Advances in biomedical technology, mechanical devices, genomics and other research findings are accelerating the pace of change in the delivery of cardiac services nationwide. Many of our clients are wrestling with the strategic and business opportunities that these changes bring.

- How will the cardiac services delivery model change in the next 5-10 years?
- Will open heart surgery become obsolete?
- How can providers capitalize on opportunities and prepare for the future?
- Where should investments be made?

Consider the potential impacts of financial performance, clinical outcomes, service delivery and competitive positioning strategies of just a few of these catalysts for change:

- Gene therapies that create new blood vessels in the heart muscle
- Robotic assists in surgery
- Laparoscopic techniques for open heart procedures
- Dr. Dean Ornish’s research showing cardiac disease reversal based on lifestyle changes
- Transmiocardial laser evascularization techniques to grow new blood vessels
- Hospital/physician heart hospital joint venture models
- Implantable “smart” mechanical heart devices and sensors; artificial blood substitutes
- Stem cell organ growth potential
- Expanding use of PET scanning (Positron Emission Tomography) in cardiac clinical applications
- Use of xenotransplantation

How can these changes create opportunity to:

- Increase volume
- Improve quality and clinical outcomes
- Enhance financial performance
- Enhance patient satisfaction and quality of life
- Link with physicians in beneficial clinical and financial relationships

Following are the views of several of our clients who are developing responses in anticipation of the future. Each one offers a unique perspective based on circumstances, geography, history and future goals. Many of our clients successfully provide cardiac services, and we are pleased to offer glimpses of success and strategy from three of them.
The Future of Cardiac Services

What Would a Ten Percent Increase in Volume do for Your Cardiac Program?

How important are cardiac services to your organization? Has volume in your cardiac service line increased, decreased, or remained stable? Do you know why or why not? Has quality improved appreciably over time? What measures demonstrate how the service performs? What is the contribution margin of cardiac services? Has it changed, and why? What quality of financial benchmarks have you used to assess performance? Is it possible to make significant additional improvements in financial performance? What do you expect to happen with your cardiac services in the next three to five years? Does the future look promising?

Statistics from the U.S. Center of Disease and Prevention indicate that heart disease is the leading cause of death in the USA, at nearly 900,000 incidences annually. As hospitals and physicians seek to keep pace with the cardiac-related service needs of an aging population, diagnostic, treatment and surgical interventions will constitute essential areas of focus. We believe that successful providers will:

- Increase the use of the Internet to monitor patients
- Stay abreast of Genome Project related developments, yet no need to make significant alterations in intervention therapies for 10 or more years
- Stay focused on measuring and increasing quality and clinical outcomes
- Standardize clinical treatment at every point along the service continuum
- Establish a distinct positive market identified around specific program-related strengths or unique characteristics
- Evaluate how to best incorporate emerging technologies into treatment options
- Is it possible to increase volume to your cardiac services program? For hospitals that have low variable expense levels (e.g., 30-35 percent), increases in cardiac volume can yield significant financial benefits.

We believe that there are opportunities to significantly improve patient volume, revenues and overall financial performance in cardiac services. The Camden Group has demonstrated this with our clients through our cardiac strategic and business assessment services. The Camden Group has demonstrated this with our clients through our cardiac strategic and business assessment services. Call Steve Valentine or Guy Masters to discuss potential applications of our assessment, sources of opportunity, and client references.

About The Camden Group

The Camden Group has been providing consulting and management services exclusively to the health care field since 1970. With more than 1,000 clients located in 38 states, we serve regional health care systems, national proprietary systems, community non-profit organizations, university medical centers, government-controlled organizations, IPAs, medical groups, health plans, and individual physicians.

The health care professionals on our consulting staff are adept at:
- Strategic and business planning
- Financial and operational improvement (including turnarounds and interim management) of hospitals, IPAs, and medical groups
- Medical group and health care business valuations
- Facility planning
- Community health needs assessments
- Health care organization mergers and network development

Our consultants can be reached at (310) 320-3990 • fax (310) 606-5811

For additional information about The Camden Group, check out our website at www.TheCamdenGroup.com, which is updated monthly.

