

**Statement
of
Russell D. Harrington, Jr.
President and CEO
BAPTIST HEALTH
before the
Federal Trade Commission
regarding
Health Care and Competition
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INTRODUCTION

For more than 80 years, BAPTIST HEALTH, a 501(c)(3) nonprofit, has been delivering quality healthcare to the people of Arkansas.

As one of Arkansas' leading healthcare organizations, BAPTIST HEALTH consists of five hospitals with 1,198 licensed beds including 120 rehabilitation beds, a 400-resident retirement center, a physician service organization, a HMO joint venture, a 10-hospital VHA affiliate network, schools for nursing and allied health, and many other health-related services. It is governed by an independent board of community leaders.

BAPTIST HEALTH focuses each day upon service, honesty, respect, stewardship, performance, and compassion while it delivers comprehensive health services to the people of Arkansas.

The physicians, nurses, and employees of BAPTIST HEALTH advocate wellness and prevention.

Three of BAPTIST HEALTH's medical facilities are located in the center of the state in the Little Rock area. In the remaining areas of the state, BAPTIST HEALTH works closely with one or more major partners.

In the Southeast: Great Rivers Technical Institute and McGehee-Desha County Hospital in McGehee, the Mainline Health Systems in Portland, and the Jefferson Comprehensive Care Center in Pine Bluff.

In the Southwest: BAPTIST HEALTH Medical Center-Arkadelphia.

In the Northwest: Boston Mountain Rural Health Center in Marshall, Fairfield Bay and Clinton.

In the North Central area: White River Rural Health Centers in Augusta and BAPTIST HEALTH Medical Center-Heber Springs.

Families from throughout the state of Arkansas can use the BAPTIST HEALTH system through 131 access points which include hospitals, surgery centers, physician clinics, wellness centers, community health centers, therapy centers, home health agencies and other centers.

BAPTIST HEALTH provides state-wide telephone access to healthcare information and physician referral services through BAPTIST HEALTH HealthLine; and medical emergency air transport through BAPTIST HEALTH Med-Flight.

As a major initiative, BAPTIST HEALTH is currently developing and maintaining community based clinics, especially in Arkansas' rural areas. The people served by these clinics find them to be accessible and comparatively low in cost, if not free.

In 2002, BAPTIST HEALTH's 23 wellness and community health clinics provided a wide range of healthcare services in caring for 10,450 patients visiting these clinics.

In the United Health Group State Health Ranking, 2000 edition, Arkansas holds the 46th worst ranking throughout the U.S. for the general health of its population. Since 1990, Arkansas has failed to match other states' improvement in smoking, reduction in risk for heart disease, or decreases in infant mortality.

The related factors of low income and obesity are also a major concern. According to the 2000 U.S. Census, the average per capita income in 1999 was \$21,587 for the nation and in Arkansas it was only \$16,904. Center for Disease Control (CDC) statistics show 19.8% of Americans are obese, yet it rises to 22.6% among Arkansans.

BAPTIST HEALTH supports programs to address community health concerns, these include -

Obesity: weight management program, instep walking club and diabetes self management program;

Smoking: nicotine dependence program and partners for smoke-free families;

Heart Disease: cardiac rehabilitation, CPR HeartSaver training, lipid clinic, cardiac risk intervention program and Women's Heart Advantage;

Infant Mortality / Low Birth Weight Babies: Heaven's Loft Wellness Center, High Risk Pregnancy Services and a Neo-Natal Intensive Care Unit;

Pulmonary Disease: pulmonary rehabilitation program.

As a core system strategy, BAPTIST HEALTH's Community Outreach initiatives serve as a catalyst to improving the health and well being of our community. A variety of programs are offered in diverse settings to improve

the health status of our population. These are accomplished in partnership with churches, businesses, schools and benevolent agencies. Partnerships include -

Immanuel Baptist Church and Jefferson Comprehensive Care Center- free medical care to uninsured citizens;

First Presbyterian Church and Entergy- free healthcare for the homeless population;

St. Paul AME Zion Church and Greater Second Baptist Church- health prevention activities for underserved citizens;

Henderson Health and Science Middle School- resources / opportunity for students to shadow health professionals;

Positive Atmosphere Reaches Kids- nutritious meals for at risk students in innovative academics;

Arkansas Department of Health and Pulaski County- improve the health and quality of life in rural Pulaski County;

BAPTIST HEALTH and Blue Cross and Blue Shield collaborate in the "Partners for Smoke-Free Families" initiative as well as provide disease management programs that compile risk assessment reporting data for low back pain, cardiovascular, respiratory and diabetes.

BAPTIST HEALTH and the COMMUNITY

The greater Little Rock area is served by three major medical centers, four community hospitals, five specialty hospitals and four psychiatric or drug rehabilitation facilities.

There are a total number of 3,293 licensed beds in the greater Little Rock area and this includes 2,775 inpatient beds and 518 rehabilitation beds. Within a 13 county region in central Arkansas, there are 28 hospitals for a total of 4,730 beds.

One of the greatest challenges BAPTIST HEALTH faces is meeting the healthcare needs of Arkansans who are without health insurance. Our state exceeds the national average with 18.7% uninsured in Arkansas versus 16.3% for the U.S..

One in five employed people and their families in our state are without health insurance. The uninsured poses a major threat to the continued viability of health systems like BAPTIST HEALTH.

