



The Corazon Report

A special briefing from the Heart Experts

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TAKE THESE WORDS TO HEART...

"A great man is not made by way of a brain nearly so much as he is made by way of a cultivated and enriched heart."— Frank Lloyd Wright

CORAZON
The Heart Experts

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- Learn more about our services.
- Read client testimonials.
- Review team biographies.
- Download publications.
- Obtain conference information.
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Storm Warning: Big Changes Approaching in Angioplasty

James Burns,
Senior Consultant

The next generation of cardiac intervention is shaping up to be an adventure. Drug eluting stents, primary angioplasty, and unsupported angioplasty are just a few of the topics that are now or will soon be relevant issues in cardiac care.

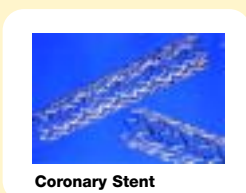
From humble beginnings in 1977 as standard balloon angioplasty, Percutaneous Coronary Intervention (PCI) procedures now include techniques such as coronary artery stents, angiojet, and rotoblator. Today, coronary artery stenting accounts for over 80% of all PCI procedures performed and is fast becoming the gold standard in the treatment of coronary artery disease.

The industry is looking to another major advance in PCI utilization with the introduction of Drug Eluting Stents (DES), stents that are coated with medicine to prohibit reocclusion. Preliminary findings report that less than 0.5% of DES cases suffered reocclusion, the leading cause of stent failure. Experts are predicting that 80% of all stents deployed will be drug coated within three years following an anticipated approval by the FDA next year.

Drug coated stents are estimated to range between \$2,800 and \$4,800 per unit, up to four times the cost of a standard stent today.

With an average stent usage of 1.5 devices per case, the cost of the DES alone could consume a large portion of the Medicare reimbursement for PCI with stent. CMS, Centers for Medicare and Medicaid Services, has developed a reimbursement strategy for fiscal year 2003, which will only offer an additional \$1,200 per case. In terms of bottom-line impact, a program could lose upwards of \$800 for each PCI case treated with DES, dependent upon usage. The financial impact this could have on even the strongest programs is substantial.

Primary Angioplasty, the protocol of treating acute myocardial patients in the cath lab as opposed to using traditional thrombolytic therapies, is gaining much support, thanks to many recent studies demonstrating the superiority of interventional care for such patients. This protocol necessitates a staffed and ready cath lab within 30 minutes, 24 hours a day, seven days a week. Gaining this clinical advantage presents major logistical and financial challenges for hospitals. Juggling the schedules and costs of round the clock cath lab operations is compounded by the need to attract and retain cardiologists who often resist the lifestyle hardships imposed by a Primary Angioplasty program. With an estimated 1,000 cardiologist positions expected to remain vacant in the next five years, offering Primary Angioplasty could prove to be an insurmountable challenge.



Coronary Stent

Moreover, CMS and other payors currently do not offer any additional payments for PCI services offered in off-hour emergent settings.

Angioplasty, when elective and emergent PCI procedures are performed without an onsite open heart surgery program, is gaining momentum in markets throughout the country. Once thought to be unsafe, this practice is growing in acceptance as the risks of angioplasty have declined. Although the American College of Cardiology is reluctant to endorse this practice, recent C-PORT trial findings and state endorsed demonstration projects are showing increased clinical interest in expanding PCI access at centers without OHS programs. Although the debate continues, most experts concur that acute PCI treatment will be the standard of practice in community hospitals within the next few years.

To learn more about the future of PCI and ways to cope with the changes ahead, contact the Heart Experts at Corazon Consulting. For the complete text of this article, visit our website at www.corazon-consulting.com.



Jackie Johnson
President
Corazon Consulting

Staffing Realities of the New Millennium

Susan Heilman
Director, Clinical Services

A message from the Heart...

