SENATOR BOB DOLE

FEDERATION OF AMERICAN HEALTH SYSTEMS

FRIDAY -- MARCH 26, 1993

THANK YOU VERY MUCH. IT IS A PRIVILEGE TO BE HERE.

YOUR PRESENCE HERE IN WASHINGTON COMES AT A CRITICAL TIME. IT IS A TIME

WHEN SOME SO-CALLED HEALTH CARE REFORMERS SEEM TO BE IN SEARCH OF AN ENEMY, RATHER THAN A SOLUTION. THEY'RE LOOKING FOR SOMEONE TO BLAME FOR ALL THE COMPLEX PROBLEMS CONFRONTING OUR HEALTH CARE DELIVERY SYSTEM. UNFORTUNATELY THESE SAME

REFORMERS, WHILE CRYING FOR CHANGE ARE TELLING GROUPS LIKE YOURS THAT YOU ARE SIMPLY A "SPECIAL INTEREST", AND THEREFORE SHOULD HAVE NO VOICE IN THE DEBATE. THEY APPARENTLY FEEL THE SAME WAY ABOUT REPUBLICANS -- WE'VE ALSO BEEN EXCLUDED FROM HAVING

ANY INPUT INTO THE WHITE HOUSE TASK FORCE UNTIL AFTER THE "PRODUCT" IS DONE.

WELL, I'M HERE TO TELL YOU THAT THE ONLY SPECIAL INTEREST I CARE ABOUT IS THE AMERICAN PEOPLE. THEY ARE THE ONES WHO WILL SUFFER IF THE WHITE HOUSE AND

CONGRESS DO THE WRONG THING.

AS MANY OF YOU KNOW, SENATE REPUBLICANS HAVE BEEN DEEPLY IMMERSED IN THE ISSUE. WE'VE HAD A HEALTH TASK FORCE HARD AT WORK FOR THE PAST TWO YEARS, AND I SAY WITH PRIDE THAT SOME

OF MY REPUBLICAN COLLEAGUES TAKE A BACKSEAT TO NO ONE WHEN IT COMES TO HEALTH CARE EXPERTISE AND COMPASSION.

THOSE OF US WHO HAVE BEEN ON THE FRONTLINES OF THIS ISSUE KNOW FIRSTHAND THAT THE HEALTH CARE

CHALLENGE IS BIGGER THAN ANY ONE GROUP -- BIGGER THAN THE REPUBLICAN TASK FORCE, BIGGER THAN THE DEMOCRATIC TASK FORCE AND BIGGER THAN THE WHITE HOUSE -- AND THE SOONER WE ALL GET INVOLVED THE BETTER.

NO DOUBT ABOUT IT,

HEALTH CARE IS AN ISSUE THAT

CRIES OUT FOR BIPARTISAN

COOPERATION. IT WILL BE

NEARLY IMPOSSIBLE TO PASS

ANY MAJOR REFORM WITHOUT

IT. AND BIPARTISAN DOESN'T

MEAN SIMPLY PICKING OFF

THREE REPUBLICANS SO THAT

THE DEMOCRAT MAJORITY CAN

RAM A FLAWED PLAN THROUGH CONGRESS AND CLAIM VICTORY.

IT IS HARDLY NEWS THAT HEALTH CARE COSTS HAVE SPIRALED OUT OF CONTROL -- WE ARE RAPIDLY APPROACHING THE ONE TRILLION DOLLAR MARK FOR HEALTH CARE SPENDING. AND, AS YOU KNOW,

THIS SPENDING IS ONE OF THE MAJOR FACTORS IN THE RECORD-SETTING FEDERAL DEFICIT, WITH ENTITLEMENT PROGRAMS GROWING AND GROWING EACH YEAR, ALONG WITH THE NUMBER OF UNINSURED.

EVERYONE WANTS TO KNOW WHY HEALTH CARE COSTS KEEP GOING UP. FOR LEADERS AND EXPERTS, THE ANSWER IS THAT THE COST ISSUE IS A COMPLEX ONE. THEY REFER TO FACTORS SUCH AS DUPLICATION OF TECHNOLOGY AND SERVICES, DEFENSIVE MEDICINE, TOO MANY

REGULATIONS, MOUNTAINS OF PAPERWORK, HEALTH COSTS ASSOCIATED WITH CRIME AND DRUG ABUSE, AND AN AGING POPULATION.

BUT, AS I POINTED OUT TO SOME OF YOUR COLLEAGUES IN MEDICINE ON WEDNESDAY, ACCORDING TO A RECENT

SURVEY FROM GALLUP, THE AMERICAN PEOPLE CAN SUM UP THE COST ISSUE IN ONE SIMPLE WORD: "GREED". THE SURVEY SHOWS THAT AMERICANS BLAME THE HIGH COSTS ON UNNECESSARY TESTS, WASTEFUL HOSPITALS, OVERPAID DOCTORS, AMBULANCE-CHASING

MALPRACTICE LAWYERS, AND OVERPRICED PHARMACEUTICALS. FROM THE PUBLIC'S PERSPECTIVE, WE DON'T HAVE A COST PROBLEM, WE HAVE A "PROFITS" PROBLEM.

THE AMERICAN PEOPLE BELIEVE THAT OUR HEALTH CARE SYSTEM IS RIDDLED WITH

WASTE AND GREED.

THEREFORE, NO ONE IS EAGER

TO TALK ABOUT HARD CHOICES.

NO ONE WANTS TO GIVE UP

ANYTHING. AND NOT MANY

WANT TO CONSIDER CHOICES

THAT RAISE THEIR OWN COSTS

OR REDUCE THE SERVICES THEY

GET. THE HARD FACTS ARE, IF

WE ARE GOING TO IMPROVE THE

LOT OF SOME -- OTHERS WILL HAVE TO DO WITH CHANGES IN WHAT THEY GET TODAY. BUT THAT IS NOT AN EASY PLAN TO SELL. IT'S MUCH EASIER TO SIMPLY MAKE YOU THE ENEMY -- TO PUT PRICE CONTROLS AND GLOBAL BUDGETS IN PLACE. IN THE VIEW OF THIS SENATOR -- AND IN THE VIEW OF MANY

OTHERS IN OUR TASK FORCE --

THAT'S NOT THE ANSWER.

THE CATASTROPHIC

HEALTH CARE LEGISLATION

THAT CONGRESS PASSED IN

1988 IS A GOOD EXAMPLE OF

GOOD INTENTIONS GONE BAD.

WE THOUGHT IT WAS A PRETTY

GOOD IDEA. WE SAID TO THE

PEOPLE WHO WERE BETTER OFF THAN OTHERS, THAT THEY OUGHT TO PAY A LITTLE MORE. I THOUGHT IT MADE A LOT OF SENSE, AND WAS GOOD LEGISLATIVE POLICY. IT WAS A TOUGH DECISION, BUT IT PASSED CONGRESS BY AN OVERWHELMING MAJORITY. LESS THAN A YEAR LATER, IT

WAS REPEALED BECAUSE THE PEOPLE WHO WERE GOING TO HAVE TO PAY MORE HAD A VERY EFFECTIVE LOBBY. THEY TOLD US HOW THEY EARNED THESE BENEFITS, AND HOW EVEN THOUGH THEY MIGHT BE BETTER OFF, THEY SHOULDN'T HAVE TO PAY ONE MORE CENT. AND LET'S FACE IT, WHEN THE

SENIOR CITIZENS SPEAK UP, CONGRESS LISTENS -- AND WHEY THEY SPOKE, CONGRESS CHANGED ITS VOTE. WHAT LOOKED LIKE COMMON SENSE REFORM WAS QUICKLY REPEALED.

SO THE LESSON WE LEARNED THEN, AND WHAT WE

ARE LEARNING NOW, IS THAT AMERICANS STILL WANT MORE CARE, MORE QUALITY, MORE ACCESS, BUT AT LOWER COSTS. SO, WHAT DO WE DO?

I BELIEVE WE ALL SHARE THE SAME GOALS -- UNIVERSAL ACCESS FOR ALL, IN A SYSTEM THAT CONTAINS COSTS WHILE

PRESERVING CHOICE AND THE HIGH QUALITY OF CARE.

WE ALL WANT TO SEE HEALTH CARE REFORM -- WE ALL KNOW THAT WE CANNOT SUSTAIN OUR CURRENT RATE OF SPENDING -- AND WE ALL KNOW THAT WE MUST FIND A WAY TO BRING EVERYONE INTO

THE SYSTEM.

THE AMERICAN PUBLIC SHOULD EXPECT US, THEIR ELECTED REPRESENTATIVES, TO SEEK SOLUTIONS THAT MAINTAIN THE FOLLOWING SIX PRINCIPLES. THESE PRINCIPLES SHOULD BE USED TO EVALUATE ANY PLAN PUT FORWARD BY

THE ADMINISTRATION OR BY REPUBLICANS IF THEY ARE FORCED TO DEVELOP THEIR OWN ALTERNATIVE.

1. PROTECT QUALITY -- THERE IS A REASON OUR HEALTH SYSTEM IS THE ENVY OF THE WORLD -- WHY PEOPLE FROM EVERY COUNTRY IN

THE WORLD SEND THEIR YOUNG PEOPLE HERE TO BE TRAINED, TO DO RESEARCH; WHY THEY FLOCK HERE TO YOUR HOSPITALS FOR CARE -- THE REASON IS QUALITY. THANKS TO OUR SEARCH FOR QUALITY AND EXCELLENCE, WE HAVE

25

DEFEATED PLAGUES, MADE SPARE PARTS FOR NEARLY EVERY BODY ORGAN, YOUR INTENSIVE CARE NURSERIES AND CAN SAVE THE LIFE OF THE SMALLEST, FRAILEST NEWBORN. IN OUR WISH TO LOWER COSTS AND BETTER MANAGE OUR RESOURCES,

LET'S NOT THROW AWAY

OUR MEDICAL MIRACLES.

2. INCREASE ACCESS,

PRESERVE CHOICE, AND

FLEXIBILITY -- CONSUMERS,

NOT THE GOVERNMENT,

SHOULD BE THE ONES TO

MAKE CHOICES ABOUT

WHERE THEY GET THEIR

CARE AND FROM WHOM.

AT THE HEART OF OUR

FREE MARKET SYSTEM, IS

OUR ABILITY TO CHOOSE.

IN HEALTH CARE, AS IN NO

OTHER INDUSTRY, THAT

CHOICE IS CRITICAL TO

MAINTAINING QUALITY

HEALTH CARE FOR YOU

AND YOUR FAMILY. AND

CRITICAL TO MAINTAINING CHOICE IS FLEXIBILITY IN ANY SYSTEM. WHETHER ITS THE ABILITY TO CHOOSE BETWEEN HOSPITAL BASED CARE OR HOME BASED CARE -- OR THE ABILITY TO DESIGN A SYSTEM SPECIFICALLY GEARED TO THOSE IN RURAL AMERICA -

- WE MUST ALLOW THOSE CHOICES AND THAT TARGETING OF RESOURCES.

3. PRESERVE JOBS -- THIS MAY BE ONE OF OUR TOUGHEST CHALLENGES. WE ALL AGREE THAT WE HAVE TO INCREASE THE

NUMBER OF PEOPLE IN THE COUNTRY WHO HAVE ACCESS TO HEALTH CARE AND HEALTH INSURANCE. SOME WILL ARGUE THAT MANDATES ON EMPLOYERS IS THE ONLY OPTION. BUT WHAT WE CAN'T AFFORD TO DO IS PUT OUR PEOPLE OUT OF WORK BY MANDATING

AND TAXING SMALL BUSINESS OUT OF BUSINESS. EVERY SMALL EMPLOYER I TALK TO DESCRIBES THE PRECARIOUS FINANCIAL SITUATION THEY ARE IN -- ANOTHER PAYROLL TAX -- ANOTHER MANDATE-COULD PUT THEM OVER THE EDGE.

KEEPING PEOPLE AT WORK AND KEEPING OUR ECONOMY GROWING IS THE BEST PRESCRIPTION FOR BETTER HEALTH CARE BENEFITS.

4. NO GOVERNMENT CONTROLLED CARE -- ITS A SHAME THAT SOME CRITICS

HAVE TO BE REMINDED,

BUT WE ARE NOT SWEDEN

OR GERMANY OR EVEN

CANADA -- AND WE DON'T

WANT TO BE. YES, WE'VE

GOT REAL PROBLEMS. BUT

THEY REQUIRE AMERICAN

SOLUTIONS. MANAGED

COMPETITION -- AS IT HAS

BEEN DESCRIBED TO ME --

BUILDS ON THE PRIVATE SECTOR AND HELPS PEOPLE MAKE BETTER CHOICES ABOUT THEIR FAMILIES AND WHAT THEY NEED. THE GOVERNMENT SHOULD BE THERE TO HELP THOSE WHO NEED IT AND HAVE NO OTHER RESOURCES -- IT'S NOT

THERE TO CONTROL OUR LIVES. YES, PEOPLE WANT THE SECURITY THAT AN ILLNESS WON'T BANKRUPT THEM. BUT, AMERICANS DON'T WANT SOCIALISM WHICH SOME ARE TRYING MIGHTILY TO INSTITUTE WHENEVER THEY CAN.

5. CONTROL COSTS NOT CARE

-- GLOBAL BUDGETS AND PRICE CONTROLS TRANSLATE INTO REDUCED QUALITY AND RATIONED CARE. CONTROLS ON THE PRICES OF HEALTH CARE ONLY POSTPONES THE NECESSARY CONFRONTATION WITH THE

UNDERLYING DEMAND THAT HAVE PRODUCED THEIR INCREASE.

UNFORTUNATELY, CONTROLS ARE INEVITABLY TARGETED AT THE SYMPTOMS NOT THE CAUSES. LET'S CREATE AN ENVIRONMENT TO REDUCE COSTS AND UTILIZATION

38

THROUGH A BETTER, MORE APPROPRIATE USE OF SERVICES. LET'S PUT RESPONSIBILITY ON NOT ONLY PROVIDERS, BUT ALSO ON EMPLOYERS AND EMPLOYEES TO USE CARE WISELY. LETS ENCOURAGE PREVENTION -- LETS ENCOURAGE BETTER

39

MANAGEMENT OF CARE AND RESOURCES. LETS CHANGE FINANCIAL INCENTIVES NOT CREATE NEW BARRIERS.

6. <u>REAL TORT REFORM</u> -- IN NO OTHER INDUSTRIALIZED COUNTRY DO HEALTH CARE PROVIDERS CONFRONT THE

DAY-TO-DAY THREAT OF LITIGATION. IT'S NO WONDER PHYSICIANS AND NURSES AND OTHERS FIND IT HARD TO SAY NO WHEN A PATIENT DEMANDS ANOTHER TEST, OR ORDER A TEST SO AS TO AVOID THE CHARGE THEY DIDN'T DO ENOUGH. THAT'S NO

WAY TO DO BUSINESS.

NOW, LET ME BE CLEAR --

NO DOUBT THAT MISTAKES ARE SOMETIMES MADE AND SOME PATIENTS ARE FULLY DESERVING OF PROTECTION UNDER THE LAW, AND ARE DUE PROPER COMPENSATION. BUT AT SOME POINT, REASON MUST

RULE. IT'S LONG PAST TIME FOR THE DEMOCRAT MAJORITY ON CAPITOL HILL TO STAND UP TO THE TRIAL LAWYERS ASSOCIATION AND SAY, ENOUGH IS ENOUGH! IT'S ALSO TIME FOR US TO CREATE A LEGAL ENVIRONMENT THAT ENCOURAGES HOSPITALS AND OTHER INSTITUTIONAL

PROVIDERS TO USE THEIR RESOURCES IN WAYS THAT REDUCE COSTS, MAXIMIZE ACCESS AND REWARD INNOVATION.

THIS YEAR, AS YOU KNOW, WE ARE DISCUSSING "MANAGED COMPETITION", WHICH SOME SAY WILL CONTROL COSTS

WHILE BRINGING EVERY AMERICAN INTO THE SYSTEM. I HAVE TO BELIEVE THAT MANY AMERICANS -- INCLUDING SOME IN GOVERNMENT -- ARE UNCERTAIN OF WHAT MANAGED COMPETITION IS, OR HOW IT REALLY WORKS. I, FOR ONE, HAVE QUESTIONED HOW MANAGED COMPETITION WILL

WORK IN RUSSELL, KANSAS, OR ANY RURAL AREA, OR INNER CITY, WHERE THERE ARE ONLY ONE OR TWO DOCTORS.

