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COVER STORY

As hospitals adapt to Maryland's new payment model, they're finding business in other states.

HOPKINS' NEW FRONTIER

BY SARAH GANTZ
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Follansbee, West Virginia, is an old steel town the size of a postage stamp along the Ohio River.

"This is it," Lorraine Milantoni, who has lived there all her life, says as she drives past the pizza place, the barber shop, the library. "This is my little town."

She's reached the end of the 3,000-person town before she reaches the end of her sentence.

If Milantoni had her way, she would never leave. But every Wednesday around 9 a.m. the 49-year-old ventures an hour east to Pittsburgh to watch chemotherapy drugs drip into her chest.

Milantoni battled breast cancer once before and thought she'd won – at least that's what her double mastectomy would have you believe.

She wasn't sure she wanted to go through it all again. But Milantoni thought of her husband, her two teenage daughters and her parents still living next door. When her doctor at Allegheny General Hospital got a second opinion through a new partnership with Johns Hopkins Hospital, Milantoni decided to fight one more time.

Places like Follansbee and patients like Milantoni are where Hopkins – nearly 300 miles away in Baltimore – sees its future.

Hopkins is an international health care brand known for its billion-dollar patient towers that attract sheikhs to red carpet openings. This king of health care is now rethinking its growth strategy in response to changes to the way Maryland regulates hospital revenue. Maryland's "all payer" hospital system controls the rates that every health plan pays a given hospital for a particular procedure. An update to the system in January gave the commission more control over rising health costs, by capping the amount of money hospitals can earn in a year.

Tight regulation like this could pose a big problem for Hopkins, a hospital with a global reputation to uphold and a slew of national competitors. But Hopkins struck a unique deal with the state: Revenue earned treating out-of-state patients will not count toward the hospital's revenue limit. Hopkins and four other hospitals get this exception because they treat more out-of-state patients than other hospitals. The impact is by far most significant for Hopkins. About 24 percent of the hospital's revenue, just under $504 million in fiscal 2013, comes from non-Maryland residents.

That's why new partnerships with out-of-state health systems will play a big role in Hopkins' growth strategy. Deals like the one Hopkins made with Allegheny Health Network are a way to expand the Hopkins brand and perhaps attract patients. Hopkins has long worked with international hospitals and expects to grow these relationships, as well.

Maryland's updated hospital payment model may be the impetus for Hopkins to reevaluate its growth strategy. But it is also a sign of a broader shift in health care as more hospitals decide they are no longer able – or willing – to go it alone. Mayo Clinic, Cleveland Clinic and University of Texas MD Anderson Cancer Center are all slapping their sticker on smaller hospitals.

"All these places are realizing it's less about bricks and mortar and more about making connections," said Dr. David Parda, chairman of Allegheny Health Network's cancer institute.

Many eyed Allegheny Health Network – and with good reason. Allegheny is a newer health system that is still building its brand and expects a swell of new patients.

Highmark, one of the largest insurers in Western Pennsylvania, in 2013 bought up the seven struggling hospitals in the Pittsburgh area to create Allegheny Health Network. The deal spurred an ugly battle between Highmark and University of Pittsburgh Medical Center, another big hospital in town. UPMC cut ties with Highmark after the insurer bought the competing hospitals, which means Highmark members will have to go to Allegheny Health Network hospitals almost exclusively. New cancer patients could double over the next five years. The health system is adding cancer centers as quickly as contractors can build them – four are already up and running and several more are in the works.

Hopkins landed its deal with Allegheny in January. Hopkins will consult with Allegheny doctors whose patients, like Milantoni, need some extra reassurance. Patients with rare cancers could come to Baltimore for care. Parda said that of 50 patients for whom he has consulted with Hopkins a few – one or two percent – ended up going to Baltimore for treatment.

What's more, Hopkins can tap into Allegheny's 10,000 (and growing) cancer patient base for clinical trials, which need large test groups.

This is important to Allegheny's patients, too. Milantoni will get 30 days of radiation after chemotherapy. After that, she'll be out of good options if the cancer comes back a third time, her oncologist Dr. Jane Raymond said. Now that the hospital is working with Hopkins, Milantoni could possibly participate in a clinical trial.

Access to more patients is a big driver for other expanding health systems. Mayo Clinic has amassed a network of 30 hospitals that can use Mayo's brand and tap into the Minnesota health system's resources. The network links Mayo to more patients without the financial responsibility of buying hospitals.

