

SJR

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HR 22 "Applying the ~~SAFETY~~ ^{SAFETY} 1980
voluntary cost containment
efforts & requesting progress
Report to the legislature

copy Janice Potts

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January 1979

EXHIBIT #3
Vol. 7, No. 1Allied Public Relations Directors to Meet in April

The annual meeting of the allied association PR directors will be held at LaMansion, San Antonio, TX, April 25-27. The program will include discussions of industry issues, and problems and programs as they relate to the public affairs function in state, regional and metropolitan hospital organizations.

Members are urged to begin making plans to attend and to send any program suggestions to Dick Bregstein, director, public affairs, Illinois Hospital Association, 1200 Jorie Blvd., Oak Brook, IL 60521, (312) 325-9040.

Update on Voluntary Effort Includes National and State-Level Priorities and Physician Involvement

For those who were not able to take part in the PR Commo-Net call on November 29 and requested information on the Voluntary Effort (VE), here is a summary.

The National Steering Committee met November 20 and reviewed the VE work plans from the state associations and approved them, asking that key staff of participating organizations assure that all figures are in sync.

National and state-level priorities

The committee set four priorities for state and national levels next year: 1) Continue to build awareness of and commitment to VE on the part of hospitals and physicians; 2) Increase monitoring and reporting activities on state and national levels; 3) Provide technical assistance to hospitals in their cost containment efforts; and 4) Lay the foundation for VE beyond 1979 and deal with issues in addition to hospital costs.

A package was mailed in mid-November to institutional members to aid them with suggestions on how to achieve compliance with the Administration's wage and price guidelines. The subject heading on the VE Technical Assistance Program letterhead was "Salary Guidelines Under Voluntary Wage and Price Guidelines." Any questions about the mailing should be directed to Emily Johnson, Financial Systems Department, AHA.

Tips on resources for physician involvement

The primary resources for information on how to involve physicians in private practice as well as in hospitals are Bill Cohan and Robin Menes at the AMA, 535 N. Dearborn St., Chicago, IL 60610.

The AMA has produced a kit for use by individual physicians or medical staffs. It was mailed to state and county medical societies and is available to state hospital associations from the individual societies.

AHA resources for information about physician involvement are Patricia Parks, Division of Medical Services, (312) 280-6453; Paul Earle, VE executive director, (312) 280-6634; and Joe Rosmann, VE assistant director, (312) 280-6583.

National Hospital Week to Focus on Costs

The theme for National Hospital Week, May 6-12, is "The Voluntary Effort -- It's Working for You." Hospitals' strides in delivering cost-effective care in the best interests of the American people will be emphasized, as well as efforts to maintain the unique concept of voluntarism in this country.

Kits, which will be mailed to members in February, will contain materials and artwork that will help hospitals demonstrate how patients and the community can best utilize hospital services to get the most cost-effective care. Suggestions for involving employees will stress the importance of their contributions to reducing the cost of health care.

Maryland Survey Tells Pols' Views on Health

Maryland voters were able to find out, for the first time, how gubernatorial candidates stood on health issues through the laudable efforts of the Maryland Hospital Association (MHA).



Voluntary Effort advances at surprising pace for such a task

The Voluntary Effort (VE) — which was just an idea only a few short months ago — is moving toward reality with surprising speed when you consider the enormity of such an undertaking and the diversity of the elements of the health care industry that are involved.

The National Steering Committee on Voluntary Cost Containment drafted a 15-point program in mid-December, 1977, as a blueprint for an unprecedented grass roots movement to hold down health care costs. Within less than two months, state-level cost containment committees were organized — or were in the process of being organized — in all 50 states and the District of Columbia, thanks to the joint cooperation of the hospital and medical associations in each state.

It is true, of course, that some states are moving faster than others to implement the program. But, take into consideration the fact that the various entities of the health care industry are better organized in some states than in others.

The Voluntary Effort was never intended to be something that could be accomplished easily. The vast complexities within the health delivery system would most certainly prevent any such eventuality.

By and large, the Voluntary Effort has been well received throughout the country by state hospital and medical associations and individual hospital administrations and medical staffs. There has been, of course, some skepticism. This is only natural because there are many questions to be answered and much restudy to be done to find out where and how to cut costs without affecting the quality of care.

It must be emphasized that the Voluntary Effort is not a one-shot program confined to a definite time frame. It will — and must — continue indefinitely, regardless of what happens legislatively because its

success or failure is not tied directly to legislation. It was not undertaken to thwart one piece of legislation — although, admittedly, the threat of mandatory cost controls was a major catalyst in getting the effort under way. Health care industry leaders are convinced that voluntary cost containment is a far better alternative than more government regulation.

The voluntary program is designed to tackle the tough problem of reducing the rate of increase in hospital costs. Thus, it is tied to the peaks and valleys of the nation's economy, and the dilemma of inflation is likely to be with us for a long time to come.

Also, voluntary cost containment must be an ongoing effort because there always will be those who believe that government can do a better job of holding down costs by law or regulation than the private sector can — or is willing to do — voluntarily. It is time to prove how wrong the skeptics can be, including those within our own industry.

It is very difficult to understand why leaders in the Executive Branch, especially the President and Secretary of HEW, won't support the industry's Voluntary Effort to police itself. The President said in his State of the Union Message in January that he did not believe in wage and price controls and stated that "a sincere commitment to voluntary restraint provides a way, perhaps the only way, to fight inflation without government interference." Yet, his Administration insists on going ahead with its mandatory cost control legislation.

We often hear various members of Congress say that anything government can do, the private sector can do better. Now is the time for them to back that belief.

To put it bluntly, the Voluntary Effort has placed the integrity of the health care industry on the line. We must not fail.



