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About FYA

FYA – *For Your Advantage*, is a free twice-monthly newsletter published by TrendLeader Connections.

With every issue, FYA provides insights into the topics that concern healthcare leaders today and the challenges that will be faced in the near future.

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Google Is Admitted to Hospitals

After 18 months in development, Google officially launched its online personal health record to the public two weeks ago. The search engine giant allows people to collect their medical records, prescriptions and other health data and share them with others.

The new service, known as Google Health, joins a growing field of companies offering personal health records on the Web. They include longtime online health services like WebMD, software powerhouse Microsoft and start-up Revolution Health.

To the average user, the Google beta service offers some convenient features, like the ability to enter your own medical information or search your prescription history with a few big pharmacies. But it is among patients at networked hospitals – like Beth Israel Deaconess Medical Center, in Boston – that Google Health will prove whether it can truly live up to the hype.

At the end of last month, Beth Israel Deaconess officially joined the Cleveland Clinic and a handful of pharmacies, labs and other health businesses as Google's first partners in the new service. If Google Health succeeds at Beth Israel Deaconess, this may forecast whether patients are willing to trust their health information to large personal health record (PHR) providers, and it may hint at how Google Health and similar services might impact medical care in the future.

Hospitals are increasingly moving away from paper files and toward standardized electronic records. But even with the growing digitization of health data, there is little sharing of records between different hospitals and doctors' offices. By making it easy for patients to manage and share their own records, services like Google Health have the potential to bring about a tremendous increase in the fluidity of health data.

Through Google Health, Beth Israel Deaconess patients – who already have access to their own electronic medical records, via the hospital's [PatientSite](#) program – can access official copies of their Beth Israel Deaconess records and save them in a Google Health profile, along with other medical information they create or import.

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Google Is Admitted to Hospitals (Continued...)

If more healthcare providers sign up as partners, services like Google Health can allow patients to build a secure, seamless lifetime record of their medical information.

In its first week of operation, Google Health attracted about 150 of the several hundred thousand patients Beth Israel Deaconess sees each year. That's not a lot. But if the service proves as popular as PatientSite, which has more than 40,000 users, it could give a big boost to Google's efforts.

During the development stage, in a two-month trial period at the Cleveland Clinic, patients were eager to use the Google Health records. The pilot project was limited to 1,600 patients, and became quickly oversubscribed.

One of the biggest unknowns – and a topic of great debate – is whether people will trust their medical information to Google. Because it is neither a healthcare provider nor an insurer, Google Health is not covered by the Health Information Privacy and Accountability Act (HIPAA). "If protections are not in place, there is always the risk that data will be used not in the best interest of the patient, but rather in the interest of the bottom line," says Isaac Kohane, chair of informatics at Children's Hospital Boston.

As Google Health grows, it will attract not just hospitals and pharmacies, but also other kinds of third-party partners seeking access to their members – raising the specter of new routes for direct-to-consumer marketing of drugs, unscrupulous research and data mining.

In the Cleveland trial, patients apparently did not shun the Google Health records because of qualms

that their personal health information might not be secure if held by a large technology company.

According to C. Martin Harris, Cleveland Clinic's chief information officer, the Google record allows the user to send personal information, at the individual's discretion, into the clinic record or to pull information from the clinic records into the Google personal file.

The ability of patients to send information, in particular, can be helpful to clinic doctors, Dr. Harris said. For example, if a person sees specialists outside the clinic and receives a drug prescription from an outside doctor, it raises the risk of harmful drug interactions. "Until now, if a patient doesn't remember to tell me," he said, "I don't know about drugs prescribed outside the Cleveland Clinic system."

About



FYA - For Your Advantage is brought to you by TrendLeader Connections. The function of TrendLeader Connections is producing educational materials and seminars that help healthcare executives differentiate between fads and trends; and making connections with "Trend Leaders" within the healthcare industry.

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Congressional Budget Office Questions Healthcare IT Cost Savings

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

After we've been told for years by our President, Congressional leaders and most healthcare gurus that health information technology, particularly electronic health records ("EHRs"), is the "silver bullet" to improve quality and reduce costs for healthcare providers, the Congressional Budget Office ("CBO") released a report last month that is the equivalent of "the emperor has no clothes."

The CBO study was prepared to address the question "whether – and if the answer is yes, how – the federal government should stimulate and guide the adoption of health IT." The study's overall conclusion is that while "health IT appears to make it easier to reduce health spending if other steps in the broader healthcare system are also taken to alter incentives to promote savings" – **"By itself, the adoption of more health IT is generally not sufficient to produce significant cost savings."** (emphasis added). It also concluded that the benefits of EHRs are not easy to capture for providers and hospitals that are not part of integrated systems.

