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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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## Specialty MD Pay Barely Keeps Up with Inflation

Specialty physicians' overall compensation remained flat in 2007, (increasing just 0.31 percent, adjusted for inflation, or 3.16 percent without inflation) according to the Medical Group Management Association (MGMA) Physician Compensation and Production Survey: 2008 Report Based on 2007 Data. Specialists' compensation rose to a median of \$332,450. Inflation amounts to a 2.85 percent increase in the consumer price index.

For primary care physicians, median compensation rose 3.35 percent over inflation (6.3 percent without inflation) to \$182,322 in 2007. This nominal increase comes after several years of flat or declining compensation. Additionally, primary care physicians reported a 7.59 percent increase in production (gross charges). Specialists reported flat overall production rates (.60 percent).

Among specialists, invasive cardiologists' compensation declined (0.18 percent loss) even before inflation. Conversely, noninvasive cardiologists' compensation increased 11.72 percent. Compensation for emergency medicine physicians and hematology/oncology also failed to keep up with inflation. Specialists who fared better included anesthesiologists (6.43 percent increase above inflation) and urologists, posting a gain of 5.5 percent above inflation – compounding a similar gain in 2006.

"Although primary care physicians posted modest gains in compensation as a result of increased productivity and reweighting of evaluation and management codes, overall practice costs continue to rise at staggering rates," said William F. Jessee, MD, FACMPE, president and CEO, MGMA. "The continued uncertainty of the reimbursement environment creates an untenable situation for physician groups."

MGMA observed that trends have shifted for primary care physician compensation in specific regions. Historically, physicians in the Southern section of the United States have reported slightly higher compensation than the national median of their peers in other regions. For the first time, primary care physicians in the Western section were more highly compensated in 2007.

*(Continued...)*

### Specialty MD Pay Barely Keeps Up with Inflation (Continued...)

MGMA's Physician Compensation and Production Survey Report is one of the most respected benchmarking reports in the industry based on the detailed information it offers, its nearly 25-year history and rigorous in-house data validation and analysis. This year's report represents data submitted by practices that provided information on nearly 52,000 providers – the largest provider population of any physician compensation survey report in the United States. This year's report includes data for physicians and nonphysician providers in 105 specialties including new data for family practice physicians and internists in ambulatory-only care; hospitalist compensation for family practice, internal medicine (IM), pediatrics, IM-pediatrics; and compensation for care provided in hospice/palliative care settings.

#### About

### TrendLeader Connections

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.

We are committed to delivering new perspectives and ideas, creative and innovative healthcare solutions, provocative concepts and quality educational materials to today's healthcare leaders. We want to concentrate on "what comes after what comes next."

## Be sure to join us next month for...



## Our 150th Issue!

The next copy of FYA will mark our 150th consecutive issue. That's six-and-a quarter years of pioneering electronic publishing in the healthcare industry.

We'll take the occasion to introduce you to the people behind the scene that make FYA possible; and we'll reintroduce you to the loyal sponsor that has supported us for more than five years.

## \$700 Billion of Healthcare Inefficiencies

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

Approximately \$700 billion of annual healthcare spending in the U.S. is for care that "cannot be shown to improve health outcomes" according to testimony before the Committee on the Budget of the U.S. House of Representatives on July 16, 2008, by Peter R. Orszag, the director of the Congressional Budget Office ("CBO"). This was based on research that "estimated that nearly 30 percent of Medicare's costs could be saved without negatively affecting health outcomes if spending in high- and medium-cost areas could be reduced to the level in low-cost areas."

The CBO testimony includes a detailed CBO map that shows the Medicare spending per beneficiary in the fee-for-service program for each region of the U.S., with spending ranging from a low of \$5,200 to \$6,900 in large parts of the North-Central and North-West to almost double at \$10,300 to \$13,900 for parts of Southern California, the Mid-Atlantic and the South-Central, but that "the very substantial variation in cost per beneficiary is not correlated with health outcomes overall." Even more surprising is the CBO statement that "facilities in states with high average costs are no more likely to provide recommended care for some common health problems than are facilities in states with lower costs... if anything that the opposite might be true."