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Affiliations
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JME Consulting Services
Strata Decision Technology
Profile:

- At a crossroads; opened cardiac surgery program three years ago in a highly competitive, three-hospital, three-open heart program market of 300,000 people. Looking to increase volume and market share
- Annual volume of 250 open heart procedures
- Awarded the 2000 RIT/USA Today Quality Cup for health care

Perspective:

“Our concerns as a new, yet relatively successful program are how to capture and sustain volume to the service,” says Mr. Stubblefield. “We face competition from not only two other area programs, but also from physicians and other providers as more treatment options can be performed in outpatient settings.” Key challenges to address include:

- Lack of an exclusive surgical physician team
- Cardiologists and surgeons joined a single group
- Overcoming market inertia due to awareness, historical use and past referral patterns by providers and patients

Future Goals and Strategies:

BHC is working with cardiologists and surgeons to identify specific needs and preferences for service, access and equipment/technology. Emergency volume at BHC is high, and links for triage and chest pain access points are an area of focus. The breadth of BHC’s program is being expanded, exploring a Coumidan Clinic, CHF interventions and others. The possibility of developing a joint venture Heart Institute or specialty hospital with physicians has also been considered, capitalizing on BHC’s expansion in population growth centers in the service area. In spite of the challenges, Mr. Stubblefield is optimistic about the future of heart services in Pensacola.

“We are confident that our business and clinical planning will help us to duplicate our success with achieving extraordinary quality, service and patient satisfaction overall, and establish a premier, community hospital-based cardiac program with our physicians.”

Want to check out which hospitals are in the HCIA-Sachs 100 Top Hospitals for cardiovascular benchmarks? Click on www.100tophospitals.com or click on the direct link at www.TheCamdenGroup.com
Profile:
- 1,200 open heart (CABG) procedures annually
- Involved in clinical trials for robotics use in cardiac procedures
- Heart program named in HCIA-Sachs Top 100 Hospitals for cardiovascular services
- Mid-way through a three year development process of an integrated 49/51 percent physician-hospital partnership of a freestanding, specialty heart hospital, the Baylor Heart and Vascular Center. The Center will be a five-floor, 27 bed, 72-hour short stay licensed general hospital. Facility and clinical components include:

<table>
<thead>
<tr>
<th>Facility</th>
<th>Clinical</th>
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<tbody>
<tr>
<td>Three operating rooms</td>
<td>Non-invasive cardiology</td>
</tr>
<tr>
<td>Six cath labs</td>
<td>Vascular surgery</td>
</tr>
<tr>
<td>Electrophysiology labs</td>
<td>Cardiac outpatient services</td>
</tr>
<tr>
<td>Three floors of physician offices</td>
<td>Patient care services</td>
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<td></td>
<td>Research and education</td>
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The partnership includes 43 cardiologists and vascular surgeons as individual shareholders in a Limited Liability Partnership. Investment opportunity was opened to all Baylor cardiologists and vascular surgeons; 90 percent signed on. Governance is through a 13 member board; seven Baylor representatives and six investor physicians.

Rationale:
The Dallas area market is highly competitive for cardiovascular services. Baylor expects a 20 percent increase in cardiac service demand in the next several years from a growing and aging population base. The strategy is also a proactive alternative to other for-profit specialty hospital ventures in the area. Mr. Allison and Mr. Parris believe that the partnership model builds on Baylor’s position of strength and market leadership and will achieve their goals to:

