Who Wins and Who Loses from Premier’s Relationship with Montefiore?

By Nicholas B. Basakoff

Group Purchasing Organizations — or GPOs — are hospital practices that currently control more than $60 billion a year in health care purchases. The Greater New York Hospital Association (GNYHA) and Montefiore Medical Center have been involved in a New York Times series about the underlying business practices of these huge buying groups currently being probed by New York State and Federal regulators.

The decision to keep Montefiore in a contractually related relationship with Premier, the giant GPO that services the member hospitals of the Greater New York Hospital Association raises a number of important questions:

- Do Premier’s exclusionary policies — which some manufacturers allege keep their technologically innovative products out of hospitals — serve the best interests of non-profit academic medical centers like Montefiore? And to what extent do these practices interfere with the medical center’s long tradition of advancing medical innovation?

- Does the MMC-Premier relationship place health care workers at risk for avoidable needle stick injuries? (See “Sharps Injuries May Be Linked to Unsafe Products” in this issue).

- Are the millions of dollars paid out through Premier’s purchasing arrangements really well spent during a time of growing austerity within New York State’s fiscally constrained health care system?

The Greater New York Hospital Association, headed by Kenneth Banker, argues that GPOs are well-managed bulk purchasing arrangements that save hospitals money by leveraging greater purchasing power. Others, however, present a different view. State and federal regulatory authorities are exploring the degree to which GPOs may limit competition and stifle innovation while failing to fulfill their major purpose — saving hospitals money. In fact, some hospitals that had participated in Premier have since left because they were not benefiting from savings.

The U.S. Senate Subcommittee on Anti-Trust and the U.S. General Accounting Office have expressed concern that more than 75 percent of hospital beds nationally are presently serviced by a handful of GPOs. Together, the two largest — Premier and Novation — control more than two-thirds of all health care purchases nation-wide. The concentration of purchasing control in so few hands, some experts say, may already pose real dangers to consumer and patient care interests.

Poor Purchasing Decisions: Coming Straight From the Top

By participating as a shareholder in Premier, the nation’s second largest GPO, Montefiore also takes part in a complex relationship between Premier and the Greater New York Hospital Association (GNYHA), of which Montefiore is a member. According to the New York Times, Premier paid the GNYHA $11.9 million in commissions in 2001, a figure representing a full third of the GNYHA’s total revenues. Because such a large proportion of the hospital association’s total income is derived from Premier’s paid commissions.

Business Day

A Region’s Hospital Supplies: Costly Ties

By BARRY HEIGER

July 15, 2002

The New York Times

Questioning $1 Million Fee in a Needle Deal

A group that buys medical supplies for a third of the nation’s hospitals received two highly unusual payments totaling $1.1 million from a company that had received the exclusive right to market hypodermic needles and other products to the group’s hospitals.

Concerns have been raised about potential conflicts of interest. New York State Attorney General Elliot Spitzer has made public his office’s inquiry into the practices of GPOs like Premier.

Stiffing Innovation

Many experts believe that GPOs stifle innovation by creating adverse market conditions for new medical device entrepreneurs. Elisabeth Weatherman, a managing director of Warburg Pincus, an investment firm run by Montefiore board member Lionel Pincus, has testified before the Anti-trust Subcommittee of the U.S. Senate Judiciary Committee that firms like hers were reluctant to finance new medical technology companies because of the “anticompetitive” business practices of big buying groups. She testified that “collusion” between the buying groups and large manufacturers keeps our smaller, innovative manufacturers out.

The problems accompanying GPOs become even more alarming when one realizes that their practices may potentially contribute to health-care worker injuries and illnesses. As Senator Herb Kohl (D-Wisconsin) underscored during a series of hearings on GPOs last April, “It doesn’t do anyone any good to invent the next great penicillin or safety needle if you can’t get it to patients because the GPO stands in your way.” Senator Kohl, who is the ranking member of the Senate Subcommittee on Antitrust and its Chairman Mike DeWine (R-Ohio) have just announced that they will continue their inquiry into GPOs to ensure that America’s hospitals, caregivers, and patients “get the best possible medical equipment and supplies at the best possible prices.”

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Purchasing Decisions That Can Hurt You

Nurse injuries at Montefiore may be higher than they need be, owing to possible violations of OSHA standards and questionable purchasing decisions regarding the current supply of needles at the medical center.

Dirty needles are available for more pennies than conventional needles.

Safer needles are available for more pennies than conventional needles.

In this MontiWatch we consider some of the effects of Dr. Spencer Foreman’s business plan. By emphasizing cost line considerations over core values like teaching, research and quality of care, he appears to be straying from Montefiore’s mission.

The nurse can argue with the need to manage Montefiore with a careful eye on the bottom line. Yet when that line drives a not-for-profit health care organization away from its mission, it is only fair to ask, where are the checks and balances? Having an informed and involved medical community is critical to assuring the best care, best practices, and the kinds of public-spirited policies that are consistent with protecting patients and providers in these challenging times. MontiWatch is here to raise important questions. Without questions there can be no solutions — nor real opportunities — to create democratic and effective workplaces where health care providers can perform at their best. For more about these issues, please log on to www.MontiWatch.org or call us at 914-478-4174. Four comments are always welcome.

