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The NEWSSTAND

items of interest from the media

Boston Globe – February 20, 2007

Health returns as hot issue in '08 race

By Susan Milligan

MANCHESTER, N.H. -- Healthcare, a major theme in the 1992 presidential campaign, has returned as a critical issue in the 2008 contest. But this time, contenders in both parties are placing new focus on preventive care as a way of improving public health and ultimately reducing the skyrocketing cost of medical care.

One presidential candidate wants to give earned days off to federal workers who exercise regularly and do not smoke, while another would press schools to ban junk food. Another candidate plans to reward people who undergo regular physicals and engage in healthy lifestyles with discounts in their health insurance premiums.

Mike Huckabee, former Republican governor from Arkansas, has led the charge for giving financial incentives -- including tax breaks and paid days off -- as rewards for healthy behavior.

Democrats Bill Richardson, governor of New Mexico, and John Edwards, former US senator from South Carolina, are proposing similar ideas. Other presidential contenders have raised the issue on the campaign trail in New Hampshire.

While specialists say spending money on preventive care -- such as lowering childhood obesity rates through healthy school lunches and offering incentives to quit smoking -- may not make much of a dent in overall healthcare costs, the candidates say that preventative efforts can reduce painful, expensive-to-treat illnesses such as lung cancer and diabetes.

"Everything about the whole system is upside down," Huckabee said in a recent interview. "Doctors are rewarded for treating sick people, not keeping them well."

Candidates say they are committed to tackling the biggest health crisis: finding coverage for the 47 million Americans who do not have health insurance, a widening gap that the candidates say increases health costs for everyone.

Edwards, the only major party candidate so far to offer a detailed healthcare plan, wants to make health insurance mandatory nationwide, as Massachusetts has done for its residents.

But unlike in previous campaigns when candidates have focused almost entirely on the uninsured, the early presidential candidates are talking about promoting wellness as a way to avoid the high costs of treating cancers, heart disease, and other ailments.

"I think you're going to see a prevention component of virtually every candidate's healthcare reform" plan, said Drew Altman , president of the Kaiser Family Foundation, a healthcare advocacy group. But he said the idea could not take the place of expanding health insurance coverage and controlling costs on a large scale.

"Nobody can pretend we can cover 47 million uninsured people without a huge outlay of money to do it," Altman said.

Among Democrats, Senator Barack Obama of Illinois and Senator Hillary Rodham Clinton of New York, who tried and failed to pass a universal healthcare plan when she was first lady in the 1990s, have discussed preventive care in their early campaign appearances in New Hampshire. Neither has issued a detailed plan, although Obama said he would unveil his in the coming weeks.

The issue is personal to Huckabee, who as Arkansas governor dramatically changed his eating habits and began exercising after a doctor diagnosed him with Type 2 diabetes in 2003.

Huckabee shed 110 pounds, competed four marathons, and instituted a Healthy Arkansas Initiative to encourage state residents to stop smoking, lose weight, and exercise more. Arkansas state employees now receive discounts on their health insurance premiums in exchange for practicing good health habits.

Richardson, who recently announced his candidacy for the Democratic presidential nomination, has already banned junk food in New Mexico schools, installed

school-based clinics that provide mental health services as well as medical tests, and reinstituted physical fitness classes in schools where it had been eliminated.

As president, Richardson said in an interview, he would give tax breaks to businesses that grant company time and on-site gym equipment to employees who want to exercise, and he would reward schools that eliminated foods such as chips, soda, and candy from their cafeterias.

"I believe we've got to focus more on preventive care, especially with kids," Richardson said. "In the long range, you get better health for all Americans."

While no lawmaker can force someone to lose weight or stop smoking, Huckabee said, governments can provide incentives that lead to behavioral changes. If elected president , Huckabee said, he would also give tax incentives to businesses that promote healthy habits, and he would allow federal workers to earn time off for good health behavior, the positive alternative to sick days.

Although elementary and secondary schools are largely under local control, Richardson asserts that the federal government has some control over school nutrition guidelines and funds some of it, giving the government leverage when it comes to school menus .

Edwards's healthcare plan is meant to cover all Americans by 2012 either through their employers or through a series of new "health markets," nonprofit plans run by states or groups of states. The health markets, offered to individuals and businesses that do not provide their own health coverage plans, would include lower health insurance premiums to individuals who take advantage of free checkups and enroll in "healthy living programs," an Edwards campaign spokeswoman said.

Healthcare specialists welcomed the candidates' ideas on preventive care but said the concept would not help slow the escalating cost of overall healthcare.