AND, THERE IS CONCERN BY MANY THAT MANAGED COMPETITION WILL REDUCE THE ABILITY OF AMERICANS TO CHOOSE THEIR PROVIDERS, OR

WILL LEAD TO RATIONING OF CARE. THESE ARE ISSUES THAT WILL HAVE TO BE ADDRESSED.

THE CHALLENGE NOW IS TO DEVELOP A FAIR AND EQUITABLE HEALTH CARE STRATEGY TO MAKE HEALTH CARE AVAILABLE TO ALL AMERICANS THROUGH A

COMPETITIVE PRIVATE SECTOR HEALTH CARE SYSTEM.

PERHAPS THE REAL CHALLENGE IS TO ACCOMPLISH THIS WITHOUT RAVAGING THE ECONOMY -- WITHOUT HURTING BUSINESS -- AND WITHOUT FURTHER STRAINING OUR BANKRUPT ECONOMY. IT'S

PRETTY EASY TO PROMISE EVERYBODY EVERYTHING, BUT THAT KIND OF PROPAGANDA WILL ONLY HELP MAKE THE CRISIS A PERMANENT ONE.

THIS DEBATE CAN NOT DISINTEGRATE INTO A POLITICAL CONTEST. IF IT DOES, THE AMERICAN PEOPLE WILL BE THE

LOSERS. THE AMERICAN PEOPLE WANT ANSWERS AND SOLUTIONS, AND THEY DON'T CARE WHICH PARTY TAKES CREDIT. CLEARLY, WE HAVE TO WORK TOGETHER -- PROVIDERS, BUSINESS, INSURERS, CONSUMERS, AND THE GOVERNMENT.

I AM CONVINCED THAT REFORM CAN TAKE PLACE -- AND I AM CONVINCED THAT IT CAN BE DONE WITHOUT CREATING VOLUMES OF NEW REGULATIONS.

NO DOUBT ABOUT IT, THE ADMINISTRATION AND CONGRESS MUST WORK

51

TOGETHER ON REFORMING OUR NATION'S HEALTH CARE SYSTEM. AND REPUBLICANS ARE READY TO ROLL UP OUR SLEEVES AND FACE THE DIFFICULT DECISIONS THAT MUST BE MADE.

THE PRESIDENT HAS DONE THE RIGHT THING BY MAKING

HEALTH CARE A TOP PRIORITY.

NOW COMES THE HARD PART:

LEADERSHIP. FOR THE NEXT

FEW MONTHS, THE HEALTH

CARE CHALLENGE WILL BECOME

A REAL TEST OF HIS

LEADERSHIP ABILITIES. THE

PRESIDENT CAN TRY TO GO IT

ALONE. HE CAN SHUT OUT THE

EXPERTS. HE CAN WELCOME

ONLY HIS DEMOCRAT ALLIES TO THE OVAL OFFICE, BUT THAT'S NOT LEADERSHIP. THE AMERICAN PEOPLE WANT ACTION, THEY WANT RESULTS. IF THE PRESIDENT LISTENS TO THE PEOPLE, HE'LL GET THE MESSAGE. IF HE DOES, WE'LL ALL BE PLAYERS. IF NOT, WE'LL ALL BE THE LOSERS. THAT

WOULD BE A DISASTER.

I CAN ASSURE YOU THAT REPUBLICANS CONTINUE TO BE FULLY COMMITTED TO REFORMING OUR HEALTH CARE DELIVERY SYSTEM. WE CONTINUE TO MEET ON A WEEKLY BASIS AND WILL REMAIN COMMITTED UNTIL

HEALTH CARE COSTS ARE CONTAINED AND ALL AMERICANS HAVE ACCESS TO THE SYSTEM. WE MAY BE LOCKED OUT OF THE WHITE HOUSE, BUT WE REFUSE TO BE LOCKED OUT OF THE DEBATE. IF THE WHITE HOUSE REFUSES TO INCLUDE THE FEDERATION OF AMERICAN HEALTH SYSTEMS

56

AND EVERY OTHER GROUP OF PROFESSIONALS, THEN IT'S TIME TO TELL THE WHITE HOUSE IT NEEDS A CHECK-UP.

AGAIN I THANK YOU FOR YOUR EFFORTS, AND LOOK FORWARD TO WORKING WITH YOU.

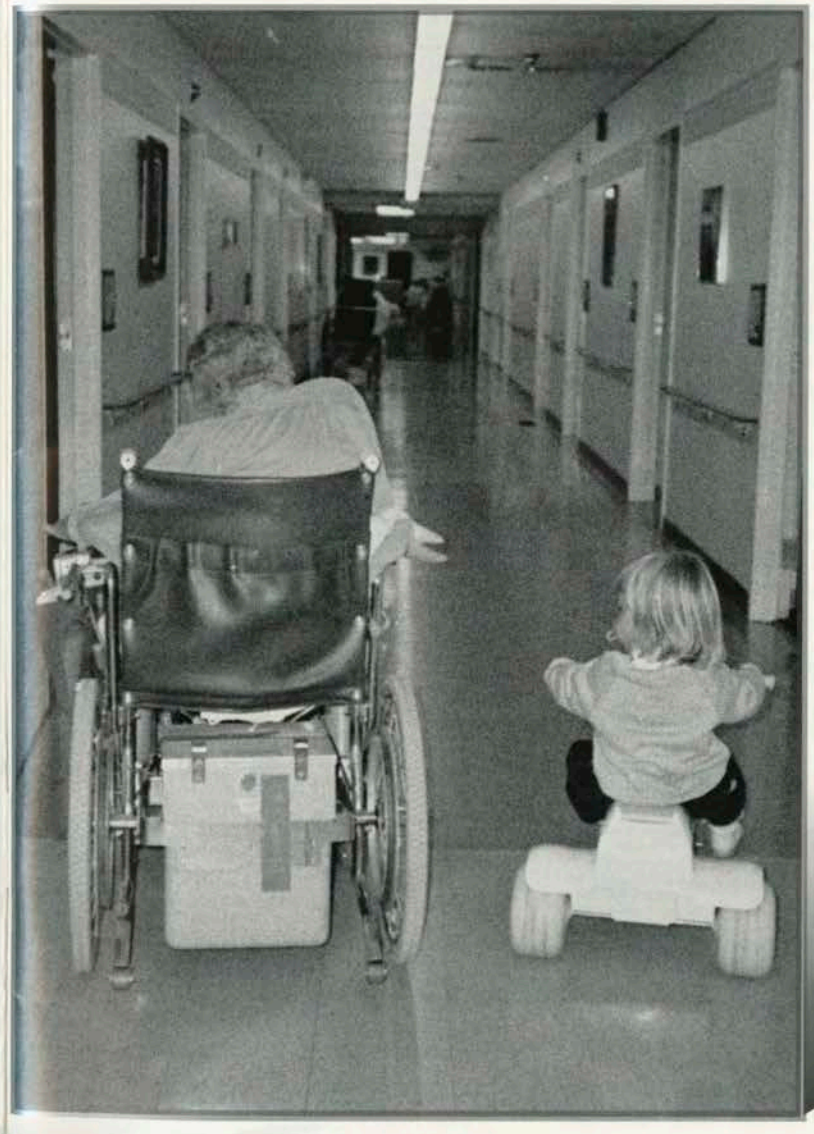
#

THE NEW AGENDA

Federation of American Health Systems

1993 ANNUAL REPORT

CONTENTS

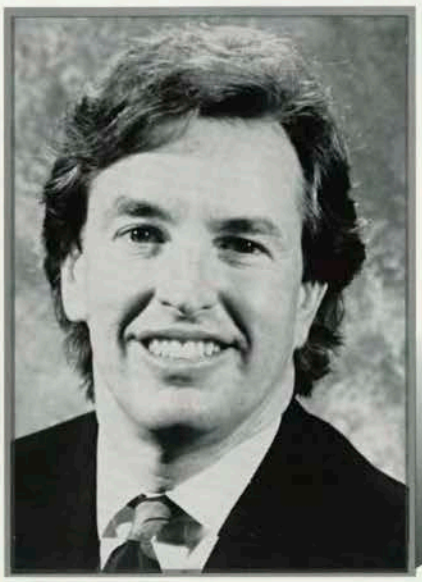


CHAIRMAN'S MESSAGE

The Federation's agenda in 1992 was devoted primarily to preparing for the upcoming health reform debate of 1993. Through a well-planned strategy of federal, legislative and community relations, the Federation has carved out a solidly based position with the policymakers in Washington. Our role in the past year has been to forge new relationships as we fortify the old. We must act on the strength of these foundations in 1993 to become an ever more serious and influential contender in the battle over health care reform.

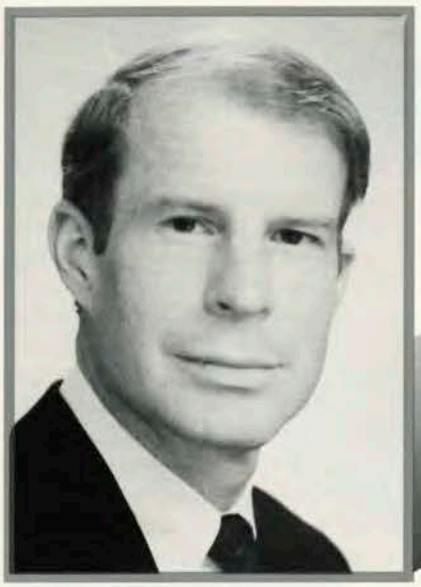
The Federation's cooperative efforts with such coalitions as the Healthcare Leadership Council (involving the participation of some of our own company CEOs) are especially beneficial in uniting health care leaders in the campaign to bring about responsible reform. Diverse members of the health care industry, representing insurance, providers, pharmaceuticals and suppliers, have signed on together with their counterparts in business to achieve a common goal – market-based health reform that holds costs in check, increases access to care, and maintains the traditional excellence of that care.

Spreading that message has been an integral part of my 1992-93 term as FAHS President, via the promotion of the Business Outreach Program among our hospital and corporate executives. I am pleased with the heightened awareness witnessed in voters during the 1992 elections, when health care became one of the top-priority issues for both Presidential and Congressional candidates. I look forward to seeing the further expansion of this program into the legislative realm. FAHS members at all organizational levels should seize the opportunity to make inroads with their elected representatives while these men and women are formulating opinions on the direction health care reform should take in 1993. At stake in the debate is the very framework of our health care system. If we act with discipline and resolution, the advantage can be ours.



"Members... should seize the opportunity to make inroads with their elected representatives."

Victor L. Campbell
1992-1993 President
1993-1994 Chairman of the Board
Federation of American Health Systems



PRESIDENT'S MESSAGE

"Our message is simple. Increase access for all Americans to quality health care, while embracing the concept of managed competition to contain costs."

The year 1993 brings us a new President and Administration, a reorganized Congress and, with them, "a new beginning." Not since 1965, with the advent of Medicare, has health care reform provided the rallying cry for change among voters in quite the way it did in the elections of 1992. Our newly elected representatives in Washington, from the White House to the Congress, have heard the call and are certain to turn their attention and energy to forging a solution to the problem before them.

Meanwhile, that problem grows more critical each day, as health care costs increase and more and more Americans lose their insurance coverage and face illness and poverty without proper medical care. Our health care system is under fire, and reform is necessary and inevitable.

Recognizing this, the hospital industry must make a concerted effort to have its voice heard both in the halls of Congress and in the White House, demanding the preservation of quality care unrivaled by the world's other health care systems. The extension and refocusing of the Federation's Business Outreach Program, "Making Health Care Reform Work: Let's Do It Right," into an approach for legislative communication by our hospital administrators and corporate executives can prove to be our most effective weapon in our battle on behalf of responsible health care reform.

Our message is simple. Increase *access* for all Americans to *quality* health care, while embracing the concept of managed competition to contain costs. The Federation believes that any plan calling for a government takeover or even an expanded federal regulatory role would seriously undercut the ability of our system to continue to provide the level of high-quality care Americans deserve and have come to expect, and undermine competitive marketplace success.

But our system has its flaws and is in desperate need of repair. We can write a conclusion to the seemingly never ending story of rising costs and diminishing health insurance benefits. The most effective way to accomplish this task without sacrificing quality is by creating new incentives for all through managed competition. This concept envisions a system wherein health care insurers and providers are forced to compete within the market for subscribers and patients, who in turn have increased accountability for their health care choices and their costs through changes in tax treatment. Such a realignment of our health care system's current incentives would expand coverage, bring costs within a reasonable scope and ensure the sustenance of quality care for all Americans.

The onus of preserving that which is best in our system while correcting what ails it is upon the industry today. We must participate in the debate by offering real solutions to the crisis. During my term as FAHS President, I will actively promote the accelerated involvement of all FAHS members in the legislative process. The Federation serves as its members' resource in this effort, offering its staff and information to assist in preparing for this critical contact with our elected representatives. Yet the task of getting the message before our elected leaders falls upon the industry's shoulders as a whole. I look forward to my term as an opportunity to lead the hospital industry in its endeavor to advance a sound and efficient solution to the current crisis in health care while protecting the quality which has come to be a hallmark of our system. I am confident we can accomplish that goal with the vigorous, unified support and involvement of our members.

W. Randolph Smith

W. Randolph Smith
1993-1994 President
Federation of American Health Systems

EXECUTIVE DIRECTOR'S REPORT

"Patients must have a financial stake in the cost of their care; physicians and hospitals must be induced to deliver only necessary care, and insurance companies must be encouraged to minimize administrative costs and maximize consumer satisfaction."

The politics of health reform in 1992 has changed its dynamic in 1993. A new Administration and Congress, infused with a mandate for change from the electorate, appear clear-sighted and ready to accept the challenge before them. President Clinton made a pledge to introduce a health reform bill within the first 100 days of his term. On the opening day of the 103rd Congress at least 16 bills were introduced relating to health care.

The real test for our elected representatives will be to follow through on what are now just promises and make meaningful health care reform a reality. For the first time in many years, the prevailing spirit among the interested parties in the debate bodes well for success. The voters have articulated their concern; members of Congress, elected on a wave of anti-incumbent and anti-gridlock sentiment, appear to be responsive to that public opinion; various sectors of the industry are softening their self-protective stances to search for a universally beneficial compromise, and the overwhelming necessity for change serves as a constant reminder to each of us.

The problems plaguing our health care system are numerous. Medicaid covers only a fraction of the families and individuals in need of financial health care assistance; 60 percent are left outside the umbrella's protection. Simultaneously, states try to economize by setting prohibitive eligibility standards and still come up short. While we witness the "graying of America," the Medicare program stands in disarray, routinely compensating providers *below* the real cost of their services. And perhaps the greatest injustice is the amount of potential revenue lost – billions of dollars – as higher income workers enjoy an open-ended subsidy granted to employer-provided insurance premiums.

If the policymakers in Washington are truly to attain the lofty goal of reform that their constituents are demanding, they must be willing first to step out on a political limb. They must address the faulty incentives entwining our system. The precarious situation we are in today is due in large part to how our health care system virtually discourages cost-effective decisionmaking by patients, providers and insurance companies. Policy makers must be shown how managed competition reforms could realign incentives for all parties. Patients must have a financial stake in the cost of their care; physicians and hospitals must be induced to deliver only necessary care, and insurance companies must be encouraged to minimize adminis-

trative costs and maximize consumer satisfaction.

Meaningful debate was stalled in 1992 by Congress' inability to venture beyond partisan feuding. A marriage of political convenience was struck when the concepts of global budgeting and managed competition were melded into a single bill. Continuing this misguided strategy during 1993 will lead to total derailment of the debate. Global budgets and price controls in principle remove the incentives essential for a competitive market to function effectively. Under global budgeting, consumers would remain isolated from the financial ramifications of their health care decisions; providers would benefit from the quantity – not quality – of care delivered, and insurers would be obliged only to offer a package whose price tag falls just under the ceiling set by the national health board, thereby transforming it into a floor.