Steering Committee guides grass roots effort to curb health costs

When Congressman Dan Rostenkowski (D-III) challenged the health care industry late in 1977 to voluntarily contain costs as a means of avoiding mandatory controls, he touched off a massive grass roots program of unprecedented proportions in the private sector of the health delivery system.

The challenge carried the weight of authority because Rostenkowski is chairman of the Health Subcommittee of the House Ways and Means Committee and a sponsor of the Carter Administration's hospital cost control legislation.

The American Hospital Association (AHA), American Medical Association (AMA) and Federation of American Hospitals (FAH) joined forces, and, in November, 1977, launched the historic, industry-wide voluntary cost containment program — called the Voluntary Effort (VE).

The first major step was the appointment of a blue ribbon National Steering Committee on Voluntary Cost Containment — composed of representatives of providers, carriers, business and consumers.

The committee co-chairmen are:

□ Samuel Tibbitts, chairman of the AHA and president of the Lutheran Hospital Society of Southern California.

□ Robert B. Hunter, M.D., chairman of the AMA board of trustees and a general practitioner from Sedro Wooley, Washington.

Other committee members are:

□ Andrew W. Miller, president-elect of the FAH and senior vice president of Hospital Corporation of America (HCA).

□ Robert Froehlke, president of the Health Insurance Association of America (HIAA).

□ Harold Buzzell, president of the Health Industry Manufacturers Association (HIMA).

□ Walter McNeerney, president of the Blue Cross/Blue Shield Association.

□ Mrs. Virginia Knauer, former presidential special assistant on consumer affairs and president of Virginia Knauer and Associates, consumer consultants.

Then came the second major step.

Goals drafted

At its initial meeting in December, 1977, the National Steering Committee drafted a 15-point program of guidelines and goals — which is the crux of the Voluntary Effort.

The major goals of the program are:

A reduction in the rate of increase in hospital expenditures of 2 percentage points a year over the next two years.

No net increase in hospital beds during 1978.

A reduction in new capital investment during 1978 and 1979.

Here is a summary version of the 15 points established by the National Steering Committee:

1. Affirmed the action taken by the AHA, AMA, and FAH urging the immediate creation of state-level voluntary cost containment committees, established through the leadership of the state hospital association and state medical society.

2. Affirmed the action called for by the AHA in its recent mailgram to member institutions requesting an immediate reassessment of planned budget and charge adjustment to be implemented beginning January 1, to see if anything further can be done in



