Michelle Obama’s Chicago Test Case

THE FIRST LADY SPENT SIX YEARS PROMOTING NEIGHBORHOOD CLINICS FOR THE POOR NEAR THE UNIVERSITY OF CHICAGO MEDICAL CENTER. THE RESISTANCE HER PROGRAM ENCOUNTERED FORESHADOWS THE CONFLICTS TO COME AS THE U.S. TRIES TO CHANGE ITS HEALTH-CARE SYSTEM. By JOHN LIPPERT Photographs by MICHAEL ABRAMSON

FROM THE RED-BRICK MANSION Barack and Michelle Obama own on Chicago’s South Side, it’s a three-block walk to Washington Park, a neighborhood that’s home to some of the sickest people in the developed world, according to a 2008 press release from the University of Chicago Medical Center. Washington Park’s population is 97 percent African-American and suffers rates of
heart disease, cancer and diabetes at twice the average of Hyde Park, the multiracial enclave that’s home to the university, city data show. When they need help, many Washington Park residents look to the nonprofit university hospital’s emergency room. Some 80 percent of the ER’s patients aren’t covered by private insurance and 3 in 10 don’t have a family doctor.

The influx of patients seeking help reduces resources for more-complicated, revenue-generating operations—a situation familiar to executives at hospitals across the U.S. and one that President Barack Obama is trying to address by reshaping the nation’s medical system. Americans spend $2.5 trillion a year on health care and some 47 million citizens still don’t have coverage.

Part of the solution to insuring more Americans and driving down costs may be found in a Chicago health-care experiment that Michelle Obama helped develop. The rollout of the Urban Health Initiative has sparked criticism from all sides. Some university doctors say it diverts personnel and funding from emergency rooms, while a number of local people complain they’re being cut off from the best medical care.

In 2002, the hospital hired the Harvard University–trained lawyer as executive director of community affairs to reach out to South Side residents who often viewed the university as a bastion of white privilege. Three years later, as the university organized a network of neighborhood clinics offering preventive and primary care, it handed the future First Lady control of what later became known as the Urban Health Initiative.

In that role, Michelle Obama worked to improve the clinics the university once fought as rivals and turn them into “medical homes” for routine care. The UHI’s so-called patient advocates—administrative gatekeepers hired by the university—help ER patients find family doctors. Some clinics are staffed by university physicians or by doctors whose student loans are forgiven for community service.

The program now includes 28 clinics and hospitals on the South Side. It costs an average of $100 to treat a patient with routine ailments at a local clinic. That’s one-10th the price of similar care at the ER, says Dr. Eric Whitaker, a longtime friend of the Obamas who took over the program after Michelle, 45, left for Washington in January.

The clinic concept has gained support in Congress. On Oct. 13, the U.S. Senate Finance Committee approved an $829 billion health-care bill that faces a debate by both houses of Congress before its passage. A key provision of the Senate legislation: $10 billion over 10 years for a Medicaid “innovation center” to ease pressure on ERs. The administration hopes to have a comprehensive health-care bill ready for President Obama’s signature by the end of 2009.
Ties between the Obamas and the University of Chicago run deep. The future president taught constitutional law at the school while serving as a state legislator and turned down an offer of a permanent position there after losing a race for Congress in 2000. Valerie Jarrett, 52, a lawyer who chaired the hospital board from 2006 to 2009, hired Michelle Obama in 1991 to be an assistant to Chicago Mayor Richard M. Daley. Jarrett is now a White House senior adviser.

Michelle Obama’s credibility was boosted by her biography: She’s a daughter of the South Side whose father, Fraser Robinson, worked in a city water plant, while her mother, Marian, was a secretary at the University of Chicago for several years.

“We’re working together to get people to the right place,” Michelle Obama said in the medical center’s 2006 annual report, “to make sure everyone stays generally healthy with routine care.”

Even with new options for treatment, patients like Virgil Willis still turn to the ER when they feel sick. On an August morning, the 23-year-old father of four, who doesn’t have insurance, arrives at the hospital seeking treatment for a headache. He hasn’t seen a doctor in eight years.

