PARTNERS HEALTHCARE | FOUNDED BY BRIGHAM AND WOMEN'S HOSPITAL AND MASSACHUSETTS GENERAL HOSPITAL

PARTNERS' RESPONSE TO *THE BOSTON GLOBE'S* NOVEMBER 16TH SPOTLIGHT STORY

GLOBE ASSERTION		PARTNERS' RESPONSE

1	"Call it the 'Partners Effect': Elite hospitals are paid much more for care that is no better than average"	Partners hospitals do exceptionally well on the majority of nationally endorsed quality measures:
		• **US News (see attached chart #1)** is the only comprehensive measure of quality, taking into account structure, process, and outcomes of care across 16 specialties (see 100 page methodology, which was provided to *The Globe*). Boston is the only city in the country with two hospitals ranked in the top 10 on US News & World Report Honor Roll and those hospitals are Partners hospitals: BWH and MGH. In addition to the 'Honor Roll' designation, one or both of these hospitals ranked among the top 10 in 12 different specialties.
		
		• **U.S. Centers for Medicare & Medicaid Services (CMS) Hospital Compare[1]:**
		  • BWH and MGH have scores of 96% and 95%, respectively, when all of the 24 National Hospital Quality Measures are combined, **highest among Boston teaching hospitals**.
		  • 76% of patients rate BWH and MGH 9-10 on a 10-point scale on the national patient satisfaction survey (HCAHPS), **highest among Boston teaching hospitals**.

[1] Hospital Compare provides consumer information from the Federal Centers for Medicare & Medicaid Services (CMS) on quality, patient satisfaction and pricing. The website contains nationally endorsed data on how well hospitals care for patients with certain medical conditions or surgical procedures, and results from a survey of patients about the quality of care they received during a recent hospital stay. Hospital Compare was created through the efforts of the Centers for Medicare & Medicaid Services (CMS), the Department of Health and Human Services, and other members of the Hospital Quality Alliance: Improving Care Through

GLOBE ASSERTION	PARTNERS' RESPONSE

2 "…..the patient's care (for angioplasty) will be the same in both places (BWH and Metrowest Framingham)."	There is no substantiation for the assertion that the "care will be the same."
	
	BWH vs. Metrowest on cardiac quality:
	• Heart Attack Care (CMS Hospital Compare, 2007)
	    • BWH: 99% (top 15% in MA)
	    • Metrowest: 96% (below MA median)
	• Annual angioplasty volume (Leapfrog[2] website as of Nov. 16, 2008):
	    • BWH: 1,118 vs. standard of 400
	    • Metrowest: 152 vs. standard of 400
	• Patient Safety Ratings (Leapfrog website as of Nov. 16, 2008):
	    • BWH: 'fully meets'
	    • MetroWest: 'no/same progress' or 'declined to respond.'

Information (HQA). Information on the CMS website comes from hospitals that have agreed to submit quality information for Hospital Compare to make public.

[2] The Leapfrog Group is a voluntary program aimed at mobilizing employer purchasing power to alert America's health industry that big leaps in health care safety, quality and customer value will be recognized and rewarded. Among other initiatives, Leapfrog works with its employer members to encourage transparency and easy access to health care information as well as rewards for hospitals that have a proven record of high quality care; reduce preventable medical mistakes and improve the quality and affordability of health care; encourage health providers to publicly report their quality and outcomes so that consumers and purchasing organizations can make informed health care choices.

	GLOBE ASSERTION	PARTNERS' RESPONSE
3	"Call it the best-kept secret in Massachusetts medicine: Health insurance companies pay a handful of hospitals far more for the same work even when there is no evidence that the higher-priced care produces healthier patients."	It is not a secret. Teaching hospitals across the country are paid more than community hospitals by both private and public payers for the same procedure. And this is well known to healthcare professionals. In addition, since the early 1980s, Congress has recognized the increased costs at teaching hospitals and through Medicare has provided increased payments. "The adjustment for indirect medical education costs is only a proxy to account for a number of factors which may legitimately increase costs in teaching hospitals." (House Ways and Means Committee Report, No. 98-25)
4	"Massachusetts General Hospital, for example, earns 15 percent more than Beth Israel Deaconess Medical Center for treating heart-failure patients even though government figures show that Beth Israel has for years reported lower patient death rates"	No source cited for government figures. This assertion about patient death rates is not accurate. Nationally endorsed mortality measure for heart failure: CMS 30-day mortality: •MGH: similar to the national average. •Beth Israel: similar to national average. (CMS Hospital Compare website, 2007 data)
5	"The resulting wide range of payments for the same services reflects a healthcare system in which deregulation and lax government oversight have allowed the hospitals with the most clout to extract big increases from insurers while everyone else falls behind."	No evidence is cited for the assertion regarding lax government oversight. In fact, healthcare is among the most heavily regulated industries in the nation and in the state.