Robert B. Hunter, M.D.
AMA
Co-Chairman



Samuel Tibbitts
AHA
Co-Chairman



Andrew W. Miller
FAH



Mrs. Virginia Knauer
Consumers



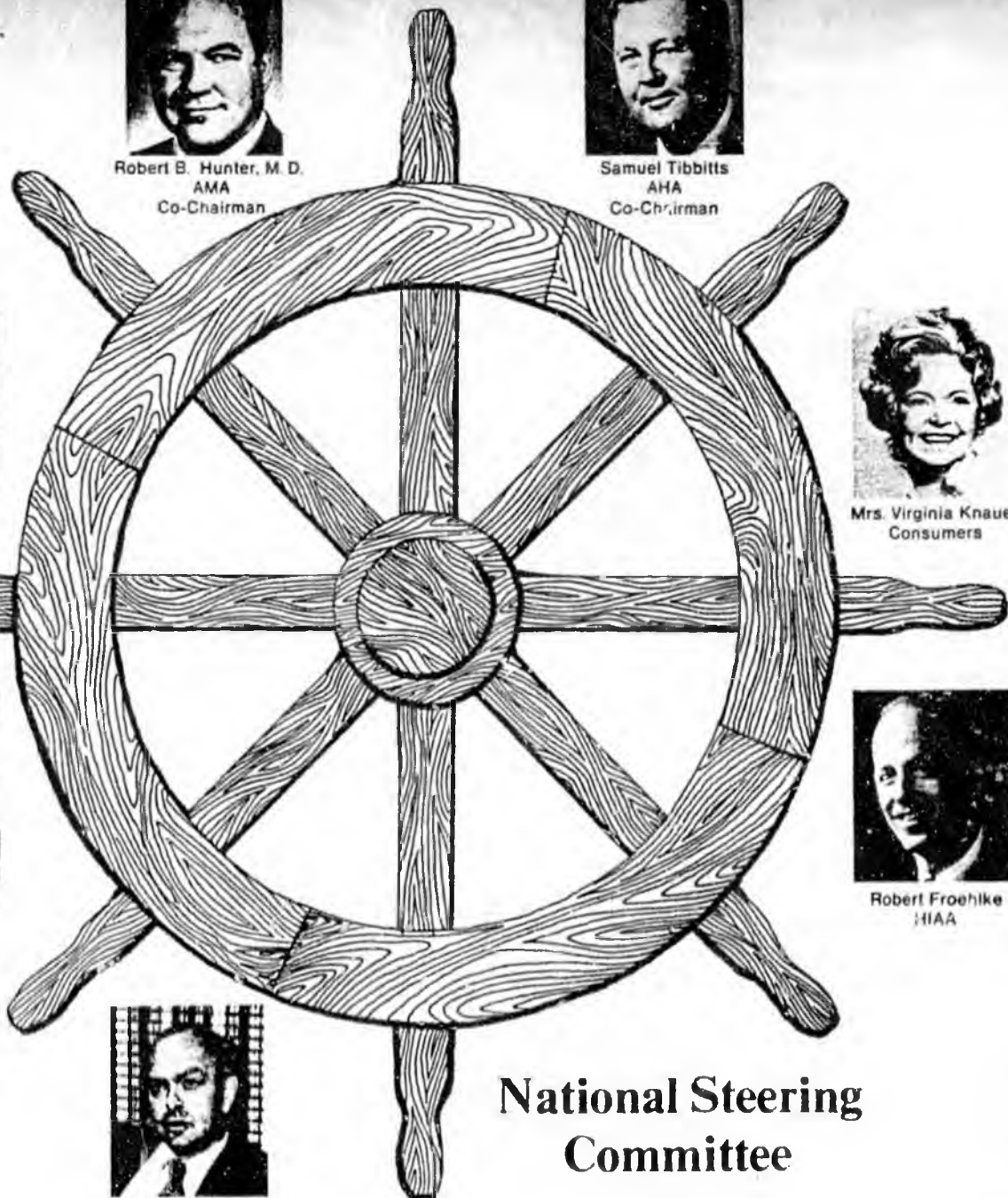
Walter McNerney
BCA/BSA



Robert Froehke
HIAA



Harold Buzzell
HIMA



National Steering Committee

the short term to reduce these increases, consistent with sound medical practices.

3. Established as the primary objective of the voluntary cost containment program a reduction in the rate of increase in hospital and health care expenditures so that the gap between this rate of increase and that of the Gross National Product is significantly narrowed over the next several years. The first step would be to reduce the rate of increase in total non-federal expenditures by 2 percentage points each year for 1978 and 1979.

4. Established interim guidelines linked to No. 3 above for consideration by (a) all hospitals for reassessing their current budget, and (b) the newly created state committees to identify those hospitals where special cost containment efforts need to be

carried out and to provide directions for state-level committees in developing their cos' containment and review activities.

Would trim investment

5. Establish a national goal of significantly reducing new capital investment over the next couple of years, including an objective of no net additions to the total stock of hospital beds as of December 31, 1977, and reducing capital expenditures to 80% of the price adjusted annual average for 1975, 1976, and 1977.

6. Requested that all hospital medical staffs reaffirm their commitment to carry out effective utilization review programs to assure the efficient provision of health care services and, consistent with

sound medical practice, all hospital medical staffs should consider ways to further tighten their utilization review programs.

7. Called for expanded study and development between state committees of programs to significantly improve productivity in hospitals, giving special emphasis to ways in which hospitals can hold the line on or reduce man hours per admission. The objective is for each hospital to improve productivity by 2% per year for 1978 and 1979.

8. To accelerate current trends to improve the health delivery system through multihospital systems, shared service programs, increased accessibility to primary care, and to increase the alternatives for delivery of health services, particularly through HMOs and single and multispecialty medical groups.

9. Called for the immediate communication of the above stated goals and guidelines to all hospital chief executive officers, chiefs of medical staffs, hospital board chairmen, state hospital and medical societies and all other allied associations, urging their support

and cooperation of this program.

10. Called upon the AHA, AMA, and FAH to develop technical assistance programs to assist both hospitals and state committees in meeting the goals of the voluntary cost containment programs.

Supplier's support asked

11. Urged each hospital supplier to support the voluntary cost containment program and to exercise restraint in its pricing policies.

12. Established a subcommittee for public education to develop approaches for explaining the voluntary program to the public. This committee also should consider ways to actively involve consumers, providers, trustees, industry, labor, and others in an effort to contain hospital and health care costs and to consider ways to resolve the problem of increasing public demand for health services.

13. Called upon the CEOs of the AHA, AMA, and FAH to contact the Department of Health, Education and Welfare, the Council on Wage and Price Stability, congressional leaders and the White

Model resolution in support of Voluntary Effort

Here is a model resolution that the governing boards of hospitals have been asked to adopt in support of the Voluntary Effort:

WHEREAS, the American Hospital Association, the American Medical Association, and the Federation of American Hospitals, in recognition of the need to restrain the rate of increase in health care expenditures, agreed to organize a Voluntary Cost Containment Program and urged each hospital to reassess its operating and capital budgets to see if anything further can be done to reduce these budgets, consistent with sound medical practice, and

WHEREAS, the American Hospital Association, the American Medical Association, and the Federation of American Hospitals have organized a National Steering Committee on Voluntary Cost Containment, which has developed a 15-point program to be implemented through state-level voluntary cost containment committees and through voluntary action of individual hospitals, and

