

a national average of \$30,000. More than 90 percent of Cooley's patients lived five years beyond their surgery; patients elsewhere didn't do nearly as well.

According to Regina Herzlinger, a professor at the Harvard Business School who collected the statistics, these early moves toward specialization are almost sure to be replicated as market forces continue to reshape the health care industry.

Herzlinger notes that a dozen or so medical conditions now account for as much as two-thirds of the nation's health care bill—things such as heart disease, depression, asthma, diabetes, arthritis, cancer and pregnancy. That means that if ways can be found to shave even 15 percent off the cost of treating those conditions, the nation's health care tab could be reduced by \$100 billion each year.

Specialization, of course, is nothing new to medicine. There have long been mental hospitals and children's hospitals, rehab centers and eye and ear infirmaries. But for the most part, these centers have specialized in the hardest-to-treat cases, coupling care with medical research and training in ways that have tended to raise costs rather than lower them.

The new genre of speciality facilities—"focused factories," Herzlinger calls them—tend to be much more entrepreneurial, hoping to leverage their lower prices and higher quality to win contracts from big insurers and health and maintenance organizations.

In a sense, these facilities represent the second phase of the effort to rationalize the nation's health care system. In the first phase, competition forced doctors and nurses and hospital administrations to accept higher workloads and less pay while patients were forced to accept less choice and convenience. Now, that process has pretty much reached its limit.

In the next phase, experts say, the way in which doctors and hospitals go about delivering care will be reengineered, disease by disease. Hospitals and doctors that come up with standard treatments that generate the best medical outcomes at the lowest prices will become the preferred providers of the big health care plans. And look for these specialists to roll out their successful model nationwide, driving local suppliers out of the business in much the same way that Subway has trounced the local sandwich shop and Home Depot the local hardware store.

The high-volume specialists will gain some advantage from the fact that they can buy sutures more cheaply or because they can better afford the cost of sophisticated medical equipment. But more important, according to Herzlinger, is that by doing the same thing over and over again, they gain expertise and efficiency.

At Shouldice Hospital, for example, each surgeon performs an average of 600 to 700 hernia operations each year. That means Shouldice surgeons do more hernia operations in two years than most of their counterparts do in a lifetime.

So promising are these results that big HMOs, such as Oxford Health Plans in the New York area, are working with specialists and hospitals to put together their own focused factories in key markets.

General hospitals look at all this with some apprehension. Right now, the "profits" they earn from high-volume procedures such as heart bypasses and baby deliveries are used to make up for "losses" they suffer or running emergency rooms and neonatal units. But if the profitable business is taken away by the lower-cost specialists, hospital administrators warn that they will have no choice but to raise the price of the services they are left with.

James Bentley, vice president of the American Hospital Association, warns that what

appears at first blush to be cost *saving* may, in the end, turn out to be nothing more than cost *shifting*.

But a Georgetown University Medical Center, Kenneth D. Bloem, the new chief executive, believes that the trend toward specialization is inevitable—and that general hospitals like his will have to begin preparing for it.

That might require Georgetown to develop one or two focused factories of its own, he said, while closing down some of its departments that cannot achieve minimum economies of scale. Or it might involve a new arrangement under which management of Georgetown's departments—the coronary surgery unit, say—is turned over to one of the specialty companies.

Right now, says Bloem, officials at a hospital such as Georgetown still think of it as more like a medical department store. In the future, he says, it may have to operate more like a mall made up of a number of market-tested specialty boutiques.

In a small way, that process already has begun. The coffee cart in the lobby of the hospital is run by Starbucks.

#### FIVE ALARMS FOR FIRE MARSHALL GARY T. CONNELLY

**HON. JAMES A. BARCIA**

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

*Thursday, October 23, 1997*

Mr. BARCIA. Mr. Speaker, whether it is putting out a multiple alarm fire in a major life-threatening situation, providing emergency first aid in the event of an accident, or the more image-laden activities of rescuing the family cat from a tree or taking the shiny engine to an elementary school for fire safety day, each and every one of us has had a very positive encounter with our local fire departments. The people of my home town of Bay City have been the fortunate benefactors of the 30-year career of our recently retired fire marshal, Gary T. Connelly.

From June 1, 1967, when he started at the Central Fire Station and worked for several years with the first emergency rescue squad within the Bay City Fire Department, to his last 5 years as fire marshal, Gary Connelly has let it be known that he cares about the people he serves, the citizens of Bay City, and the many outstanding men and women of the department who report to him.

His outstanding career as a firefighter, a State-certified emergency medical technician, relief driver, and fire awareness officer, is the result of his ongoing professional training throughout his years. With training at Delta College for programs offered with the accreditation of the National Fire Academy, and other programs offered by the Michigan State Police, Macomb College, Eastern Michigan University, Central Michigan University, and the National Fire Academy itself, Fire Marshal Connelly is living testimony to the fact that one never stops learning, and that there are always opportunities to make even outstanding service even better.

The key element to his successful career, however, is the outstanding support that Gary has received from his family. His brother Kenneth also served as a member of the Bay City Fire Department for 32 years. Until his retirement as assistant chief in 1987. And without doubt, Gary's wife, Rosalyn, and his children

Gary Jr. and Sherry, have been most supportive of his career. The dangers of being a firefighter are known to many of us, but are a very real daily fear for the families of these brave men and women. The people of Bay City probably own as much of a debt to Fire Marshal Connelly's family as they do to him.

Mr. Speaker, I know how important leadership is within a demanding organization like a fire department. Gary Connelly has provided service beyond what right any of us may have had to expect. I urge you and all of our colleagues to join me in wishing him a most pleasant and well-earned retirement, and the best for all that his future holds for him.

#### TRIBUTE TO UNION TOWNSHIP VOLUNTEERS

**HON. MICHAEL PAPPAS**

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

*Thursday, October 23, 1997*

Mr. PAPPAS. Mr. Speaker, on Saturday, September 20, 1997, over 60 parents, teachers and other volunteers gathered together to help build a playground at the Union Township School in my district.

The cost of the equipment was raised by carnivals, book fairs and other projects. Area contractors, builders and merchants all joined forces to donate their skills, supplies, food and support. The parent-teacher association raised money for the project for 3 years.

When all was ready, the volunteers went to work, constructing the new playground which was ready in time for the start of the school year for the children to enjoy.

Mr. Speaker, this demonstration of community service and volunteerism is characteristic of our Nation's growing effort to help one another. It is heart-warming to hear of efforts like this that bring parents and area residents together for the common good of their children. I want to congratulate the residents of Union Township for coming together for such a worthwhile cause. They are truly an inspiration to us all.

#### THE ENHANCEMENT OF TRADE, SECURITY, AND HUMAN RIGHTS THROUGH SANCTIONS REFORM ACT

**HON. PHILIP M. CRANE**

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Thursday, October 23, 1997*

Mr. CRANE. Mr. Speaker, I have long been concerned about the growing resort to unilateral trade sanctions to enforce foreign policy or other nontrade goals. I have always believed that before we impose sanctions, we should think long and hard about the effect of such sanctions on the U.S. economy and our businesses, workers, and consumers. There is little evidence that these sanctions have changed the behavior of the targeted government. Instead, the use of sanctions has translated into billions of dollars of lost opportunities here. In my view, the better policy is to pursue our goals with our trading partners through multilateral fora in an attempt to achieve consensus.