

**Healthcare Organizations:**  
**[Journal of Financial Management Strategies]**  
**February 2010 Newsletter**



**WINTER GREETINGS 2010**

**Our Promise to you this Decade**

Here's to the crazy ones.  
The misfits.  
The rebels.  
The troublemakers.  
The round pegs in the square holes.  
The ones who see things differently. They're not fond of rules.  
And they have no respect for the status quo. You can praise them, disagree with them, quote them, disbelieve them, glorify or vilify them.  
About the only thing you can't do is ignore them.  
Because they change things.

They invent. They imagine. They heal.  
They explore. They create. They inspire.  
They push the human race forward.  
Maybe they have to be crazy.  
How else can you stare at an empty canvas and see a work of art?  
Or sit in silence and hear a song that's never been written?  
Or gaze at a red planet and see a laboratory on wheels?  
We make tools for these kinds of people.

While some see them as the crazy ones,  
we see genius.  
Because the people who are crazy enough to think  
they can change the world, are the ones who do.

Source: Think Different (Apple Computer Ad Campaign)

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***PS:*** *Don't forget to review-read-rave and rant online at our web-blog and new communications forum.*

Fraternally,

David Edward Marcinko  
Hope Rachel Hetico  
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**Subscriber Feedback**

**SEE WHAT OUR READER'S ARE SAYING ABOUT ....**

**Techno-philic versus Patient-phobic Medical Care**

*I can think of many instances when a thorough physical exam not only saved the time and expense of “high tech” testing, but probably prevented significant patient morbidity and mortality as well.*

*As a medical student, I recall an 8 year old girl admitted with intractable back pain. Extensive lab testing and spinal x-rays failed to reveal a diagnosis. The correct diagnosis was not made until a complete exam by the resident revealed crackles at the lung bases, and a chest x-ray demonstrated lower-lobe pneumonia as the cause of the pain.*

*At times advanced technology can save the day, but it should be used as a supplement to – not a replacement for – good basic history-taking and physical exam techniques. Physicians who use the “hands-off” approach and rely on high-tech testing are opening themselves to replacement!*

**Brian J. Knabe; MD, CFP®  
[Savant Capital Management]  
Madison, WI**

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## **LOOKING FORWARD IN 2010\***

*By Richard Frye; PhD  
Forte Information Resources, Denver, Co.*

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### **Looking Forward**

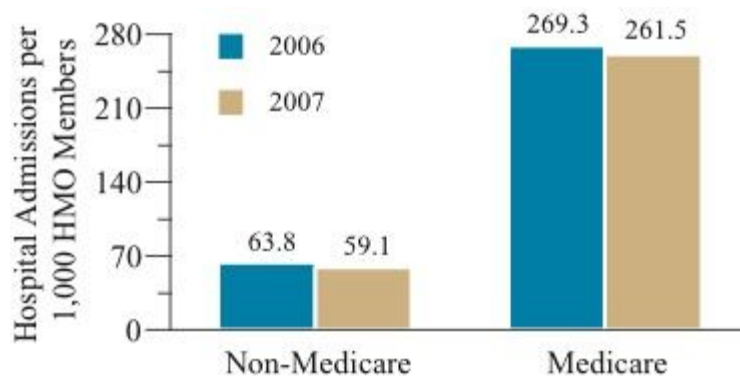
#### **HOW WOULD PROPOSED MEDICARE REFORMS IMPACT HOSPITALS?**

Earlier this year, President Obama revealed his proposed budget for FY 2010. As expected, it addressed a number of significant health system reforms, including the establishment of a \$634 billion reserve fund which would finance future health system reforms. To help pay for his plan, the President has proposed a number of changes to the Medicare program that promote "quality" and reduce "wasteful spending" in the health care sector. Among these are several proposals that could have a direct impact on the day-to-day operations of hospitals.

