

# PAYERS & PROVIDERS

## CALIFORNIA EDITION

### Calendar

#### February 9

Third Annual Palliative Care Conference. Pacific Palms Hotel and Conference Center, City of Industry. Will discuss the use of outpatient care and integrated systems, among other topics. \$200-\$240.

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#### February 23

ACOs: The evolution of healthcare delivery. Marriott Burbank Airport Hotel. Sponsored by the California Association of Health Plans, this event undertakes a technical view of ACOs from the payer standpoint. \$75-\$200

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#### February 24-25

Annual Healthcare Forecast Conference. School of Engineering, University of California, Irvine. Forecasts of how the healthcare industry will fare from both private sector and government officials. \$455-\$695.

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E-Mail [info@payersandproviders.com](mailto:info@payersandproviders.com) with the details of your event, or call (877) 248-2360, ext. 3. It will be published in the Calendar section, space permitting.

## Union Accuses Prime of New Outliers

### Hospital Operator Disputes Malnutrition Numbers

A prominent labor union says that hospitals owned by **Prime Healthcare Services** claim to treat the highest rates of malnourished elderly patients in the nation, suggesting it is a vehicle for the for-profit chain to overcharge the Medicare program.

The **Service Employees International Union-United Healthcare Workers West** cross-checked Prime's Medicare fee-for-service billings against inpatient discharge data provided by the **Office of Statewide Health Planning and Development**. Among its findings: 36% of the Medicare fee-for-service patients admitted at Prime's **Huntington Beach Hospital** in 2009 were treated for malnutrition – the highest rate of any inpatient acute care facility in the country.

"I don't normally think of Huntington Beach as a community where people are starving," said **Adam Weisberg**, the SEIU analyst who compiled and studied the data.

The nation's second-highest rate, at 34%, belonged to another Prime property, **Montclair Hospital Medical Center**.

The SEIU-UHW data also showed that 10 of the top 40 hospitals in the U.S. for treating Medicare malnourishment cases and 10 of the top 11 in California were facilities owned by Prime.

Nearly 22% of all Medicare patients admitted to Prime hospitals were treated for malnutrition, compared to a 5.7% rate nationwide and 6.1% in California.

Those patients classified as severely malnourished comprised 7.7% of all of Prime's Medicare fee-for-service admissions, seven times the national average of 1.1%.

Moreover, Prime's 13 hospitals in 2009 treated 28% of all severely malnourished Medicare patients in California, even though it admitted and discharged only 4% of the entire state's inpatients.

Excluding Prime's data, the malnutrition treatment rate among California hospitals drops to 5.5%, which is below the national average, the SEIU claims. The severe malnutrition rate drops to 0.8% from 1.1%, which is also well below the national average.

Weisberg suggested Prime was using the malnutrition coding in part to help boost its Medicare claims. According to his analysis, Prime receives more than \$7,100 per Medicare inpatient discharge, about \$900 higher than the national average, even when controlled for pricier specialty care.

*Continued on Next Page*

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**In Brief**

**Tech Firms Pledge \$150M Toward New Stanford Hospital**

Silicon Valley giants **Apple, Hewlett-Packard, Intel, Intuit and Oracle** have pledged up to \$150 million over the next decade for the construction of a replacement facility for **Stanford Hospital & Clinics**.

The pledges from the firms are expected to help Stanford build a \$2 billion, 1.3 million square foot facility that is expected to showcase the cutting-edge in healthcare technology.

"Our corporate partners recognize that Stanford is uniquely positioned to lead in translating the next wave of medical breakthroughs into care that will benefit patients everywhere, and that by investing here, they can impact health worldwide," said Stanford Hospitals' board chairperson **Mariann Byerwalter**.

In addition to the corporate pledges, Stanford University has offered the city of Palo Alto a \$173 million community benefits package intended to cut traffic congestion around the new facility and mitigate other environmental effects of the project.

**Health Net Returns To Profitability For Quarter, But Enrollment Flat**

**Health Net** reentered profitability for the fourth quarter of 2010, but the Woodland Hills-based insurer forecasts relatively flat enrollment numbers and revenue growth for 2011.

