

# The Conglomerate Will See You Now

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IMAGINE a small town where one person not only owns the hardware store, but is also the banker and the doctor's most trusted adviser. In a sense, General Electric is trying to play such a role in the nation's \$2 trillion health care industry.

New York-Presbyterian Hospital, one of the country's largest academic medical centers, is among the hospitals making a bet on G.E.'s move toward one-stop shopping. Last fall, it announced a seven-year, \$500 million agreement for that calls for General Electric to offer advice - and discounts - on technology, as well as ways to increase efficiency. G.E. is also offering options for financing.

Dozens of G.E.-trained "black belts" and "green belts" - experts in a data-driven management method called Six Sigma - are already wandering the hospital's halls, looking for things to improve.

And, if New York-Presbyterian needs light bulbs, G.E. will supply those, too.

With \$14 billion in sales, G.E.'s health care business is among its fastest-growing and most profitable units, and one that is central to the vision of its chief executive, Jeffrey R. Immelt, who rose to the top job after running the company's medical systems unit. He is unapologetic about G.E.'s growing role in providing management skills and financing as well as hardware to hospitals. G.E. is responsible for important advances in medical technology, he said, and can bring a businesslike efficiency to an industry that is badly in need of it.

"We run the business to make a buck for investors; we run the business to help our customers," he said recently at the company's headquarters in Fairfield, Conn. "G.E. knows a lot in this space that could be helpful in public policy."

Some critics ask, however, if what is good for G.E. is always good for the nation's health care system. Medical technology, the company's specialty, is a leading contributor to runaway health care costs, and some medical professionals and consumer groups say the conglomerate's growing influence among hospitals and doctors raises issues about the way scarce dollars are being spent.

"Very few people would want G.E. to run the Metropolitan Opera," said Dr. Robert Michels, a former dean of Cornell University's medical

school, which is now affiliated with New York-Presbyterian. Providing quality care is much more complicated than making cathode ray tubes used in X-ray equipment, Dr. Michels said, and it is unclear whether it saves money.

General Electric is famous for its sophisticated diagnostic imaging equipment. Using new CT scanners, doctors can take an image of the heart in five beats, to check for a narrowing of the arteries. Or they can perform a "virtual colonoscopy" without the invasive procedure that patients find so unpleasant. And G.E.'s sophisticated ultrasound system, which it calls 4D, lets expectant parents view extraordinarily detailed, nearly real-time images of a developing fetus.

DIAGNOSTIC imaging, still a crown jewel in G.E.'s array of businesses, is regarded as a way to enter other fast-growing and profitable health care businesses. "It's important to be big in big markets," said Mr. Immelt, who has identified health care as one of the richest opportunities in an aging America. Spending is forecast to increase by about 8 percent a year, he said, "as far as the eye can see."

Policy analysts, however, say that this rate of growth is being driven in large part by the very technology that companies like G.E. are promoting. Doctors and hospitals are eager customers of the latest machines as they increasingly turn to diagnostic tests as a source of additional revenue. Doctors, in particular, are looking for new income as insurers have squeezed payments for traditional office visits.

"In health care, supply creates its own demand," said Christopher J. Queram, chief executive of the Employer Health Care Alliance Cooperative, a nonprofit purchasing group in Madison, Wis., who is concerned about the proliferation of magnetic resonance imaging machines in doctors' offices.

Advances in technology - a special M.R.I. machine to take pictures of a patient's knee, for example, or digital mammography equipment to screen for breast cancer - do not always result in better health, these analysts say, and there is little hard evidence that some of this equipment, which can cost more than \$1 million, is worth the cost.

Technology "has been a major factor that is driving costs upward," said John C. Rother, policy director for AARP, the lobby for older Americans. "Maybe it is improving care in terms of outcomes," he added, but there is often no way to tell. "In this country, we don't have a systematic way of evaluating technologies for cost effectiveness."

G.E.'s sales pitch is aimed squarely at a doctor's desire to make more

money from doing more tests. The company even sells research to physicians that provides five-year projections of demand for certain tests in their markets - and helps doctors calculate the potential fees from different types of diagnostic tests. In selling an exam table that doubles as a device to measure bone density, G.E. trumpets the system's potential revenue: \$30,000 a year if a doctor sees five patients a week.

As the hospital market has slowed for equipment like M.R.I.'s, and as care is increasingly delivered outside hospital walls, G.E. is turning its attention to doctors in their offices. This year, it bought a company that specializes in financing for doctors and dentists.