Several hospital CEOs have reported to me that the challenges they are facing in their cardiovascular service line are keeping them awake at night. This comes as no surprise since a heart program usually has tremendous bearing on the financial and market performance of the entire organization—it can generate new admissions and revenue or lose major bottom line dollars for a hospital. No question, the investment in cardiovascular services is a high risk proposition, and deserves the attention of hospital leaders. In fact, we've heard some say, "without a strong cardiac program, a hospital's ability to remain in acute care is threatened."

Our upcoming conference in Naples offers a great opportunity to learn more about the latest market trends, ways to align with your heart doctors, and how to cope with the current innovations in cardiovascular services, whether you are thinking about an expansion or a response to the competition.

This event will offer the chance for hospital and program leaders to learn from the experts and exchange strategies and solutions with others in similar situations.

I hope you can join us at our annual conference in early October. Or for more information about how we might assist you in developing your cardiovascular program, please call our office at 412-364-8200 to speak with me or one of our expert consultants.

Hope to see you in beautiful Naples!

Jackie Johnson

Recruitment and retention of top-quality hospital cardiovascular staff can be especially challenging. Corazon conducted a focused survey of 25 cardiovascular centers to assess current recruitment and retention initiatives for CV employees. While several respondents reported frustrations with maintenance of adequate staffing levels, each facility had adopted a creative approach to assuring program stability. Proactive and timely human resource initiatives were cited as key for the attraction of qualified personnel.

The survey revealed that 39% provide "on the spot" interviews to applicants; 56% accept electronic applications; 26% employ a dedicated nurse recruiter; and 17% utilize a continuous recruiting strategy to minimize vacancies.

Significantly, 61% offer a sign-on bonus for prospective employees. Another 39% offer referral bonuses to staff members who identify candidates who are hired. One facility that offered an individual retention bonus added an additional group retention bonus. This strategy successfully avoided staff migration to another CV surgical program start-up.

Introduction of a clinical ladder program at one community hospital has proven to be effective in recruiting experienced staff members for an open-heart start-up. However, a significant investment in the development and implementation of the program has been required. One Vice-President of Human Resources estimates that \$1.6 million dollars will be invested in consulting fees, staff development time, pilot program testing, and implementation for the entire nursing staff.

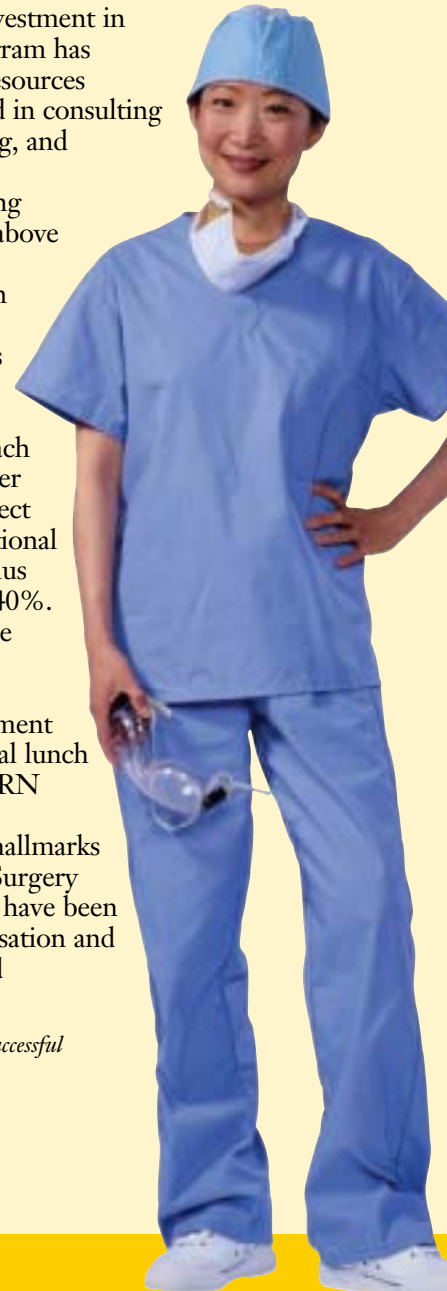
One Midwestern health system awarded nursing staff a \$10,000 bonus for every 0.1 FTE worked above current work status over a six-month trial period. During this time, a nurse was required to work an additional 8 hours per pay period, resulting in an increase of 28 FTEs and reducing salary expenses for traveling nurses. Its success is prompting expansion to other ancillary healthcare positions.