"I think they all feel the need to say something about [healthcare] costs. And who can argue against the logic of prevention?" said John McDonough , executive director of the Massachusetts-based Health Care for All. "The problem is, how do you do it in a way that makes a difference?"

Conducting numerous medical tests, for example, may catch some ailments early, he said, but on a mass scale the price of the tests may drive healthcare costs even higher.

Alan Sager , a Boston University health policy and management professor, said he worried the candidates "are talking about costs in ways that are politically safe and largely irrelevant financially."

Fast-growing healthcare costs will not be contained, he said, until lawmakers grapple with the more politically difficult issues of hospital payments, drug prices, and doctors' fees.

Huckabee said wellness programs would not only lower medical costs, but also increase Americans' productivity at work.

"This isn't just a feel-better" plan," Huckabee said. "It has real economic advantages. And it's something I've not only talked about; I've lived it."

BusinessWeek – February 19, 2007

Get Healthy – Or Else

In August, Joe Pellegrini got yet another nagging phone call. It was his health coach, a woman working on behalf of his employer, the $2.7 billion lawn-care company, Scotts Miracle-Gro Co. (SMG) The 48-year-old executive knew the spiel by heart. "Have you been to your doctor yet? When are you going?" Then the prescription: "You need to lose weight and you really, really need to lower your cholesterol."

Pellegrini is a supply-chain executive at Scotts' headquarters in Marysville, Ohio, a land of all-you-can-eat buffets smack in the middle of America's obesity belt. At Scotts the hallways are filled with ldl-abusers and overweight diabetics. Pellegrini, by contrast, is an Armani-swaddled triathlete who often cycles 36 miles to and from work. Lose weight? "Give me a break," he thought. "It's all muscle, folks."

But a time bomb was ticking beneath the taut physique. Medical specialists working on behalf of Scotts had been scouring every aspect of Pellegrini's health. His profile—athletic, high body-mass index, and bad cholesterol (brought on by a love of 28-ounce sirloins)—triggered an alarm.

Eventually, Pellegrini succumbed to the company-applied pressure and agreed to abide by his health coach's action plan, which included an immediate visit to his doctor. A few weeks later, a specialist studying Pellegrini's angiogram spotted the heart valve of what should have been a dead man. Within hours, two stents were installed. The surgeons later told him the 95% blockage

would have killed him within five days. "It was that close," Pellegrini says.

About the time Pellegrini was cheating death, a lawn-care technician named Scott Rodrigues was having an entirely different experience with the Scotts wellness program. At the time, Rodrigues says he had been working at the company for about two weeks. He recalls a supervisor approaching him in the parking lot at the company's Cape Cod (Mass.) facility and urging him to get rid of the pack of Marlboro reds poking out of the dashboard of his decrepit Civic.

Rodrigues knew Scotts was going tobacco-free on Oct. 1 as part of its effort to improve employee health and cut medical costs. He recalls the company's interviewer saying that once Rodrigues passed the 60-day probation, Scotts would help him quit his 15-year habit—paying for counseling, Nicorette, prescription drugs, hypnosis. Whatever it took.

But on Sept. 1—which happened to be his 30th birthday—Rodrigues was fired. "Why?" he asked. "You failed your drug test," the boss replied. Rodrigues insisted it had to be a mistake. He didn't even keep beer in the fridge. Then his boss told him the drug was nicotine. "Five years ago, if you had told me, Hey, you better quit smoking or you might not get a job,' I would have laughed. Here I am five years later, and I can't get a job."

In November, Rodrigues filed a lawsuit, now in federal court in Massachusetts. It alleges that Scotts discriminated against Rodrigues by firing him before he was eligible for health-care benefits and had a chance to take advantage of the stop-smoking initiative. The suit also seeks to prohibit Scotts from "enforcing or applying" its anti-nicotine program. The company hopes to have the suit dismissed.

Citing its policy of not discussing pending litigation, Scotts declined to comment on the lawsuit.

Two stories—one man saved by the 11th-hour intervention of his employer; another fired on his 30th birthday for smoking—capture the dilemma facing companies around the country. How do executives looking to cut medical costs persuade employees to take better care of themselves without killing morale and spawning lawsuits? It's a question that's very much on the mind of Scotts CEO Jim Hagedorn, who acknowledges his company's wellness program is controversial. "Jack Welch told me: Man, you have balls of steel,'" says Hagedorn. "This is an area where CEOs are afraid to go. A lot of people are watching to see how badly we get sued."