Other equipment makers, like Siemens, the German conglomerate that is G.E.'s closest competitor, also offer financing. But G.E. is particularly successful at using its full array of businesses to attract customers, said John J. Donahue, the chief executive of National Imaging Associates, a consulting group based in Hackensack, N.J. "G.E., by far, has the largest share and distinguishes itself by masterfully leveraging the entire G.E. family," he said.

Critics say the results can be too much equipment and too many tests. "M.R.I.'s in every doctor's office - we don't need that many," said Dr. Thomas J. Handler, a radiologist who is a research director for the Gartner Group, the consulting firm based in Stamford, Conn. "It makes my hair curl."

The Medicare Payment Advisory Commission, which advises Congress on the Medicare program, has also raised concerns about the spread of medical technology. It questioned whether some doctors were using the equipment appropriately.

"The real problem is the demand side," said Uwe E. Reinhardt, a professor at Princeton who specializes in the economics of health care. As companies produce more sophisticated and expensive machines, he said, employers pay "indiscriminately for every product that comes down the pike."

G.E. knows a lot about rising health care costs because it is one of the nation's largest employers. It spends almost \$2 billion a year to cover 400,000 employees and their families and has contributed to efforts to use technology that is intended to rein in costs. Dr. Robert Galvin, the director of global health care at G.E., leads the Leapfrog Group, an advocacy group representing more than 150 public and private organizations that provide health care benefits; it has been pushing hospitals to install computerized systems to cut down on mistakes in ordering drugs and tests.

Still, the many roles of General Electric raise concerns about possible conflicts, especially because it is so influential in shaping policy. "G.E. is a huge company: on one hand, a supplier; on the other hand, by being such a large employer, a purchaser," said Dr. Alan M. Garber, a Stanford economist and professor of medicine. "It is important to be aware that a large company may play multiple roles and conflict may arise," although he added that he was not aware of actual conflicts.

Illustrating the sometimes complicated currents buffeting a giant like G.E., many hospitals, including G.E.'s potential customers, have resisted some of the initiatives pushed by Leapfrog. When Leapfrog made its debut in 2000, "I took a lot of heat from hospital C.E.O.'s," Mr. Immelt said. But he added that no one profits from perpetuating the status quo.

G.E. has also taken heat for the way many doctors use some of its products. A few years ago, for example, it and others successfully lobbied Congress to authorize higher Medicare payments for digital mammography for routine breast cancer screening. Digital mammography, which costs Medicare much more than older technologies that use X-ray film, is widely approved for women who have already had suspicious breast tumors detected, but experts say there is no evidence to justify the extra expenses of digital for routine screening. The National Academy of Sciences has repeatedly found "no convincing evidence" that digital mammography is better than X-ray film in screening for breast cancer, said Dr. Roger Herdman, director of the academy's National Cancer Policy Board.

Similarly, G.E.'s prenatal ultrasound technology is praised as a genuine advance with real value in some cases, but as not being worth the added cost in many others. Dr. Daniel V. Landers, the clinical director of the Center of Excellence in Women's Health at the University of Minnesota in Minneapolis, said the technology gave doctors a much more detailed view of a fetus so they could look at a known or suspected defect. But he added that the advanced ultrasound "is not something that's necessary for routine screening."

Patients may demand the more detailed images for "entertainment value," he said, and doctors may offer the more advanced tests. "If you don't get it at a doctor's office, they'll get it at the mall," he said, referring to the growing number of storefront centers that offer ultrasound snapshots of fetuses to expectant parents.

MR. IMMELT defends digital mammography as a powerful tool that pays for the machine's cost if doctors see dozens of patients a day. Ultimately, doctors must decide how best to use the technology, he said,

acknowledging that it is considered more appropriate for detailed diagnoses than for mass screenings. But he said that doctors were responsible for using it efficiently, and that G.E. would thrive only by providing technology that helps hospitals, doctors and patients.

"I never want to see us positioned as a company that benefits from the inefficiencies of the health care system," he said.

G.E. had revenue of \$134 billion last year and assets worth \$647 billion in businesses from financial services to power plants to television. Its size and reach are crucial to its strategy, and it tries to use its variety of expertise to increase its business with doctors and hospitals.

"They are promoting the notion of soup to nuts, light bulbs to monitors to radiology systems," said Dr. Handler of Gartner. "Their footprint is in so many aspects of a hospital. They are such a large company, such a big presence, that if they succeed, it may change the whole health care vendor market."