<table>
<thead>
<tr>
<th>Improve:</th>
<th>Create:</th>
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<tbody>
<tr>
<td>Patient care and access</td>
<td>Economic and clinical partnerships with physicians</td>
</tr>
<tr>
<td>Financial return</td>
<td>Efficient care delivery processes</td>
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<tr>
<td>Marketability of BUMC</td>
<td>A sustainable future</td>
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Future Focus:
Baylor has successfully used the specialty clinical service line hospital model for oncology, GI, rehabilitation and others, according to Allison and Parris. They believe that the efficiencies and synergies from high volume, focusing on outcomes, and alignment with quality physicians will increase market share and yield significant benefits for clinical, financial and patient satisfaction outcomes. “This is not a branding strategy,” states Allison. “This is a partnership and facility that’s been designed and built around a very specific patient population, even incorporating the physicians’ offices within the building. Our partnership model will allow us to adapt to technology such as robotics and other clinical changes with our physicians to deliver care in the most appropriate setting, focusing on quality, safety and best outcomes.”
What would a Ten Percent Increase in Volume do for Your Cardiac Program?

Profile:

- Cardiovascular surgeon.
- Believes the future for cardiac services is promising and exciting, making available to patients new therapies and options where traditional interventions have failed.
- Scripps Health has recently participated in gene therapy clinical trials to create angiogenesis in patients with severe angina (with six out of seven successful results).
- According to Dr. DeLaria, Scripp’s clinical trials with gene therapy produced amazing results. Seven severely angina-disabled Stage 4 patients who had had previous CABGs, were provided gene material injections into the heart where circulation was needed. Six out of the seven experienced positive results, and remained pain free in the seven months since the operation.
- Another study is being performed using a different technique, transmiocardial laser surgery evascularization (TMR), to produce similar results, (i.e., create new blood vessels in the heart). By essentially burning holes in the heart with the laser, the response is growth of new blood vessels. Both TMR and gene therapy will be evaluated to assess longer-term effects.

Assumptions and Beliefs:

- The number of open heart surgeries will remain the same or increase with an aging population. Dr. DeLaria sees a shift toward fewer coronary bypass surgeries, and an increase in valve procedures (from a current ratio of approximately 5:1 to 3:1 in the next several years).
- The impacts of patient lifestyles toward health consciousness, daily aspirin regimen, exercise, improved diet and stress reduction should result in fewer surgeries in younger age cohorts. But these activities may simply be shifting the time when surgical interventions are performed to later in life.

Future View:

“Many primary and secondary aspects of open heart surgery are changing,” explains Dr. DeLaria. “Heart/lung machine technology is improving to reduce surface drag during surgery; new pharmaceuticals are being introduced to reduce patients’ inflammatory responses by the body. Other technologies with significant promise include implantable devices such as artificial heart equivalents, balloon pumps, left ventrical assists and other mechanical devices to allow patients to get out of congestive heart failure (CHF) and live relatively normal lives.”

When asked whether he envisions a time when there will be no need for open heart surgery, Dr. DeLaria adds, “The most common admission to the hospital is CHF. The surgeons who follow me in the future will be dealing much more with implantables that address the current organ shortage for transplants. But heart surgery will continue – it is a vital organ, after all!”
Physician Coding and Compliance Expert Joins The Camden Group

Victoria Menchaca, CCS-P, CPC, has joined The Camden Group as a senior consultant specializing in business office operations, coding and compliance, accounts receivable management, coding education and training for physicians and staff.

Would you prefer to receive our newsletter by e-mail?

Contact Tammy Neumann at TNeumann@TheCamdenGroup.com

Managed Care Contracting Book Available

The Camden Group, in collaboration with the National IPA Coalition (NIPAC), recently sponsored and completed a new handbook entitled Managed Care Contracting. The handbook is a reference guide to assist in managed care contract negotiations. Michael Harris spearheaded the effort, and worked with experienced contracting experts in NIPAC to offer specific insights to enhance negotiation skills, including recommended actions and model language. The handbook will be available for shipping November 1, 2000. For additional information please contact Michael Harris at MHarris@TheCamdenGroup.com, or access the NIPAC link on the Camden website.