Continued on Page 3

**Prime (Continued from Page One)**

"They have an incredibly high average DRG, and get paid better than other hospitals," he said.

The SEIU-UHW represents some 150,000 healthcare workers in California. It has been involved in contentious battles over union representation at Prime facilities.

In an especially combative statement issued by Prime on Tuesday, it claimed "SEIU's malnutrition study is flawed and relies on the manipulation of data to arrive at desired results."

The company said that malnutrition is prevalent in as much as 80% of the elderly population that seeks medical care, and that it is especially vigilant in assessing the health of its older patients.

Prime also accused the SEIU of using data against the hospital operator for the purpose of extorting favorable terms in collective bargaining agreements. The firm has asked the U.S. Attorney to investigate.

"SEIU-UHW stands firmly and unequivocally behind our analysis and findings regarding Prime Healthcare Services' billing practices," said a statement by the union. "The numbers have been validated by OSHPD, have been made available to state and federal investigators and will withstand any and all further scrutiny."

OSHPD officials confirmed that it provided data for SEIU to compare against Medicare billings, but that it was not provided with the union's final study.

The SEIU-UHW report follows one it issued last year regarding extremely high levels of septicemia among Prime's Medicare patients. It prompted concern by lawmakers and led to ongoing investigations by the **U.S. Department of Health and Human Services** and the **Justice Department** to determine whether the Victorville-based Prime was negligent or engaged in Medicare fraud.

In its statement, Prime repeatedly called SEIU's septicemia analysis "bogus," and accused the investigative journalism

organization **California Watch** of repeating the union's "false and misleading statements," when it published an article last October about the investigation.

**Lance Williams**, a California Watch senior staff writer who co-authored the article, said the article was completely accurate and stood by his reporting.

Prime's three-page statement issued on Tuesday also accused former state Senator

**Denise M. Ducheny** of wrongdoing. "SEIU included both the SEC and State Senator Denise Ducheny (sic), a long-time supporter of the SEIU, in its extortion campaign against PHS," Prime alleged, adding that Ducheny also tried to make it appear that its hospitals were not seismically

Hospital	Malnutrition Rate	Severe Malnutrition Rate
Huntington Beach Hospital	36%	15%
Montclair Hospital	34%	9%
West Anaheim Medical Center	21%	9%
Desert Valley Medical Center	33%	14%

Malnutrition rates among Medicare fee-for-service patients treated at Prime Healthcare hospitals, 2009.

Source: SEIU-UHW

compliant.

Ducheny, a San Diego-area Democrat who retired from the Legislature last year and now serves on the **California Unemployment Insurance Appeals Board**, denied that she had ever accused Prime of non-compliance with seismic regulations. She suggested that Prime singled her out over objections her constituents raised to its 2007 purchase of **Paradise Valley Hospital** in National City from non-profit **Adventist Health**.

"If I was engaged in extortion, I don't know what I would be extorting," she said.

Sources have suggested that Prime issued the statement – whose tone is at complete odds with the mild rhetoric commonplace in the hospital industry – to try and deflect an upcoming report California Watch has prepared on the malnutrition data. Williams declined to comment on whether his organization was working on such a story.

Prime also claimed its facilities had been inspected within the past 60 days by the **California Department of Public Health** and no "material deficiencies" were found. A CDPH spokesman said that 76 deficiencies have been found at 11 of the 13 Prime facilities inspected to date.

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## In Brief

Net income for the quarter ending Dec. 31 was \$80.4 million on revenue of \$3.7 billion. That's compared to a loss of \$45.2 million on revenue of \$3.8 billion for the fourth quarter of 2009.

For the 2010 calendar year, Health Net reported net income of \$204.2 million on revenues of \$13.6 billion. For 2009, it lost \$49 million on revenue of \$15.7 million.

Company officials attributed the turnaround to a focus on health plans with narrower provider networks, and more efficient operations. Health Net was also able to repurchase \$230 million worth of shares in 2010, part of a \$300 million share repurchase program.