Prevention of further political gridlock lies in allowing reoriented tax incentives and managed competition to work together to control costs and extend coverage to more Americans. The FAHS 10-point plan (see p. 7) also endorses other steps we can take to put our system back on track. Malpractice laws must be revamped; federal standards must be set for Medicaid eligibilty; state laws mandating benefits must be preempted; the Medicare program must embrace cost-effective health network plans and tax its wealthiest beneficiaries for benefits received; treatment protocols must be developed and information on practice patterns shared with the public, and state laws limiting the development of managed care systems must be banned.

The burden to reach a consensus on health care reform is on Congress. The burden to assist them in making an informed decision, and to make known to them the potential havoc global budgets and price controls would wreak on the quality of health care delivered in the U.S., is on our industry. The year ahead will be one of challenges for each of us. And we all must remain active in the struggle to preserve the strengths of our system through the market-based reforms of managed competition.

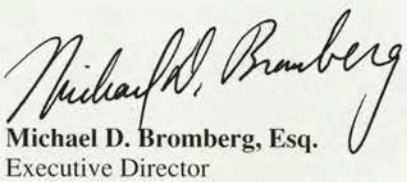
The Federation will work to accomplish these goals through the dedicated service of staff members each well versed and accepted in their fields. W. Campbell Thomson oversees our communications operations and administrative functions. Mary R. Grealy, Esq., directs the Federation's policymaking activities as executive counsel; Lynn Hart directs our federal legislative efforts on Capitol Hill; Patricia J. Carmack handles our public affairs activities and, along with Communications Assistant D. Brooke Leonnig, works with administrators in support of our grassroots program. Christine M. Solomon works with FAHS members and the 50 state hospital associations to keep track of state legislative and regulatory matters.

Roseanna Thoman guides the office in her capacity as Administrative Assistant; Catherine Walton provides support to the Executive Council and Director of Federal Legislation; Priscilla Ross provides research assistance to members and support to the Director of State Legislation; and Jacquie Whitley supports the daily operations of the Federation' Washington office.

The support of the Administrative and Member Services Office in Little Rock enables our Washington staff to concentrate on legislative and regulatory efforts. Cindy Lasater directs the staff, following the retirement this year of Dorothy (Dottie) McAllister. The controller is Charles White. Judy Gray is our membership coordinator. Julie Cawthron is administrative assistant for meetings. Kirk Clayborn, director of sales and marketing, handles our national exposition held in conjunction with the annual conference and works with our associate members. He is assisted by Pearl Jones, customer services coordinator. Helen Garvin is assistant to the controller; the receptionist is Melody Durham.

Health Systems REVIEW, a subsidiary of the Federation, is edited by John Herrmann. Jennifer L. Smith is the assistant editor, and Shirley Brainard is the production coordinator. Martha Hahn is director of advertising. *Health Systems REVIEW's* circulation manager is Brenda Emerson.

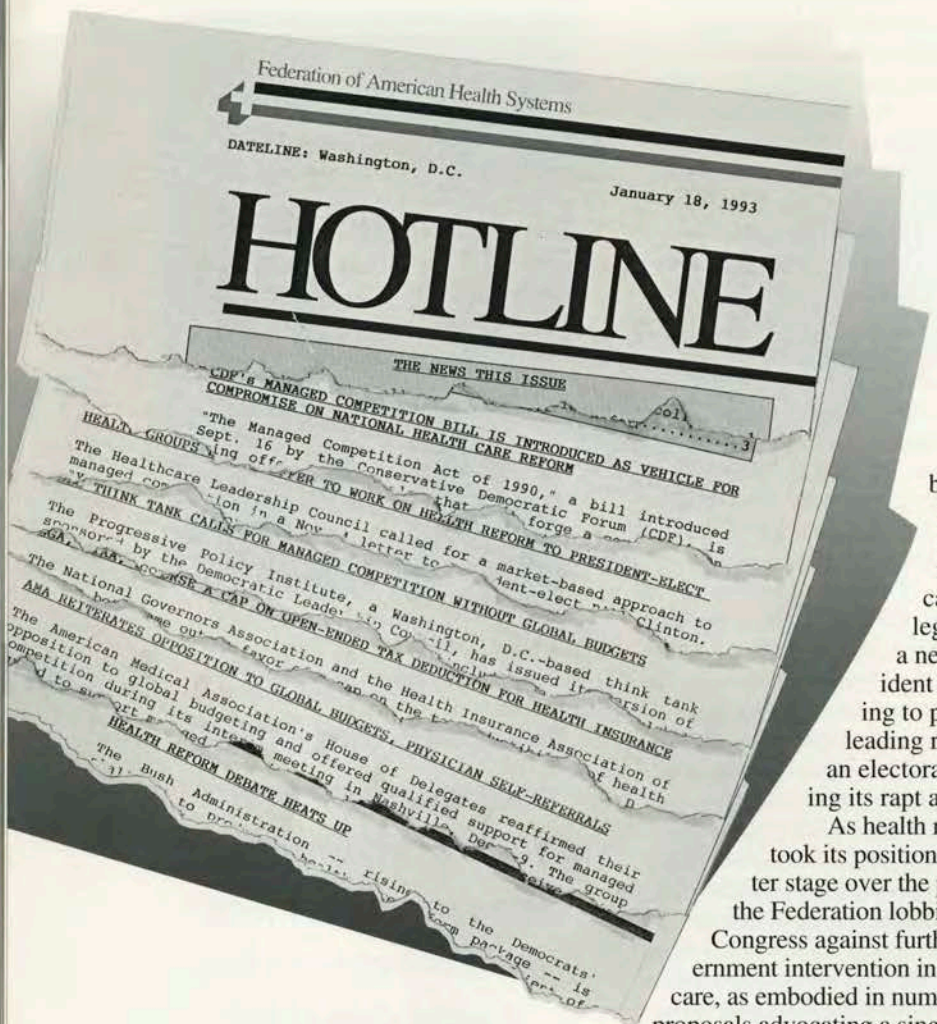
Members may be confident that with this dedicated and experienced staff we will continue to work to make 1993 a productive and auspicious year for the investor-owned hospital industry.



Michael D. Bromberg, Esq.
Executive Director
Federation of American
Health Systems

Bromberg talks with reporters following an FAHS press conference. Pictured from left to right: Modern Healthcare's *Karen Petitte and* AHA News' *Linda Oberman.*

POSITIONS AND POLICIES


Federation of American Health Systems

DATELINE: Washington, D.C. January 18, 1993

HOTLINE

THE NEWS THIS ISSUE

CDF'S MANAGED COMPETITION BILL IS INTRODUCED AS VEHICLE FOR COMPROMISE ON NATIONAL HEALTH CARE REFORM

"The Managed Competition Act of 1990," a bill introduced Sept. 16 by the Conservative Democratic Forum (CDF), is

The Healthcare Leadership Council called for a market-based approach to

THINK TANK CALLS FOR MANAGED COMPETITION WITHOUT GLOBAL BUDGETS

The Progressive Policy Institute, a Washington, D.C.-based think tank

The National Governors Association and the Health Insurance Association of

AMA REITERATES OPPOSITION TO GLOBAL BUDGETS, PHYSICIAN SELF-REFERRALS

The American Medical Association's House of Delegates reaffirmed their

HEALTH REFORM DEBATE HEATS UP

1992 Positioning Health Reform

The Federation's efforts in 1992 were predominantly devoted to participating in Washington's dress rehearsal for health care reform. Members of Congress, presidential candidates and industry leaders spent the year practicing their lines, introducing various proposals, but never quite mustering the resonance necessary to pass any of them into law. Fortunately, the net result is a better informed and involved cast of legislators, a new President promising to play a leading role and an electorate offering its rapt attention.

As health reform took its position on center stage over the past year, the Federation lobbied Congress against further government intervention in health care, as embodied in numerous proposals advocating a single-payer system, "play-or-pay" and Medicare-for-all. Raising public awareness, especially in the business community, was a vital aspect of our campaign for responsible health reform. The overriding goal of the FAHS grassroots plan, "Making Health Care Reform Work: Let's Do It Right," was to assist our hospital administrators in reaching out to their communities to inform them on the issues and prepare them for the coming debate. Employees, patients and the business community were targeted in the effort to present the real choices to the people. All segments were urged to make their views known to their members of Congress.

As we enter 1993, the dialogue among the critical players is becoming decidedly more focused. Finally, health reform, the center of such serious public and political concern, has risen to a position of prominence second only to jobs and the economy.

The Year in Review

The opening of 1992 foreshadowed its conclusion as President Bush considered both tax code changes and managed care as possible starting points for health care reform. Other concepts were presented throughout the year, but any concrete action was stalled by partisan politics and the resulting Congressional gridlock.

When they weren't dissenting over the basics of health care reform, members of Congress turned their attention to the federal budget. A proposal to cap entitlement spending to curb the spiralling costs of such programs as Medicare and Medicaid was rejected by the Senate only through procedural maneuvering. In a further move to restrain spending, especially on entitlements, the push for a balanced budget amendment also gained favor in the House, but ultimately went nowhere. With the frustration on Capitol Hill about curbing health care costs, the threat to entitlement programs is certain to endure into 1993.

Under constant scrutiny, a number of modifications to the Medicare and Medicaid programs were advanced in 1992. The proposed changes to Medicare included the reinstatement of a separate reimbursement for EKG interpretations, the limitation of geographic reclassification for hospitals and the phase-in of HCFA's realignment of payments to outliers, providing more for cost outliers and less for day outliers. These measures never made it into law as the bill to which they were attached, an urban aid measure, was vetoed by President Bush. Despite efforts for reform, Congress strengthened Medicaid's "best price" drug policy, under fire for escalating costs to providers not eligible for its discounts. All of the above issues are sure to resurface in Congress' 103rd session.

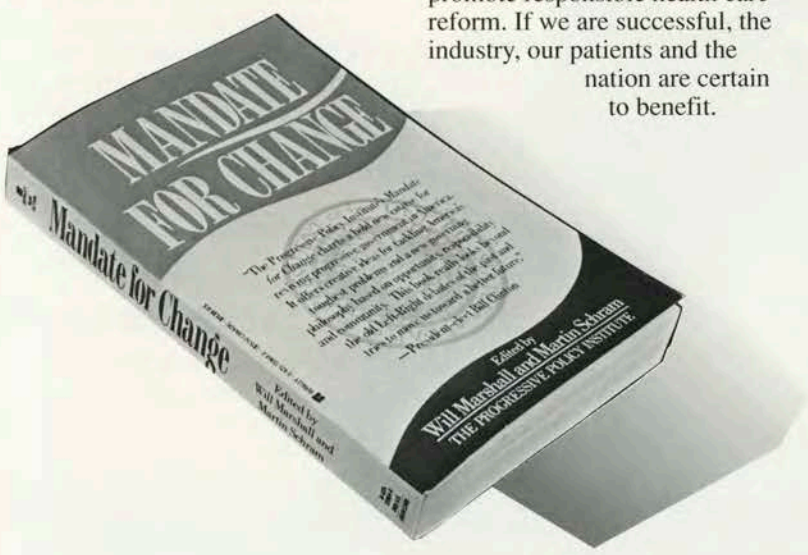
The New Agenda for Reform

Even with the past year's absence of enacted legislation, significant ground was covered in positioning health care reform high on Washington's priority list. While the different factions in Congress offered an assortment of ill-fated proposals ranging from play-or-pay to global budgeting, a group of moderate House Democrats came forward with their plan for managed competition.

Shepherded by Rep. Jim Cooper (D-Tennessee), the Conservative Democratic Forum's "Managed Competition Act of 1992" provided a sound alternative for politicians averse to backing government takeover of the health care system and the global budgets and price controls inherent to such an arrangement. As the debate proceeded throughout the year, the concept of managed competition gained progressively more support. At mid-year, Democrats used a "veto-bait" strategy to gain enough support to pass a price control bill through the Ways & Means Health Subcommittee. The bill failed to garner the necessary support to be brought to the House floor. Meanwhile, the American Medical Association gave its informal endorsement to managed care and the use of HMO's.

By year's end, growth in the numbers championing managed competition had grown exponentially. President-elect Clinton had embraced the concept's benefits, as had both the Business Roundtable and the National Federation of Independent Business. A companion measure to the CDF bill had been introduced in the Senate by Sens. Boren (D-Oklahoma) and Breaux (D-Louisiana). The AMA's House of Delegates voted in favor of managed competition and against global budgets. And the Progressive Policy Institute, the think tank of the Democratic Leadership Council (which Clinton helped found and chaired), endorsed managed competition without global budgets in its book of advice for the incoming Clinton administration, *Mandate for Change*. Going one step further, both the National Governors Association and the Health Insurance Association of America declared their support for a tax cap on employer-provided insurance benefits.

As longtime advocates of market-based reform through changed incentives, Federation members can be encouraged that other leading organizations are now considering – and in some cases embracing – these proposals, some of which seemed so far-reaching when they were adopted by our Board of Governors over the past 10 years. Nevertheless, the real battles are yet to be waged, so the Federation now must intensify its campaign to promote responsible health care reform. If we are successful, the industry, our patients and the nation are certain to benefit.



The FAHS 10-Point Reform Plan

HEALTH CARE COVERAGE SHOULD BE UNIVERSAL AND SHOULD BE FINANCED BASED ON ABILITY TO PAY:

- Reform Medicaid by setting a minimum benefits package and standardizing eligibility requirements;
- Create new tax incentives to extend employment-based health coverage to all full-time workers; and
- Devise a national safety net to protect individuals from the high cost of catastrophic illness.

ONLY A COMPETITIVE MARKETPLACE WILL CONTAIN HEALTH CARE COSTS WITHOUT DESTROYING QUALITY:

- Limit the amount of health insurance premiums that employers and employees may deduct or exclude from taxable income;
- Eliminate the current state-level regulatory barriers that impede the development of managed-care plans;
- Eliminate state-mandated benefits above the basic benefits package;
- Privatize Medicare and Medicaid by converting them to programs that buy health COVERAGE instead of health SERVICES;
- Tax the actuarial value of Medicare benefits for wealthy beneficiaries;
- Accelerate the development and use of "best practice" treatment standards; and
- Eliminate the high cost of defensive medicine by capping malpractice awards and creating an arbitration system.

Mandate for Change, *produced by the Democratic Leadership Council's Progressive Policy Institute, endorses managed competition as the most effective solution to our health care system crisis.*

ABOUT THE FEDERATION

For over a quarter of a century, the Federation of American Health Systems has represented the investor-owned hospital and health care systems industry, consisting of more than 1,400 institutions in all 50 states, the District of Columbia, Puerto Rico and 11 foreign nations.

In that time, it has become an important health care policy development organization, addressing a wide spectrum of issues ranging from overall national health policy to specific issues involving the Medicare and Medicaid programs.

The Federation's primary function is to serve as the investor-owned hospital industry's advocate to Congress, the Executive Branch, the media, academia and the public. It is the clearinghouse from which Federation members and others may obtain vital information on health care issues and industry positions, policies and statistics.

The Federation is governed by an Executive Committee of six members, a Board of Directors of up to 20 members, and a Board of Governors of over 150 members. Several standing committees make recommendations to the leadership on a variety of issues and projects, and special committees and task forces are organized as the need arises. It is through this structure that Federation policy and legislative and regulatory strategy are developed.

Activities and services conducted by the Federation for the industry include:

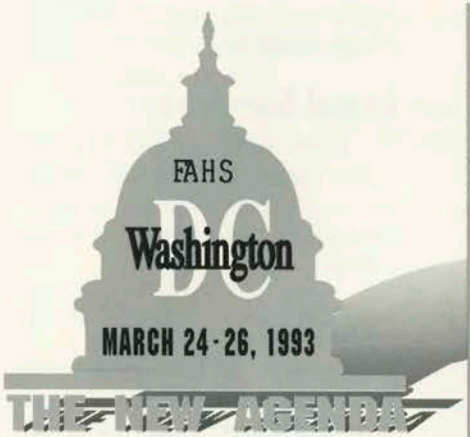
Annual Conference and Business Exposition

The Annual Conference and Business Exposition, held each spring, is widely regarded as one of

Columbia Hospital Corp.'s Vista Hills Medical Center in El Paso, Texas.

Community Health Systems' Scott County Hospital in Oneida, Tennessee.

National Medical Enterprises' North Shore Regional Medical Center in Slidell, Louisiana.