After three hours, Willis gets two Vicodin painkillers. Before he leaves, he meets with a UHI patient advocate named Wanda Trice, whose casual clothes contrast with the white coats worn by the doctors scurrying around the ER. Willis later doesn’t show up for a follow-up clinic appointment set up by Trice. He says his ER bill was $1,000 and he won’t be back anytime soon.

Kohar Jones, a faculty doctor who studied medicine at Yale University in New Haven, Connecticut, says the UHI will need 20 years...
to reach its potential. She says the program stumbled at first by reducing Medicaid treatments at the hospital before patients knew about alternate care sites in the community, and by not having family doctors on hand to explain what was happening. “It was one stranger saying, ‘Go see another stranger,’” Jones, 32, says. “People felt cut off.”

Jones spends four days a week at the Chicago Family Health Center at the southeastern tip of the city. Eighty percent of its 23,000 patients have household incomes below the federal poverty level, which for a family of four is $22,050. In 2007, the center completed a $6 million renovation anchored by a glass-enclosed atrium. The UHI, which subsidizes Jones’s salary, contributed $150,000.

Earlier this year, as the university offered more support to local clinics, a cash crisis brought on job cuts and led to a plan to reduce the number of beds available for ER walk-ins. Those moves triggered a protest from some of the hospital’s 700 doctors, who claimed the university was turning its back on the poor. Dr. Terry Vanden Hoek resigned as emergency medicine chief rather than implement the changes. Vanden Hoek, who remains on the faculty, declined to comment. Soon afterward, the American College of Emergency Physicians denounced the UHI.

“The University of Chicago’s policy reflected an effort to cherry-pick wealthy patients over poor,” the group said in a Feb. 19 press release. Former ACEP President Nick Jouriles says the UHI wastes money because community clinics duplicate the equipment and staffs that ERs have already. Medicaid should spend more on ERs, since nonemergency patients account for a fraction of their costs, Jouriles says.

Steering Medicaid patients to nearby clinics also stirred up memories of Chicago’s discriminatory history. Robert Hutchins, university president from 1929 to 1945, supported real estate contracts written to stop African-Americans from moving to Hyde Park, according to Timuel Black, professor emeritus at the City Colleges of Chicago.

The problems the university encountered in changing how health bureaucracies function presages the conflicts to come under President Obama’s changes, UHI head Whitaker says. “My experience here has made me concerned about implementation of health reform at the national level,” he says. “Even common-sense changes bump up against the desire to not change by patients and health professionals.”

Although many of the principals involved in the UHI are members of Obama’s kitchen cabinet, the administration hasn’t made Michelle’s involvement part of its legislative campaign.

Whitaker, 44, former head of the Illinois Public Health Department, earned a master’s in public health at Harvard, where he met the future president. He vacationed with the first family on Martha’s Vineyard in August.

Richer, Poorer
Diseases are more prevalent in Washington Park than across the street in Hyde Park, the neighborhood where the University of Chicago’s hospital is located.

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Sources: City government, Centers for Disease Control

Faculty doctor Kohar Jones, right, says it will take 20 years for the local clinic program to reach its potential.
attacks and superficial journalism have hurt the program’s image. “The story’s nothing but trouble.”

Michelle Obama’s reluctance to comment is understandable, says Harlan Krumholz, a public health professor at Yale who backs community clinics. “I think she is in a no-win situation—and is trying to stay away from anything partisan,” Krumholz says. “I don’t think it says anything about the program—more about the tenor of political discourse in this country.”

As it’s currently structured, Medicaid discourages hospitals from practicing preventive medicine. For every million dollars the University of Chicago spends to care for 2,179 family medicine patients, Medicaid reimburses $163,000, says James Madara, the hospital’s chief executive officer until October.

By contrast, money spent by neighborhood clinics buys a lot more, at least in terms of volume. With $1 million, UHI clinics can treat 6,289 family medicine patients and get reimbursed $1.08 million from Medicaid, Madara says. Facilities that specialize in complex procedures benefit from treating patients with private health insurance, he says. If the hospital spends $1 million on 24 neurosurgeries, it will be reimbursed $1.02 million from Medicaid or $2.04 million from private insurers. “There’s a public policy signal in there to not use this expensive resource unless the disease requires it,” says Madara, whose views on Medicaid fueled criticism that helped drive him from his administrative post.

