

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 specialty 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.

In order to achieve this goal, I am, together with my colleague Congressman HAMILTON from Indiana, today introducing legislation that would provide a framework for consideration of unilateral trade sanctions by the legislative and executive branches. The bill would not prohibit the imposition of trade sanctions, but it would establish a more deliberative and disciplined approach to U.S. sanctions policy.

Specifically, the bill would establish consultations between Congress and the executive branch as well as consideration of alternatives to the use of sanctions. In addition, the bill would ensure that Congress and the administration have adequate information about the likely effectiveness and economic and humanitarian costs of a proposed sanction. The bill would provide for a detailed analysis of whether the proposed sanction is the best tool for achieving U.S. objectives. Finally, the bill would impose regular reporting and sunset establishments. I believe that such a framework would allow us to pause and examine the impact that sanctions would have before we rush into what may be a counterproductive effort.

CUT RED TAPE ON EDUCATION

HON. BOB SCHAFER

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 23, 1997

Mr. BOB SCHAFER of Colorado. Mr. Speaker, about the importance of education, Thomas Jefferson said, "Enlighten the people generally, and tyranny and oppression of body and mind will vanish like evil spirits at the dawn of day."

There is no more critical issue in Northern Colorado than education. The strength of our community and the republic rely squarely upon the mature and cultural literacy of the citizenry.

Jefferson observed, "Every government degenerates when trusted to the rulers of the people alone. The people themselves therefore are its safe depositaries. And to render even them safe, their minds must be improved to a certain degree."

My years of work on the state Senate Education Committee and my current position in the U.S. Congress on the House Committee on Education have persuaded me to stick to the vision of the school children as the first priority, and parents as the most essential partners in education reform.

However, volunteering for several years on parent boards at my children's elementary schools in Fort Collins has persuaded me that the best policies established for children are devised at the most local level involving real parents.

But our local traditions of parental involvement, unfortunately, are constantly under attack in Washington by those who favor a stronger federal presence in our classrooms. The track record is clear. As more education authority is usurped by the federal government, and stripped from local professionals, there has been a corresponding decline in national education performance.

In Colorado, education leaders often feel hamstrung to fully address some alarming trends. About one-quarter of Colorado high school students will drop out before they graduate. The average high school dropout costs

society an estimated \$563,000 over his lifetime in public subsidies and income support.

A total of 68,135 suspensions occurred in the 1994-95 school year, involving 47,072 elementary and secondary students in Colorado. The Colorado graduation rate for the class of 1995 decreased 1.4 percentage points from the 1994 graduation rate. Statewide, 40 percent of Hispanic students scheduled to graduate in 1996 did not.

In spite of mammoth growth in the federal education bureaucracy's budget, Washington's agents have produced little in the way of positive results. Consequently, my colleagues and I have moved forward with plans to empower local communities by cutting the red tape and administrative costs associated with large federal programs. For example, we've repealed 87 outdated federal programs over the last two years and consolidated 26 more into four, giving states broader latitude to target funding where they know it's most needed.

We've successfully beaten back the U.S. Department of Education's attempt to take over independent national testing, and we've resisted the federalization of curriculum by transferring hundreds of millions of dollars away from centralized programs toward at-risk kids, vocational education and the disabled.

Our objective in Washington must be to continue shrinking the federal administrative bureaucracy and liberating classrooms, to unleash states and communities and honor our traditions of local, parental authority.

By focusing on the liberty to learn and the freedom to teach, a less intrusive federal government can inspire local communities to pursue their inclinations toward promising, bottom-up innovations, like school choice, charter schools, post-secondary enrollment options and other alternatives, in addition to conventional approaches. Together we can create an education marketplace improving opportunity equally for all students by once again treating teachers like real professionals, and parents like real customers, realizing Jefferson's vision "at the dawn of the day."

REWARDING PERFORMANCE IN COMPENSATION ACT

HON. CASS BALLINGER

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 23, 1997

Mr. BALLINGER. Mr. Speaker, today I am introducing legislation which will continue our efforts to make the Fair Labor Standards Act [FLSA] applicable to today's work force. Presently, the FLSA requires that certain payments to a nonexempt employee—such as commissions, gain sharing, incentive, and performance contingent bonuses—must be included in the employee's regular hourly rate of pay for the purposes of calculating overtime pay. Oftentimes, this discourages employers from monetarily rewarding their employees for good performance. This legislation will remove the barriers within the FLSA which, in effect, prevent employers from providing bonuses to hourly paid employees.

It is becoming more common for companies to link pay to performance as they look for innovative ways to encourage employee performance and allow employees to share in the company's success. More employers are

awarding one-time payments to individual employees or to groups of employees in addition to regular wage increases. Employers have found that rewarding employees for high-quality work improves their performance and the ability of the company to compete. Unfortunately, many employers who choose to operate such pay systems can be burdened with unpredictable and complex overtime liabilities.

Under current law, an employer who wants to give an employee a bonus based on production, performance, or other factors, must divide the payment by the number of hours worked by the employee during the pay period that the bonus is meant to cover and add this amount to the employee's regular hourly rate of pay. This adjusted hourly rate must then be used to calculate time-and-a-half overtime pay for the pay period. On the other hand, employers can easily provide additional compensation to executive, administrative, or professional employees who are exempt under the FLSA without having to recalculate rates of pay.

Many employers who provide discretionary bonuses do not realize that these payments should be incorporated into overtime pay. One company ran afoul of the FLSA when they gave their employees bonuses based on each employee's contribution to the company's success. The bonus program distributed over \$300,000 to 400 employees. The amount of each employee's bonus was based on his or her attendance record, the amount of overtime worked, and the quality and quantity of work produced.

When the company was targeted for an audit, the Department of Labor cited it for not including the bonuses in the employees' regular rate for the purpose of calculating each employee's overtime pay rate. Consequently, the company was required to pay over \$12,000 in back overtime pay to their employees. The company thought it was being a good employer by enabling its employees to reap the profits of the company and by paying wages that were far above the minimum. Instead it was penalized by the Department of Labor for letting its employees share in its success. Meanwhile, President Clinton was exhorting businesses to work in partnership with employees, by sharing the benefits when times are good.

This legislation will eliminate the confusion regarding the definition of regular rate and remove disincentives in the FLSA to rewarding employee productivity. The definition of regular rate should have the meaning that employers and employees expect it to mean—the hourly rate or salary that is agreed upon between the employer and the employee. Thus, employers will know that they can provide additional rewards and incentives to their nonexempt employees without having to fear being penalized by the Department of Labor regulators for being too generous.

IRAN MISSILE PROLIFERATION SANCTIONS ACT, H.R. 2709

HON. BENJAMIN A. GILMAN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 23, 1997

Mr. GILMAN. Mr. Speaker, along with a number of my colleagues, I am today introducing the Iran Missile Proliferation Sanctions Act