FAHS Director of Federal Legislation Lynn S. Hart meets with Senator David Pryor (D-Arkansas).

Hillary Clinton, named head of President Clinton's Task Force on National Health Care Reform, meets here with Davide M. Carbone, executive director of Humana Hospital-Biscayne in Aventura, Florida, while on a whirlwind tour of South Florida during her husband's presidential campaign.

the health industry's finest policy forums. The Conference program features the discussion of pivotal health issues by high-ranking representatives from Congress, the Executive Branch, the business community, the health care industry and the news media, and participation by those who manage on a day-to-day basis the government programs that are critical to the industry. An Exposition program that is unique to the industry affords improved communications between providers and suppliers on both policy and commercial matters. The growing success of the exposition may be credited to the participation of multi-facility health care system executives from the entire hospital industry.

The Federation's annual educational workshop program, a tradition of the afternoon schedule, has been lauded for the value of its curricula and the knowledge and expertise of its faculty. The 1993 Conference and Exposition will be held in Washington, D.C.

Media Relations

The Federation fields questions about the industry and health policy from the press and sponsors periodic informal briefings with the Washington media. Officers and staff of the Federation frequently meet with editors and reporters in various communities across the country.

Research

The Federation conducts research on various health issues and prepares position papers and other informational literature relating to the industry. The Federation also sponsors polls and surveys, and compiles health and economic statistics about and for the industry.

Publications

The Federation (through a separate corporation, FAHS Review, Inc.) publishes *Health Systems REVIEW* magazine, a bimonthly features publication that offers health policy news and analysis, multi-hospital systems management and operations information, and hospital industry developments; and the annual *Directory of Investor-owned Hospitals, Residential Treatment Facilities and Centers, Hospital Management Companies and Health Systems.*

HOTLINE, a biweekly newsletter of Washington events is read widely not only throughout the health care industry, but also on Capitol Hill.

Other publications include this *Annual Report*, *State-to-State*, a monthly newsletter reporting on health care-related legislative and regulatory events in the 50 states, and *Grassroots in Action*, an occasional report of the legislative and

FAHS Executive Counsel Mary R. Grealy, Esq., met with Senator John McCain (R-Arizona) during the 1992 Annual Conference and Business Exposition in Las Vegas, Nevada.

Featured speakers during a session on Total Quality Management at the Federation's 1992 Annual Conference and Business Exposition included (r to l) Victor Campbell, 1992 FAHS president and Hospital Corporation of America vice president of corporate relations; Corning Inc. Chairman and CEO James Houghton, and Joint Commission on Accreditation of Healthcare Organizations President Dennis O'Leary, M.D.

Celebrating the grand opening of Continental Medical Systems' Central Arkansas Rehabilitation Hospital in Sherwood, former Arkansas Governor Clinton welcomes CMS Chairman & CEO Rocco A. Ortenzio with the "Arkansas Traveler Award," for visiting dignitaries.

(Left to right) HealthTrust Chairman, President & CEO R. Clayton McWhorter; Hospital Corporation of America Chairman, President & CEO Thomas F. Frist, Jr., M.D., and Representative Jim Cooper (D-Tennessee) discuss health care reform at a recent forum.

business outreach activities of FAHS members in the field.

Legal Services

The Federation monitors legal action involving the health care industry and enters litigation at the direction of the organization's leadership.

"FedPac"

FedPac is the Federation's political action committee. Its role has increased proportionately with the Federation's ongoing effort to help shape government decisions that affect the health care industry.

In the 1994 election cycle, FedPac will contribute approximately $200,000 to candidates for the U.S. Senate and House of Representatives who support a pluralistic health care system and recognize the importance of investor-owned institutions to America's health care system.

Membership

The Federation offers four categories of membership: (1) institutional, (2) associate, (3) individual (personal and student) and (4) affiliate. Membership criteria for institutional and some categories of associate members include accreditation by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO); or the American Osteopathic Association (AOA), or Medicare or Medicaid certification. The "affiliate" category is a "by invitation only" category for leading health care companies that share the Federation's philosophies and goals. Affiliates are entitled to voting representation on the Federation's Board of Directors. CIGNA and Beverly Enterprises are affiliate members. James Todd, M.D., executive vice president of the American Medical Association, represents the AMA on the Federation Board.

Information about membership, the annual conference and administrative matters may be obtained from the Federation's Administrative Office in Little Rock, Arkansas. The Federation's primary activities, including legislation, regulation and

communications programs, are conducted in the national office in Washington, D.C.

Michael D. Bromberg has been the Federation's executive director since 1969.

The Buyers/Suppliers Expo provides a unique format for top executives of management companies, hospital and health systems, and supplier groups to consider new business options while serving as each other's hosts.

COMMITTEE STRUCTURE

Universal Health Services' Executive Vice President Sidney Miller meets with a potential supplier during the Buyer/Supplier Exposition at the 1992 Annual Conference.

The Federation's voluntary membership committee structure has long been the backbone of the organization. In recent years, though, the involvement of members in "the field" has become more critical and intense, as the issues facing our industry have grown both in complexity and importance.

Typically, the volunteers who serve on Federation committees include officers in the management areas of operation, government relations, public affairs and finances; hospital chief executive officers, marketing officers and materials managers.

Officially, the Federation committees meet twice annually – at the annual conference and at the annual Board of Governors' meeting. But many committees convene far more regularly, especially when fast-moving legislative or regulatory developments warrant prompt committee deliberations and recommendations to the Board of Directors. Members of the Board of Governors serve two year terms.

Here's a look at the key committees that are the underpinning of our organization.

Legislative Committee

The Legislative Committee plays an important role in developing Federation legislative proposals. Members communicate to their hospital and corporate officials events on the legislative front and ways in which member hospitals can support our efforts.

The committee is staffed by Federation Legislative Director Lynn S. Hart and State Legislative Director Christine M. Solomon.

Health Financing Committee

Analyzing the regulations and regulatory proposals issued by the federal government is the responsibility of the Health Financing Committee. It develops recommendations on regulatory changes proposed by the Health Care Financing Administration, the Department of Defense, the Department of Veterans Affairs and the Prospective Payment Assessment Commission (ProPAC) on payment policies for Medicare, CHAMPUS and other federal health programs.

Adjuncts to the committee are the Health Financing Steering Committee, the Capital Payment Subcommittee, the Outpatient Payment Subcommittee and the Hospital Information Subcommittee. The committee and subcommittees are staffed by Federation's Director of Federal Relations.

Fraud & Abuse Task Force

This important panel has been the focal point for the association's response to the government's initiatives in the Medicare and Medicaid fraud and abuse area. Since 1989 this task force has spent countless hours deliberating the government's proposed "anti-kickback" (safe harbor) regulations for the Medicare and Medicaid programs. The task force also formulated the Federation's position on the subject and advised the Federation on its strategy for monitoring federal legislation affecting physician ownership of and referral to health care facilities. The task force is staffed by Mary Grealy, Esq., Executive Counsel.

Rehabilitation Hospitals Committee

The Rehabilitation Hospitals Committee was created in 1991 at the FAHS Board of Governors meeting. The Committee was established to focus specifically upon the legislative and regulatory issues and concerns facing rehabilitation hospitals. The goal of the committee is to explore topics such as Medicare/

Medicaid reimbursement, access and quality of care, and regulations involving managed care and fraud and abuse. During 1993, this committee will focus on the roles of acute and subacute rehabilitative care. Christine M. Solomon staffs this committee.

Psychiatric Hospitals Committee

As the role of psychiatric hospitals in the industry has grown, so has the importance of the Psychiatric Hospitals Committee. The committee works to promote interest in mental health issues, to protect and enhance the quality of mental health services, and to ensure that psychiatric institutions are paid adequately for their services. This committee has devoted much of its time to the issue of inpatient admission to psychiatric facilities of teens and adolescents. The committee also has addressed various proposals aimed at regulating utilization review organizations. Mary R. Grealy and Christine M. Solomon staff this committee.

Public Relations Committee

The Public Relations Committee functions as a clearinghouse of information for and about the investor-owned industry. The committee has been involved actively in the current grassroots effort to educate the public about health care reform. Throughout 1992 and into 1993, the PR Committee's challenge has been and will be to project the message that America's health care system must not be sacrificed on the altar of deficit reduction. This committee is staffed by Campbell Thomson, deputy director for communications, Pat Carmack, assistant director for communications, and *Health Systems REVIEW* Editor John Herrmann. The Business Outreach Task Force developed and continues the implementation of the Federation's business outreach program, "Making Health Care Reform Work: Let's Do It Right."

Quality Task Force

The Task Force on Quality addresses quality-related issues as they affect the investor-owned industry. Specific tasks include working with the Joint Commission on Accreditation of Healthcare Organizations and assessing government quality-related information and initiatives data.

Exhibitors Committee

A major contributor to the continuing financial success – and the prestige – of the Federation is the annual Exposition. The Exhibitors Committee, comprised of national sales and accounts managers and senior executives from both investor-owned health systems and major suppliers, plans the exposition and also is responsible for the Buyers/Suppliers general sessions and workshops at the annual Conference. Among its recent achievements, the Exhibitors Committee pioneered a new concept in hospital industry trade shows by having major for-profit and not-for-profit systems and organizations acting as hosts for the product suppliers in attendance.

This committee is staffed by Cindy Lasater, director of administration, Kirk Clayborn, director of marketing and sales, and Campbell Thomson.

Administrative Affairs and Audit Committees

The Administrative Affairs and Audit Committees hold the Federation together. Through dedicated effort, these committees have helped maintain membership levels and provide oversight to the Federation's financial affairs including being responsible for the Federation's healthy cash reserve. Staff to both committees are Campbell Thomson, Cindy Lasater, Charles White, controller, Judy Gray, the Federation's membership coordinator, and Julie Cawthron, administrative assistant - meetings.

Health Systems Review Board of Directors

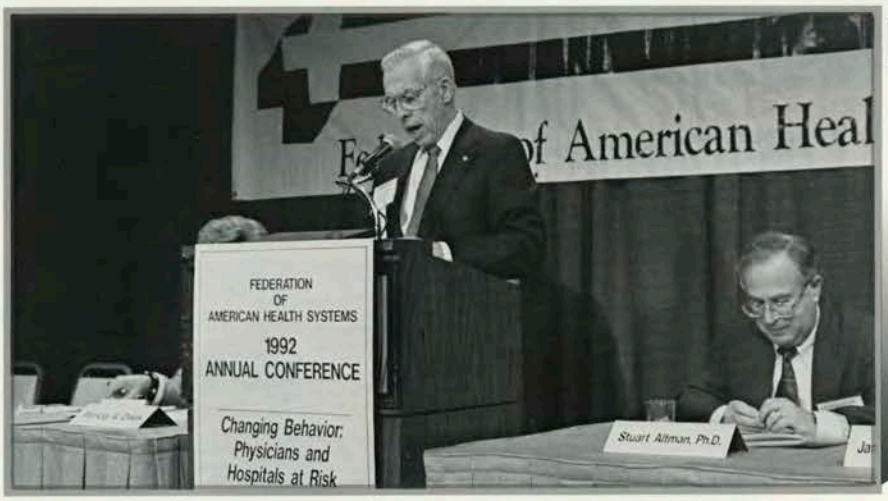
Health Systems REVIEW magazine, published by FAHS Review Inc., a wholly-owned, for-profit subsidiary of the Federation, continues to grow in stature and circulation. FAHS Review Board, comprised of the top leadership of the Federation, identifies issues, trends and helps with story development and oversees the magazine's budget.

Staffing the board are *Health Systems REVIEW* Editor John Herrmann, Campbell Thomson, Cindy Lasater, Director of Advertising Martha Hahn, Assistant Director for Communications Pat Carmack, Carl Weissburg, the Federation's general counsel, and Julie Cawthron.

Having served in the Federation's Little Rock office for twenty-two years, most recently as Director of Administration, Dorothy (Dottie) McAllister is pictured here celebrating her retirement with 1976 FAHS President John A. Bradley, Ph.D.

Members of the Psychiatric Hospitals Committee convened during the 1992 Annual Conference. (Pictured in center from left to right: committee staffpersons Christine M. Solomon, FAHS director of state legislation, and Mary Grealy, FAHS executive counsel; and Committee Chairman Richard Conte, Community Psychiatric Centers chairman & CEO.

INVESTOR-OWNED INDUSTRY



A featured speaker at the 1992 annual meeting in Las Vegas, James S. Todd, M.D., American Medical Association Executive Vice President and FAHS Board member, shared his views during a session entitled, "The Impact of Cost Controls on Provider Behavior." Stuart Altman, Ph.D., chairman of Prospective Payment Assessment Commission, is seated to Dr. Todd's left.

A Stalwart Industry Facing an Era of Change

Confronted by a changing health care system on the edge of broad-based reform, the investor-owned hospital industry steadfastly maintained its base in 1992 and actually gained six facilities. Both the domestic independently-owned and foreign markets experienced a slight increase in number of hospitals, seven and 14 respectively. The domestic management-company owned hospital market, however, showed a decline of 15 facilities and a 137-bed loss. Despite this reduction, the investor-owned industry ended 1992 with a total 1,460 hospitals and 179,631 beds, a 1,925 gain.

The domestic market as a whole (U.S. and Puerto Rico) – including both management company-owned and independently-owned facilities – while suffering an eight facility drop from 1991 (1,367 total in 1992), gained in total number of beds, adding 159 for a sum of 167,824. In 1992, domestic investor-owned facilities averaged 123 beds per facility industrywide – a one bed increase from 1991. (All figures are for the period ending September 30, 1992, the data compilation deadline for the *1993 Directory of Investor-owned Hospitals, Residential Treatment Facilities and Centers, Hospital Management Companies, and Health Systems.*)

Industry Trends

The percentage of hospital business from managed care contracts continued to grow in 1992, with many hospital executives estimating that 25 percent of their current business falls under some form of managed care contracting. In order to function in this cost conscious atmosphere, the hospital industry has responded with proactive measures – such as establishing executive positions responsible for directing managed care contracting, or entering into the health insurance business itself.

Financial Responsibilities

According to data developed by the Federation, investor-owned, acute-care hospitals experienced a total of 15,752,000 patient days in 1991, the last year for which information was available. Medicare patients accounted for 7,857,000 (49.9 percent) of those days, while Medicaid patients represented 1,305,000 (8.3 percent). Data projections by the Federation indicate that investor-owned hospitals absorbed $760 million in charity care and bad debt. Taxes paid for the investor-owned acute-care hospitals for that year are estimated at $544 million total, with net income at $920 million and net revenues around $19.4 billion.

A Survey of the Industry

Data in the *1993 Directory* show that the investor-owned industry is currently comprised of 87 management companies and five subsidiaries, representing a four company and one subsidiary decrease from 1992's aggregate total of 97. (A management company is defined as an investor-owned company that owns and/or manages acute-care and specialty hospitals, and includes residential treatment facilities and centers.)

Fred Bailey (at podium), executive director at American Medical International's North Fulton Regional Hospital in Roswell, Georgia, hosted Representative Newt Gingrich (R-Georgia) (seated to Bailey's right) in announcing his candidacy for reelection to Congress.

• These companies manage under contract for other owners 335 not-for-profit facilities in the U.S. and Puerto Rico with 34,351 beds – an increase of 11 facilities and 506 beds.

• Once again, specialty hospitals garnered the majority of domestic construction projects, with 13 of the total 18. Of specialty hospitals, the rehabilitation area showed the strongest increase, up 24 facilities and 1,426 beds from 1991, for a total of 110 facilities with 8,667 beds; the psychiatric area decreased by 10 facilities and 534 beds, and the alcohol/chemical dependency area decreased by 24 facilities and 151 beds.

Specialty facilities include: alcohol/chemical dependency; rehabilitation; psychiatric; eye; ear, nose and throat; podiatry; pediatric; orthopedic; dental; chronic disease; diagnosis, and women's OB/GYN. Although many investor-owned, acute-care facilities have specialized units, statistics in the *1993 Directory* relate only to the freestanding specialty facility.

Growth in the Foreign Sector

The investor-owned industry expanded its presence in foreign markets during 1992, gaining 14 hospitals for a total of 93, with 11,807 beds. These hospitals are owned by nine companies and operate in 11 countries.