	GLOBE ASSERTION	PARTNERS' RESPONSE
6	"Inflation of those payments [to hospitals and physicians] is the main reason insurance premiums increased by an average of $1,800 per family during this decade."	No source cited and it is unclear if it is referring to Massachusetts or the nation. According to data from the Federal Agency for Healthcare Research and Quality, from 2000 to 2006 family health insurance premiums in Massachusetts grew on average by $4,949 compared to $4,609 for the nation.
7	"A recent Massachusetts study concludes that the price of inpatient care at hospitals is rising by 10 percent a year, while overall use of hospital beds is declining."	Inadequate sourcing. It is impossible for the reader to determine the author, sponsor, data sources, or time frame of the study.
8	"They have the bargaining clout to demand higher insurance payments. Often, that clout is based on a powerful brand name and elite reputation."	The article fails to mention the market power of insurers—the Top 3 insurers have an estimated 75% of Massachusetts' insured population. The article fails to mention that the top 3 Massachusetts insurers also enjoy a strong reputation locally and nationally. All three were ranked among the top 10 health plans nationwide by US News and World Report. This adds to their bargaining clout. A study by the Center for Health System Change found that Boston has one of the most concentrated markets for health insurance and one of the least concentrated for hospitals. (See charts #2,3)

	GLOBE ASSERTION	PARTNERS' RESPONSE
9	"Partners' dominance became clear in 2000, when executives of Tufts Health Plan had the temerity to refuse Partners' demand for a substantial rate increase. Partners countered by declaring it would no longer accept Tufts insurance at its hospitals. Within days, as thousands of Tufts customers threatened to change insurance rather than lose the right to treatment at the two famous hospitals, Tufts gave in to Partners' demands. Since then, Partners has negotiated one big pay increase after another from insurance companies fearful of a similar humiliation."	The article fails to mention that in 2000 Partners hospitals were losing money on Tufts, HPHC and BCBS contracts, which represented the great majority of our commercial patients. Partners sought moderate annual increases in 2000 in line with medical inflation estimated at less than 6%. Partners was still struggling to break even on those contracts 3 years later. The article fails to mention that Massachusetts physicians in the 1990s were also being compensated well below the national average when adjusted for cost of living. Since 2000, Tufts financial condition has improved. In fact, in 2000, Tufts profit margin was 3.1%, in 2001 it was 2.8% and in 2007 it was 4.4%. For past three years, Tufts has had the highest net worth as a percent of its medical expenses among the 3 biggest MA health insurers. (Net worth as a percent of medical expenses measures solvency and is an indicator of the ability of reserves to meet medical expenses.) It also has been among the top two most profitable MA health insurers for the past 3 years.

	GLOBE ASSERTION	PARTNERS' RESPONSE
10	"Partners favorable insurance contracts have helped the company to reap $1.7 billion in profits since 2004…"	This assertion overstates the impact of insurance contracts. Since 2004, only about 25% of Partners income has come from operating margins, which are derived in part from insurance reimbursement rates. The other 75% comes from investment income, philanthropy, and other non-operating income. As we are seeing right now, investment income cannot be counted upon. Non-operating revenue during this period includes two, one-time licensing payments for the discovery of Enbrel, totaling $400M. These payments will not continue. (Enbrel is an arthritis drug that was developed at MGH.) Partners' operating margin is 1.6%, which is comparable to (if not below) that of our national peers. (See attached chart #4) The Attorney General recommended a 3% target for hospital operating margins in its recent report on Caritas Christi. "It is an accepted standard that hospitals and health systems must generate operating margins of at least 3% (and higher in states other than MA) to fund ongoing capital and operating initiatives." *Commonwealth of Massachusetts, Office of the Attorney General - Review of the Caritas Christi Health Care System Conducted by Health Strategies & Solutions, Inc.,2008- p. 6*
11	"Partners collected 35 percent of statewide hospital profits last year, even though it owns only 16 percent of the beds."	Partners' hospitals account for 26% of total operating revenue, which is a fairer and more appropriate benchmark when judging the size of profits because, like profit, it is a financial measure.