Getting health insurance from your employer is sometimes seen as an entitlement, but the benefit owes its existence to a quirk of history. During World War II, employers desperate to attract workers began offering health insurance. Providing coverage has been an increasing burden for companies ever since. As a result, businesses have been forcing employees to shoulder more and more of the cost.

Some theorized that higher co-payments and pricier premiums would get people to take better care of themselves. It's not happening. "We have this notion that you can gorge on hot dogs, be in a pie-eating contest, and drink every day, and society will take care of you," says Harvard Business School Professor Michael E. Porter, who co-authored Redefining Health Care. "We can't afford to let individuals drive up costs because they're not willing to address their health problems."

Hence the wellness fixation at companies as varied as IBM (IBM), Microsoft (MSFT), Harrah's Entertainment (HET), and Scotts. Employees who voluntarily sign up for such programs often receive discounts on health-care premiums, free weight-loss and smoking-cessation programs, gratis gym memberships, counseling for emotional problems, and prizes like vacations or points that can be redeemed for gift cards.

Companies save money. Employees get healthier. What's not to like? But the wellness craze raises important issues. One is that people could start blaming unhealthy colleagues for helping push up premiums. Then there are the privacy and discrimination issues: How far should managers intrude into employees' lives? That's the essence of the Rodrigues lawsuit.

U.S. business has long evinced a paternalistic streak. Early last century, Ford Motor Co. (F) sent investigators to workers' homes to make sure their sex lives were "unblemished" and they weren't imbibing one too many. Today, Scotts is in the vanguard of companies seeking to monitor and change employee behavior. The company's outlier status reflects the born-again zeal of its CEO. Hagedorn is a reformed nicotine addict himself. He smoked two packs a day for 20 years—until his mother, also a heavy smoker, died of lung cancer. Hagedorn quit the same day.

In the early 2000s, Hagedorn, like many other CEOs, watched health-care costs explode. From what he could see, the government and the health-insurance industry weren't doing anything to solve the crisis. At the same time, Hagedorn's employees were bingeing on care.

In February, 2003, Scotts doubled what workers paid for health insurance. Morale plummeted, and Hagedorn knew he had to do a better job selling the hike. Hagedorn is famous at Scotts for the "straight talk" sessions he holds with staff

each quarter. A former F-16 fighter pilot who retains much of his military bravura, Hagedorn laces his sermons with salty language and unvarnished commentary. The CEO got right to the point: We were boneheaded, he told the crowd.

Then again, Hagedorn wanted employees to know what he was up against. Using a PowerPoint presentation, he showed that his annual health-care bill had soared 42% since 1999, to $20 million, which amounted to 20% of the company's net profits in 2003. Costs were projected to surge about 20% that year, vs. the national average of 9%, and keep on climbing at a double-digit rate.

Toward the end of the talk, a young plant worker stood up and scolded Hagedorn. "You guys on the other side of the street, you got fancy financial advisers," he said. "How can you make me responsible for managing my finances and health care and not educate me? I only have a high school education." Hagedorn left the meeting thinking: "The guy's right."

A few months later, Hagedorn was watching CNN. A doctor was arguing that employers should get serious about obesity, smoking, and diabetes. Companies were paying the bills, he said, so they could do something. As it happens, Hagedorn had recently seen Scotts' health-risk assessment: Half of his 6,000 employees were overweight or morbidly obese; a quarter of them smoked.

The CNN program prompted an epiphany. Hagedorn wanted to share it right away with his human resources chief, Denise Stump. It was after 11 p.m., but he called her at home anyway. "Denise," he said, "we are moving into FEBA [forward-edge battle area]." Hagedorn told her he wanted to ban smoking and go after obesity. To achieve these aims, he proposed launching the kind of companywide intervention that families use to help an addicted relative.

Instituting such a policy wasn't a matter of saying, "Let it be so." Legal worried the plan might violate federal laws. Other advisers told the CEO point blank: Don't go there. And getting outside advice wasn't going to be easy. Many law firms were knee-deep in tobacco litigation and wouldn't go near Scotts' wellness initiative. Nor would board member Lynn Beasley. As chief operating officer for tobacco maker R.J. Reynolds (FAI), Beasley saw the conflict right away and quit the Scotts board. Stump recalls thinking: "We're going too fast."

Hagedorn isn't easily dissuaded. The 51-year-old CEO talks like a swaggering teenager, with "yo" this and "dude" that. A runaway at 15, Hagedorn still flies his rebel flag: A photo in his office features him giving the middle-finger salute.