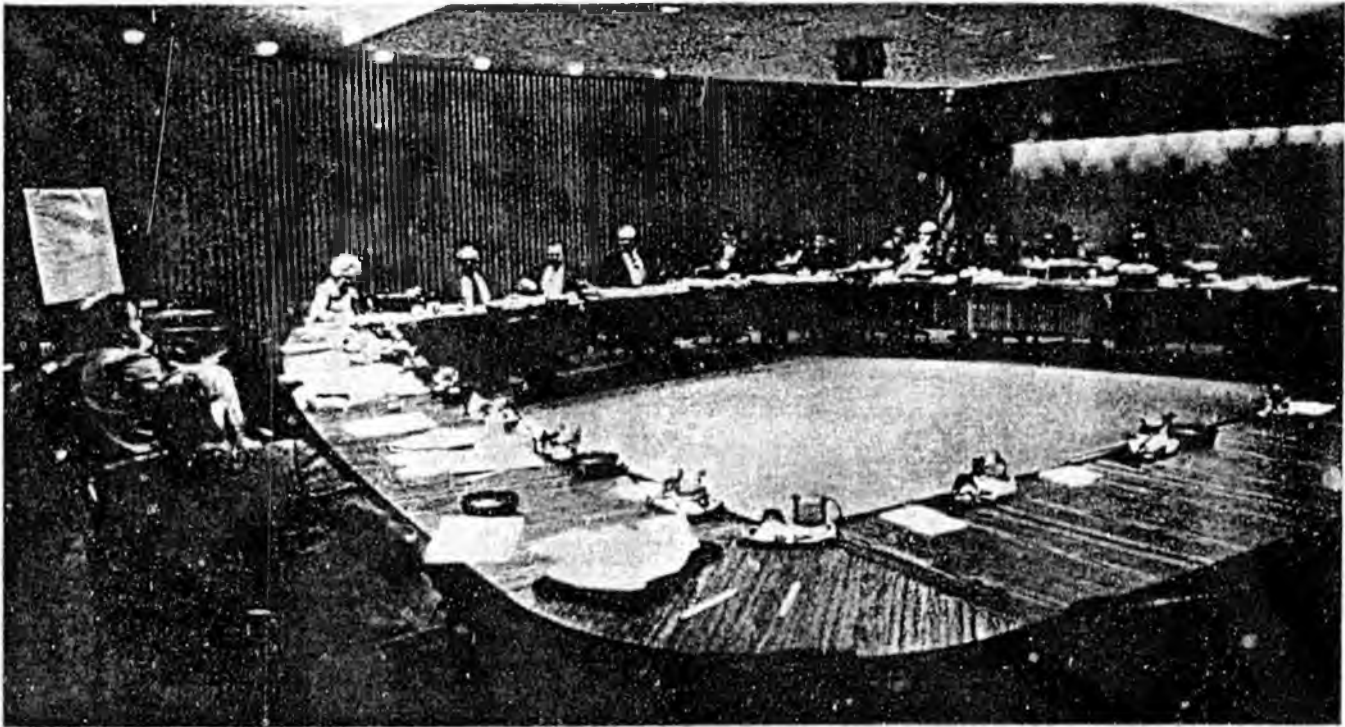
WHEREAS the State (name) Voluntary Cost Containment Committee has been organized, has endorsed the National Steering Committee's 15-point program, and

has developed a Provisional Certification Program, and

WHEREAS, the Governing Board (or other title) of the (name) Hospital has thoroughly reviewed these developments with the medical staff and the chief executive officer and is in agreement with the steps that have been taken at the national and state levels, and

WHEREAS, the Governing Board (or other title) of the (name) Hospital is strongly committed to voluntary action as the key to cost containment and desires to play a leadership role in demonstrating the value of voluntary action in cost containment,

THEREFORE BE IT RESOLVED, that the Governing Board (or other title) of the (name) Hospital strongly supports the program of the State (name) Voluntary Cost Containment Committee, has independently initiated a reassessment of its operating and capital budgets to see if any further reductions or postponements can be made, consistent with sound medical practice, pledges the use of all reasonable means to keep operating expenditures and capital budgets at the lowest levels on a continuing basis, consistent with sound medical practice, and seeks formal certification by the State (name) Voluntary Cost Containment Committee.



The National Steering Committee on Voluntary Cost Containment meets at the Chicago headquarters of the American Hospital Association.

House with respect to the program's goals and guidelines for the purposes of obtaining their support and cooperation, as well as industry and labor.

14. Called upon insurance carriers, other purchasers of care, industry and organized labor to examine alternatives to existing health insurance programs that would include expanded consumer cost sharing and cost effective alternatives to existing coverages, and other approaches to heighten the awareness of health care consumers regarding the cost of health services.

15. Called upon the Department of Health, Education and Welfare and other federal agencies to carry out cost effectiveness studies regarding all existing federal regulations affecting the health care industry to be completed by the end of 1978.

Committees formed

By January 30, 1978, state-level voluntary cost containment committees had been organized in 48 states and the District of Columbia by state hospital and medical associations — and the final two states formed committees in February.

Thus, the program was set in motion at the national and state levels in less than two months.

New impetus was added to the Voluntary Effort in early February when Rostenkowski addressed the annual meeting of the AHA in Washington, D. C. He praised the industry for launching the voluntary program and then made the surprise announcement that he would introduce legislation calling for stand-by cost controls, which would be implemented if it failed.

The sponsors of the Voluntary Effort are seeking antitrust clearance from the U. S. Justice Department on two primary issues relating to the use of specific numerical objectives by state committees in implementing the program with individual hospitals in the state, and the use of public disclosure as an incentive to gain participation by individual hospitals.

The massive Voluntary Effort has included the mailing of 23,000 letters to the nation's hospital chief executive officers, board of trustee chairmen and chiefs of medical staffs, urging their support of the program.

In separate interviews with the *Review*, members

of the National Steering Committee expressed appreciation over the response of the health care industry to the voluntary program, but their predictions of success ranged from "optimistic" to "wait-and-see."

Progress 'remarkable'

Committee co-chairman Tibbitts, AHA chairman, described the progress to date as "remarkable."

"We are getting all of the states lined up, and most of their committees have met. Also, I am amazed by the agreements that we have had on the National Steering Committee as to what our goals and objectives should be. I have to give credit to the AMA for really coming forward and saying — yes, the doctors have to be involved and recognize their part in hospital costs."

Tibbitts admitted that he was concerned about the psychological factors involved with the introduction of legislation for standby controls. He said he feared some hospitals might become discouraged because of the belief that "whatever we do, we might get the boom lowered on us anyway."

Speaking of the steering committee, Tibbitts commented, "I would say that, so far, our discussions have been very good, healthy and cooperative. Each member has a little different problem. Unfortunately, we don't have a labor representative as yet, but, we hope to get one in the future. Expansion of the committee is planned, and we soon expect to have a representative from the Association of County Governments."

The AHA chairman emphasized that he was a firm believer in the Voluntary Effort, and "I would encourage every state hospital association, every hospital, and every medical society to really get behind this program and work and push as hard as possible to make it a success."