Although the company pledged improved performance for 2011, it forecasts only a 1% to 2% growth in commercial enrollment, and up to 7% growth among its Medicaid plans. However, it forecast a 15% to 17% drop in enrollment in its Medicare Advantage plans, connected to the company's recent marketing suspension by the Centers for Medicare and Medicaid Services due to repeated failures to supply pharmaceuticals to its Part D enrollees.

Revenue forecasts also predict Health Net will finish 2011 with about \$1 billion less revenue than in 2010.

### Melody Named to Anthem Blue Cross Post

Steve Melody has been appointed to oversee Anthem Blue Cross' Medi-Cal, Healthy Families and Access for Infants and Mothers business segments in California.

The segments, which Anthem refers to as state-sponsored business, has more than 1 million enrollees in California.

Melody, a 14-year veteran of Blue Cross, was previously regional vice president of planning and strategy.

## Most Hospitals Meet Seismic Rules

*Over 80% Compliant; Handful In Doubt For 2020*

New data released by the **Office of Statewide Health Planning and Development** indicates that 82% of California's hospitals are expected to be seismically compliant by 2015.

According to data released by the agency this week based on submissions made by the hospitals, 403 buildings associated with 129 hospitals are expected to be seismically compliant by the start of 2013. Another 153 buildings associated with 55 hospitals are expected to be compliant by 2015.

OSHPD reported that it expects structures at only 16 hospitals to not be completely compliant with seismic regulations by 2020,

which would likely force their closure to inpatients. That list included seven facilities operated by **Kindred Healthcare**, a for-profit hospital operator based in Louisville, Ky. A Kindred spokesperson did not return a phone call seeking comment.

Another hospital on the projected non-compliance list was **Harbor-UCLA Medical Center** in Torrance. However, officials with the **Los Angeles County Department of Health Services**, which operates the hospital, disputed the OSHPD report, saying it would be fully compliant by next year as it winds down a \$380 million retrofitting project.

## Blue Shield Delays March Rate Hike

*Regulatory, Consumer Pressure Placed on Insurer*

Under increasing pressure from regulators and consumer groups, **Blue Shield of California** agreed earlier this week to postpone for 60 days rate increases on its individual policyholders as high as 59%.

Blue Shield agreed to delay the proposed rate increase on Tuesday, the same day its San Francisco headquarters was picketed by the Santa Monica-based advocacy group **Consumer Watchdog**.

California Insurance Commissioner **Dave Jones** had asked for the delay until an outside actuary could confirm Blue Shield's numbers justifying the rate increase. Blue Shield agreed to the examination, but initially balked at holding off on the increase.

"We are taking this action to remove any doubt that the rates we have submitted are necessary to pay the medical expenses of our individual members," Blue Shield Chief Executive Officer **Bruce Bodaken** said in a statement. "Even with these increases, we don't expect the premiums to cover the cost of medical care for these members." Blue Shield claims it loses about \$30 million a year on its individual policyholders.

"Blue Shield delayed the rate hikes today when protesters showed up at their doorsteps," said Consumer Watchdog President **Jamie Court**. "But they can raise rates in 60 days or any day after until we have tough laws that let regulators stop them and give consumers a public option to the private market."

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All advertising, subscriber and editorial inquiries:

(877) 248-2360  
[info@payersandproviders.com](mailto:info@payersandproviders.com)

Mailing address:

818 N. Hollywood Way, Suite B  
 Burbank, CA 91505

Website

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## Opening The Floodgate For EHRs

### Installations Will Rise As System Price Points Go Down

There is no shortage of reasons why many hospitals over the past decade struggled in their transition to electronic health records and various forms of health information exchanges. From implementation costs to disruption of daily operations to lack of agreement on which platform to engage, the industry has been slow to respond despite the universal agreement that change is upon us.

As far back as the 1980s, forward thinkers were dreaming of a "longitudinal patient record" that would follow a patient, for example, from hospital to outpatient care to home care and back to the doctor's office. But with technology racing to catch up to the dream, fewer than 10% of American hospitals just a decade ago had implemented any form of health information technology, and a mere 16% of primary care physicians used EHRs.