To meet demand, one organization awarded each member of a three FTE cath team a \$50 bonus per case performed after hours. An analysis of the direct costs associated with prolongation of an interventional patient's length of stay demonstrated that the bonus program lowered overall costs by approximately 40%.

Other professional development strategies were cited: 48% of hospitals offer on site educational programming; 13% offer scholarships to pursue advanced education; and 35% provide reimbursement for completion of job-related certifications. Special lunch break study sessions to assist nurses pursuing CCRN certification were cited as a strong satisfier.

In conclusion, creativity and innovation were hallmarks of successful recruitment for CV programs. CV Surgery and Interventional Cardiology start-up programs have been particularly effective at capitalizing upon compensation and benefit packages that are financially attractive and professionally rewarding.

Please contact Corazon for additional information about other successful recruitment and retention strategies from the study





News Pulse

Updates from Corazon and our clients



New Faces @ Corazon

Please join us in welcoming Carol Dombrowicki, Human Resource Coordinator, James Kanuch and Russell Hemwall, Business Consultants, and Jeffrey Hooks, Cindy DeFlavio, and Kelly Neal, Clinical Consultants, to the Corazon team.

On the Move

Congratulations to the team at Morristown Memorial Hospital, part of the Atlantic Health System, for being ranked in AARP's *Modern Maturity's* Top 10 Hospital list as the fourth leading cardiovascular surgery program.

Way to Go

DuBois Regional Medical Center reports that their first year's Open Heart Surgery volume is exceeding our forecast by over 5%.

Thanks

Corazon wishes to thank everyone who stopped by our display at conferences we've recently attended. The following is a list of winners of free registration to our 2002 Conference:

- At AONE: Marlene Hedges, *The Methodist Hospitals*, Gary, IN
- At JCAHO: Anne Foltin, *NYU Medical Center*, New York, NY
- At ACCA: Cathy Mingo, *Eastern Maine Medical Center*, Bangor, ME

Congratulations

Corazon would like to congratulate our clients who have demonstrated proven success and achieved acclaim in the cardiovascular healthcare industry:

Clients Recognized in *US News and World Report's Best Hospitals 2001:*

- Carolinas Medical Center, *Charlotte, NC*
- Greater Baltimore Medical Center, *Baltimore, MD*
- OSU Medical Center, *Columbus, OH*

Clients Recognized in *Modern Healthcare's "Top 100 Hospitals" Benchmarks for Success:*

- Greater Baltimore Medical Center, *Baltimore, MD*
Stroke and ICU Benchmarks
- Morristown Memorial Hospital, *Morristown, NJ*
Cardiovascular Benchmark
- Riddle Memorial Hospital, *Media, PA*
ICU Benchmark
- St. Clair Memorial Hospital, *Pittsburgh, PA*
Stroke and ICU Benchmarks
- St. John West Shore Hospital, *Westlake, OH*
ICU Benchmark
- Union Memorial Hospital, *Baltimore, MD*
ICU Benchmark
- UPMC McKeesport Hospital, *McKeesport, PA*
ICU Benchmark

The DeBakey Heart Institute

During a recent site visit to The DeBakey Heart Institute in Hays, Kansas, Corazon Consultants James Burns, Barbara Michaels, and Susan Heilman pose with the facility's namesake, Dr. Michael E. DeBakey, who is internationally recognized for his pioneering work in the field of cardiovascular practice and bypass surgery.