Miller, president-elect of the FAH and the investor-owned hospitals' representative on the commit-

tee, believes the next two months will be "extremely critical to the success of this effort."

Cooperation needed

"In the next two months," he explained, "state committees will complete their organizational process, and hospitals will be endorsing and committing themselves to the objectives of the program. What is needed, of course, is 100 percent cooperation."

Miller said that hospital administrators and chiefs of medical staffs "are going to have to put the success of this program above their own immediate interests because it is important to the long-term progress of health care in this country."

"Personally, I feel that administrators and chiefs of staff will respond very positively to this challenge, and I believe that investor-owned hospitals will take the forefront in this effort," he said.

He believes that the Voluntary Effort "will accomplish more than just asking hospitals to re-examine their budgets and redouble their cost containment efforts."

"This effort will serve as a communications vehicle and a focal point to relate better to Congress, health insurance companies, consumers, and even to physicians, regarding the problems facing hospitals," Miller explained. "We must build on this foundation. We must focus first on the hospitals and then move beyond that into the physicians' influence on health care costs. Then, we need to expand to other areas. So, I foresee that this effort will go on for several years before being replaced by something else."

Buzzell, who heads the Health Industry Manufacturers Association (HIMA), said that his organization had endorsed the concept of the Voluntary Effort and "specifically endorses No. 11 of the 15-point program, which urges each hospital supplier to support the voluntary cost containment program and to exercise restraint in its pricing policies."

"So, our commitment is one of enthusiasm and full of cooperation to make this program work," he said.

Buzzell believes that standby controls could have both a positive and a negative impact. The positive impact, he explained, is that it would warn the hospital industry of the consequences if the voluntary program failed.

"The negative impact," he said, "is that the legislation would enable the federal government to expand its regulatory arm — and I think that would be disastrous."

Buzzell said he was disappointed that the Voluntary Effort had not been endorsed by both the federal and state governments.

"Also," he noted, "I see a major flaw in the sense that we have not yet obtained the cooperation of the segment of our society that really causes a good portion of the costs of hospitals to occur. I am referring, of course, to labor, and labor costs can only be controlled if we get the cooperation of labor unions."

Sees opportunity

McNerney, head of Blue Cross/Blue Shield,

believes the Voluntary Effort "is an excellent opportunity for the private sector to display initiative and to establish itself as a socially accountable and publicly accountable force."

McNerney said he would like to see the AHA, AMA, and FAH "move more aggressively and faster" in implementing the voluntary program.

He also believes that industries serving the hospital industry "are going to have to be part of the dialogue (of cost containment) and exercise as much restraint as possible."

McNerney says it is essential that each hospital have a cost containment committee — involving the trustees, administration and the medical staff in the format and procedures of such a panel.

"This is a very important point," he stressed. "It is very essential that a hospital administrator — and I mean all of them — does not sit back and wait to see how things are going — whether this is a successful venture — whether somebody else is going to give more or less. It concerns me that, in a situation like this, some people tend to be cozy and adopt a wait-and-see attitude.

"Now is the time for some individual leadership,

AHA vice president wears second hat . . .

Paul W. Earle, vice president of the American Hospital Association (AHA), is wearing a second hat as executive director of the Voluntary Effort.

He is responsible for the day-to-day activities connected with the first joint, voluntary program of its kind in the health care industry.

Organization and communication are the prime objectives as the Voluntary Effort moves through the embryonic stages. The emphasis has shifted from the National Steering Committee on the Voluntary Cost Containment Program to the state voluntary cost containment committees.

"We are now in the process of starting a provisional certification program," Earle said. "Some of the states have already done this.

"This is Stage One of the program wherein each

state committee will ask every hospital in its state to take the cost containment issue up with its board of trustees and medical staff," he explained. "Boards will be asked to approve resolutions supporting the voluntary program and indicating to the state committee or the state hospital association what its rates of increase will be and what it is doing to contribute to voluntarily restraining increases."

Earle has served in several executive capacities since joining the AHA staff in 1968. He is a graduate of Princeton University and holds a master's degree in business administration from the University of Chicago Graduate School of Business.

He became an associate director of AHA in 1971, and in 1973 was promoted to director of management services. He was named vice president in 1975. He is responsible for three major AHA divisions — health delivery systems, human resources management and medical services.



Earle

expressed at the individual hospital level. If the administrator is frustrated about his potential loss of control — his potential loss of flexibility — his ability to manage the institution — now is the time to pay a small price toward a very large end — a future where there is more flexibility to get things done, rather than less."

Effort required

Froehlke, head of the Health Insurance Association of America (HIAA), believes that the Voluntary Effort is going "to take much effort and sacrifice on the part of hospital people throughout the country."

He expressed the viewpoint that the program was not moving fast enough, because "we should have been moving three years ago."

"But, having had a late start, and looking at all the problems involved, I think the industry is moving as fast as it can — but not fast enough," he said.

Froehlke said that the HIAA board "applauded and endorsed the Voluntary Effort and urged member companies to cooperate," at its February, 1978, meeting. He qualified this by noting that the HIAA

was "not going to put all of its eggs in the Voluntary Effort basket."

"We are going to continue to stress peer review, prospective budget review and alternate methods of delivering health care," he said.

Froehlke said that the HIAA board had endorsed the Rostenkowski standby controls bill — just as it had endorsed the Administration's cost control legislation. He noted that the Rostenkowski bill "is the only piece of cost containment legislation in the hopper now that does, in effect, endorse the Voluntary Effort."

He believes that hospitals can show their sincerity in the voluntary program by statistically proving that they are holding down the inflationary spiral and making the kind of tough management decisions that will ensure this.