The CBO also found that these significant variations in costs exist even among elite medical centers:

"Among the UCLA (University of California, Los Angeles) Medical Center, Massachusetts General Hospital and the Mayo Clinic (St. Mary's Hospital), for example, composite quality scores are very similar (81.5, 85.9, and 90.4, respectively). Although the Mayo Clinic scores above the other two, its cost per beneficiary for Medicare clients in the last six months of life (\$26,330) is nearly half

that at the UCLA Medical Center (\$50,522) and significantly lower than the cost at Massachusetts General Hospital (\$40,181)."

These huge cost disparities seem very hard to justify from the U.S. (i.e., us) payor point of view – "How can it be that 'the best medical care in the world' costs twice as much as the best medical care in the world?" asks Uwe Reinhardt, renowned professor of economics at Princeton University. And the CBO map cost differentials cannot be explained away by obvious cost of living differentials among the various regions in the U.S.

The CBO's suggested solutions to Congress include:

1. **Improved Cost Transparency/Cost Consciousness:** "As transparency increases and workers see how much their income is being reduced for employers' contributions and what those contributions are paying for, there might be a broader change in cost-consciousness that shifts demand."
2. **Altering Providers' Behavior:** The CBO proposes providing more information to physicians and medical professionals regarding the "comparative effectiveness" of alternative medical treatments and their costs, as well as "aggressive promulgation of standards and changes in financial and other incentives."

The CBO has raised the stakes – to at least \$700 billion – on the healthcare improvement discussions of our two major Presidential candidates, and Congress finally appears to be willing to confront the huge healthcare reform issues that have been hanging around for a long time. Do you agree or disagree with the CBO's analysis?

I would like to hear your comments.

Send them to:

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## Remote Monitoring Raises Interest – and Concerns

Here's an interesting development. Intel's new Health Guide could promote a new level of doctor-patient interaction and facilitate better, more efficient care. However, practitioners might be hesitant to embrace the remote-monitoring system due to uncertainty about how its use might affect their responsibility.

Intel has received the Food and Drug Administration's clearance to market Health Guide, an in-home device that lets healthcare providers monitor a patient's vital signs via the Internet. It also provides interactive tools such as video conferencing and e-mail to facilitate communication and education outreach.

According to an announcement in *TechNewsWorld*, Health Guide can connect to specific models of wired and wireless medical devices, including blood pressure monitors, glucose meters, pulse oximeters, peak flow meters and weight scales. It stores and displays collected information on a touchscreen and then sends it to a secure host server for the healthcare provider's review.

The device is expected to be commercially available in late 2008 or early 2009.

The publication points out that like many developments in the personal healthcare technology space, this new gadget has a lot of appeal; but whether that will translate into broad adoption, is unclear.

At present, only about one-tenth of all practicing U.S. physicians use an electronic remote monitoring device to manage their patients' chronic conditions, reports Manhattan Research, a pharmaceutical and healthcare market research and advisory services firm.

The expensive back-end investment required for such

services is one reason for their slowness to catch on. There are other matters to consider as well, such as the boundaries of doctors' responsibility. What if a patient suddenly declines while using the monitor? Would a doctor be required to get in touch with a patient whose vitals were deteriorating? Other scenarios that might give rise to thorny questions: nurses or physician assistants are hired to monitor the signs; a private sector provider collects data and provides feedback for physicians.

Physicians would like Intel's Health Guide, said Devon Herrick, a senior fellow and health economist at the National Center for Policy Analysis, because it provides a continuous stream of data from many different vital signs, as opposed to a once-a-month snapshot taken in a typical doctor's office visit.

Because Health Guide integrates personal health records with telemedicine and remote monitoring capabilities, it could grab more market share than the stand alone components have done so far, Herrick told *TechNewsWorld*.

Indeed, Intel is promoting Health Guide as a new category of personal health system technology that goes beyond the remote patient-monitoring devices now available.

"We envision a wide range of usage models, not only chronic conditions such as [congestive heart failure] and diabetes, but also programs for health and wellness management at home," said Louis Burns, vice president and general manager of Intel's Digital Health Group.

Broadening its use for wellness is part of the Health Guide's appeal – and such alternative uses may, in fact, be easier to implement than more traditional settings. The diet and fitness industries offer intriguing possibilities.

### About



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