"As more and more health care is delivered electronically it gives us a broader reach," said Dr. David Hayes, the medical director of Mayo Clinic Care Network. "It extends our brand in an landscape that's changing drastically."

Hopkins administrators insist this is not a model they want to replicate.

Out-of-state growth is just one aspect of the hospital's strategy, said Dr. Paul Rothman, CEO of Johns Hopkins Medicine, the hospital's parent organization. Like many other hospitals, Hopkins also wants to grow its primary care network and establish community-based care centers. Hopkins can reduce patients' hospital costs and stay within its state-set budget by treating patients closer to home.

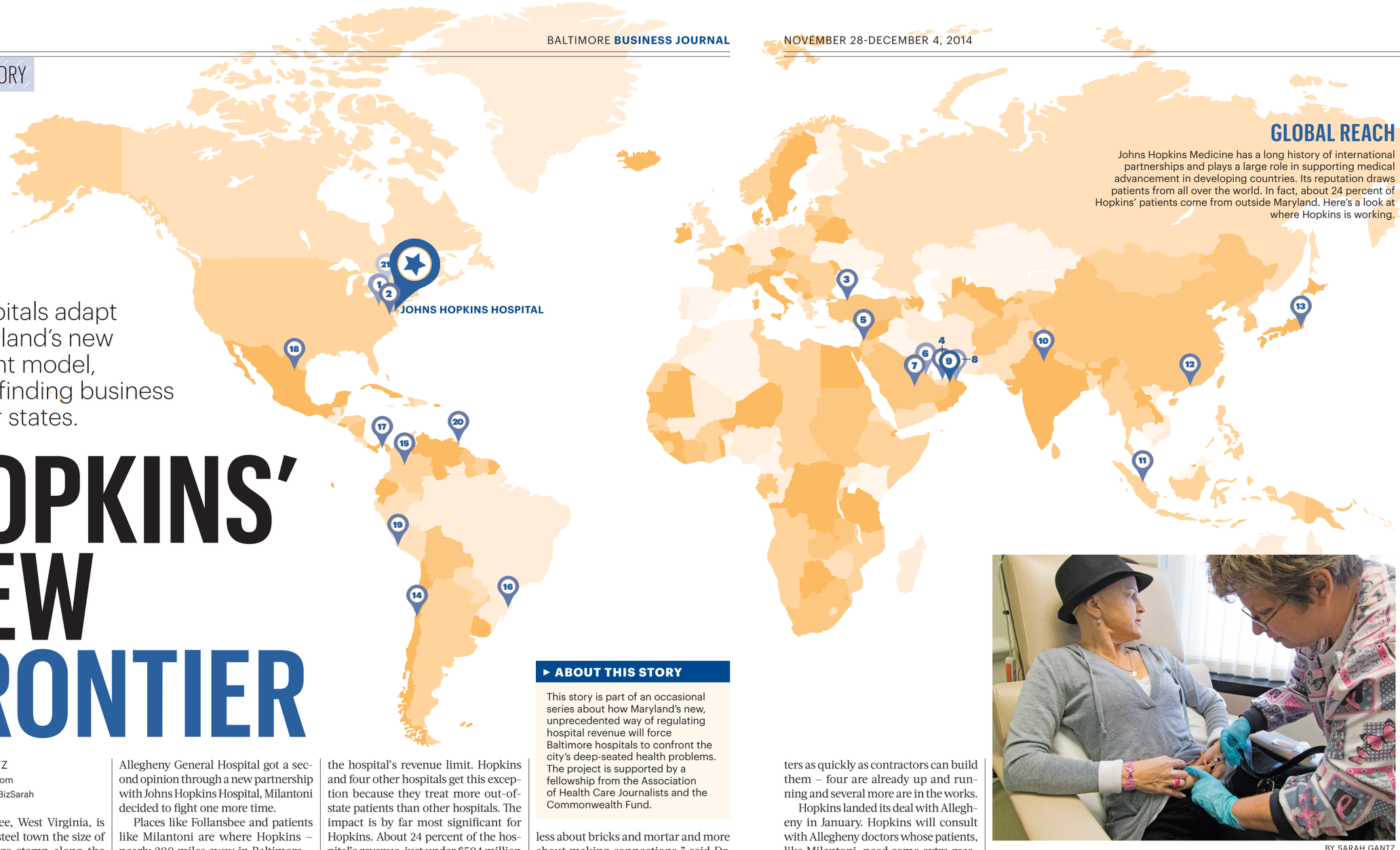
Hopkins may not want to stretch its brand the way Mayo Clinic has, but administrators cannot ignore what its national competitors are doing.