Accounting for a portion of that growth, National Medical Enterprises, Inc. (NME), Santa Monica, California, continued to reinvest in the foreign market in 1992 by acquiring a controlling interest in Markalinga Limited (now Australian Medical Enterprises), an Australian hospital management company, and entering into a 50-50 joint venture with a private investment company, Quail Espana, S.A., to build a 188-bed tertiary care facility to be called New Teknon Hospital in Barcelona, Spain.

The nine investor-owned companies in the foreign market operate in the following countries: Australia, Austria, England, France, Germany, Ireland, Malaysia, Republic of Singapore, Saudi Arabia, Spain and Switzerland.

Investor-Owned Industry Data

Category	Number of Facilities	Number of Beds
Operating		
U. S. and Puerto Rico		
Management Co. Owned	1,127	142,284
Independently Owned	240	25,540
Sub-Total	1,367	167,824
Foreign		
Management Company Owned	93	11,807
TOTAL	**1,460**	**179,631**
Under Construction		
U.S. and Puerto Rico		
Management Co. Owned	15	1,425
Independently Owned	3	568
Sub-Total	*18	**1,993
Foreign		
Management Co. Owned	1	188
TOTAL	***19**	****2,181**
Managed Under Contract		
U.S. and Puerto Rico		
Not-For-Profit Facilities	335	34,351
Investor-owned Facilities	29	2,151
Sub-Total	364	36,502
Foreign		
All Types of Facilities	2	746
TOTAL	**366**	**37,248**

*** New Facilities Only**
**** New, Expansion and Replacement Beds**

A Comparison

Category	Number of Facilities	Number of Beds
All Hospitals Operating In the U.S.	**6,649**	**1,213,000**
Investor-Owned Operating in the U.S.	***1,367**	****167,824**

*** 21 % of Total Industry Facilities**
**** 14 % of Total Industry Beds**

The Health Care Industry's Employment Contributions

The health care sector has had a consistently positive effect on wages and jobs in the United States. Between May 1990 and May 1992, 2.4 million jobs overall were lost in the U.S., but the 639,000 jobs created in the health care industry during the same time cut that loss to 1.8 million jobs.

In 1991, hospitals of all ownerships employed 3,653,000 workers, 3.1 percent of civilian employment, dispensing $128.7 billion (54 percent of total hospital expenditures) in compensation to these employees. The entire health services industry compensation figures stand at $497 billion in 1990, with 18 percent ($89.7 billion) paid to physicians.

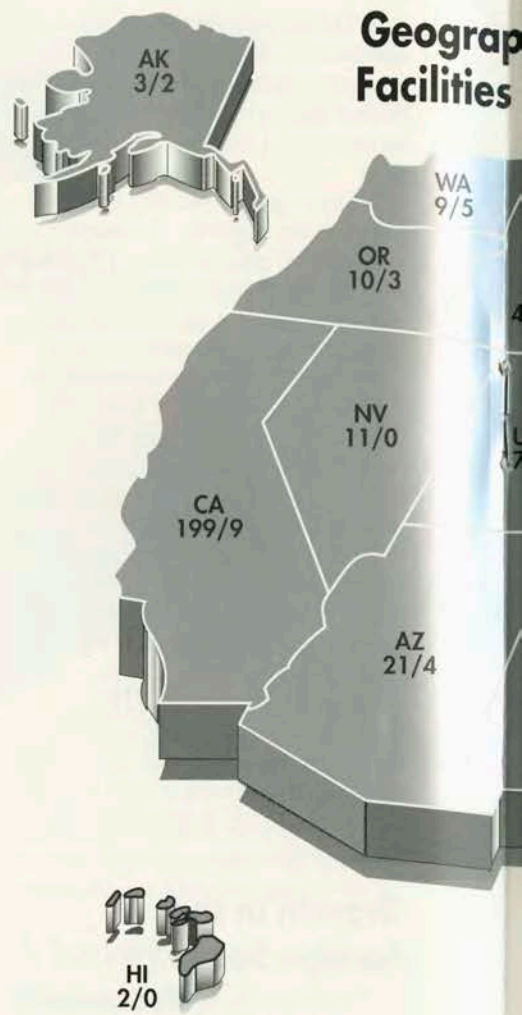
American Healthcare Management, Inc. (King of Prussia, Pennsylvania) focused its 1992 efforts on improving its capital structure, repositioning its hospitals to focus on primary, medical/surgical care in its markets, improving operational efficiencies, and enhancing revenues in outpatient and inpatient services. Debt was significantly reduced and replaced with much lower cost senior bank borrowings. Equity increased to $126 million, resulting in a debt-to-total-capitalization ratio of 56 percent, a 37 percent reduction from two years ago. While aggressively controlling costs, AHM has been able to enhance revenues in outpatient and inpatient services. The availability of improved cash flows has allowed AHM to expand and enhance a wide range of services throughout the system.

Under a new management team, **American Medical International** (Dallas, Texas) concentrated on internal growth during the year and was successful in meeting important cost reduction, productivity and quality improvement goals. AMI reported its first year of profit since the 1989 leveraged buyout by parent company American Medical Holdings, Inc. Ongoing programs to strengthen operations and reduce debt have prepared the company for growth beyond AMI's existing portfolio and for the impending changes in the health care industry. Recognizing the need for new direction, the company will continue to be active in the health policy-making process nationally and in the communities it serves. AMI is committed to an improved competitive environment where medical care is accessible to all Americans at a reasonable cost.

During the past fiscal year, **Charter Medical Corporation** (Macon, Georgia) successfully completed its financial reorganization and emerged as a publicly-traded company. The reorganization enabled Charter to reduce its debt by approximately $700 million, cut annual net interest expense in half to approximately $85 million and eliminate $233 million of preferred stock. Charter also hired a consulting firm to complete a pilot study researching mental health outcomes. The study's results will be applied to the new comprehensive Clinical Outcome Monitoring System (COMS) to be implemented throughout Charter's psychiatric hospitals. Eventually COMS will be employed in the full Charter Continuum of Care.

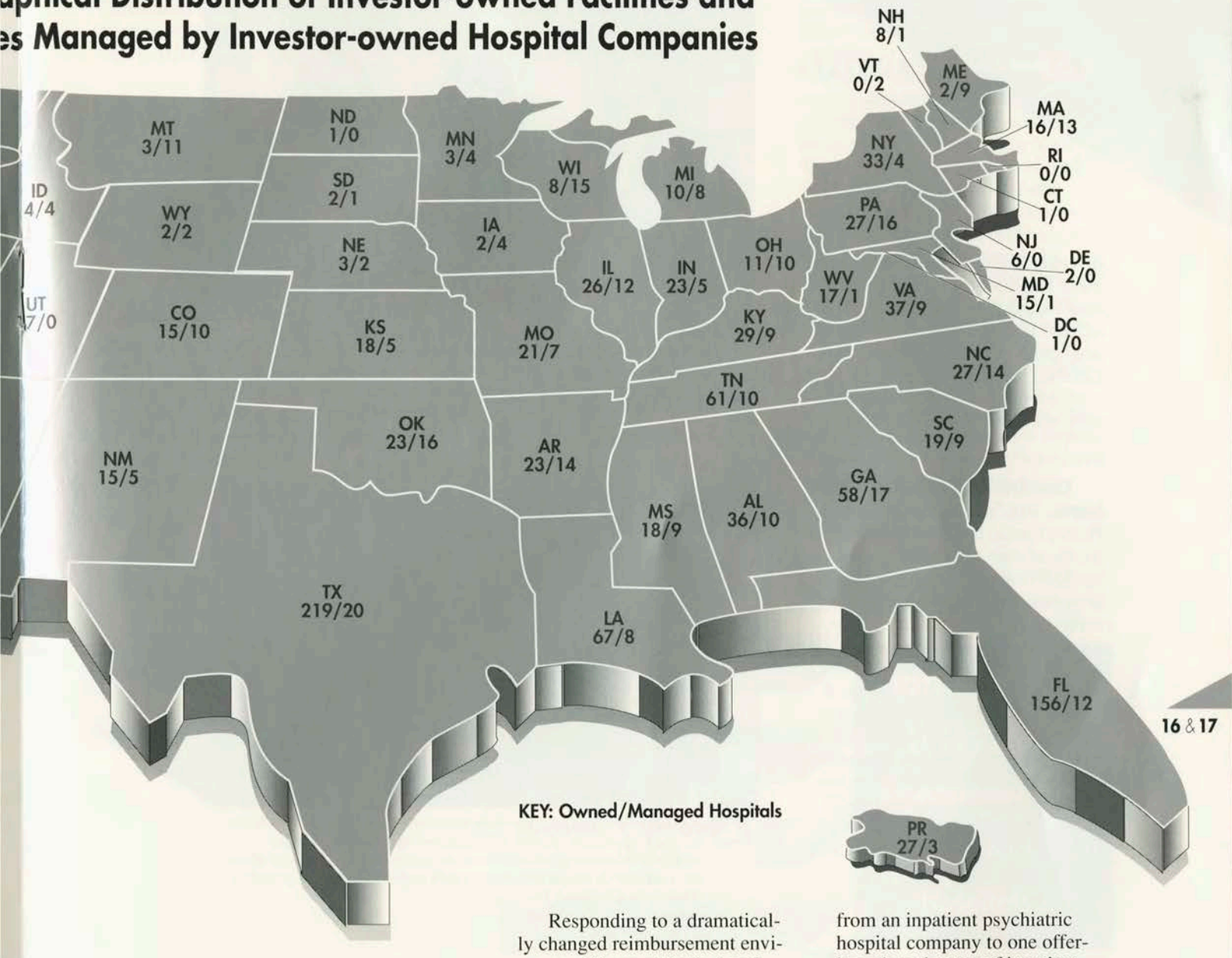
Columbia Hospital Corporation (Ft. Worth, Texas) experienced a year marked by increased income and new acquisitions. Before an extraordinary loss on early extinguishment of debt, Columbia's income increased by 45 percent in the first quarter of 1992 compared to the first quarter of 1991, and continued with this trend throughout the year. In addition to gaining three facilities in the South Florida market and two in Houston, Columbia also acquired eight general, acute-care hospitals through a merger of Basic American Medical, Inc., with a wholly owned subsidiary of Columbia.

During 1992, **Community Health Systems** (Houston, Texas) diversified its operations by acquiring four hospitals and entering three new markets. The first acquisition was Metropolitan General Hospital in Pinellas Park, Florida, a 154-bed hospital that cooperates with two other hospitals in its market to operate as a single system, sharing many administrative functions, business office operations, marketing plans and financial goals. Other new additions to Community Health's network are Parkway Regional Hospital, a 70-bed medical surgical center in Fulton, Kentucky, and Parkwood Hospital, a 60-bed psychiatric facility in Olive Branch, Michigan.



North Las Vegas, Nevada, Mayor James Seastrand takes to the podium during the grand opening celebration of a four story tower addition to American Healthcare Management's Lake Mead Hospital Medical Center. Seated behind the mayor, from left to right, are Ernie Libman, CEO of Lake Mead Hospital; Steven L. Volla, Chairman, President & CEO of AHM; Teresa Reid, wife of Senator Harry Reid (D-Nevada); and Nevada Governor Bob Miller.

aphical Distribution of Investor-owned Facilities and es Managed by Investor-owned Hospital Companies



Responding to a dramatically changed reimbursement environment for psychiatric hospitals dominated by the growth of managed care, **Community Psychiatric Centers** (Laguna Hills, California) launched a major effort in 1992 to evolve from an inpatient psychiatric hospital company to one offering a broad range of inpatient, partial and outpatient psychiatric and lower-cost addiction medicine services. Concurrent with this effort, CPC's board made a strategic decision to

Many FAHS member hospitals contributed their resources to victims of Hurricane Andrew in South Florida. Pictured here are some of the medical staff volunteers of Columbia Hospital Corp.'s Victoria Hospital's H.A.R.T. (Hurricane Andrew Relief Team). (Left to right: unidentified, Dr. Magdalena Averhoff, vice chief of staff, Dr. Enrique Gomez, chief of staff, and Dr. Adrian Legaski, surgical oncologist.

These two children represent satisfied patients from Community Health Systems' Parkway Regional Hospital in Fulton, Kentucky. The hospital's float, "Trained to Care for You," won first place in Fulton's International Banana Festival.

diversify beyond psychiatric care to make better use of vacant beds, first establishing a new subsidiary, Transitional Hospitals Corp., to develop and operate transitional health care facilities. In May, Richard L. Conte succeeded James W. Conte as chairman and chief executive officer.

Continental Medical Systems, Inc.'s (Mechanicsburg, Pennsylvania) financial highlights in the fiscal year 1992 include exceeding $650 million in net operating revenues; reporting such record net revenues and income from operations for a sixth consecutive year, and completing a three-for-two stock split in November. CMS increased its operations by opening eight new medical rehabilitation hospitals in as many states, beginning construction of eight more and extending its outpatient network to 96 centers in 22 states. During the course of this growth, CMS hired 3,500 new staff members nationwide.

Completing it's fourth year of operations in September 1992, **EPIC HEALTHCARE GROUP** (Dallas, Texas) reported FY92 net revenues of $940.5 million. This 17.3 percent increase has been attributed to EPIC's expansion of outpatient services company-wide, and to strategic financial transactions designed to realign the company's capital structure. In March 1992, EPIC Holdings, Inc., completed the sale of its 12 percent Senior Deferred Coupon Notes due 2002 for total net proceeds of approximately $135 million. Of those proceeds, $130 million were then used to purchase EPIC Holding's Class A & B Preferred Stock owned by American Medical International, Inc. In addition, EPIC con-

Representative Pete Geren (D-Texas) discussed health care reform, loan repayment for medical students, RBRVS and the importance of being involved in the political process during a recent luncheon at John Peter Smith Hospital in Fort Worth. (Pictured from left to right: Geren, Julie Cowan of EPIC's Physician Recruitment, and John Peter Smith's President & CEO M.T. Philpot.)

Hallmark Healthcare Corporation sponsored a tour of 12 of their hospitals by Art Linkletter, former television and radio personality and renowned advocate of the elderly on the issues of aging and medical care. Mr. Linkletter is shown here visiting with staff at Cleveland Community Hospital in Cleveland, Tennessee.

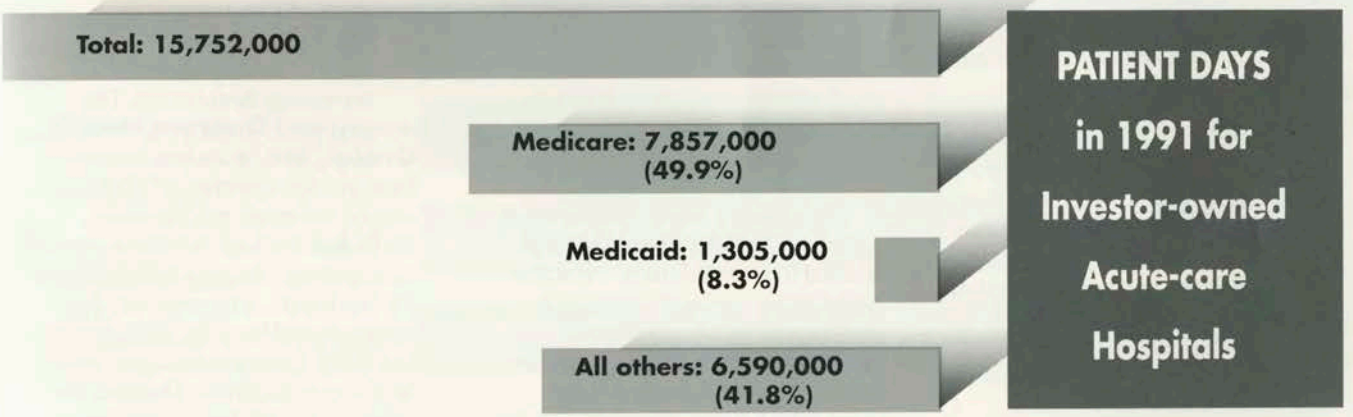
Representative Sam Johnson (R-Texas) congratulates Joe DiLorenzo, Hospital Corporation of America president of western group operations, on the $48 million expansion of the Medical Center in Plano, Texas.

