FTC/DOJ Hearings on Health Care
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Austin Heart, P.A.

Austin, Texas

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Thank you for the opportunity to speak on behalf of the Heart Hospital of Austin and Austin Heart.

I am the President of Austin Heart and one of the physician founders of the Heart Hospital of Austin. I serve on the Board of Directors of the Heart Hospital of Austin and am the current Chief of Cardiovascular Diseases.

Prior to my involvement in the Heart Hospital of Austin, I served as the Chief of Cardiology for the Seton Health Network in Austin. I am the Governor Elect of the Texas Chapter of the American College of Cardiology and represent the 1,000 cardiologists in the state of Texas.

In 1966 the physicians in my group recognized that there had been significant decline in the quality of care provided to our patients in the existing hospitals. Despite our efforts in various committees of the hospital, we were unable to make substantial improvement. In 1996 we became acquainted with MedCath and decided to invest in a joint venture with MedCath that would lead to the creation of a heart hospital with shared governance and finances. Once we had announced that we would participate in this joint venture with MedCath to create a new heart hospital in Austin, the existing hospitals – Seton Medical Center and St. David's/Columbia removed the members of my group from the emergency room call schedules (where we retained active hospital privileges) and, thus, denied us access to non preference emergency room patients. The physicians in my group had held directorships and leadership roles in all of these hospitals. These positions were all immediately striped from the physicians in my group.

The Heart Hospital of Austin opened its doors December 1998. By 2001 it had the highest volume of heart surgeries and angioplasty heart procedures in central Texas. In addition, it had the lowest adjusted mortality rate and the lowest length of stay according to MedPar Data. It has maintained this performance through 2002. Internal surveys show a consistent 92% or greater patient satisfaction. The Heart Hospital of Austin has been able to maintain this high standard and quality of care with the lowest cost structure.

How could a new hospital clinically and financially out perform the more established hospitals in the community in only two years of operation? Doctors control the utilization of hospital resources. In the traditional model, doctors have absolutely no incentive to use resources wisely. If they are restricted in any way in using these resources, they simply move their patients to a competing facility. Unfortunately the traditional hospital has no leverage with doctors to help control their costs. In stark contrast, the heart hospital model offers doctors an incentive to use the hospital's resources wisely and cost effectively. The physician investors benefit as the hospital benefits through the judicious use of hospital resources.

Case Histories

I. Vendors. In the traditional hospital, multiple cardiologists use a great variety of devices (angioplasty balloons and pacemakers) from a variety of vendors. These cardiologists have staff privileges at multiple hospitals throughout the area. These cardiologists determine where their own patients will be treated. If a cardiologist is denied access to a particular device of his preference, he will simply stop doing procedures at that hospital and move his patients to a competing hospital. Unfortunately, the traditional hospital cannot work with cardiologists to decide on a single vendor. They will never be able to achieve lower costs through volume related agreements with vendors. In 2000 our cardiologists at the Heart Hospital of Austin were able to decide on primarily one vendor for the most costly devices used in the hospital. Because of a volume guarantee, the vendor was able to provide outstanding pricing on their devices. Consequently the Heart Hospital of Austin saved over one million dollars in costs for these devices.

II. Length of Stay. Today hospitals are paid by Medicare and insurance companies on a DRG basis rather than on a per diem basis. Hospitals, thus, are incentivized to care for patients and then discharge them in the most expeditious manner. Hospitals lose money when patients have longer hospital admissions. In the traditional hospital model physicians have no motivation to shorten a patient's length of stay. In the heart hospital model in which physicians care very much about the financial viability of the hospital, patient discharges are given a much higher priority. Patients are typically discharged home in the morning. This greatly enhances patient and family satisfaction in having patients discharged early in the morning rather than the last chore of the day or evening. The length of stay at the Heart Hospital of Austin are shorter (2.1 days) than those of all the area hospitals (3.8 days).

III. Innovation. The Heart Hospital of Austin introduced coronary artery calcium screening to the central Texas community in January 1999. Heart attack is the #1 killer of Americans. This provided our community with a very innovative way of screening for this potentially lethal disease. Throughout our country the cost of this procedure is typically $450. The Heart Hospital of Austin has been able to drive this price down to $150. Today we are screening approximately 30 patients a day, six days a week.

Through shared ownership the physicians at the heart hospital have a great deal of pride in their hospital. This also leads to an enhanced level quality of care. As a focussed facility, we have been able to offer the most outstanding cardiovascular care in our region and to provide this care at the lowest cost.

In summary, the heart hospital model aligns incentives between hospitals and physicians such that the highest possible care and highest patient satisfaction is provided in the most cost-effective manner. Indeed, the Heart Hospital of Austin has led in raising the quality of cardiovascular care in our community. The heart hospital model provides an example of a new platform for a robust medical system that incentivizes high quality care at the lowest cost. The result of all these efforts is a substantial benefit to the patients and the communities that these heart hospitals serve.