Some of the criticism of UHI clinics comes from locals who want access to the superior facilities at the University of Chicago for chronic ailments. Henry Patton, a 63-year-old retired taxi driver who relies on Medicaid disability insurance, arrives at the hospital’s reception area on an August morning complaining of back pain. His sister, Sarah Barber, who has driven him to the ER, debates with UHI patient advocate Lolita Smith about what to do.

Barber, a retired school administrator, says her brother can’t wait four months for a cardiologist or to search online himself for another doctor. “He doesn’t know how to

David Axelrod, 54, Obama’s chief political strategist, conducted focus groups and advised officials on how to sell the UHI to the South Side. Susan Sher, 61, now the First Lady’s chief of staff, was the hospital’s general counsel from 1997 to 2009.

Michelle Obama declined to comment for this story through her spokeswoman Catherine McCormick-Lelyveld. Jarrett, Axelrod and Sher also declined to comment.

“At the White House, they don’t want anything to do with the UHI,” Whitaker says, adding that political

Steering Health Care

Medicaid discourages universities from treating the poor by paying neighborhood clinics more for primary care medicine.

For complex surgeries, Medicaid pays universities half of what private insurance reimburses.

| MEDICAID REIMBURSEMENT, $1 MILLION OF GENERAL MEDICINE TREATMENTS |
|-----------------|-----------------|
| University gets | Neighborhood clinic gets |
| $163,000 (16%)  | $1,082,000 (108%) |

| REIMBURSEMENT, $1 MILLION OF NEUROSURGERY AT THE UNIVERSITY |
|-----------------|-----------------|
| Medicaid pays   | Private insurance pays |
| $1,019,000 (102%) | $2,038,000 (204%) |

As of Sept. 30. Source: University of Chicago Medical Center
After Patrick Soon-Shiong graduated from medical school in 1975, he was so determined to be the first Chinese intern at a white Johannesburg hospital that he worked for half pay, as the apartheid-era South African government demanded. The following year, he was treating black teenagers shot during anti-apartheid riots in Soweto. Soon-Shiong learned about medicine from his father, who’d fled China in the 1940s and administered herbal remedies at home. His penchant for questioning the status quo made him a billionaire—and turned him into a backer of Chicago’s plan for urban health centers.

In 1993, while running a pharmaceutical startup in Los Angeles, he rejected Bristol-Myers Squibb Co.’s approach to breast cancer. He created a drug called Abraxane that uses paclitaxel, the active ingredient in Bristol-Myers’s top-selling cancer treatment Taxol. Instead of mixing paclitaxel with Cremophor, a castor-oil derivative that can kill by inducing a severe allergic reaction in some women, he wrapped molecule-sized paclitaxel particles in albumin, a protein. Although Abraxane was described by the magazine *Annals of Oncology* in 2005 as an incremental improvement over Taxol, the newer drug’s sales could reach $300 million in 2009 for Soon-Shiong’s Los Angeles–based company Abraxis BioScience Inc. “Taxol was a backbone therapy in oncology for a number of years,” says Brian Henry, spokesman for New York–based Bristol-Myers. “We’re proud to have brought it to people who could benefit.” Taxol is now sold generically.

Last year, Soon-Shiong sold another company, APP Pharmaceuticals Inc., which makes the blood thinner heparin. He sold it to Fresenius SE, Europe’s biggest maker of intravenous drugs, for $4.6 billion, netting $3 billion for himself. Soon-Shiong and his wife, Michele, a retired television actress, have pledged $1 billion to medical charities. He wants to link the hodgepodge of computer systems used by doctors, hospitals and insurers and run them through secure electronic gateways, enabling them to collaborate on analytical tasks. He’s working with 700 hospitals to find colon cancers that have unusual molecular structures and may respond to custom-designed drugs.

To illustrate how data collection can lead to treatment, Soon-Shiong shows off an electronic cross section of a human eye on his iPhone. He began collecting such images from patients in Los Angeles in October and will do the same this year on Chicago’s South Side. Specialists will analyze the scans to tell patients instantly if they have diabetes, discouraging them from depleting ER resources needed for other diseases. “Unless we treat the poor, the health of the nation is at peril,” Soon-Shiong says.