Cleveland Clinic, another top-tier hospital system, is edging closer to Hopkins' territory. MedStar Health Inc., which has seven hospitals in Maryland, recently expanded its cardiovascular care partnership with Cleveland Clinic. MedStar CEO Kenneth A. Samet hopes the national brand will boost cardiovascular care at MedStar Union Memorial.

"You can't do it alone," Samet said. "As big and proud as I am of MedStar, we have to think of ways to work with others."

▸ ABOUT THIS STORY

This story is part of an occasional series about how Maryland's new, unprecedented way of regulating hospital revenue will force Baltimore hospitals to confront the city's deep-seated health problems. The project is supported by a fellowship from the Association of Health Care Journalists and the Commonwealth Fund.



GLOBAL REACH

Johns Hopkins Medicine has a long history of international partnerships and plays a large role in supporting medical advancement in developing countries. Its reputation draws patients from all over the world. In fact, about 24 percent of Hopkins' patients come from outside Maryland. Here's a look at where Hopkins is working.

1. **ALLEGHENY HEALTH NETWORK,** PENNSYLVANIA
2. **KAISER PERMANENTE,** MARYLAND
3. **ANADOLU MEDICAL CENTER,** TURKEY
4. **AL RAHBA HOSPITAL,** UNITED ARAB EMIRATES
5. **CLEMENCEAU MEDICAL CENTER,** LEBANON
6. **JOHNS HOPKINS ARAMCO HEALTHCARE,** SAUDI ARABIA
7. **KING KHALED EYE SPECIALIST HOSPITAL,** SAUDI ARABIA
8. **TAWAM HOSPITAL,** UNITED ARAB EMIRATES
9. **TAWAM MOLECULAR IMAGING CENTRE,** UNITED ARAB EMIRATES
10. **HCL AVITAS,** INDIA
11. **JOHNS HOPKINS SINGAPORE,** SINGAPORE
12. **SUN YAT-SEN UNIVERSITY.** CHINA
13. **TOKYO MIDTOWN MEDICAL CENTER,** JAPAN
14. **CLÍNICA LAS CONDES,** CHILE
15. **FUNDACIÓN SANTA FE DE BOGOTÁ,** COLOMBIA
16. **HOSPITAL MOINHOS DE VENTO,** BRAZIL
17. **HOSPITAL PUNTA PACÍFICA,** PANAMA
18. **INSTITUTO TECNOLÓGICO Y DE ESTUDIOS SUPERIORES DE MONTERREY,** MEXICO
19. **PACÍFICO SALUD,** PERU
20. **TRINIDAD AND TOBAGO HEALTH SCIENCES INITIATIVE,** TRINIDAD & TOBAGO
21. **MEDCAN CLINIC,** CANADA

BY SARAH GANTZ

Lorraine Milantoni is fighting a recurrence of breast cancer at Allegheny General Hospital in Pittsburgh.

THE BIG PLAYERS

Maryland is tightly regulating hospital revenue and caps the amount of money hospitals can earn in a year. The revenue limit does not apply to money earned treating out-of-state patients for five hospitals that see lots of non-Maryland patients. This is big for Johns Hopkins Hospital, which reports more out-of-state revenue than any other hospital in the state. Fiscal 2013 numbers show how Hopkins stacks up against other hospitals not subject to the budget cap for out-of-state patients.

JOHNS HOPKINS HOSPITAL
Total revenue: $2.1 billion
Out-of-state patient revenue: $503.8 million (23.6 percent)

JOHNS HOPKINS BAYVIEW MEDICAL CENTER
Total revenue: $596.8 million
Out-of-state patient revenue: $50.8 million (8.5 percent)

SUBURBAN HOSPITAL
Total revenue: $280.6 million
Out-of-state patient revenue: $28.1 million (10 percent)

UNIVERSITY OF MARYLAND MEDICAL CENTER
Total revenue: $1.2 billion
Out-of-state patient revenue: $91 million (7.3 percent)

UNIVERSITY OF MARYLAND SHOCK TRAUMA CENTER
Total revenue: $188.6 million
Out-of-state patient revenue: $20.8 million (11 percent)

SOURCE: HEALTH SERVICES COST REVIEW COMMISSION