commitment to ethics and affect its ability to attract customers.

Through HGPII, we have learned that industry ethics that are reinforced by external oversight, measurement and reporting are effective. With HGPII's transparent system, the public can evaluate financial and business interactions to ensure they are in the best interest of hospitals and patients. In this way, GPOs are earning greater levels of trust.

Many healthcare organizations have implemented ethics programs and strategies, but the current climate demands industry-wide efforts, such as those undertaken by HGPII. Anything less will fail to convince a skeptical public that we are worthy of their trust. We need to commit to extra efforts to reassure consumers that we are serious about enforcing ethical behavior, and that we are doing everything possible to avoid impropriety.

With concerns about integrity at a critical point, and with a national healthcare debate on the horizon, we must ensure trust in the current system. We must heal ourselves first.

Richard A. Norling is president and CEO for Premier healthcare alliance.

Kirk O. Hanson is executive director of the Markkula Center for Applied Ethics at Santa Clara University.