But that was then. Today, hospitals are universally recognizing that the ability of health information exchanges to facilitate access to and retrieval of clinical data provides safer, timelier, more efficient and more equitable patient-centered care. What's more, hospitals are discovering that one of the hidden benefits of being the first in their community to have an effective HIE is the decided competitive advantage technology can bring when it comes to interacting with the local physician community.

In California, most independent physicians practice at multiple hospitals. Which facility they choose to use is often determined by comfort level and ease of use. That's where technology can really set one hospital apart from another. By having an HIE platform that talks seamlessly to physician offices, incredible efficiencies for the hospital, the physician and the patient emerge. Physicians can effortlessly receive discharge information on a hospitalized patient or on a patient of theirs who visited a hospital's emergency department over the weekend. Electronically, physicians can receive results of lab tests or other procedures performed at the hospital, and, conversely, tests done at the physician's office won't need to be redone at the

hospital. Other savings include the time and expenses associated with recovering missing patient information; manual printing, scanning and faxing of documents; the physical mailing of entire patient charts; and manual phone communication to verify delivery of traditional communications, referrals and test results.

Why wouldn't a physician want to work with a local hospital where such ease of communication and increased efficiencies become routine? What's more, having the ability to connect hospital and doctor electronically will be a huge advantage with the emergence of accountable care organizations which encourage hospitals to focus beyond their walls and begin to think efficiency and value over volume. Nothing is a better driver of efficiencies than electronic connectivity.

The key to making all of this happen isn't just getting the hospital's HIE technology in place, but encouraging local physicians to go electronic as well. Until now that hasn't been easy, as few "single-shingle" doctors were enthusiastic to pay the costs associated with EHRs. Fortunately, there are now products on the market at a price point that makes this transition all the more doable. Combine that with the financial incentives included in the 2009 economic stimulus package and we are already seeing a dramatic movement around the country of physicians anxious to embrace EHRs as the next step in their practice development.

2011 is destined to see many hospitals migrate toward HIE technology. Making sure that their facility aligns with local physicians and that they, too, are invested in electronic health information makes good sense for everyone and should be a critical agenda item for every hospital in California.

**Brian O'Neill is chief executive officer of Office Ally in Vancouver, Wash.**



**By Brian O'Neill**

Op-ed submissions of up to 600 words are welcomed. Please e-mail proposals to [editor@payersandproviders.com](mailto:editor@payersandproviders.com).



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# ROUNDTABLE INTERACTIVE

## PAYERS & PROVIDERS

Payers & Providers and MCOL present **Roundtable Interactive**. It debuts March 2011 in the Payers & Providers National edition.

Our readers always want to know what is on the minds of healthcare's c-suite executives. Conferences and trade events often only allow for crucial moments to interact with these thought leaders. With Roundtable Interactive, you'll cut through the preliminaries and immediately know what's on their mind.

Every Roundtable Interactive will feature a Q&A session conducted by Payers & Providers Publisher Ron Shinkman. His decades of experience in journalism and the healthcare industry will promise concise and revealing interviews.

Topics for upcoming Roundtable Interactives include:

- **Integrated Systems vs. Private Practice:** To what degree will physicians not already in larger medical groups or integrated health systems remain in private practice during this decade, and why. What are the advantages, disadvantages and implications in today's environment?
- **Medicaid Plans and Delivery Systems:** How much is their clout growing as Medicaid enrollment is projected to soar as part of reform? Will Medicaid increasingly be used as a vehicle for setting healthcare policy? To what degree will major health plans and systems try to increase share and concentration in this market?
- **Accountable Care Organizations:** Are they overhyped? What type of health care systems should be pursuing ACOs, and what systems should be sitting on the sidelines for now? How tied is the ACO movement to the success or failure of Medicare ACO pilots? Does the definition of ACOs need more specificity, or is it preferable to have a big tent of inclusion?

Do you want to propose or participate in a future Roundtable Interactive? Participation is entirely online, with a commitment of no more than one hour. Call Ron Shinkman at 877-248-2360, ext. 1, or e-mail him at [editor@payersandproviders.com](mailto:editor@payersandproviders.com).

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\*New England Journal of Medicine, 2004.

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