**UHI’s Billionaire Backer**

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**JOHN LIPPERT**

‘WE’RE WORKING TOGETHER TO GET PEOPLE TO THE RIGHT PLACE,’ MICHELLE OBAMA SAID OF THE PROGRAM IN 2006, ‘TO MAKE SURE EVERYONE STAYS GENERALLY HEALTHY WITH ROUTINE CARE.’

Twelve blocks southwest, Penny Walton says the Parkway Gardens housing complex is being shortchanged by the university hospital. She says many residents in the low-income, three- and seven-story brown-brick apartments suffer from asthma. Walton, a community organizer trained in asthma education at the University of Illinois, worked for the Grand Boulevard Federation community group teaching Parkway residents how to take medication and kick their cigarette habits. She lost her job in July when the federation, which is unaffiliated with the UHI, cut its budget.

When UHI patient advocates sent them to community clinics, patients complained, Walton says. “The university is trying to get away from people with medical cards,” she says, referring to Medicaid. “People without jobs get just as sick as those who are paying and should be treated the same.”

Michelle and Barack Obama have themselves benefited from having an emergency room less than a mile from their house. In 2001, they rushed to the university’s ER when their doctor suspected that 4-month-old daughter Sasha had developed meningitis. They stayed in the ER for three days before Sasha’s health started to improve. “It is that moment which flashes through my head every time we engage in this health insurance conversation,” Michelle says in a speech to women’s groups in Washington in September. “What would
have happened to this beautiful little girl if we hadn’t been able to get to a pediatrician who was able to get us to an ER?” After Michelle began working at the hospital in 2002, Sasha was healthy enough to accompany her on tours of neighborhood clinics.

In 2005, Michelle Obama successfully lobbied the U.S. Department of Health and Human Services for a $1.5 million grant that helped the UHI hire additional patient advocates. In 2007, the university also won a $23 million National Institutes of Health grant to study drugs tailored to individual patients. The NIH said Obama’s neighborhood outreach was crucial for translating research into real-world treatments. “We’ve been able to survive like an island,” Obama said in the center’s 2006 annual report. “But now the world is seeping in, and our salvation will be in the success of our partners.”

As Michelle Obama took a leave of absence from the hospital job to help her husband’s presidential campaign, the hospital’s finances worsened. During the year ended on June 30, 2008, the hospital earned $194 million on revenue of $1.23 billion from patient care, teaching and research. It spent almost that much—$153.3 million—covering Medicaid and Medicare treatments for which it had not been fully reimbursed, charity care and bad debts, up from $127 million a year earlier. The burden threatened a planned $700 million expansion, including operating rooms with computers, robots and imaging technology. In February 2009, the hospital cut 600 jobs—one in nine positions.

The cuts also threatened the recruitment of top scientists, it said. Officials acknowledge that mistakes have been made. “Did we implement everything optimally at first?” University of Chicago President Robert Zimmer says. “Probably not. It takes a lot of patience and communication. That’s what we’re trying to do now so we get it right.”

Madara resigned from his administrative post in October. “When one piles change upon change, the pushback is just enormous in our health-care system,” he says, declining to comment further. He remains on the faculty.

Following the faculty protest, medical center management strengthened UHI by establishing more links to South Side clinics and hospitals. On July 1, the university expanded an affiliation with Mercy Hospital, 3 miles (4.8 kilometers) north. Mercy had a 39 percent occupancy rate in 2007 while university beds overflowed. The medical center assigned doctors to Mercy and increased general medicine beds there to 40 from 14, offsetting a reduction in Hyde Park to 35 from 48.

Michael Millis, a Hyde Park organ transplant surgeon, is a UHI supporter. He says that the UHI’s opening of more general-purpose beds at Mercy offered more space to critically ill patients who need the university hospital’s sophisticated care.

Millis, 50, speaks with a Tennessee drawl and smiles as he describes patients that he says scare most surgeons. In August, these included 11-month-old Raquel Allen, who received a partial liver transplant from a live donor, and a man whose liver tumor rested against veins leading to his heart. Millis is studying how to grow organs from stem cells, how to harvest them from animals and how to make artificial livers. “If our beds aren’t filled with people who don’t need these services, we can treat patients no other hospital can handle,” he says.