Financial Update

Making Dollars and Sense of the Cardiovascular Industry



CMS Releases Changes for FY 2003

CMS has just released its changes to inpatient PPS reimbursement in the August 1, 2003 Federal Register.

Highlights of the changes effective October 1, 2002 include:

- An overall inpatient increase of 2.75%
- Introduction of DRG 525 for LVAD
- Many increases in Relative Weights for CV procedures
- Negative impact for DRGs 103, 120, and 133
- Procedures for CRT, 00.51 and 00.50, will fall into DRGs 514, 515 and DRGs 115, 116 respectively

For the much anticipated DES, effective April 1, 2003:

- The new ICD-9 procedure code for insertion of coronary stent is 36.07, and for a non-coronary stent, 00.55
- The new DRG for PCI with DES is 526, and for PCI with DES and AMI is 527

These new DRGs are temporary and will be re-evaluated next year. An increased reimbursement of approximately \$200 per case may be offered to offset the high cost of new technology.

Look for updates in the next edition of the Corazon Report.

CMS Publishes Calendar Year 2002 APC Rates

James Kanuch, Business Consultant

The long awaited updates to the calendar year 2002 outpatient APC rate were published in the March 1, 2002 Federal Register with an effective date of April 1, 2002. The rates were delayed pending corrections to the proposed rule.

Highlights to the changes are as follows:

- Increased payments for procedures such as PET scans, certain EP evaluations, and placement of certain intracoronary stents
- Elimination of most device pass-through payments by incorporating approximately 75% of these device costs into the APC payment
- Most other APC rates increased
- Increasing the outlier threshold to 3.5 times the applicable APC payment amount
- Providing for only three categories of reimbursable observation services, Chest Pain, CHF, and Asthma

CV Surgeons Generate Highest Revenue for Facilities

A recent survey by Merritt, Hawkins, and Associates of more than 150 CFO's nationwide showed that CV Surgeons generated the highest inpatient/outpatient hospital revenue per physician. Their contribution was 32.6% higher than that of the number two specialty, Neurosurgery. Vascular Surgeons and Cardiologists were 3rd and 4th, respectively. This only further emphasizes the importance of an efficient, streamlined cardiovascular program. The following is a list of the top five revenue generating specialties showing the average per physician contribution:

1. Cardiovascular Surgeons	\$ 3.13 M
2. Neurosurgeon	\$ 2.36M
3. Vascular Surgeon	\$ 2.22M
4. Cardiologist	\$ 1.88 M
5. General Surgeon	\$ 1.84 M

*Source: Merritt, Hawkins, & Associates (3/12/02)
Used by permission*

THE CORAZON TEAM

- Jackie Johnson** - President
- Susan Heilman** - Director, Clinical Services
- Karen Hartman** - Director, Business Services
- Gerard Johnson** - Director, Finance & Information
- Katherine Kay Brown** - Manager
- Susan Heck** - Manager
- Janet Miller** - Manager
- Barbara Michaels** - Senior Consultant
- James Burns** - Senior Consultant
- Evelyn Ozanich** - Consultant
- Jeffrey Hooks** - Consultant
- Cindy DeFlavio** - Consultant
- Kelly Neal** - Consultant
- James Kanuch** - Consultant
- Russell Hemwall** - Consultant
- David Fuller** - Consultant
- Judith Mills** - Research Consultant
- Carol Dombrowicki** - Human Resource Coordinator
- Michele Strotmeyer** - Marketing Coordinator
- Brad Messner** - Information Systems Coordinator
- Shirley Susany** - Office Coordinator
- Marie Danko** - Office Assistant

Amazing Heart Facts

- ♥ A healthy heart beats about 100,000 times per day and about 35 million times a year. During an average lifetime, the human heart will beat more than 2.5 billion times.
- ♥ If you listen to your heart beat, there are actually two distinct sounds. These "lub" and "dub" sounds are made by the heart valves as they open and close, respectively.
- ♥ Even while at rest, the heart pumps blood through the body using a force twice as strong as the force used by the leg muscles of a person sprinting.