	GLOBE ASSERTION	PARTNERS' RESPONSE
12	"One influential researcher found that Beth Israel's overall mortality rate was lower in 2005 than the mortality rates at both the Brigham and Mass. General, but the hospital and its doctors still earn 15% to 20% less for the same work"	*Globe* source not identified; no reason given for anonymity. Has this researcher's methodology been evaluated in any peer reviewed journal? Mortality measure used is not nationally endorsed. Composite of 24 nationally endorsed quality measures (CMS Hospital Compare website, 2007 data): • BWH: 96% • MGH: 95% • Beth Israel: 93%
13	"The growing, if still inadequate, body of data available about hospital quality paints a fairly consistent picture of the care at the Brigham and Mass. General: often good, but rarely extraordinary, and sometimes inferior to the care available at other hospitals."	New research paints an inconsistent picture about the quality data available on public websites. A recent article concludes: "(public measures) failed to agree on hospital rankings within any diagnosis…"[Health Affairs 27, no. 6(2008):1680-687;10.1377/hlthaff.27.6.1680] See response to #1: BWH and MGH outperform Massachusetts hospitals on the majority of nationally endorsed measures: •US News (100-page methodology) •National Hospital Quality Measures •Patient Perceptions of Care

	GLOBE ASSERTION	PARTNERS' RESPONSE
14	"Globe determined that the two hospitals finished ahead of the other Boston teaching hospitals overall for four areas of treatment in a recent 12-month period, but both scored lower on caring for pneumonia patients than half of American hospitals"	Actual MGH/BWH pneumonia scores: 89-90% (CMS Hospital Compare, 2007 data) MGH pneumonia outcomes, according to the nationally endorsed CMS 30-day mortality measure, are better than the national average, a distinction achieved by only 3 Massachusetts hospitals (CMS Hospital Compare, 2007 data). The four areas of treatment in which The *Globe* determined that Partners' hospitals finished ahead of other teaching hospitals are not identified.
15	"A quarter of American hospitals outperformed Mass. General on heart failure care"	There is no nationally endorsed public ranking on heart failure. This seems to be The *Globe's* calculation and ranking. Data used is out of date. Current public data are not used. Current MGH score: 93% (CMS Hospital Compare, 2007 data).

	GLOBE ASSERTION	PARTNERS' RESPONSE
16	"Hospital accreditors faulted Mass. General after a surprise inspection in December 2006. They saw staff members fail to wash their hands after touching patients…"	In response to the Joint Commission 2006 survey, MGH posted the Joint Commission report and action items on its website. MGH has focused on and improved its hand hygiene rates in a very transparent manner: http://qualityandsafety.massgeneral.org. MGH now performs at or above Joint Commission targets and is looked to as a national leader in this important public health issue. http://qualityandsafety.massgeneral.org/measures/hygiene.aspx?id=282 MGH received the Betsy Lehman Safety Award for the hand hygiene program in 2007.
17	"At the Brigham earlier this year, the rate of one common – but dangerous – infection that sometimes enters the bloodstreams of intensive care patients was about twice as high as that at Beth Israel Deaconess. Brigham officials said their infection rate has since dropped"	Current data show that both hospitals had the same rate of infection. This analysis was supplied to The *Globe*: • BWH: .38 infections/1000 patient days • BIDMC: .38 infections/1000 patient days

GLOBE ASSERTION	PARTNERS' RESPONSE
18 "A review of 42 individual mortality ratings produced by the state and federal governments for Massachusetts hospitals from 2002 to 2007 found that three other hospitals – Beth Israel Deaconess, Partners' own Newton-Wellesley Hospital, and Beverly Hospital – had the highest average scores………In sum: When all scores are averaged, the Brigham ranks high, though not among the very best; Mass. General was part of the broad middle, or average, tier."	State and federal data sources used are unclear. BWH and MGH are academic centers whose mission is in part to serve as referral centers, accepting admissions of last resort, making comparisons to community hospitals problematic. Interpreting mortality rates in that light, it is impressive that MGH and BWH have mortality rates that are similar to or better than national benchmarks for all hospitals (academic and community hospitals combined). At BWH and MGH: •"Transfer-in" cases make up 12-13% of patients, but account for 41-43% of all deaths •The raw unadjusted mortality rate for "transfer-in" cases at BWH and MGH is 5 times higher than the non-transfer group Nationally endorsed public mortality measures: •Federal government: 3 mortality measures •MASSDAC: 3 mortality measures •Results: • Beth Israel is better than average in 0 of 6 • NWH is better than average in 0 of 3 (3 are NA) • Beverly is better than average in 0 of 3 (3 are NA) • BWH and MGH are each better than average in 1 of 6