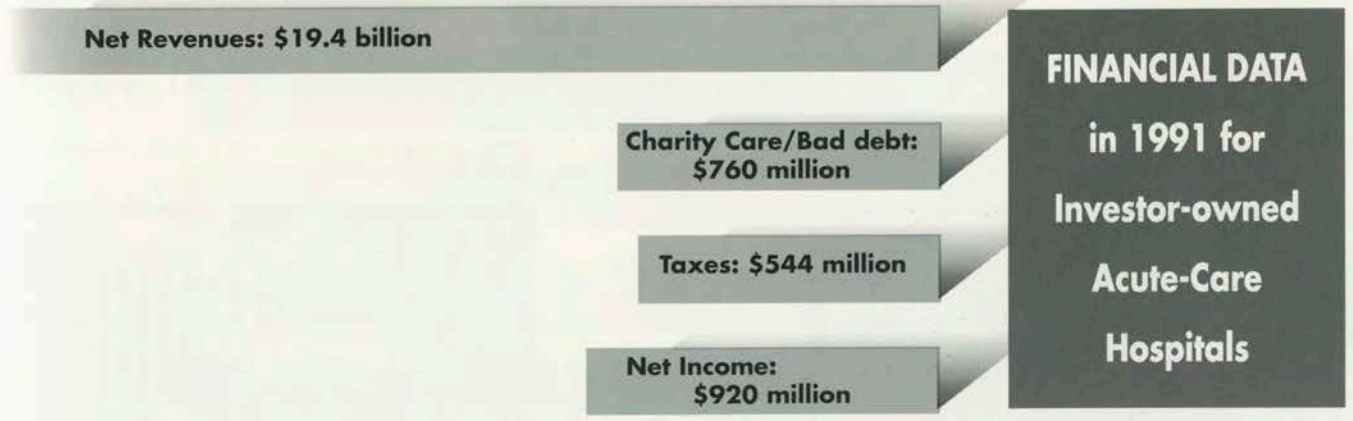
tinued implementation of its Continuous Quality Improvement process, with all of its hospitals earning JCAHO accreditation.

Hallmark Healthcare Corporation (Atlanta, Georgia) was active in 1992 adding new services on a selected basis and positioning the company for the changing health care market. Among the services expanded were emergency room care, psychiatric treatment of geriatric patients, and managed care programs. One of Hallmark's major community initiatives was a tour of 12 of their hospitals by Art Linkletter, a former radio and television personality and current advocate on the issues of aging and elder care. Hallmark reported a 5.4 percent increase in net revenue in FY92.

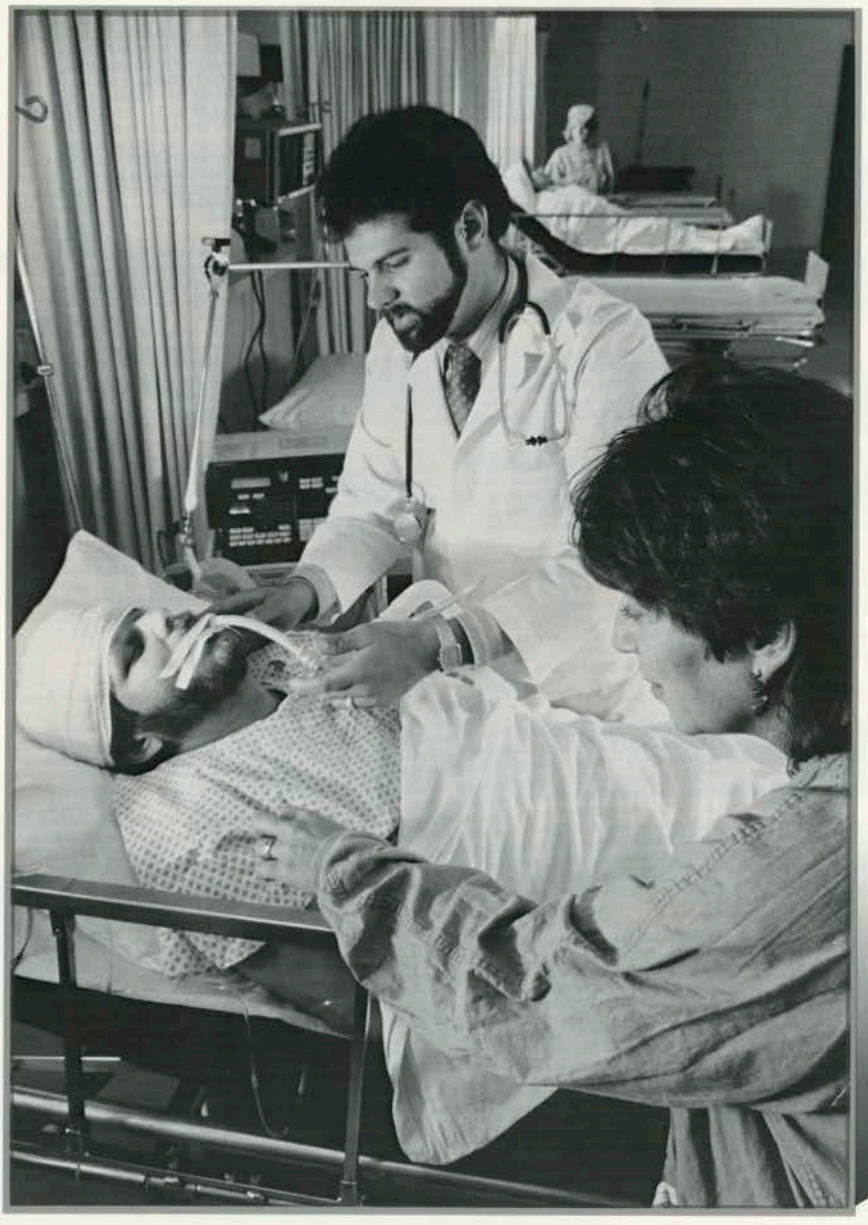
Health Management Associates (Naples, Florida) reported an outstanding financial performance in FY92, with net earnings for the year increasing 89 percent. In addition, HMA's board approved a 3-for-2 stock split to expand the marketability and distribution of common stock. Maximizing their potential for efficiency, HMA's hospitals have offered extended outpatient services, often acting as the sole outlet for outpatient surgery in their communities. In order to provide the height of quality care, HMA facilities also implemented such programs as "Nurse First," to ensure fast, capable triage, and "MedKey," a computerized patient information system.

The year 1992 was the most exciting one for **HealthTrust, Inc.** (Nashville, Tennessee) since its founding in 1987. Dramatic changes and improvements were made to the capital structure. An initial public offering was completed and the stock was listed on the New York Exchange. The company achieved impressive financial results and ended the year well positioned for the future. In addition, HTI has continued the implementation of its grassroots activities, focused on both federal and state policies affecting the health care industry. HTI subdivided its efforts into two outreach programs for hospital administrators: IMPACT, geared toward local business, government and provider communities; and the Legislative Impact Program, directed toward federal and state elected representatives.





DIRECTORY OF INVESTOR-OWNED HEALTH SYSTEMS



Company	Facilities	Beds
Accord Health Care Corporation		
3696 Ulmerton Road		
Clearwater, Florida 34622		
(813) 573-1755		
Owned	3	101
Managed	1	40
Total Operating	4	141
AdvantageHEALTH Corporation		
304 Cambridge Road		
Woburn, Massachusetts 01801		
(617) 935-2500		
Owned	3	388
Total Operating	3	388
Affiliated Medical Enterprises		
1915 W. Orangewood Ave., Suite 300		
Orange, California 92668		
(714) 939-8788		
Owned	5	711
Total Operating	5	711
Alliance Health Inc.		
4250 Perimeter Park South, Suite 102		
Atlanta, Georgia 30341		
(404) 452-1221		
Owned	5	250
Total Operating	5	250
American Healthcare Management, Inc.		
660 American Avenue, Suite 200		
King of Prussia, Pennsylvania 19406		
(215) 768-5900		
Owned	16	2041
Total Operating	16	2041
American Medical International, Inc.		
AMI Dallas Service Center		
8201 Preston Road, Suite 300, P.O.Box 25651		
Dallas, Texas 75225-5651		
(214) 360-6300		
Owned	35	7822
Total Operating	35	7822
AmeriHealth, Inc.		
P.O. Box 5301		
Richmond, Virginia 23220		
(804) 643-1422		
Owned	2	265
Managed	4	448
Total Operating	6	713
Asklepios Hospital Corporation		
249 East Ocean Blvd., Suite 600		
Long Beach, California 90802		
(213) 437-7717		
Owned	5	589
Owned (Foreign)	10	1703
Total Operating	15	2292

Company	Facilities	Beds
Brim, Inc.		
305 N.E. 102nd Avenue		
Portland, Oregon 97220-4199		
(503) 256-2070		
Managed	56	3963
Total Operating	56	3963
Cambridge International, Inc.		
7505 Fannin, Suite 670		
P.O. Box 20624		
Houston, Texas 77225		
(713) 790-1155		
Owned	4	298
Total Operating	4	298
Century HealthCare Corporation		
7615 E. 63rd Place, Suite 200		
Tulsa, Oklahoma 74133		
(918) 250-9651		
Owned	6	384
Managed	1	92
Total Operating	7	476
Champion Healthcare Corporation		
14340 Torrey Chase, Suite 320		
Houston, Texas 77014		
(713) 583-5491		
Owned	3	655
Total Operating	3	655
Charter Medical Corporation		
577 Mulberry Street		
P.O. Box 209		
Macon, Georgia 31298		
(912) 742-1161		
Owned	88	8769
Owned (Foreign)	3	173
Managed	4	414
Total Operating	95	9356
Columbia Hospital Corporation		
777 Main Street, Suite 2100		
Fort Worth, Texas 76102		
(817) 870-5900		
Owned	21	4416
Managed	1	40
Total Operating	22	4456
Community Care Systems, Inc.		
203 Grove Street		
Wellesley, Massachusetts 02181		
(617) 239-0871		
Owned	4	348
Total Operating	4	348
Community Health Systems, Inc.		
3707 FM 1960 West, Suite 500		
Houston, Texas 77068		
(713) 537-5230		
Owned	11	1080
Managed	4	307
Total Operating	15	1387

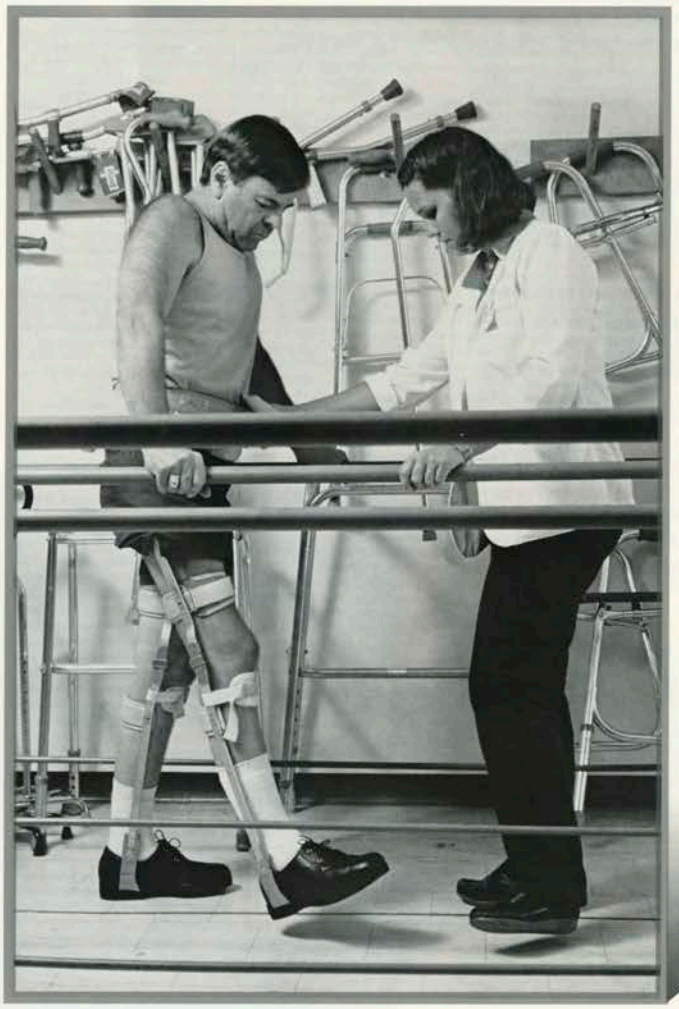
Company	Facilities	Beds
Community Psychiatric Centers		
24502 Pacific Park Drive		
Laguna Hills, California 92656		
(714) 831-1166		
Owned	44	4643
Owned (Foreign)	6	389
Total Operating	50	5032
Comprehensive Addiction Programs, Inc.		
8000 Towers Crescent Drive, Suite 220		
Vienna, Virginia 22182		
(703) 847-2600		
Owned	7	275
Total Operating	7	275
Comprehensive Care Corporation		
16305 Swingley Ridge Drive, Suite 100		
Chesterfield, Missouri 63017		
(314) 537-1288		
Owned	12	970
Total Operating	12	970
Continental Medical Systems, Inc.		
600 Wilson Lane		
P.O. Box 715		
Mechanicsburg, Pennsylvania 17055		
(717) 790-8300		
Owned	30	1971
Total Operating	30	1971
The Cooper Companies, Inc.		
250 Park Avenue		
New York, New York 10177		
(212) 557-2690		
Owned	3	259
Managed	3	220
Total Operating	6	479
Cumberland Health Systems, Inc.		
2100 West End Avenue, Suite 900		
Nashville, Tennessee 37203		
(615) 327-2200		
Owned	6	447
Managed	5	256
Total Operating	11	703
EPIC HEALTHCARE GROUP		
3333 Lee Parkway		
P. O. Box 650398		
Dallas, Texas 75265-0398		
(214) 443-3333		
Owned	38	4555
Total Operating	38	4555
First Hospital Corporation		
240 Corporate Boulevard		
Norfolk, Virginia 23502		
(804) 459-5100		
Owned	15	1252
Total Operating	15	1252

COMPANY	FACILITIES	BEDS
Schick Laboratories, Inc.		
12700 Ventura Boulevard, Suite 200		
Studio City, California 91604		
(818) 766-2100		
Owned	3	143
Total Operating	3	143
Southern Health Corporation		
5605 Glenridge Drive, Suite 960		
Atlanta, Georgia 30342		
(404) 843-8337		
Owned	3	191
Managed	4	176
Total Operating	7	367
Summit Health Ltd.		
2600 W. Magnolia, P.O. Box 2100		
Burbank, California 91507-2100		
(818) 841-8750		
Owned	12	1649
Total Operating	12	1649
Summit Medical Holdings, Ltd.		
1000 Abernathy Road		
Building 400, Suite 645		
Atlanta, Georgia 30328		
(404) 392-1454		
Owned	5	393
Managed	1	212
Total Operating	6	605
Telecare Corporation		
300 Pendleton Way		
Oakland, California 94621		
(510) 632-0133		
Owned	9	915
Total Operating	9	915
United Hospital Corporation		
6189 East Shelby Drive		
Memphis, Tennessee 38141		
(901) 794-8440		
Managed	7	256
Total Operating	7	256
United Medical Corporation		
603 Main Street		
P. O. Box 1100		
Windermere, Florida 34786-1100		
(407) 876-2200		
Owned	5	598
Total Operating	5	598
United Psychiatric Group		
2001 L Street, N.W., Suite 200		
Washington, D.C. 20036		
(202) 955-3990		
Owned	8	492
Total Operating	8	492

COMPANY	FACILITIES	BEDS
Universal Health Services, Inc.		
Universal Corporate Center		
367 South Gulph Road		
King of Prussia, Pennsylvania 19406		
(215) 768-3300		
Owned	28	3610
Total Operating	28	3610
Vencor, Incorporated		
Brown & Williamson Tower, Suite 700		
Louisville, Kentucky 40202		
(502) 569-7300		
Owned	20	1634
Total Operating	20	1634
Vendell Healthcare, Inc.		
3401 West End Avenue, Suite 500		
Nashville, Tennessee 37203		
(615) 383-0376		
Owned	8	514
Total Operating	8	514

COMPANY	FACILITIES	BEDS
FAHS AFFILIATE MEMBERS		
Beverly Enterprises		
1200 So. Waldron Road, #155		
P.O. Box 3324		
Fort Smith, Arkansas 72913-3324		
(501) 452-6712		
CIGNA Corporation		
One Liberty Place		
Philadelphia, Pennsylvania 19192		
(215) 761-5518		
Humana Inc.		
(Managed Care Co.)		
500 West Main Street		
P. O. Box 1438		
Louisville, Kentucky 40201-1438		
(502) 580-1000		
and		
1825 I Street, N.W., Suite 400		
Washington, D.C. 20006		
(202) 429-2015		

NOTE: Companies with less than 3 hospitals are not reflected in the above list.
SOURCE: FAHS' 1993 Directory.



