



JOHNS HOPKINS

M E D I C I N E

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Dean of the Medical Faculty
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Dear Colleagues:

The era when summer meant lengthy vacations and an escape from pressures may be a thing of the past, but with a good many people away on vacation breaks at different times, we've suspended Town Meetings for a couple of months. Still, keeping in touch remains high on my agenda, so I want to update you on several important items.

In brief, we've had wonderful news about the *U.S. News & World Report* hospital rankings, about the dispute with CellPro over our patents for stem cell selection, about our research funding and about enrollment in our new Medicaid managed care plan. At the same time, several managed care organizations have notified us that they no longer will allow their members to come to The Johns Hopkins Hospital or Outpatient Center for ambulatory surgery. And as a group, the HMOs in this state have brought suit to prevent the HSCRC from delaying or rolling back any cut in hospital rates.

The pressure from insurers and regulators obviously gives us no time to rest on our laurels. In fact, we are increasingly challenged to find some way to help them understand that the health benefits and economic benefits of our accomplishments are tightly interlinked — and cannot survive unremitting financial assaults.

First, a word about the *USN&WR* ratings. As you might guess, I was immensely pleased to find the Hospital at the top of the rankings for the seventh year in a row. Of course, we all know that with the subtleties involved in offering service at any complex institution, rankings of universities, health care facilities or physicians can only be estimates, even with constant efforts by the surveyor to improve its methodology. As *The Sun* editorialized:

There's nothing scientific about the annual survey...on the top hospitals in America. It is largely based on reputation within the medical community. But when physicians rank the same hospital No.1 for seven consecutive years, there's no doubt about the professionals' assessment of that institution's prowess. Johns Hopkins Hospital richly deserves that No.1 ranking. It is, indeed, among the preeminent U.S. medical institutions... The continuing renown of Johns Hopkins makes Baltimore a focal point for those seeking medical treatment from the very best physicians in the country. It also enhances Hopkins' reputation, both in this country and around the world, as a center for research and pioneering medical procedures. ...Yet these institutions face enormous challenges in delivering this level of service while reducing

expenditures, as demanded by Washington, corporations and insurance companies. Hopkins, in particular, has been struggling to re-position itself in an era of managed care. If the magazine rankings are any indication, Hopkins continues to succeed in this endeavor without diminishing its quest for unparalleled excellence in the practice of medicine.

There is no doubt of the importance of our reputation. Every year since 1992, hundreds of thousands of people all over the United States have read that The Johns Hopkins Hospital is ranked tops in the nation. Hundreds of them have traveled to Baltimore to seek out a specialist here for that very reason. What's more, the director of our International Patient Services tells us that the Hospital's #1 rating is without question the biggest drawing card for the thousands of overseas patients now visiting Hopkins. The *USN&WR* ranking thus brings *tangible* benefits to Baltimore and to Maryland. With approximately 15 percent of our admissions from out of state, that translates into over \$100 million. Use the state's own economic multiplier formula, and it is not far-fetched to say that about \$200 million in revenue flows to this region because of our reputation.

Yet the current health care environment and recent policy actions greatly jeopardize our ability to retain our premier status. We are dependent on the work of over 1,200 faculty members, but changes in reimbursement methodologies and the managed care environment have severely impacted funds available to support the work of our clinicians who bring about this excellent reputation.

In a recent article describing the theoretical framework and methodological design developed by the National Opinion Research Center for *USN&WR*, the authors point out that:

If it is true that a particular set of hospitals excels in providing high-quality care, it is important to delineate what these hospitals are doing that others are not ... It is these patterns and combinations of characteristics that can be of interest to policymakers in the attempt to marry high-quality care with cost containment and equal access to care. ...results suggest that hospitals that invest in highly trained nurses (RNs), the latest high-technology equipment, and a commitment to the teaching and research mission (as well as, for some specialties, patient-directed services such as discharge planning) can parlay these structural elements into a large number of procedures performed. Thus they gain clinical expertise (and a favorable reputation in the medical community), leading ultimately to successful outcomes.

How counterproductive, then, is the behavior of managed care organizations that boast of having contracts with Hopkins, attract patients on that basis -- and then rewrite the rules so that their members are denied access to Hopkins physicians except in the most serious circumstances. This bait and switch harms patients today, as well as those in future generations denied the potential of more effective treatments that come about when clinicians see a large number of patients with a particular problem -- and have the time to think about what they are seeing and to come up with new and better treatments.