	GLOBE ASSERTION	PARTNERS' RESPONSE
19	"Comparable quality, different prices" chart	No data or source provided to support <u>quality</u> claim in chart. Chart gives the impression that Partners has no community hospitals. Partners includes 4 community hospitals that represent 31% of our inpatient admissions. The chart shows that MGH and BWH have different median payments for the same service (in every instance but one). In fact, MGH and BWH have virtually the same rates for all services from private payers.

Boston is the only city with 2 hospitals (BWH & MGH) on the 2008 US News Top Ten List

Hospital	Honor Roll	Cancer	Heart and Heart Surgery	Endocrinology	Gastrointestinal Disorders	Geriatrics	Gynecology	Neurology/ Neurosurgery	Kidney Disease	Ophthalmology	Orthopedics	Otolaryngology	Psychiatry	Respiratory Disorders	Rehabilitation	Rheumatology
MGH	5	7	4	2	4	4	17	3	5		4	31	1	4		6
BWH	8	25	5	8	12	22	1	21	1		14	35		14		7
SRH															7	
McLean													4			
DFCI		5														
MEEI										4		5				
BIDMC		50	32	13	16	9	25		29			48		39		
TUFTS									40							
BMC						31								25		20
Baystate				43												
Lahey																
NE Baptist											23					
Austen Riggs													15			

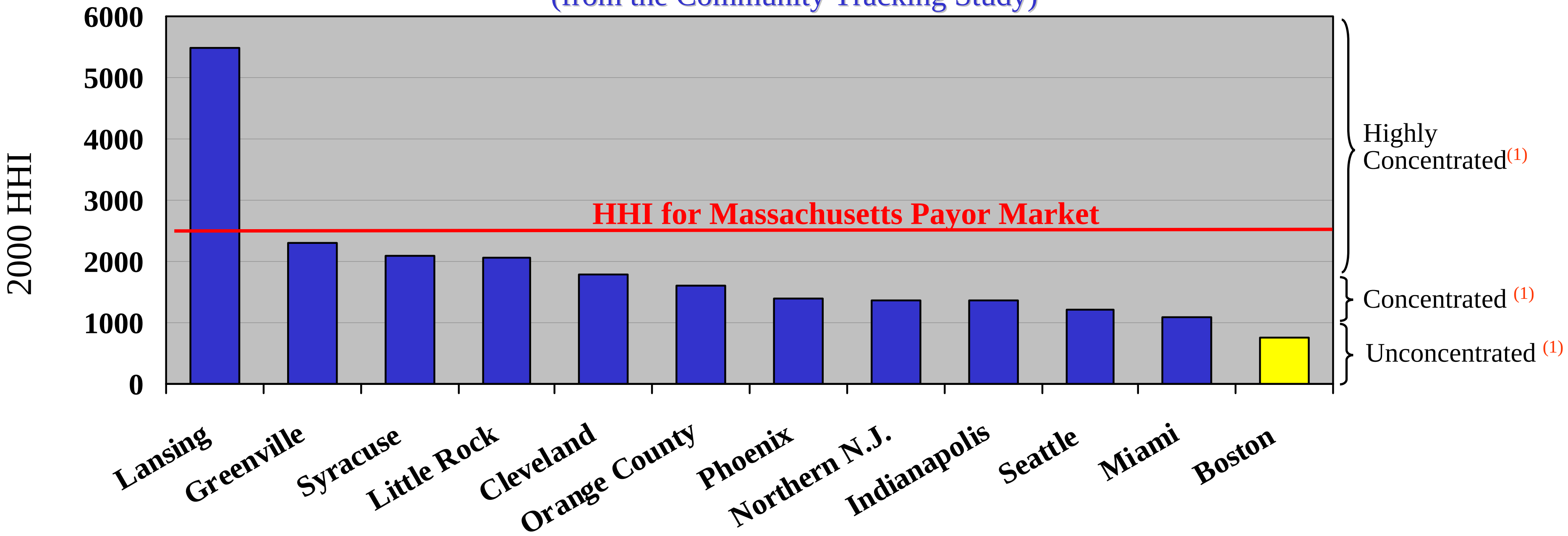
- All Massachusetts hospitals ranked by US News in at least one adult specialty are listed in the table above. If a hospital is not listed, it was not ranked in any adult specialty.
- US News uses a comprehensive and detailed methodology that is over 100 pages long.

