Making quality priority No. 1

After leading the charge at the VA, Perlin is taking his passion for safety to HCA

BY JAY GREENE

When he was chief executive at the Veterans Health Administration, Jonathan Perlin, HCA’s new chief medical officer and senior vice president of quality, says he prided himself as being a Pied Piper of sorts in the VA’s widely acclaimed march toward excellence in patient safety and electronic medical records.

A study published in the Annals of Internal Medicine in 2004 concluded that the VA “performed consistently better” care than other providers “across the entire spectrum of care, including screening, diagnosis, treatment and follow-up.” Other studies, including ones released by the National Committee for Quality Assurance and the New England Journal of Medicine, reached similar conclusions.

At HCA—which converted from a publicly traded for-profit company to a privately owned for-profit last month (See story, p. 3)—Perlin wants to take the Nashville-based healthcare company into a similar direction as a national leader in patient safety.

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—Jonathan Perlin, M.D., chief medical officer at HCA

“I am very proud of the transformation at the VA, which has become a leader in high-quality care,” Perlin says. “I am very proud of being a Pied Piper in the deployment of EHR and order entry at the VA. I am also proud of our performance measurement system that was responsible for improving the quality of healthcare for veterans.”

Perlin, 45, who replaces the retiring Frank Houser, also is overseeing the company’s quality-review system, which measures clinical outcomes, satisfaction and regulatory compliance to improve hospital clinical quality.

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Michael Kussman, the VA’s acting undersecretary of health, says that Perlin views healthcare’s mission as delivering quality services to all patients, whether they are a general or a private.

“We all think a patient is a patient, and your rank in society shouldn’t determine the level of care you get,” says Kussman, who had been Perlin’s deputy undersecretary of health.

“He is one of the most amazing and brilliant people I ever met. He brings a great deal of enthusiasm and passion to whatever he does. He had that for veterans. He is tireless, and I used to describe him as the Energizer Bunny,” Kussman says.

Except for sheer size, the VA and HCA don’t appear to share many cultural similarities. The VA operates 156 medical centers with a $30 billion medical-care budget, and HCA owns and operates 172 hospitals with $24.5 billion in 2005 revenue.

But from a patient-care perspective, Perlin, who served as the VA’s undersecretary for health from 2004 until August, when he joined HCA, says the two organizations are quite similar.

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HCA has a very progressive leadership team that is focused on quality. The VA has a very circumscribed patient population, but systems for quality are remarkably similar.”

After the Institute of Medicine’s 1999 report, To Err is Human, a scathing indictment of unnecessary deaths at hospitals, HCA began in 2000 a companywide analysis of patient-safety issues.

To promote a culture of patient safety, HCA quickly developed several goals, including establishing patient safety as a commitment to “putting patients first”; moving from blaming people to improving processes; advancing the use of technology to prevent and detect errors; and using data to identify and measure improvements. “We need to have a very clearly articulated performance framework to improve safety and quality,” Perlin says. “I plan on building on what HCA has started.”

Perlin, who oversees a quality staff of about 80 in Nashville, says HCA also has an opportunity to make a name for itself in the patient-safety arena. He plans to make frequent trips to HCA’s hospitals to meet with CMOs, vice presidents of medical affairs and chiefs of staff.

“I am a strong believer in getting out there and listening to clinicians,” Perlin says. “Commanding respect is earned, not ordered.”

Perlin says two of his high-priority projects are developing a road map for implementing a fully developed EHR—including expanding the electronic medication-administration record, or eMAR, which uses a barcode system—and developing a campaign to eliminate all healthcare-associated infections.

“I was often asked at the VA ‘What is the No. 1 thing we could do to improve quality?’” Perlin says. “I always said we should fully deploy

HCA walks a fine line

BY VINCE GALLORO

HCA’s $33 billion leveraged buyout leaves it with little margin for error on two factors that are thinning profit margins for many hospitals: rising bad debt and weak patient volume.

Those trends will make it difficult for HCA to lower a net debt load that Wachovia Capital Markets estimates is $27.6 billion, analysts say. While HCA executives have emphasized that there are no plans to conduct major asset sales, a significant sale of assets is the only avenue open to HCA to greatly reduce its debt load, says Dean Diaz, vice president and senior analyst with Moody’s Investors Service.

The bad-debt and volume trends make it hard to boost profit margins, and HCA is already a lean operator of hospitals, so cost-cutting isn’t likely to contribute much to expanding margins either, Diaz says.

“Given the amount of debt, there’s really no opportunity to de-lever through operations,” Diaz says. “The way we look at it, the only opportunity that they have to de-lever is either assets sales or, at some point, accessing the public markets again with an equity offering.” Bad debt and soft volumes would probably have to worsen to force HCA to sell assets, Diaz adds.

Capital expenditures are a source of cash that could be tapped, but not in great amounts, Diaz says. Hospitals need to invest in equipment to keep physicians loyal and admitting their patients, and not doing so risks patient volume, he says. Tenet Healthcare Corp., Dallas, struggled with that problem when it trimmed capital expenditures while the government was investigating its Medicare-outlier and physician-recruitment strategies.

When Tenet announced a $900 million settlement of those investigations this summer, it also said that it would boost investment to win back physicians, particularly “splitter physicians” who admit patients to more than one hospital.

Selling 30 hospitals would cut leverage about twice as much as four years of 2% annual growth in operating earnings would, assuming all proceeds went to cut debt, according to a research note by Miles Highsmith, a Wachovia senior analyst. Leverage measures the ability of a company to pay off debt by calculating the ratio of debt to a measure of operating earnings. In this case, the ratio compares net debt to earnings before interest, taxes, depreciation and amortization.

In securities filings, HCA estimates a compound annual growth rate in operating earnings of 3.8%. Those estimates, made before the buyout offer was announced, assumed that equivalent admissions growth would increase from 0.6% in 2006 to 1.3% in 2007 and then continue near that level through 2011.
Perlin’s father was an academic physician and his mother was an art historian. He was raised in an eclectic environment of Victorian novels, philosophy and medicine. “I always knew I wanted to be a doctor. … My father was a strong believer in community psychiatry. I became interested in interdisciplinary health policy. I didn’t plan on a pure clinical route, but I was very proud I still saw patients” up until 2004, Perlin says.

In 1992, Perlin received a combined M.D./Ph.D. at the Medical Scientist Training Program at Virginia Commonwealth University’s Medical College of Virginia Campus. After completing his residency in 1996, Perlin went to the 427-bed Hunter Holmes McGuire VA Medical Center in Richmond, Va. Perlin then returned to Virginia Commonwealth in 1997, serving as medical director of quality improvement at the Medical College of Virginia Hospitals, Richmond. “I became an administrator somewhat unintentionally,” Perlin says. “I was doing research in molecular biology and kept asking questions about how to do things better, … As an internist I could improve one patient’s blood pressure, but as an administrator I found I could improve populations.”

HCA’s eMAR system uses bar code technology and EHRs to verify dosages of medication.

physicians to submit medical orders for their patients within hospitals’ clinical information systems. “We can take EMRs to full implementation to support physicians and help them take the information to the patient bedside,” Perlin says. “I am impressed HCA is further along than most people realize.”

Perlin says healthcare-associated infections, including methicillin-resistant Staphylococcus aureus, pneumonia and hepatitis, have become a serious worldwide health problem. “We want to distinguish HCA as having the cleanest healthcare around,” Perlin says. “Our goal is to eliminate all healthcare-associated infections.”

Born in New York City in 1961,