The Cognitive Dissonance that is "Wall Street Medicine"

By Mark Van Druff

Have you ever felt more like you are working in a MASH unit rather than in a hospital which is part of a corporate system valued in the millions or even billions of dollars? Have you resigned yourself to your department's capital equipment budget being sliced and diced into something irreconcilable with your current needs? Have you endured the cycle of depletion, divestiture, acquisition, investment (or face-lift)—only to have it start over again?

If so, then Wall Street may have arrived at your hospital. Welcome to "Wall Street Medicine."

Conspiracy or Infrastructure Problem?

If I, as the individual "Mark the Billionaire," owned multiple hospitals but did not reinvest adequate capital to ensure continued improvement—or at least maintenance of quality—and instead sought to maximize my own individual profit, I would likely be scrutinized and then excoriated by the press and then have had my toes held to the fire by the "public." I would be characterized as a "bad guy." If instead I were an administrator who ran a hospital "system" owned by the "public," a sea of faceless investors who individually and collectively demand a return on their investment, then the inherent conflict of interest of serving two masters somehow becomes less apparent—or more acceptable—or more readily rationalized. I would be expected to balance competing priorities, to make difficult decisions, and to be responsible to protect both the public "investor" as well as the public "patient," but now reality becomes particularly susceptible to obfuscation.

Here is another way to look at it. When running a publicly-owned hospital system, I must care for the company's assets (the hospitals), but I must also care for the shareholder's assets (their stock). This stock value is based upon data that investors take very seriously, but stock value is not particularly relevant to what physicians care most about—such as patient safety, quality improvement, facility maintenance, and reinvestment back into the facility. Wall Street is oblivious to such concerns except as they relate to some newsworthy scandal.

As an officer of a public company, I must be especially vigilant concerning the items which affect the company's stock valuation because that is what the investors (the public) consider to be *their* asset. It should be no surprise that physicians experience more lip service than action on investment into physician-identified concerns. Although some hospital systems are more attentive to

their physicians' needs than others, still there are other serious problems in the world of "Wall Street Medicine."

Sarbanes Oxley: Throwing Money Down a Hole

The 2002 Sarbanes-Oxley Act (SOA) was enacted by Congress to prevent a repeat of the rash of financial frauds that wreaked havoc on investors' pocketbooks. It only applies to publicly-held companies. According to a survey by Financial Executives International last March, in order to comply with the internal-controls assessment requirements (known as Rule 404, and one of the more costly aspects of SOA), companies with less than $100 million in market capitalization will pay an average of more than $820,000. For companies with revenue of less than $1 billion, a January 2005 survey by the law firm Foley & Lardner estimated that the average annual cost of being a public company in fiscal 2004 more than tripled since Sarbanes-Oxley was passed, to $3.4 million, with audit fees representing about a third of total costs.

Would not this money be better used in your facility? What is the benefit you get in return for this additional investment? A smaller chance of investor fraud? What a bargain!

Wall Street Pundits: *Keeping the Big Guys Happy*

The folks on Wall Street use a toolkit of key indicators to ascertain investment value. I am convinced that not one of these indicators has anything to do with patient safety or quality of care. Most of you are investors, but have you ever seen an investment blurb like: "Buy *xyz* hospital stock because they have reduced post-operative infection rates by 3 percent over the last three years?" More likely the Prospectus is about "the numbers"—money kinds of numbers.

Quarterly Reports: *Making Those Important Numbers*

If you have worked at a publicly owned hospital, then you probably have experienced the mad shuffle that happens if the stock takes a dive. All energy is marshaled and then poured into ensuring that the next quarterly numbers look right to Wall Street. Those quarterly numbers speak volumes to investors and factor significantly into the buy/sell recommendations. Nonetheless, these numbers don't mean beans to your patients, unless of course the corporate response to them snips away resources critical to their medical care.

The Hospital Shuffle: *Dealing off the Bottom of the Deck*

Perhaps most disturbing about "Wall Street Medicine," as it plays out in hospitals, is the divestiture/acquisition cycle. It is far easier to borrow money from a lender for an acquisition than it is to borrow to assist a distressed property.

Similarly, it is more palatable to investors to take a one-time hit of divesting a distressed property that has been draining resources than to continue risking Wall Street's criticism. One entity's distressed property can move into another's access to capital. Thus, the cycle of depletion, divestiture, acquisition, investment (or face-lift) is strangely incentivized by the market, and it continues.

Is the deterioration of quality in today's medical landscape the sole fault of "Wall Street Medicine?" Not at all! If you look closely, you will find the deterioration of quality in many settings seems proportional to the diminished authority and influence of physicians. "Wall Street Medicine," from insurance companies, to HMOs, to hospitals, has eroded—and seems intent on eliminating—the physician voice:

- The physician voice for quality improvement, increase in patient safety and reduction of medical errors
- The physician voice as patient advocate and decision maker in continuity of care
- The physician voice for efficiency, better utilization of resources, and appropriate reinvestment in equipment and infrastructure

Of course there are many other factors besides "Wall Street Medicine" at work here, but this profit-generated conflict of interest should never have been allowed through the door to become a factor in the life-and-death decisions made in hospitals. Can we go back to a previous age when Medicine was cottage industry? Not very likely. Is there anything that can be done? Absolutely! It is not too late for physicians to reassert within their hospitals their authority as advocates for patient safety and quality of care, even in a Wall Street setting. Some suggestions in this regard for those anesthesiologists who are struggling with "Wall Street Medicine" will be forthcoming in a future article entitled "Negotiation: Reasserting Physician's Authority in Patient Care."

Mark Van Druff, of Van Druff Consulting Inc., is a consultant specializing in the medical community since 1990. He is located in Orange County, California, and has served the anesthesiology group at Western Medical Center, Santa Ana. He can be contacted at mark@vandruffconsulting.com.

Laughing Gas: *Words, Words, Words*

- Sarchasm (n): The gulf between the author of sarcastic wit and the person who doesn't get it.
- Inoculatte (v): To take coffee intravenously when you are running late.
- Hipatitis (n): Terminal coolness.