To explain program

Mrs. Knauer, who served as a special assistant on consumer affairs in both the Nixon and Ford Administrations, has been given the responsibility by the steering committee to develop a program to explain the Voluntary Effort and the impact on cost of

as executive director of VE campaign

Earle said he was gratified, generally, over the progress that was being made at the state level although, understandably, some states were moving faster than others.

"One of the encouraging things about the committees that are being appointed," he said, "is that they are broadly based, similar to the National Steering Committee. A key aspect of this whole program is the fact that we are not talking just about hospitals but the whole private sector of health care delivery. Some state committees that have been organized are involving government, business, and, in some cases, labor, too, or at least getting labor's support. Also planning agencies are involved, too. So, this is a broad direction for the state committees to follow."

Earle said that many questions, received by his office regarding the program, seek clarification of the various points of the 15-point guidelines and goals, established by the National Steering Committee.

"Actually, what we are doing is asking every hospital in the country to take another look at its budget and operating capital and see what they can do beyond what they already have done to constrain costs," he explained. "Then we are asking every hospital to make an ongoing commitment to voluntarily restrain their increases. What one hospital can do is going to be different from another. For example, some hospitals are looking at the possibility of shutting down wings while others are thinking about postponing capital spending or cutting back in capital projects. So it really varies all over the map."

Earle conceded that it was too early to tell how successful "this whole program is going to be, but the response that we have received from various states and individual hospitals — and from physicians — give us cause to be optimistic that we can get the job done."

REVIEW

April 1978

Program Introduced To Hold Hospital Costs

Hospital Affiliates International, Inc., has announced that it is introducing its containment program more than 100 hospital re-managers.

The program, an effective immediate designed to limit hospital cost increases for patient care average of 7.5% or less 12-month period.

It is intended and will facilitate under

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50 state panels formed for Voluntary Effort

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By TOM KEOCH Health-Relations Writer

In a cost-cutting move, Woman's General here has lca they lca in tw nu the Eas

For mo tals have director, months, they have begun sharing other administrative personnel. Now medical services are a joint operation.

Woman's General Hospital will be used for medical and surgical patients. Also, Merrick Hall, the 14-bed alcoholism unit for women will remain at the hospital.

Polyclinic Hospital will handle pediatry and gynecology patients and maintain a small nutritional unit. Polyclinic's Family Medical Care Center, operated with the

omitted any, but for now when hospital remains under the control of separate board of directors. Representatives from each board sit on a combined board to decide on matters affecting joint operations.

In situations in which the hospitals have similar medical departments, the departments will often be headed by one person or co-department heads

Dr. Robert Bowman of Woman's General and Dr. Harman Sheket of Polyclinic are co-chiefs of staff for the combined hospitals.

House Unit Backs Voluntary Cost Cuts By Hospitals, Rejects Mandatory Curbs

WALL STREET JOURNAL
costs down in hospitals will work better than government attempts to put a ceiling on hospital cost

Besides voluntary pr recently proposed by largest medical associations

a hard fight at later stages in the legis process. Seven Democrats voted for the

Energy conservation goal of state hospitals

ing hospital energy conservation providing a safe and comfortable environment for patients in the of the Kansas Hospital the Kansas Hospital station
at the KHA annual work in Overland Park, ve the problems of disrupted supplies of heating utility costs n hospital costs. It

cerned with utility shortages and uncertainties of supplies. Last winter many Kansas hospitals reported curtailment of natural gas supplies and were forced to switch to alternate, higher priced fuel at substantially higher fuel bills. Many reported increases of approximately 300 percent in their fuel bills during that period. For example, an 80-bed Kansas hospital reported it was required to burn propane instead of natural gas for 77 days last winter which resulted in a

Hospital Commended For Cost Containment

Johns Community Hospital has received a Certificate of Recognition from the Texas

Statewide Hospital Productivity Center which is dedicated to effecting immediate and continuing savings in individual hospitals. To date, substantial cost savings have been demonstrated. Reduction in costs to date amount to more than \$6 million

In issuing the Certificate of Recognition, Johns Community Hospital was praised by Hurst for its efforts to contain health care costs, improve the overall productivity of the hospital system in Texas and maintain high quality community health care. Administrator Louis West and his staff were recognized for attaining high productivity goals. THA, based in Austin, is the trade association of hospitals in Texas with a membership of over 600 health care institutions.

Workers help hospital save

By Jerris Fackrell
Beaumont News correspondent

PANGUITCH — While hospital costs over the nation rose about 30 percent last year, Garfield Memorial Hospital managed to maintain a 10 percent decrease according to Texas Hospital Association.

Administrator, Sister Georgette, as the objective for its 4

THE NEW YORK TIMES, TUESDAY, JANUARY 31, 1978

Health Industry Forms a Voluntary Program to Control Hospital Costs

General here lca they lca in tw nu the Eas

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Dr. Robert Bowman of Woman's General and Dr. Harman Sheket of Polyclinic are co-chiefs of staff for the combined hospitals.

He suggested strict adherence to the principle of constantly keeping an eye to sustaining interest on the part of existing medical staffs and at the same time limit the hospital possible face on cooperative in the young future memberships.