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James Lathren
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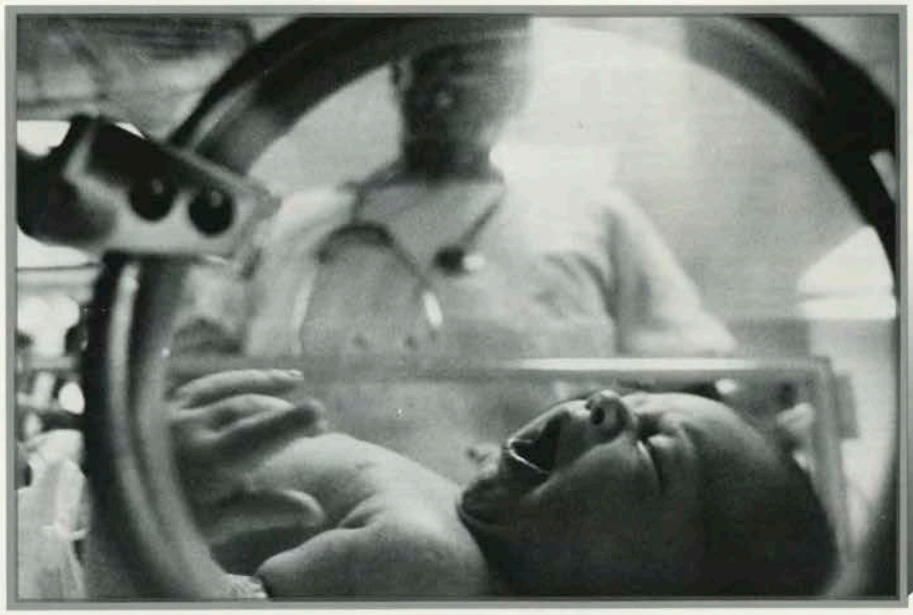

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Brentwood, Tennessee

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Lindy Richardson
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Hospital Operations
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Huntington Beach, California

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Chief Executive Officer
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General Hospital Division
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AMI Mid-Jefferson Hospital
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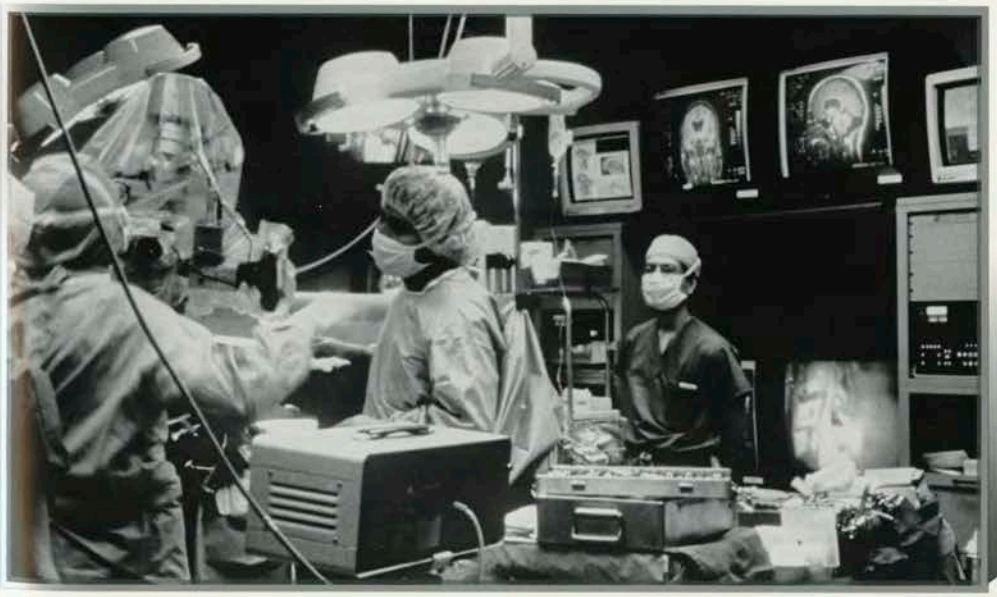

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ACKNOWLEDGEMENTS

The Federation extends its full appreciation to those who contributed to this annual report:

PHOTOS: Mary DeLatte, Metairie, Louisiana; **Russ Stoddard**, Boise, Idaho; **Columbia Hospital Corporation**, Fort Worth, Texas; **Community Health Systems**, Houston, Texas; **National Medical Enterprises**, Santa Monica, California; **Central Arkansas Rehabilitation Hospital**, Sherwood, Arkansas; **HealthTrust, Inc.**, Nashville, Tennessee; **Humana Hospital-Biscayne**, Aventura, Florida; **Hospital Corporation of America**, Nashville, Tennessee; **EPIC HEALTHCARE GROUP**, Dallas, Texas; **Hallmark Healthcare Corporation**, Atlanta, Georgia; **Parkway Regional Hospital**, Fulton, Kentucky; **Quorum Health Group**, Nashville, Tennessee; **American Medical International**, Encino, California; **Lake Mead Hospital Medical Center**, North Las Vegas, Nevada; **Health Management Associates**, Naples, Florida.

This report was designed by **Dennis Oxley**/Oxley Art, Little Rock, Arkansas; and written by **D. Brooke Leonnig**/Federation of American Health Systems, Washington, D.C. Production coordination and typesetting by **Shirley Brainard**/Federation of American Health Systems, Little Rock, Arkansas. Printing by **Capitol Off-Set Printing Company**, Little Rock, Arkansas.

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1993 CONFERENCE SCHEDULE
"The New Legislative Agenda"
Washington Hilton Hotel
Washington, D.C.

Wednesday, March 24

1:00-4:30 pm Buyers Exposition (Exhibit Hall)

4:30-6:30 pm Buyers/Suppliers Appreciation Reception
Entertainment: Jeffrey Jena (Crystal Ballroom)

Thursday, March 25

7:30-9:30 am Suppliers Exposition Breakfast (Exhibit Hall)

9:30 am FAHS Conference Opening Session (International Ballroom Center)
Lou Holtz, head football coach for University of Notre Dame

10:15 am David Gergen and Mark Shields of PBS' "MacNeil/Lehrer NewsHour"

11:00 am Rep. Dan Rostenkowski (D-IL)

11:30 am Donna E. Shalala, Ph.D., Secretary, U.S. Department of Health and Human Services

11:30-5:30 Spouse Event

Noon-2:30 pm Suppliers Exposition - Lunch (Exhibit Hall)

2:30-5:30 pm Buyer/Supplier Workshops (concurrent session)

I. Captial Equipment (Int'l Ballroom/East)
"Safe Medical Device Regulation"
Keynote: **Richard O. Martin, Ph.D.**, President & CEO, Physio-Control Corporation; and **Ronald M. Johnson**, Director, Office of Compliance and Surveillance, U.S. Food and Drug Administration.
Panel: **F. David Rollo, M.D., Ph.D.**, President, Metricor; **Edwin French**, Senior Vice President, American Medical International, Inc.; **John Murray**, President, Hausted; **Joel Noble, Ph.D.**, President and CEO, Emergency Care Research Institute; **Joe Swenson**, Senior Vice President-Operations, Hill-Rom; **John W. Strong**, Vice President, Materials Management, Premier Hospitals Alliance, Inc.; **Gerry Varney**, Manager Equipment Procurement, HealthTrust, Inc.; **Ed**

Kuklenski, Vice President, Child Health Corporation of America; **Jonah Hughes**, Senior Vice President, Purchasing, Daughters of Charity National Health System; **Robert Bird**, Manager, Equipment Planning, Hospital Corporation of America; and **Daryl Reynolds**, Assistant Vice President, Medical Systems, National Medical Enterprises, Inc.
Moderator: **James C. Olsen**, Vice President, Materials Management, Humana Inc.

II. Pharmaceuticals - (Int'l Ballroom/West)
A. "Healthcare Legislation & The National Account Environment"
Keynote: **Rep. Ron Wyden** (D-OR)
Panel: **Michael M. Beaudrias**, Senior Product Manager, Pharmacy Business Unit, VHA; **William W. Collins**, Director of Institutional Programs, Glaxo, Inc.; **Robert D. Currey, R.Ph.**, Corporate Contract Administrator, Pharmacy Services, OSF Healthcare System; **Jerome E. Herberholt**, Director, Pharmacy Purchasing Program, Daughters of Charity National Health System; and **Michael Reicher**, President, UDL Laboratories.
Moderator: **Ron Adams**, Director of Pharmacy Programs, MedEcon Services, Inc.

B. "Outcomes Research & Management: What It Means to Provider and Supplier"
Keynote: **Mark Zitter**, President, The Zitter Group Center for Outcomes Information
Panel: **Scott Bolenbaugh**, Director, Health Economics, MERCK Human Health Division; **Les Noe, R.Ph.**, Health Services Research Specialist, Synergen; **Herbert W. Stokes, R.Ph.**, Vice President, Purchasing, Owen Healthcare, Inc.; and **Norrie Thomas, R.Ph., Ph.D.**, President and COO, Cliical Pharmacy Advantage.
Moderator: **William (Bill) R. Magruder, R.Ph.**, Assistant Vice President, Pharmacy Program, Premier Hospital Alliance.

6:30-8:30 pm Presidents' Reception with entertainment by "The Capitol Steps" (Back Terrace/Int'l Ballroom Ctr)

Friday, March 26

7:00 am 5K Run/Walk

8:00-9:30 am General Membership Meeting (Hemisphere)

8:00-9:45 am Buyers/Suppliers General Session
(International Ballroom West)
Topic: General Contracting - "Buyer/Seller Relationships, Challenges Facing Suppliers in the 1990s"
Keynote: **Stephen** X. Doyle, President, Stephen X. Doyle & Co.
Panel: **Edward Benecke**, Vice President of Corporate Accounts, Johnson & Johnson Hospital Services; **Reed Rosling**, Vice President of National Accounts, Bergen Brunswig Drug Company; **Kevin Peters**, Vice President of Corporate Sales/Multi-Hospitals, Baxter Healthcare Corporation; **Edward Carty**, Vice President, Purchasing, Columbia Hospital Corporation; **Connie Woodburn**, Senior Vice President of Hospital Services, Premier Hospitals Alliances, Inc.; **Warren Rhodes**, President, Mercy National Purchasing, Inc.; **Wally Staley**, Director of National Accounts, Ohmeda; and **Gary Wyngarden**, President and CEO, MedEcon Services, Inc.
Moderator: **Scott Farrar**, Director, Contracts Management, HealthTrust, Inc.

10:00 am FAHS Conference Session (Int'l Ballroom Ctr.)
Senate Minority Leader Robert Dole (R-KS)

10:45 am Joint Presentation on Health Care Networks
Speakers: Rep. Jim Cooper (D-TN) and AHA President Richard Davidson.
Reactors: James S. Todd, M.D., AMA Executive Vice President; and Michael A. Stocker, M.D., President, CIGNA Healthplans.
Moderator: W. Randolph Smith

12:30-2:00 pm Awards Luncheon (International Ballroom East)
Incoming President's Remarks - W. Randolph Smith, Executive Vice President, Operations, American Medical International
"The Importance of Grass Roots Involvement"- Michael Bromberg, FAHS Executive Director

SPEAK

Roseanna
Fri, March 26
10:00 am
Washington Hilton

Federation of American Health Systems

March 12, 1993

1111 19th Street N.W.
Suite 402
Washington, D.C. 20036
202-833-3090

Michael D. Bromberg
Executive Director

The Honorable Robert Dole
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Bob:

The Federation of American Health Systems, will be holding its 1993 Annual Conference and Business Exposition March 24-26 here in D.C. at the Washington Hilton. The theme of this year's meeting will be "The New Legislative Agenda." We would like to invite you to address our audience, consisting of approximately 1,000 representatives from all fields of the health care industry, on the morning of Friday, March 26, at 10:00 AM.

Your presentation at the last conference the Federation held in Washington was a highlight of the three-day meeting and I certainly hope you will be able to speak to our group again. This year's confirmed speakers include Representatives Dan Rostenkowski (D-IL), Jim Cooper (D-TN) and Ron Wyden (D-OR), HHS Secretary Donna Shalala, American Hospital Association President Richard Davidson, American Medical Association Executive Vice President James Todd, M.D., Notre Dame coach Lou Holtz and political analysts David Gergen and Mark Shields of PBS' "MacNeil/ Lehrer NewsHour,"

An early, favorable reply would be greatly appreciated. I look forward to hearing from you soon.

Best regards,

Michael D. Bromberg
Executive Director
202/833-3090

MDB.dbl
enclosure

Hope you can say yes —
Best Regards

BOB DOLE
KANSAS

United States Senate

OFFICE OF THE REPUBLICAN LEADER
WASHINGTON, DC 20510-7020

March 15, 1993

Senator Dole,

The Federation of American Health Systems would like for you to speak at their meeting on Friday, March 26, at 10:00 a.m. at the Washington Hilton -- they need a reply ASAP.

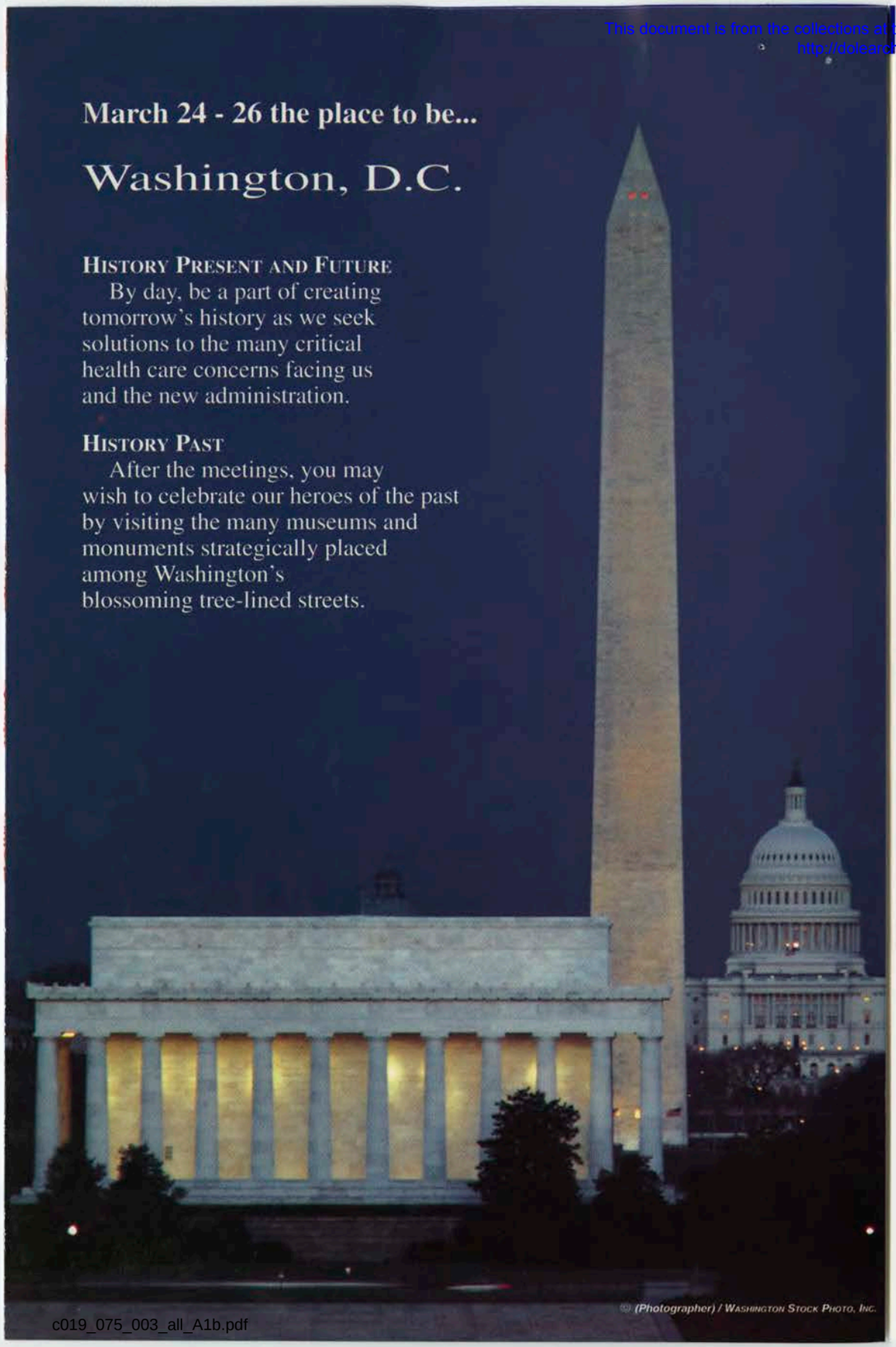
_____ will speak -- move 10:30 appt.