Western Maryland Expands

Western Maryland Health System, which recently partnered with Corazon, reports that their newly-opened Progressive Care Unit is a resounding success. Karen Stair, Project Director of Cardiology Services at WMHS, reports that the unit has not only exceeded our first year volume estimates, but it has already reached second year volume predictions. PCI patients are the primary occupants of this unit and since its opening, nearly 18 months ago, no patients have required transfer within the facility. In February 2001, a second cath lab was added to the facility along with five additional staff members. Bottlenecks in the CVU and Telemetry units have been eased, and physicians and nurses are very pleased with the changes. In June, the facility performed its 400th interventional surgery procedure and has, overall, equaled or exceeded industry benchmarks.



Joined by members of the newly-expanded CVU staff, Dr. Mahal, Medical Director of Cardiology, presides over the ribbon-cutting ceremony in the Western Maryland Health System's second cath lab. Their facility expanded to include another lab on March 25, 2002 as a result of increased patient volumes to the CVU. (Front) Dr. Mahal, Dr. Kulkarni; (First Row) Lois Cutter, Ken Hamilton, Michelle Graham, Tim Blank, Karen Stair, Frank Pommert; (Second Row) Dawn Snyder, Margie Keating, Calvin Tracy; (Third Row) Rebecca Reinike.

CORAZON

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The Annual Corazon Conference

Come to exchange
ideas, strategies,
and solutions



“Getting to the Heart of It”

Strategies to lead your market in Cardiovascular Services

October 2-4, 2002

The Naples Beach Hotel and Golf Club
Naples, Florida

Join Corazon’s team of “Heart Experts” and a distinguished panel of speakers from noteworthy cardiovascular programs nation-wide for this three day interactive conference experience. Attend the presentations, exhibits, and workshops in order to learn about the latest technology and innovative program design to position your heart program as a leader in the market you serve.

Presentation and discussion topics include:

- Strategies to counter your competition
- Service line management models
- Unsupported Angioplasty and coated stents
- Integrated heart centers in practice
- Making the universal bed work
- Building a heart hospital of the future and much, much more

Come to gain greater understanding of the current market situation that now faces the next generation of heart hospitals. Learn from the experience of leading cardiac and vascular centers and be inspired to bring new growth and success to your organization.

SPACE IS LIMITED, SO REGISTER TODAY

By Phone: 412-364-8200 or fax: 412-364-8201 or www.corazon-consulting.com

Keynote Address:

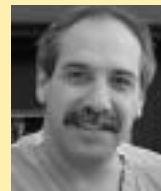


Pascal Goldschmidt, MD
Chief of Cardiology
Duke Medical Center
“Charting the Future
of Cardiology”

In addition to a panel of “Heart Experts”
from Corazon Consulting, featured speakers include:



Jackie Johnson
President
Corazon Consulting
“Getting to the Heart of It”



Louis Samuels, MD
Artificial Heart Program Dir.
Hahnemann Univ Hospital
“Breakthroughs in Artificial
Heart Technology”

**Featured in the June
24th, 2002 issue of
Newsweek Magazine**



Fred DeGrandis
President
St. John West Shore
“Aligning with
Cardiologists in a Highly
Competitive Market”



John Jeter, MD
President
Hays Medical Center
“Growing Cardiovascular
Services in a Rural Market”



Susan Heilman
Clinical Director
Corazon Consulting
“Vascular Centers without
the Turf Battles”



Grant Parr, MD
Chief of CV Surgery
Morristown Memorial
“Achieving Excellence in
Cardiovascular Service”



J. Anthony Carr, III
CEO
Fresno Heart Hospital
“Building a Heart
Hospital—More than
Bricks and Mortar”