Medicare beneficiaries averaged 261.5 hospital admissions per 1,000 HMO members in 2007, substantially higher than the non-Medicare ratio of 59.1 hospital admissions per 1,000 HMO members. In an effort to reduce hospital readmissions (which account for approximately 18% of all Medicare hospitalizations), President Obama has proposed implementing a system of bundled payments for Medicare hospitalizations. These bundled payments would cover the cost of the hospital stay, as well as care from certain post-acute providers, for up to 30 days following the patient's discharge. This effort also aims to promote greater care coordination efforts between hospitals and providers. As a further incentive to improve care, hospitals with high 30-day readmission rates may face reduced Medicare payments.

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President Obama's budget proposal would also hasten the implementation of "value-based purchasing" for Medicare hospital services. Under this "pay-for-performance" system, a portion of Medicare payments for inpatient hospital services would be linked to performance on specific quality measures.

The long-term financial impact of these proposed quality and efficiency measures on hospitals is difficult to project. The overall Medicare margin for hospitals—the ratio of Medicare payments to Medicare patient costs—has been in the negative for several years and is projected to fall another 6.9% in 2009. Many hospitals are forced to rely on higher margins from private payers to sustain their operations. If Medicare payments are reduced for any reason, such hospitals may further shift resources to non-Medicare patients. Additionally, meeting quality standards and improving care coordination may involve a substantial investment in infrastructure, or the need for system integration for some hospitals, especially "safety net" and rural facilities.

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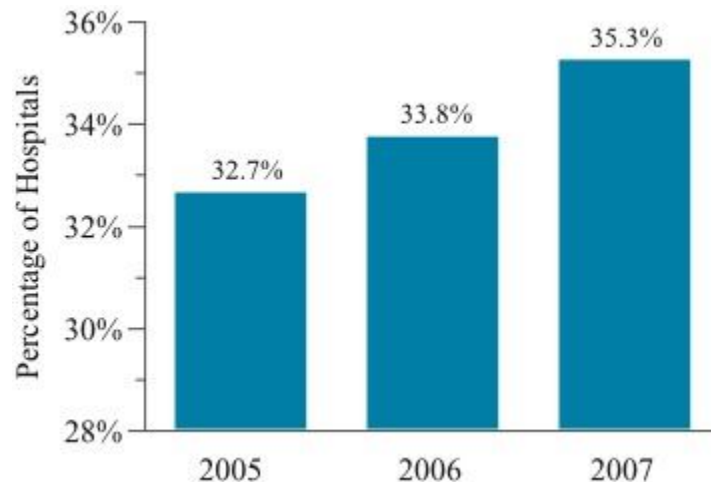
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**HOW WILL SPECIALIZATION CHANGE THE WAY HOSPITALS PROVIDE CARE?**

Higher operating costs and growing competition among hospitals have led to noticeable changes in facility sizes and specialization. The ratio of hospitals with fewer than 50 licensed beds to all hospitals has grown, to 35% in 2007 from just under 33% in 2005. And many of these smaller hospitals have a specialized focus, which allows them to operate fewer licensed beds than general hospitals, and to admit and discharge a greater percentage of patients who are being treated for specific medical needs.

We should expect more hospitals to seek to increase their efficiency and profitability in this manner by identifying specific areas in which to focus their operations.



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Specialized hospital markets, including diabetes, cardiology and oncology, are burgeoning across the country, owing to the pervasive nature of chronic diseases. These hospitals can earn profits equal to or better than those generated at larger, more general hospitals because of higher occupancy rates and reduced inefficiencies. Often these hospitals can devote more staff to monitoring fewer beds.

Specialized hospitals are often able to target particular patient cases, treatments and surgical procedures that allow them to best utilize their resources. Health care professionals contend that the focused mission and dedicated resources of hospitals with a chronic disease specialty, for example, at once improve quality and reduce costs.

Efficiency combined with high quality patient care will likely contribute to moving health care in a more specialized, chronic disease-specific direction. The facilities that meet these constantly evolving demands will help shape the future role of hospitals in the health care industry.

**THE END**

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**THE END**

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