The UHI also has the support of Stephanie Comer, whose father, Gary, founded Lands’ End Inc. and contributed $80 million toward a university children’s hospital.

‘TEN YEARS FROM NOW, HEALTH CARE ON THE SOUTH SIDE WILL BE IN A BETTER PLACE BECAUSE OF THE UHI,’ SAYS STEPHANIE COMER, A SUPPORTER OF NEIGHBORHOOD CLINICS WHOSE FAMILY DONATED $80 MILLION TOWARD A CHILDREN’S HOSPITAL.
died in 2006, is paying consultants to help Illinois design Medicaid reimbursements based on the local clinic concept. She’s also a trustee of the university medical center. “Ten years from now, health care on the South Side will be in a better place because of the UHI,” Comer says.

Whitaker says the UHI can provide valuable research material through a 20-year study of South Side health that will be modeled on a project that revolutionized heart treatment in 1948. By tracking two generations of residents in Framingham, Massachusetts, research showed the importance of lower cholesterol and exercise. In Chicago, the UHI would measure the impact of everything from any health care changes introduced by President Obama to the benefits of having a corner store selling fresh fruit, Whitaker says. “We’ll find out if every diabetic is getting a foot exam, an eye exam, a kidney function test and a hemoglobin A1C test,” he says. “We’ll avoid blindness and amputations and save money.”

Patrick Soon-Shiong, 57, executive chairman of Abraxis BioScience Inc. in Los Angeles, supports the UHI concept because of those research opportunities. He committed $12.5 million to the UHI and may give another $90 million. Through the UHI, South Side patients can benefit from new technology as much as residents of Beverly Hills, California, Soon-Shiong says. He’s starting with digital eye scans to test for diabetes. (See “UHI’s Billionaire Backer,” page 120.)

EVEN IF PRESIDENT OBAMA signs health care legislation, such bright promises are years away from reality, Yale’s Krumholz says. “No change will be positive for everyone,” he says. “We’re looking at a bridge period with lots of squawking and nobody really sure what’s been accomplished.” The only way to resolve this uncertainty, he says, is to turn to large-scale surveys—such as data gleaned from UHI patients—on which health-care methods work best.

The Urban Health Initiative championed by Michelle Obama in Chicago reflects the gap between promise and delivery that’s being played out in Washington. It’s also a reminder that the best of intentions can be hobbled by misunderstandings, inconsistent enforcement and just plain resistance.

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To write a letter to the editor, send an e-mail to bloombergmag@bloomberg.net or type MAG <Go>.

**Monitoring Hospital Companies**

To track trading in U.S. health-care-related companies such as hospital operators, you can use a sample cross-asset monitor in Launchpad. The monitor red-flags companies for whom shorter-term credit protection becomes more expensive than longer-term protection.

First, to create a list of hospital stocks, type EQS <Go> for the Equity Screening function. Click on the Build/Edit Screen tab at the bottom of the screen. Click on Country of Domicile. Tab in to the SEARCH field, enter US and press <Go>. Click on the Update button. Next, click on Product Segments. Tab in to the SEARCH field, enter HOSPITALS and press <Go>. In the list of search results, click on General Medical and Surgical Hospitals to select it.

Click on Update. Click on > Greater Than in the menu that appears, and enter 50% in the field that appears below to limit the search to public companies that derive at least half of their revenue from running hospitals. Click on the Results button. Click on the Actions button and select Save As. Enter HOSPITALS in the NAME field and click on Update.

Type BLP <Go> to start Launchpad. Click on the Tools button on the Launchpad tool bar and select Sample Views. In the View Manager, click on the circle to the left of Sample Views. Under Sector/View/Page, click on the plus sign to the left of Equity Americas. Scroll down in the list and click on X Asset. Click on the Insert button to add a page showing the sample view and then click on the Close button. Click on X Asset in the Pages tool bar to display the view.

To import your list of hospital companies from EQS, click on the Properties tab on the Cross Asset Monitor, then click on the Securities tab. Click on the arrow to the right of Import Securities From and select Equity Screen (EQS). Click on the arrow to the right of Select Source, select Hospitals and click on the Update button to display the monitor, as shown at left.

JON ASMUNDSSON