_____ will not speak

_____ no decision at this time

Yvonne

THE NEW AGENDA



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1993 FAHS Annual Conference and Business Exposition – March 24-26 Washington, D.C.

OFFICIAL HOUSING REQUEST FORM

- Telephone requests not accepted.
- Please print or type all items to assure accuracy.
- All acknowledgments will be sent to individual indicated below. Actual room confirmation will follow from hotel.
- Photocopy this form if more than one room is required.

Return to:
FEDERATION OF AMERICAN HEALTH SYSTEMS
Administrative Services Office
1405 N. Pierce, Suite 311
Little Rock, AR 72217-8708
Fax: 501-663-4903

INSTRUCTION: Please complete requested data using abbreviations as necessary.
ROOM RESERVATION CUTOFF DATE: March 1, 1993.

**All room cancellations must be made through FAHS until March 1, 1993.
You may call the hotel direct with name and date changes.**

Guest Name_____
Share With_____
Company Name_____
Address_____
City/State_____ Zip_____
Phone No. (_____)_____
Special Request_____

Arrival Date_____
Departure Date_____
Expected Arrival Time _____
Credit Card No._____
❑ AM EX ❑ MC ❑ VISA ❑ DC ❑ CB
Expiration Date_____
Deposit Amount *$_____
* One night's deposit is required to guarantee accommodations.

Please indicate 1st, 2nd and 3rd choice of hotel.

*❑ **Headquarter Hotel:**
Washington Hilton and Towers
Connecticut Ave. at Columbia Road N.W.
Washington, D.C. 20009

Single: $165 Double: $165
Tower Single: $200 Tower Double: $200
Standard Suite: ❑ One-bedroom/$387
❑ Two-bedroom/$552
Hilton Honors #_____

Cancellation Policy: Accommodations are held until 6 pm on arrival day unless guaranteed by a major credit card or check covering first night's deposit. Any reservation cancelled by 6 pm on arrival day will have the deposit fully refunded.

*❑ **Quality Hotel Central**
1900 Connecticut Ave. N.W.
Washington, D.C. 20009

Single: $94 Double: $104

Cancellation Policy: Accommodations are held until 4 pm on arrival day unless guaranteed by a major credit card or check covering first night's deposit. Any reservation cancelled at least 24 hours prior to arrival will have the deposit refunded.

*❑ **Sheraton Washington Hotel**
2660 Woodley Road at Connecticut Ave. N.W.
Washington, D.C. 20008

Single: $155 Double: $155

Cancellation Policy: Accommodations are held until 4 pm on arrival day unless guaranteed by a major credit card or check covering first night's deposit (including 11% tax plus $1.50 county tax). Any reservation cancelled at least 72 hours prior to arrival will have the deposit refunded. (Guest must obtain a cancellation number.) Check-in time is 3 pm; check-out is 12 noon.

Shuttle Transportation will be provided to and from the Washington Hilton & Towers.

ADA: In compliance with the Americans with Disabilities Act, the Federation of American Health Systems will make all reasonable efforts to accommodate persons with disabilities at its meeting. If ADA special assistance is required, please indicate on this form:

_____
_____
_____

SCHEDULE

This material has been prepared to comply with the HFMA guidelines for external programs which meet the certification and certification maintenance requirements.

WEDNESDAY, MARCH 24

1:00 pm - 4:30 pm — **Buyers Exposition**

4:30 pm - 6:30 pm — **Buyers/Suppliers "Appreciation Reception"**– Entertainment by **Jeff Jena** and the **Lennie Williams Trio**

THURSDAY, MARCH 25

8:00 am - 10:00 am — **Suppliers Exposition -** Breakfast Served 7:30 - 8:30 am

10:00 am - 12:30 pm — **FAHS Opening General Session -**
TOPIC: "The New Agenda"
SPEAKERS: **Lou Holtz,** head football coach University of Notre Dame
Mark Shields, political columnist, *Washington Post*, and
David Gergen, editor-at-large, *US News &World Report*
Rep. Dan Rostenkowski (D-IL) *(invited)*
Donna Shalala, Secretary, HHS

11:30 am - 5:30 pm — **Spouse Event -** Washington's Treasures

12:30 pm - 2:30 pm — **Suppliers Exposition -** Lunch Served

2:30 pm - 5:30 pm — **Workshops**
- ★ Legislative Briefing and Capitol Hill Visits
- ★ Pharmaceuticals - "Healthcare Legislation and the National Account Environment"
  SPEAKER: **Rep. Ron Wyden** (D-Oregon)
  & "Outcomes Research and Management - What it Means to Provider and Supplier"
- ★ Capital Equipment - "Safe Medical Device Legislation"

6:30 pm - 8:00 pm — **FAHS Presidents' Reception** (Open to all attendees)

FRIDAY, MARCH 26

7:00 am — **5K Run/Walk**

8:00 am - 9:45 am — **Buyers/Suppliers General Session**
TOPIC: Buyer/Seller Relationships, Challenges Facing Suppliers in 1990s
SPEAKER: **Stephen X. Doyle**

10:00 am - 12:30 pm — **FAHS General Session**
PANEL DISCUSSION: "Health Care Networks – What Hospitals Must Do to Participate"
SPEAKERS:
Richard Davidson, AHA President
Rep. Jim Cooper (D-Tennessee)
Michael Soper, M.D., CIGNA Senior Vice President
James S. Todd, M.D., AMA Executive Vice President

12:45 pm - 2:30 pm — **FAHS Awards Luncheon**
SPEAKERS: **W. Randolph Smith,** Incoming FAHS President
Michael Bromberg, FAHS Executive Director

Federation of American Health Systems

BE A PART OF THE CHANGE

"The national policymakers featured at FAHS' programs has helped give our executives in-depth knowledge of what to expect to be coming 'down the pike' from Washington. Over the years this has helped our HTI executives prepare for the future. In 1993 we have the additional opportunity to present our views and policies to the decision makers in Congress who hold the key to responsible health reform. HTI personnel will be there in force to take our message to the Hill. I urge others to join us."

— **Clayton McWhorter**
Chairman, President and CEO
HealthTrust, Inc.

"At HCA, we've been pleased to take advantage of the low rates for hotels and air fares which the FAHS has negotiated. It's an economical package and a timely opportunity to present our views to our elected representatives."

— **Victor L. Campbell**
Vice President, Corporate Relations
Hospital Corporation of America

THE NEW AGENDA

THURSDAY, MARCH 25 — What to Expect from Congress and How to Have Your Hospital's Voice Heard

MORNING

Rep. Dan Rostenkowski (Invited)

Donna Shalala

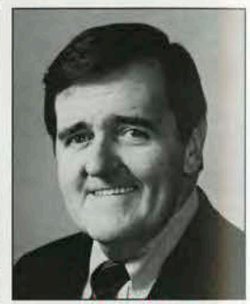
Rep. Dan Rostenkowski (D-IL) *(Invited)*, Chairman of Ways and Means Committee, and **Donna Shalala**, Secretary of Health and Human Services Department, will discuss the Clinton Administration's health care reform initiatives.

Opening the Conference Thursday morning will be **Lou Holtz**, who not only has distinguished himself on the football field, but also at the podium for his skills as a motivator. His speech to encourage health care executives to prepare for the fight to reform the health care system will set the tone for the entire meeting.

Lou Holtz

Following Holtz's presentation Thursday morning, **David Gergen** and **Mark Shields** of PBS' "MacNeil/ Lehrer NewsHour" will provide their expert political analysis of the new administration and the potential for the enactment of health legislation in the 103rd Congress.

David Gergen



Mark Shields

Thursday morning's session is sponsored by Wyeth-Ayerst Laboratories.

AFTERNOON

Three exciting and informative workshops will be presented. Select the one that best addresses your needs:

★ **Legislative Briefings and Capitol Hill Visits**
REMARKS BY:
Victor L. Campbell, FAHS President, and
BRIEFING BY: **Lynn Hart,** Director of Federal Legislation, FAHS
(Transportation to Hill will be provided)

Sponsored by MERCK Human Health Division

★ **Pharmaceuticals–Healthcare Legislation and the National Account Environment**
KEYNOTE ADDRESS:
Rep. Ron Wyden (D-OR)
(Reaction from a panel of industry executives) and...
Outcomes Research and Management - What it Means to Provider and Supplier
KEYNOTE ADDRESS:
Mark Zitter, President, Zitter Group
(Reaction from a panel of industry executives)

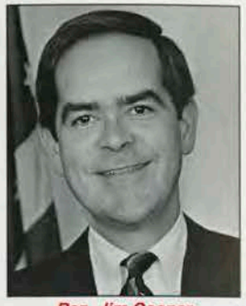
★ **Capital Equipment–Safe Medical Device Legislation**
MODERATOR:
James C. Olsen, Vice President, Materials Management, Humana Inc.
KEYNOTE ADDRESS:
Richard O. Martin, Ph.D., President & CEO, Physio Control, and
Ronald M. Johnson, Director, Office of Compliance and Surveillance, Center of Devices and Radiological Health, FDA
(Reaction from a panel of industry executives)

FRIDAY, MARCH 26 — What Your Hospital Must Do to Participate in a Health Care Network

MORNING

The Buyers/Suppliers Session will focus on "Buyer/Seller Relationships and Challenges Facing Suppliers in the 1990s." All registrants may attend. Address will be by **Stephen X. Doyle**, founder of Stephen X. Doyle and Company. Reaction from a panel of industry suppliers and purchasing executives will follow. **Scott Farrar**, Director Contracts Management, HealthTrust, Inc., will moderate this session.

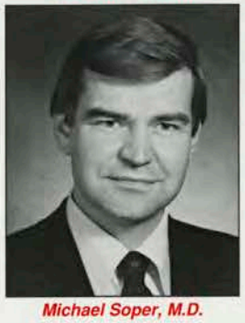
Richard Davidson



Rep. Jim Cooper

GENERAL SESSION

A distinguished panel of health care leaders will offer their expert advice on what the health care networks of the future will look like and what your hospital will need to do to become a viable participant. This session will truly be a guide for the survival of your institution as Congress and the marketplace redesign our health delivery system. Panel participants: **Richard Davidson**, AHA President; **Rep. Jim Cooper** (D-Tennessee); **Michael Soper, M.D.**, CIGNA Senior Vice President; and **James S. Todd, M.D.**, AMA Executive Vice President.



Michael Soper, M.D.

James S. Todd, M.D.

Friday morning's session is sponsored by Mallinckrodt Medical, Inc.

SPECIAL EVENTS - THURSDAY

Presidents' Reception - This evening is a time for food, fun and relaxation.

Entertainment will be by the **Capitol Steps,** a musical political satire troupe of current and former Congressional Aides. The troupe has become a favorite on the Washington social circuit receiving rave reviews, laughter and wild applause.

Sponsored by KCI.

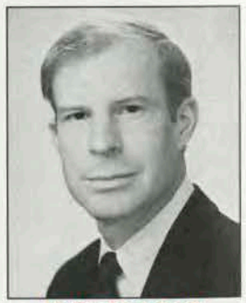
Spouse Event - Washington's Treasures Tour and Luncheon includes the following: Visit to **Library of Congress** to view the **Vatican Exhibit**, lunch at **Chez Grand-Mere** in Georgetown, a stop at the **Washington National Cathedral,** drive along Embassy Row, and a visit to **Dumbarton Oaks** in Georgetown. For more information contact the FAHS Little Rock office.

Sponsored by Boehringer Mannheim Corporation.

LUNCHEON

The conference events will conclude with the FAHS Annual Awards Luncheon, featuring remarks by 1993 FAHS President **W. Randolph Smith,** executive vice president of operations,

Michael D. Bromberg



W. Randolph Smith

American Medical International, Inc., and an address by FAHS Executive Director **Michael D. Bromberg** on "The Importance of Grass Roots Involvement... What the Industry Must Do to Have Its Voice Heard."

This luncheon is sponsored by Johnson Controls.

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FAHS Washington DC MARCH 24-26, 1993 THE NEW AGENDA

1993 **FAHS** Annual Conference and Business Exposition

If you wish to exhibit, Please contact FAHS at (501) 661-9555 or 1(800) 880-3247.

NON-EXHIBITOR REGISTRATION FORM

(Exhibitors will receive separate registration form.)

Please cut out page, fill out both sides and return this form to FAHS.

Name:_____
Please print clearly

Title:_____

Organization:_____

Street Address:_____

City:_____ State:_____ Zip:_____ Telephone:_____

If you have any questions about the registration process or about exhibiting, please call (501) 661-9555.

ORGANIZATION TYPE: *(check one)*

___Hospital: Investor-owned
___Hospital: Not-for-profit
___Multi-hospital Group: Investor-owned
___Multi-hospital Group: Not-for-profit
___Accounting Firm
___Financial Institution
___Law Firm
___Manufacturer or Supplier
___Professional Association
___Press
___Other _____

Fees

Please register me as a: ___FAHS Member ($495) ___Non-Member ($545) for: $_____
(Group discounts available - *Call (501) 661-9555 for details*)

Choose conference #1 or # 2 - (not both) and indicate Workshop A, B, or C.

Workshop Note: Whether you are attending the FAHS Conference or the Buyers/Suppliers Business Conference, **you may select either Workshop A, B, or C** *(Choose one workshop only).* Your convention badge will identify workshop attendance.

1___ FAHS Conference and Workshop *(Thurs., March 25 and Fri., March 26)*
Workshop **A**___Legislative Briefing and Capitol Hill Visits
(Transportation will be provided)

2___ Buyers/Suppliers Business Conference and one Workshop
(Wed., March 24, Thurs., March 25 and Fri., March 26)
Workshops **B**___Capital Equipment – Safe Medical Device Legislation
C___Pharmaceuticals – Legislative Issues and Outcomes Research and Management

Conference Note: Both Conferences include 3 meal functions, Presidents' Reception, one workshop and all respective Conference sessions. (Buyers/ Suppliers Conference includes a reception Wednesday afternoon March 24 and a general session Friday morning March 26.) Access March 24 to the Buyers Exposition (1:00 - 4:30) and Buyers/ Suppliers Appreciation Reception (4:30 - 6:30), is limited to exhibiting suppliers, hospital and multi-hospital group personnel only. (Sorry, personnel from non-exhibiting companies that supply products/services will not be admitted on the exposition floor at these times.)

3___ Please register my spouse (Fee: $135)_____ $_____
Name
Includes Spouse tour and lunch, all social functions and conference sessions. Total:$_____

PAYMENT:
By Mail - Send registration form and payment or credit card information to:
FEDERATION OF AMERICAN HEALTH SYSTEMS
Administrative Services Office
1405 No. Pierce, Suite 311
Little Rock, AR 72217-8708
By FAX - Send the registration form to FAHS at (501) 663-4903 before March 19, 1993 only. (Credit card registrations only.)

If you are charging your registration to a credit card, please select one and fill in blanks below:
❑ American Express ❑ Mastercard
❑ VISA ❑ Diners Club/Carte Blanche
_____ _____
Card Number *Exp. Date*
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Signature

Refund and Cancellation Policy: 100% refund if the request is received by March 5, 1993; 80% refund through March 19, 1993. No refunds after March 19, 1993. **Requests for refunds must be made in writing.**

See other side for housing form

*Please **return** this form **by March 19** to Federation of American Health Systems, Little Rock office.*

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