PARTNERS HEALTHCARE

The Boston hospital market is not highly concentrated. . .

Herfindahl Index for Hospitals in 12 Cities

(from the Community Tracking Study)



[1] US Department of Justice and the Federal Trade Commission, "Horizontal Merger Guidelines," issued April 8, 1997, Section 1.5). The FTC defines an HHI of less than 1000 as "unconcentrated"; an HHI between 1000 and 1800 as "concentrated"; and an HHI of over 1800 as "highly concentrated."

The Herfindahl-Hirschman Index (HHI) is the sum of the squares of market share for all firms competing in a particular market.

Sources: Center for Studying Health System Change analysis of AHA annual survey

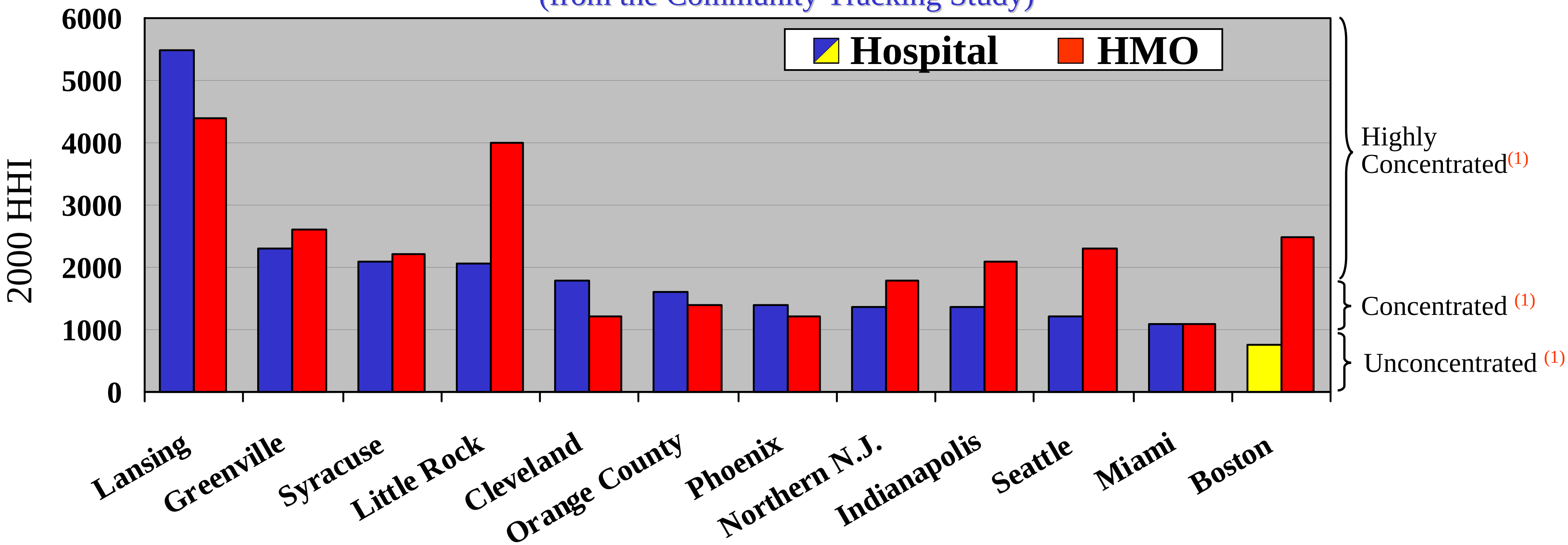
IV. Partners Issues: Checks and Balances

PARTNERS HEALTHCARE

. . .while the Boston HMO market is highly concentrated. . .