General Electric is also capitalizing on its reputation as one of the nation's best-managed companies. "It is the acknowledged world leader in making jet engines, which have higher and higher quality at lower costs," said Lawton R. Burns, director of the Wharton Center for Health Management and Economics at the University of Pennsylvania. "That has a lot of appeal for hospitals. Hospitals have uncertain quality at higher and higher costs."

At New York-Presbyterian, hospital officials say they are eager to take advantage of what G.E. has to offer; the arrangement with the company runs for seven years. The hospital has listed 120 areas where it thinks it can do things better with G.E.'s expertise, like discharging patients earlier in the day or reducing the time a stroke patient stays in the hospital. Doctors recommend short stays to cut down on the risk of catching illnesses from other patients. "It's not safe for a patient to stay around a hospital for another day or two," said Dr. Michael Berman, the executive vice president at the hospital. "G.E. can help."

The hospital is already looking to G.E. for more of its needs. "We've looked at financing with G.E.; we're looking at light bulbs," Dr. Berman said. He said he was impressed when, during last year's blackout, Joseph M. Hogan, a senior executive at G.E., offered to supply generators. New York-Presbyterian also gets a preview of technology that G.E. is developing, allowing the hospital to make better purchasing decisions, Dr. Berman said.

Often, those decisions benefit G.E. as much as the hospitals. G.E.

provided nearly all of the technology, including some that was still being tested, when the Indiana Heart Hospital opened its doors last year in Indianapolis, and it helped the hospital borrow the money to pay for some of that technology, said the hospital's chief executive, David Veillette. "They were able to get us very good rates," he said.

Last October, G.E. arranged about \$70 million in financing, including tax-free loans, for Kaleida Health, a hospital system in Buffalo that was short on cash. The financing let the system overhaul one of its suburban hospitals and to buy a computerized system - made by G.E. - to store X-rays and other types of images.

The company's complicated motivations came up last May, at a meeting with about 150 health care executives invited to discuss the financial condition of their industry. "It's our intent not to do any overt selling," Mr. Hogan, who represents the medical equipment side of the business, said in his opening remarks. When one speaker mentioned the proliferation of M.R.I. machines, Mr. Hogan joked that he took exception to that part of the presentation.

THE company has identified another need among hospitals: sophisticated computer systems that can keep track of a patient's medical records and give doctors ready access to valuable information about how to treat certain diseases. Most of the nation's 5,000 hospitals do not have these so-called integrated clinical information technology systems for patient care, though many experts say such systems could save thousands of lives.

In this market, however, G.E. trails numerous competitors, including Siemens, McKesson HBOC and the Cerner Corporation, analysts have said, estimating that the field could generate tens of billions of dollars in sales. Rather than match the large hospitalwide systems offered by its competitors, G.E. focuses on building its business by computerizing specific departments, like radiology or cardiology.

In other areas, G.E. is being more aggressive. Mr. Immelt, for example, agreed to buy a British biosciences company called Amersham last October for about \$10 billion, giving G.E. expertise in biology to bolster its traditional prowess in physics and engineering. G.E. hopes to use Amersham's knowledge to help it develop technology that lets doctors diagnose diseases on the molecular level.

Doctors already use positron emission tomography, or PET scans, to distinguish cancer cells from normal cells; G.E. hopes to be a major player as more diagnosis and treatment is done at the molecular level.

The Amersham acquisition gives G.E. greater entrée into the field of personalized medicine, where drugs are tailored to the genetic makeup of individuals. "Jeff Immelt had a vision I could certainly relate to - to see how diagnostic medicine would change the face of health care," said Sir William Castell, the former chief executive of Amersham who is now a vice chairman of G.E. and the chief executive of GE Healthcare.

Though he is enthusiastic about such businesses, Mr. Immelt is careful to make clear that he has no interest in expanding G.E.'s reach into actually treating disease. "When you run G.E., you can do almost anything," he said, adding that he recognizes that there are already powerful leaders in that industry, like Pfizer and Merck. "I just never thought there was enough fertile turf there to make us anything other than a me-too," he said. G.E. would do better to stick with diagnostics, he said.

He also says G.E. can marshal its technology and expertise to raise the quality of health care. "There's a lot of waste, do-overs," he said. "Things can improve."

But, critics add, the unfettered use of technology can also be problematic. "Medical technology is creating a greater set of quality management challenges every day than the day before," said Dr. Arnold Milstein, a senior health care expert at Mercer Human Resource Consulting. "It is both a blessing and a curse."