The CBO study is rather pointed, perhaps brutal, in its conclusions, which include the following:

- The CBO reviewed two major studies; One by the RAND Corporation and a second one by the Center for Information Technology Leadership ("CITL"). These reports are often cited to support the huge cost savings that healthcare could realize through increased use of health IT (\$80 billion in net annual savings from the adoption of health IT according to the RAND study). The CBO conclusion: "Neither the RAND nor the CITL study...is an appropriate guide to the budgetary effects of legislative

proposals aimed at increasing the use of health IT" since "both studies attempt to measure the *potential* impact of widespread adoption of health IT, not the *likely* impact."

- The CBO also pointed out that the RAND study is "based solely on empirical studies from the literature that found positive effects for the implementation of health IT systems; it excluded the studies of health IT, even those published in peer-reviewed journals, that failed to find favorable results. The decision to ignore evidence of zero or negative net savings clearly biases any estimate of the actual impact of health IT on spending." Wow – that's rather direct!!!
- "...in general...health IT appears to be necessary but not sufficient to generate cost savings; that is, **health IT can be an essential component of an effort to reduce costs (and improve quality), but by itself it typically does not produce a reduction in costs.**" (emphasis added).

The CBO's conclusions won't surprise many hospital executives who have long maintained that the incredibly expensive health IT applications, particularly the EHRs, cannot be justified based on cost savings. But it will be very unwelcome news for the large number of hospital executives who have been convinced by vendors that health IT investments will produce significant cost savings. Which camp are you in, and what do you think about the CBO conclusions?

I would like to hear your comments.
Send them to:
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Renewed Interest in Hospital Acquisitions

When you want to know about trends in financial investments, you turn to Wall Street. When you want to know about trends in hospital investments, you turn to Nashville – the home of many of the largest hospital chains.

It has been quiet in Nashville the last couple of years as the large hospital chains have absorbed past acquisitions and sold off a few locations to pay down debt. Despite the precarious state of the economy there is renewed interest in merging and buying hospitals. The renewed interest comes as experts see a buyer's market for the big chains as smaller players face tougher times to refinance debt amid a national credit crunch.

Observers don't expect an outbreak of big deals. Instead, they are likely to be for single hospitals in markets where a large company already has a presence. One example was Nashville-based HCA's recent acquisition of Sun Coast Hospital in Largo, FL, for \$19.7 million.

Dan Slipkovich is the CEO of Capella Healthcare Inc., headquartered outside of Nashville in Franklin, TN. He told the *Tennessean* newspaper, "If you've got the financing, there are plenty of good transactions to get done." His group closed a \$315 million deal that added nine hospitals to its portfolio. It funded the deal, in part, with capital from a private equity firm.

The New York investment group Lindsay Goldberg committed \$75 million to the Nashville area's Brentwood-based Ambulatory Services of America to help close deals and fuel expansion of its cancer treatment and dialysis clinics in eight states and Guam.

Historically, for-profit operators have made acquisitions more frequently than the nonprofit players because of a broader geographical interest and an ability to tap into both the equity and debt markets. One exception, this year, was a

\$300 million acquisition by not-for-profit Novant Health of Winston-Salem, NC. It bought a 27 percent stake in seven hospitals in the Carolinas owned by Naples, FL,-based Health Management Associates, a publicly traded company.

Nonprofit operators tend to rely more on bond sales for financing, a market that has been difficult the past nine months as investors seek higher-yield investments considered safer than many of the nonprofits' debt securities.

Both HCA and Lifepoint officials believe the pipeline for deals seems to be opening wider. Both remain disciplined while looking aggressively for potential deals.

Current economic conditions have not frightened away investors entirely; they have merely become more selective in reviewing their opportunities. One observer noted that well-capitalized big companies like HCA and LifePoint can selectively make smart acquisitions because smaller competitors that don't have as much money to act are sitting on the sidelines.

Hospital operators that don't have too high of a debt load relative to earnings can more easily take on additional debt to fund deals, according to stock analysts. That strategy alone might suggest that Brentwood-based LifePoint could be involved in a deal or two in the near future.

LifePoint has just over three times debt versus earnings before interest, taxes, depreciation and amortization – a more favorable position than the more than six times at both HCA and Community Health (a Franklin-based hospital chain) and the roughly six times leverage of Nashville's Vanguard Health, data show.

Although the number of hospital deals have declined by 33 percent according to Levin Associates, a research firm in Norwalk, CT, the buyers that are well prepared with their finances in place have a real buying opportunity.

About



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