Needless to say, Hagedorn got his way. Scotts hired a boutique law firm. And before long, the company had determined that in 21 states, including home-base Ohio, it wasn't illegal to hire and fire people based on their smoking habits. Scotts also realized it needed to create an arm's-length relationship with the wellness program. No one wanted to give managers an opportunity to discriminate against employees based on their health. That meant bringing in a third party to run the thing.

In 2005, Scotts hired Whole Health Management. The firm manages on-site primary care and fitness centers for dozens of corporations. Whole Health aggregates health and insurance claim data so Scotts can divine trends. But individual data are kept strictly confidential. Stump began selling the concept to employees. She held role-playing sessions to teach workers what to say if they bumped into each other in the clinic. On-site doctors told employees they would never betray confidences.

During one of Hagedorn's straight-talk sessions, workers told him a company gym would make wellness easier to swallow. "Done," Hagedorn said. But his vision went far beyond installing some StairMasters and throwing up health pointers on the Scotts intranet. Hagedorn built a soup-to-nuts medical and fitness center across the street from headquarters. Operated by Whole Health, the 24,000-square-foot facility cost $5 million and can meet pretty much any health-related need an employee might have, including a drive-thru for free prescription drugs. The clinic employs two full-time doctors, five nurses, a dietician, counselor, and two physical therapists. A team of fitness coaches provides personal training sessions for $30 an hour.

Scotts employees are now urged to take exhaustive health-risk assessments. Those who balk pay $40 a month more in premiums. Using data-mining software, Whole Health analysts scour the physical, mental, and family health histories of nearly every employee and cross-reference that information with insurance-claims data. Health coaches identify which employees are at moderate to high risk. All of them are assigned a health coach who draws up an action plan. Those who don't comply pay $67 a month on top of the $40. "We tried carrots," says Benefits Chief Pam Kuryla. "Carrots didn't work."

Many employees found Hagedorn's new policy intrusive. Topic A: the health assessment questionnaires, which asked things like: Do you smoke? Drink? What did your parents die of? Do you feel down, sad, hopeless? Burned out? How is your relationship with your spouse? Your kids? Are you pregnant, diabetic, suffering from high

cholesterol? The tobacco ban was controversial, too, especially at the manufacturing plants, where Skoal chewers are common. Hagedorn wasn't unsympathetic. After all, it took his own wife three years to quit smoking. Scotts employees would get all the help they needed.

Workers told the CEO they were angry. Hagedorn concedes the program had Big Brother overtones. But he's adamant about bringing down health costs—even if it means being authoritarian. "If people understand the facts and still choose to smoke, it's suicidal," he says. "And we can't encourage suicidal behavior."

As chief wellness salesman, Hagedorn took it upon himself to motivate employees. He walks around campus joking, slapping guts, and exhorting people to work out. Hagedorn routinely teases Dave Overfield, who toils in the plant and whose weight has soared 40 pounds since he quit chewing tobacco.

"I'm working on it," Overfield tells his boss.

"You better be," Hagedorn shoots back.

The nudging begets peer pressure. Gym rats earn special pins they display on ID badge lanyards; these have become a coveted status object. Competition for trips to Hawaii, free massages and facials, and other cash and prizes is fierce. One group of employees started having lunch together every day to keep each other from peeling out of the parking lot for a smoke. Doughnuts have disappeared. "The message is: If you're not trying to do something to make yourself better, then you're going to pay more," says Kuryla.

Jim Lowe gets that. The 54-year-old forklift driver loved to eat. He started each day with two doughnuts. Lunch was a pair of Whoppers and fries. Nighttime involved a bag of chips, a couch, and a clicker. Lowe's philosophy was simple: "Let's don't go to a place that'll serve us a helping. Let's go to a buffet where you can eat all you want." He weighed 307 pounds.

He was the perfect candidate for the wellness crusade. Before long a dietician was telling Lowe exactly what to eat, and a personal trainer was showing him exactly how to work out. Soon Lowe was losing an average of four pounds a week. Co-workers at the plant began asking if he was taking diet pills. They gossiped that he had had gastric bypass surgery. Lowe proudly told them he was doing it "natural, working out and watching what I eat."

Lowe had always loved the way Wrangler jeans hung on his hero, country singer George Strait. But he couldn't get them in the Big & Tall catalog he ordered everything from. Lowe hadn't been in a clothing store for 15 years. The day he hit his goal of losing 137 pounds, he headed to Kohl's, where he tried on a pair of Wranglers; his eyes filled with tears. "I'm not trying to be Hercules," says Lowe as he pinches his gut between his fingers. "But as you can see, there's not a lot of flab."