Where Are The Checks and Balances?

Spencer Foreman’s Annual Compensation Equals 47 Ward Clerks $1,632,787 (Compensation for 1,078 Spencer foremen)

$26,542.57 x 47 Annual Salary

Rand Corpus

WAT Watch

Up and Coming!

Look for these and other issues in MontiWatch:

• Why Montefiore’s physicians are in union
• Dr. Foreman’s Anti-Unionism
• Do the Trustees Agree?
• Are Montefiore’s Hemochromatosis Services Going Private?
• Excessive CEO Compensation in a Time of Cuts

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A Look at
MCC’s Trustees

Montefiore’s Board of Trustees is appointed by their peers to serve as the ultimate stewards of the medical center’s finances and mission. They are empowered to hire and fire the chief executive, and they are diligent to regularly review and evaluate Dr. Foreman’s performance. The Board is also responsible for upholding the mission of the organization and ensuring that it stays true to the public at large. In this and subsequent issues, MontefioreWatch will profile a survey of board members, shedding light on their interests, business affiliations, and contributions to the community at large. All of this information provided here is available and verifiable through public sources.

Jay B. Langner, Chairman of the Board of Trustees

Mr. Langner is the former Chairman of Hudson General Corporation, an airport services and land development giant in which he originally invested in 1964, and headed until 1999. He is a director of FleetQuest, a Gulf Coast oil exploration and production company and serves on the Board of Gregory Utica Four Fun in addition to the A.L. Polkman Foundation, of which he is a family member. Mr. Langner’s financial interests are intertwined with that of Cranor Rosewall Mckinnon, a money-management firm (among others in the medical/health industries) in which he has a beneficial interest and whose principals also serve on (Montefiore). Board He can be reached at Hudson General Corporation, 111 Great Neck Road, Great Neck, NY 11021. Tel: (516) 487-6660 or fax: (516) 487-4685.

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Spencer Foreman’s Executive Compensation:

When Too Much Isn’t Enough

While economic troubles reverberate across the city and nation, health care consumers are being asked to pay more for their care. As cost-cutting affects families, budgets and services now ever more diluted, patients have become wary about the care to which their health care dollars are put. Non-profit health care executives who live and behave like proprietary captains of industry in the post-Bronx age do little to instill public confidence and trust in our troubled health care system.

Here at Montefiore, CFO Spencer Foreman’s executive compensation package tops $1.6 million annually in a time when New York City and Westchester Counties are drastically cutting back when the nation has witnessed executive excesses; and as philanthropic gifts to Montefiore are in response to a slow economy, how is it that Montefiore’s Board of Trustees keeps increasing Mr. Foreman’s salary and perks? A sampling of comparative chief executive salaries at major academic medical centers, for-profit health service corporations, foundations, and among Bronx and New York’s selected officials shows just how excessive Dr. Foreman’s compensation is and raises questions as to whether Montefiore’s Board of Trustees is making appropriate, publicly-defendable decisions concerning Dr. Foreman’s compensation and benefits.

Executive

Spencer Foreman, MD

Jack D. Boeuntz Jr., MD

Heidhe P. Connolly, MD

Ralph B. Cullison, MD

Susan Carey Farese

Dennis A. D’Amico, MD

Senator William Clinton

Adolph Cohn

Organizations

Montefiore Medical Center

Hospital Corporation of America (HCA)

VF Hopsital System

Mount Sinai Hospital

Robert Wood Johnson Foundation

U.S. Senate

Montefiore President

Compensation in 2003

Executive Compensation

$1,632,787

$1,283,350

$1,284,869

$989,665

$936,004

$920,002

$149,000

$135,000

Annual

2003-2002

2002-2004

2001-2004

2001-2002

2001-2004

2001-2003

2001-2004

2001-2003

2001-2004

(not including value of benefits.)
Montefiore's Proud History
Ruth Pete, MD, CIR President

Montefiore's founding in 1884 was a response to the need for a medical center for Jewish patients in New York City. The hospital was established by a group of Jewish doctors and nurses who believed in providing medical care to all, regardless of race or religion. The institution quickly grew and expanded its services, becoming a leader in medical education and research.

Montefiore was instrumental in the development of the field of cardiology, with the establishment of the first cardiology clinic in the United States in 1908. The hospital was also a leader in the development of new surgical procedures and medical technologies, including the first successful open-heart surgery in the United States in 1953.

Montefiore has always been committed to serving the community and has played a significant role in addressing the health needs of the city's most vulnerable populations. The hospital has been a leader in the fight against tuberculosis, polio, and other infectious diseases, and has been a pioneer in the treatment of cancer.

Over the years, Montefiore has continued to innovate and expand its services, becoming one of the largest and most respected healthcare systems in the United States. Today, Montefiore is a leader in the fields of cancer research, transplant surgery, and neurosurgery, among many others.

Montefiore's legacy is a testament to the dedication and hard work of its founders and their successors. The hospital's success is a source of pride for the community it serves and a testament to the importance of providing high-quality, compassionate care to all who seek it.

Read more about Montefiore's history and current initiatives at montefiore.org/history.