If you've been keeping up with your journals over the summer, you know that studies published in *JAMA* make frighteningly clear that there is a decrease in the amount of clinical research results coming out of those very regions with the greatest degree of managed care penetration. And a letter to the editor

of the *NEJM* points out that any reduction in the cost of medical care provided through HMOs is “a mirage. The cost of medical services in the past included the costs of education of students and physicians, clinical research, some social services, and other services to maintain health and prevent disease. These costs are largely unfunded by most HMOs.”

The importance of giving young clinicians time to think was brought home by a highly visible court case recently. When Curt Civin was a junior faculty member, not yet funded by the NIH, he brought to the laboratory insights gleaned from treating his young cancer patients. Given the time and resources to pursue these insights, ultimately he received NIH support, and Hopkins obtained patents on techniques that allow the harvesting of purified stem cells used to restore the blood and immune systems of cancer patients following chemotherapy.

For a number of years now, Hopkins, Becton Dickinson and Baxter, the legal licensees of our patents, have been forced to battle encroachments on these patents by a Seattle company, CellPro. Fortunately, in the last two weeks of July, both a federal court judge and the NIH ruled in our favor in this patent dispute. The judge found that there was “willful infringement” of our patents and awarded Hopkins and its licensees treble, punitive damages. He also made mincemeat of CellPro’s strategy “to hold itself out as a warrior in a twentieth-century holy crusade,” maintaining that “this image is a facade ... The record in this case demonstrates that CellPro’s motivation ... is greed.”

Unable to win in the courts, CellPro had petitioned the NIH to “march-in” and grant it a compulsory license to our patents. The NIH determined that government intervention is unwarranted because Hopkins and its licensees have taken effective steps to achieve practical application of Hopkins’ technology and to ensure that public health needs are satisfied. In his ruling, NIH director Harold Varmus wrote:

We are wary ... of forced attempts to influence the marketplace for the benefit of a single company, particularly when such actions may have far-reaching repercussions on many companies’ and investors’ future willingness to invest in federally funded medical technologies... CellPro had the opportunity to license the invention from Baxter but decided against doing so, and instead risked patent infringement litigation. It would be inappropriate for the NIH ... to exercise its authorities ... to procure for CellPro more favorable commercial terms than it can otherwise obtain from the Court or from the patent owners.

Ironically, the fact that a company was willing to battle so fiercely for this technology reinforces our belief that this discovery holds enormous potential to help cure patients with cancer and a whole range of other conditions. We also are pleased that our technology transfer efforts are proving successful in the development of relationships with industry that bring royalties back to Baltimore to further research.

By refusing to override our patents, the NIH has communicated a clear message that it is committed to safeguarding the system of collaboration between industry and universities that makes it possible for patients to benefit from discoveries made at non-profit institutions such as Johns Hopkins. The growing importance of the commercial sector in our research funding is made clear by a look at

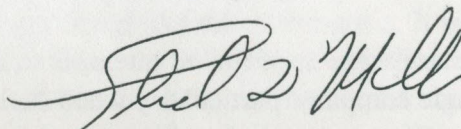
trends in our sponsored project funding. While still only a small fraction of the total, commercial funding practically tripled between FY92 and FY97, from \$12.5 million to \$34 million — yet another example of why state officials should proceed with caution in lumping Hopkins with all other hospitals in their cost-cutting frenzy.

Johns Hopkins Medicine's business review group and executive group continue to meet throughout the summer. We are determined to protect Hopkins Medicine's clinical, research and education missions. To do so will require some Solomonic decisions regarding how best to attain leverage over those payors that do *not* value our missions and how best to gain access to the capital needed to make this possible. Throughout the coming year, at Town Meetings, departmental meetings, and in *CHANGE*, we'll be visiting and revisiting these issues.

Fortunately, our alumni and friends remain a constant source of support. During formal ceremonies at the Medical & Surgical Association's biennial reunion in June, for instance, the University accepted Lenox Baker and Frances Watt Baker's gift endowing the Deanship, making the Hopkins School of Medicine one of the few in the nation with such funding. A donor also has given us the funding to renovate the Office of the Dean and CEO of JHM. This should enable us to use the space more effectively as we juggle the demands of the School of Medicine and Johns Hopkins Medicine.

Enjoy whatever time you're able to take this summer — and come back invigorated for another challenging year. I don't need surveys to tell me that you truly are the best. And I want you to know how much I appreciate the extraordinary effort that goes into keeping us there. I look forward to seeing you at the next Town Meeting, Sept.10.

Sincerely,



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