The shortage of nurses and other healthcare professionals at the state and national level presents a challenge to providing the highest quality in patient care. The availability of qualified healthcare workers is dwindling at the same time our patient population is expanding.

In addition to fierce competition to recruit and retain the best care givers, the challenge of staffing will have a long term impact on the ability of community hospitals to sustain current levels of quality in health care services.

BAPTIST HEALTH is responding to this challenge by offering three nursing educational opportunities through our BAPTIST HEALTH Schools of Nursing and Allied Health.

BAPTIST HEALTH has encouraged increased enrollments by providing

scholarships, loans, job commitment agreements and limited offers of "tuition free" opportunities.

As a result, the Registered Nurse classes in 2003 and 2004 should be larger than those of recent years, including many LPNs who will complete our "fast track" program.

BAPTIST HEALTH's commitment of resources to staffing challenges will help sustain quality of care as well as fill vacancies in our facilities and for other provider settings in Arkansas.

BAPTIST HEALTH and QUALITY

BAPTIST HEALTH addresses quality on an overall basis by participating in accreditation by the Joint Commission on Accreditation of Healthcare Organizations, for improved patient satisfaction with the national Press, Ganey Patient Satisfaction Survey, for clinical quality with the Arkansas Foundation for Medical Care and through ongoing clinical studies.

The two most common quality of care measures for hospitals are mortality rate and readmission rate. When cases are adjusted for severity, BAPTIST HEALTH is comparable or below the expected rate among hospitals in Arkansas in these two categories.

BAPTIST HEALTH is committed to defining the highest quality care and translating it into routine practice. BAPTIST HEALTH participates in quality of care initiatives where data for diagnostic outcomes is shared nationally.

These include acute myocardial infarction, pneumonia, stroke, women's heart advantage and congestive heart failure. In comparing our clinical performance against national rates, BAPTIST HEALTH produces high performance

outcomes that result in reduced patient mortality and morbidity.

BAPTIST HEALTH and COSTS

BAPTIST HEALTH continues to face a number of challenges with the rising cost of caring for our patients.

Medicare and Medicaid continues to provide reimbursement at rates less than the true expense of providing services.

Hospitals are concerned that at the federal level historical increases in military spending, trillion dollar expenditures associated with tax reductions and funding for expanded homeland security will trigger a new round of Medicare budget reductions.

Private payers are, on average, only increasing payments by half of the expense increases we experience.

In 2002, BAPTIST HEALTH experienced a number of operating expenses that increased beyond our control.

These included an increase in the BAPTIST HEALTH portion of employee health insurance, a substantial market adjustment to salaries for our nurses and other healthcare professionals and a 175% increase in our medical liability and property insurance.

Also, a capital investment was made to expand the BAPTIST HEALTH Schools of Nursing and Allied Health to accommodate larger enrollments in our efforts to address staffing challenges.

These increases occurred during a time we experienced a loss of insurance

business and incurred the costs associated with HIPAA compliance and bioterrorism preparation.

While BAPTIST HEALTH is experiencing increased expenses and decreasing reimbursement, we are providing more health care services that are either charity or uncollected debt.

In 2002, BAPTIST HEALTH provided \$68 million in health care services for which we received no payment.

BAPTIST HEALTH's average cost per case is comparable to or below similar hospitals nationally and in Arkansas. Factors contributing to higher healthcare costs in Arkansas include population size, age distribution, personal income and insured status.

Arkansas is a predominately rural state with low HMO penetration and a high percent of population age 65 or over. The result is higher hospital utilization and higher personal health spending than the national averages.

CONCLUSION

BAPTIST HEALTH's mission is one of a healing ministry. The challenge community hospitals face in providing healthcare in today's social, economic and competitive environment is unique.

The fiscal crisis in healthcare appears to be on the upswing with the number of downgrades in the not-for-profit health care bond market rising during the third quarter of 2002, despite predictions of stability.

Increasing patient expectations coupled with soaring expenses and decreasing public and private reimbursement places pressure on not-for-profit health

systems.

BAPTIST HEALTH has maintained a history of stability in spite of this precarious environment.

The delivery of healthcare in Arkansas is highly competitive and promises to change rapidly with the evolution of diagnostic imaging technology and the swift development of new care settings.

Competition from speciality providers, who provide only the most profitable services, will make it more difficult for not for profit providers like BAPTIST HEALTH to serve the community with comprehensive services.

In an increasingly competitive market, BAPTIST HEALTH's challenge will be to respond to unending pressure to improve efficiency, upgrade technology, recruit and retain staff, provide care to an aging population that is growing exponentially and serve the poor and uninsured.

As one of the states largest tertiary care centers, BAPTIST HEALTH plays an important role in supporting rural healthcare.

Rural hospitals, who are an integral part of their communities, are adversely impacted by government payment and regulatory policies.

Without the availability of resources and financial support from health systems like BAPTIST HEALTH, there will be an erosion of access to care in the rural health care delivery system in our state.

In conclusion, competition among health care providers in greater Little Rock remains brisk. Access to services is improving but needs to continue to improve for the uninsured. Hospitals are improving the quality of clinical care while controlling costs.

Given the competitive nature of our market, community hospitals will be required to intensify efforts to achieve efficiencies to care for the needs of our patients.

In meeting the needs of our patients in a caring, Christian environment, BAPTIST HEALTH is committed to providing access to all patients regardless of their status and working for continual improvement in quality while controlling costs.

On behalf of BAPTIST HEALTH, thank you for the opportunity to participate in this roundtable discussion.