

Hospitals essentially have a product in the decline phase. Several options exist when this occurs. One is to re-package the product. Hospitals and health systems may do this in several ways. A cosmetic re-packaging may be accomplished, but the costs will not be competitive. A more substantial effort to expand the product line must be made. By providing a continuum of care, this re-packaging may begin. Over the years hospitals created for-profit subsidiaries to supplement revenue, and retain or build patient loyalty. This has involved creating home care and durable medical equipment companies, and joint ventures. One SWPA joint venture is a health care laundry facility. A significant number constructed professional office buildings for their medical staff. The hospitals became the landlord, and property manager. Many of these were ruled for-profit. This jeopardized the non-profit tax status of many facilities.

Hamot Medical Center in Erie, PA lost its tax-exempt status due to its aggressive expansion activities. At one point, to supplement declining patient revenues, Hamot owned a marina on Lake Erie.

The cultural nature of W.PA is such that there are no for-profit institutions. Pittsburgh has the highest per capita number of non-profit institutions in the US. Approximately 40% of the entities and property in the city are tax exempt.

The population tends to be non-mobile and aging. Due to the deep penetration of the Blue Cross indemnity plans offered via the large manufacturing firms, this age group is very accustomed to paying little for health care services. There has been, however, a marked increase in the Blue Cross Medicare HMO, SecurityBlue. A local Medicaid HMO, Gateway Health Plans, has shown an enrollment of 80,000 public assistance clients. Their goal was 16,000.

While the trends are distressing, opportunities do exist, provided the companies willing to explore them meet certain criteria. One, the product/service must be cost effective relative to its competitors. If there is no competitor, then the product/service must create efficiencies in operations, or savings in other categories. The product/service would have an advantage if: 1) it is user friendly and 2) has home and/or outpatient usage.

Complex procedures will continue to be performed. However, products that shorten the length of surgery, or allow a patient to receive therapy in the home and remain ambulatory will be well received.

In the biomedical high technology arena, several opportunities exist. One is in the supply of products/services to those firms needing components to grow in the marketplace will be required. Companies that are able to provide medically related software that will provide a greater degree of knowledge about a facility, its patients, and its extended family will be well received. The information system area is fragmented and pieced together.

A recent development in SWPA is a Center for Tissue Engineering sponsored by Carnegie Mellon University, The University of Pittsburgh, with grant money coming to fruition. This will, over the