Sian Groh, vice president of Presbyterian Hospital, the proposed cooperative to obtain a significant Agency and its subar Georgette Jean said "a Robert Armstrong management planning plained the rationale f, speakers included Les Northridge Hospital assistant administrator

The Texas Hospital Assn (THA) has announced total savings of some \$96,000,000 to nonfederal, short-term community hospitals. This was accomplished through the efforts of individual hospitals and the operations of the Statewide Hospital

information, sharing of ideas and suggesting better work methods all Texans as well as our friends in neighboring states will be able to utilize the finest in health care at the lowest cost. In fact, hospital costs in Texas are 20 percent lower than national average

It was pointed out by Hurst that these savings were being used by hospitals to offset the ravages of inflation while maintaining quality care. Another spokesman for THA pointed out that Hurst

Hospitals Save \$96 Million

A LEGISLATOR'S VIEW OF THE VOLUNTARY EFFORT

by Dan Rostenkowski (D-IL)

The following remarks were made by Rep. Dan Rostenkowski, chairman of the Subcommittee on Health of the House Ways and Means Committee, before the National Invitational Symposium on the Voluntary Effort in Chicago, November 8, 1978.

This afternoon, I hope that you will forgive me if I do not focus primarily on the statistical evidence of the accomplishments of the Voluntary Effort [VE]. The results of your activities—as measured by the hospital panel survey data—have been quite broadly reported. So broadly reported that, in recent months, I have come to know hospital expenditure percentages almost as well as voting percentages in Chicago's Eighth Congressional District, and believe me, those latter percentages are ones that I really know quite well.

But to be serious for a moment or two, I would like to express my sincere recognition and appreciation of your achievements to date. As major inflation indicators have progressed steadily upward in recent months, hospital costs, for a change, have not been leading the charge. Your promises of last year and your efforts to fulfill them have resulted in a considerable improvement in the status quo—much to the surprise of many. For that, everyone in this room is to be commended.

When I addressed the House of Delegates of the American Hospital Association in Washington not quite nine months ago, I noted that your efforts to voluntarily restrain the rapid rise in hospital costs were consistent with the President's 1978 State of the Union address, which expressed the view that "a sincere commitment to voluntary constraint" provides a way to best grapple with inflation without direct government controls. You have made that *sincere* commitment, and the results of your commitment are being acknowledged more openly in Washington every day.

Just two weeks ago the President outlined his program to deal with inflation throughout our economy. In detailed fact sheets accompanying his prepared remarks, the President did again call for the enact-

ment of hospital cost containment—a subject I would like to return to in a few moments. But at least as significantly, the President's explanatory papers discuss in specific detail the need to decelerate the inflation in medical care costs—primarily hospital costs—by a rate greater than the one-half percent which was being asked of other industries. To be specific, and I quote, "A more appropriate standard for this industry is a deceleration of at least two percentage points next year and continued deceleration in future years until the rate of growth in medical expenditures is brought into line with the rate of growth of the overall Gross National Product." Those goals sound quite familiar to me. Although the VE may not be loved by all in Washington, your goals and your accomplishments certainly now are recognized in high places.

If I correctly interpret the President's goals, he wants to couple this year's accomplishments with a similar success next year so that the growth in total hospital expenditures is brought into line with the GNP growth rate. Sounds like somebody has been analyzing the effect of my compromise bill.

In my opinion, the President's goals, which also happen to be your goals, and consistent with the goals endorsed by my subcommittee—are reasonable. Simply stated, they mean the growth in overall hospital expenses each year—expenses which are related to increased utilization, improvement in your product (and growth of the hospital sector) as well as general inflation of the economy—should be approximately the same as the sum of real growth and inflation in the rest of the economy.

So, after two years of rather emotional debate on the issue of hospital cost containment, it appears that we all now agree on our major goal, where we should be heading to improve the present situation. In witnessing the Administration and your industry slowly narrowing the distant poles that once separated you, I have observed significant concessions on both sides. From the industry, I have for the first time seen a genuine admission that there is a real problem here; you have stopped being negative and publicly recognized that maintenance of the status quo was just

not acceptable. From the Administration, there have been concessions as well. The President's recently stated goal of keeping the growth in hospital costs consistent with the overall growth in the economy is certainly far more flexible than the original cost containment proposal which emerged from HEW in April of 1977.

So now that we have considerable agreement on where we want to go, the question remains what is the best way to get there. This is where your industry and I continue to have our differences.

Long experience in government has given me an acute sense of the limitations of government intervention and a deep respect for the importance of freedom of choice and diversity in the health industry. Like you, I want to see a system that handles cost containment through healthy competition and real bargaining processes, a system marked by voluntary efforts within bounds acceptable to the public and the government. And I believe that this is the kind of system the American people would prefer.

I have been well aware, however, that this view is not shared by everyone. Many sincere people—both within and outside the government—are discouraged by the hospital industry's past record in controlling costs, and what they view as unkept promises made

by the industry when wage and price controls were removed several years ago. I cannot, in all good conscience, ignore their views or their assessment of the record. And I have found that it is necessary, within the framework of our pragmatic political system, to take these views into account. Thus, I offered in the last Congress what I believed to be a reasonable reconciliation of divergent views—primary reliance on the industry's voluntary efforts to achieve a goal we all share, with recourse to a federal fallback program only if the industry's voluntary program fails to meet its objectives. Given the universal recognition of the fact that a serious problem does exist, I believe we can do no less than face up to the reality that a failure of the voluntary approach will leave no alternative but government intervention.

I must say that the response of the health community to my challenge to develop a voluntary program has persuaded me that my initial judgment was correct. I want to assure you that I—and many others—remain aware of what has been accomplished and that we will continue to closely follow and acknowledge your efforts.

In our habit of measuring successes and failures in this area strictly in terms of percentages, we can lose sight of the real dollar impact of the Voluntary Ef-





fort. From fiscal year 1977 to 1978, Medicare hospital benefit outlays increased by 17.1 percent. In the congressional budget for the fiscal year which began October 1, 1978, the projected Medicare increase for these same benefits is 12.5 percent. The sharp drop in percentage growth for this part of the Medicare program is \$805 million; \$680 million of this reduction is being attributed to the effect of the Voluntary Effort. Your work is making a difference.