Herfindahl Index for HMOs in 12 Cities

(from the Community Tracking Study)

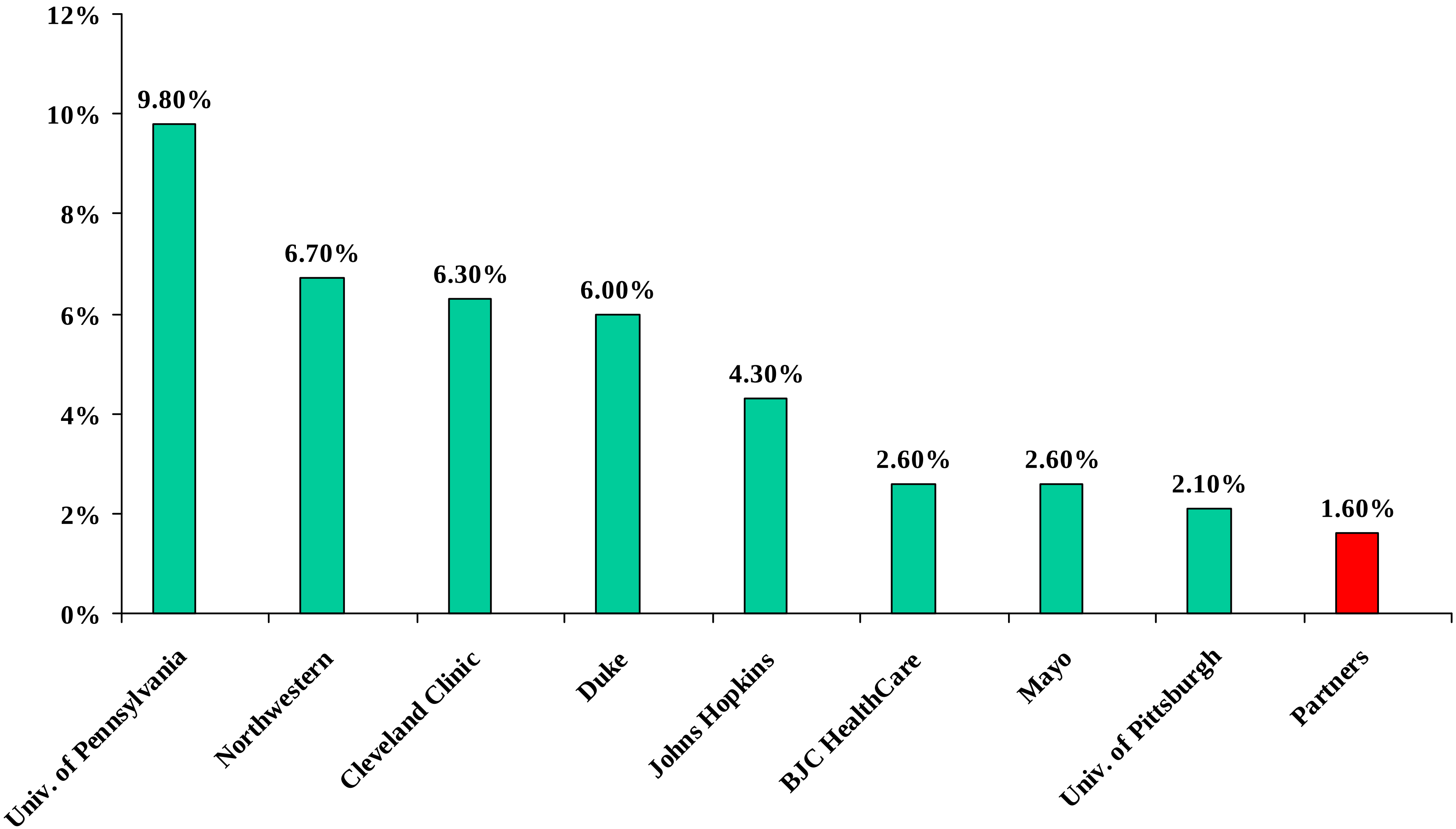


[1] US Department of Justice and the Federal Trade Commission, "Horizontal Merger Guidelines," issued April 8, 1997, Section 1.5). The FTC defines an HHI of less than 1000 as "unconcentrated"; an HHI between 1000 and 1800 as "concentrated"; and an HHI of over 1800 as "highly concentrated."

The Herfindahl-Hirschman Index (HHI) is the sum of the squares of market share for all firms competing in a particular market.

*Sources: **Hospital figures:** Center for Studying Health System Change analysis of AHA annual survey, 2000; HMO **figures:** Center for Studying Health System Change Analysis of Interstudy Competitive Edge*

FY2007 Operating Margin vs. Peers



Source: FY2007 audited financial statements