I hope, however, that I will not be misunderstood. My compliments, like all compliments given to or by politicians, are provisional. Every politician knows that he cannot stand only on his past record—he has to be able to provide a program for the future, assurances as to what he will do tomorrow. You are all familiar with the question every constituency regularly poses: "Yes, but what have you done for me lately?"

The moral I draw from this is that you dare not think you can rest on your laurels. Nine months or even one year of success will not persuade those who need to be persuaded that the voluntary program can achieve its goals on a long-range basis and that we can rely on all within the industry to subordinate more narrow interests to the larger public interest. To accomplish that purpose you will have to repeat your success, maintain the high level of dedication and enthusiasm so far attained, and produce long-term results that continue to justify your faith in the capacity of the industry to meet freely and responsibly defined goals.

I believe that the critical test of the industry's sincerity and capacity to responsibly manage itself without the direct intervention of the federal government still lies ahead. There can be no letting up, no backsliding, no self-congratulation. Too much is at stake for all of us. Too much yet remains to be proved. And let me say, also, that it is an effort worth undertaking—not just for the negative reason of avoiding government controls, but for the positive reason of restoring public confidence in the industry's total commitment to the health and welfare of the American people.

As we look ahead to next year in the Congress, I cannot help but believe that progress on federal legislation to control hospital costs will inevitably be linked to progress that you make on the Voluntary Effort. Although I have not recently discussed next year's legislative agenda with anyone in the Administration, I am quite sure that some revised form of hospital cost containment legislation will be advocated early in the next session. From my standpoint, I continue to believe a rational standby program would be the most effective incentive to help you pursue your goals. In either event, much legislative improvement can of course be made—both in the Administration's original approach and in my standby program. These both surely will be considered during the next session.

But as I say this, it should also be noted that I am a political realist. I know—and you know—that whatever happens during legislative debate on this issue will be done with a full appreciation of the performance of the Voluntary Effort. Just as it is clear that your failure to continue to achieve your goals will accelerate congressional action next year on this issue, the continued success of the Voluntary Effort cannot be ignored. To put it simply, your best weapon to slow the advancement of federal legislation in this area—is to preempt the need for it. Continued success of the Voluntary Effort might well just do that.

In first discussing this issue at the American Hospital Association meeting last February, I compared your response to President Carter's proposal to the impact of the old army draft—I said that nothing stimulates volunteers as effectively as the genuine fear of the draft. So in closing today, let me remain consistent in my analogy. There are some in Wash-

ington who today regret that the Congress has done away with the old Selective Service System. They still believe compulsory military service should be required for all. There are others who believe that the draft should be available on a standby basis, in case there isn't sufficient voluntary effort to meet our military goals. Finally, there is a third group—the one which to date has prevailed. They argue that the voluntary army is working, so we should forget about the draft and focus on other legislative priorities.

For cost containment, the Administration has urged mandatory, and I have urged standby approaches, but you are going to make it tough for us to sell either program as long as your voluntary army is producing solid statistical results. Your future, ladies and gentlemen, is in your hands. Your cost containment performance in each of the 50 states will strongly influence what the Congress does during the next year. ■

During 1978, the Reader's Digest Association, in cooperation with the AHA's Office of Public Affairs, conducted a special program through which it donated more than 400 stereo home entertainment systems worth more than \$200,000 to AHA member institutions.

The quadraphonic systems, which included turntables, dust covers, AM-FM stereo radios, eight-track stereos, and four speakers, were part of a discontinued line of equipment that Reader's Digest Association wished to phase out. In exchange for its donation, Reader's Digest Association wanted the AHA to select the recipient institutions and publicity for the program.

The AHA recommended that the systems be offered to long-term care institutions, because they usually have recreation rooms where the equipment can be used and because the number of such institutions closely matched the number of available stereo systems. The AHA issued a general press release about the donation program, notified the selected institutions about the donation, and supplied them with sample press kits to publicize the donation.

Reader's Digest Association was delighted with the press coverage the program received and believed that it was very successful, especially because of the AHA's cooperation. AHA membership response to the program was overwhelmingly favorable, as shown by some of the comments that appeared in members' publications or in letters of thanks received by the Reader's Digest Association:

"The system serves as a constant reminder that there is a way and a role for private enterprise to show its concern for people who are institutionalized."

"Our employees are devising methods of making the system portable so that a maximum number of our residents, located in separate wards, might enjoy the excellent sound reproduction."

"The Entertainment System has been installed in our main hospital dining room, where approximately 400 patients will now have the opportunity of listening to background music during meal periods."

"I hope that you have an idea of the limited recreation budget in a state hospital so that you will know just how much this fine system will add to the pleasure of our patients."

"Our kids are deriving a tremendous amount of pleasure from this great audio equipment."

In addition, this program was a valuable undertaking for the AHA, enabling it to provide a tangible benefit to its member institutions and their patients and providing it with an opportunity to work effectively with a segment of private business. ■

AHA, READER'S DIGEST TEAM UP TO BENEFIT LTC INSTITUTIONS

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Position Paper

Senate Joint Resolution 22

"Applauding the Alaska hospitals' voluntary cost containment efforts and requesting a progress report to the legislature."

The position of this department is to wholeheartedly support the SJR which resolves that the Legislature: applauds the voluntary cost containment efforts of the Alaska Hospital Associations; desires a continued information exchange between the two bodies; and, respectfully requests a report of the latter body to the former body not later than January 15, 1980.

Recommended by: Joe Betit Date 2-23-79
Joe Betit
Coordinator
Office of State Health Planning
and Development

Approved by: Helen D. Beirne Date 3/18/79
Helen D. Beirne
Commissioner
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