So far, the company says, more than 70% of headquarters staff belongs to the fitness center. The smoking-cessation program has already had a 30% success rate. The wellness program, which costs $4 million a year to run, is a financial drain. But the company expects it to pay for itself in three to four years. Other large companies have seen a 3-to-1 return on investment in their wellness programs.

It's all pretty encouraging, except that if Rodrigues wins his case, it could set a precedent and then open the door to big-money lawsuits. So far, Scotts says it has not fired anyone else for using tobacco. In fact, because Rodrigues wasn't employed long enough to pass the probation period, the company argues that he was never officially an employee.

It's impossible to tell how the case will come out because there is so little case law. This much is certain: Rodrigues' lawyer, Harvey A. Schwartz, will argue that Scotts' wellness program amounts to a slippery slope. "Where will all this end?" he asks. "The consumption of alcohol, failure to exercise, skydiving, excessive television viewing, eating processed sugars, owning dangerous pets, flying private aircraft, mountain climbing, downhill ski racing, singlehanded sailing, or spreading toxic chemicals on lawns?"

Where will it all end? Companies ask themselves the same question but from a different angle. In the absence of a solution to the health-care mess, businesses are on an unsustainable path. Hence the rush into wellness. Perhaps that's why Hagedorn is getting leeway from shareholders, including his own family, which controls 30% of the public shares. The stock is up 58% since Scotts launched its wellness program. If Hagedorn pulls this off, he'll be a hero in boardrooms around the country.

Minneapolis Star Tribune – February 19, 2007

Billionaire has healthy goal for his wealth

By Maura Lerner

A few years ago, billionaire T. Denny Sanford tried -- and failed -- to get the University of Minnesota, his alma mater, to put his name on a new football stadium.

But now, it seems, his name will be hard to miss.

Sanford, a St. Paul native, stunned the medical world this month by announcing one of the biggest charitable donations ever -- $400 million to a South Dakota medical organization, Sioux Valley Hospitals & Health, which has already changed its name to Sanford Health.

Worth an estimated $2.5 billion, the 71-year-old Sanford has famously said that he wants to "die broke." And now, he is spreading both his largesse and his name across South Dakota and parts of Minnesota at breathtaking speed.

"His level of charity is almost biblical," said Kelby Krabbenhoft, the CEO of Sanford Health.

Sanford, who made his fortune in banking and credit card companies, ranked as the nation's 14th most generous donor in 2005, when he gave away a mere $70 million, according to the Chronicle of Philanthropy.

Now, thanks to him, there are:

• The T. Denny Sanford Pediatric Center at the Mayo Clinic in Rochester.

• The William Sanford Welcome Center at Bethesda Hospital in St. Paul.

• The Sanford Medical School at the University of South Dakota.

• And as of Feb. 3, Sanford Health, a collection of 24 hospitals and 115 clinics that he hopes will one day rival the Mayo Clinic.

Todd Epp, a South Dakota lawyer, writer and blogger, says he thinks it may not stop there. Three days after the announcement, he joked on his website, thunewatch.squarespace.com, that Sanford had also bought the rights to rename South Dakota.

"I've always wanted a state named after me," Epp wrote, in Sanford's name, in a mock news release.

"The Upper Midwesterner in me thinks people need to be a little more humble," said Epp, who lives near Sioux Falls. And yet, he admitted, "it's not unprecedented for rich people to want stuff named after themselves."

According to the Chronicle of Philanthropy, Sanford's gift is the second largest to a medical institution. In 2001, James and Virginia Stowers gave $1.1 billion worth of stock in their family's insurance company to the Stowers Institute in Kansas City, Mo., which conducts biomedical research.

No. 3 on the list is a $200 million gift from record and film executive David Geffen to UCLA's School of Medicine.

"Mayo Clinic for kids"

The sheer scale of the Sanford donation left many awestruck.

"Phenomenal," said Priscilla Russell, who works raising money for the Mayo Clinic. "For anyone to give away that much money to do something good for others, it's kind of mind-boggling."

Dr. Phil Kibort, medical director of Children's Hospitals and Clinics of Minnesota, called the $400 million gift "unbelievable."

At the same time, he said, it takes more than a financial windfall to create a world-class medical center. "In my mind, it would take truly decades," Kibort said.

Two weeks ago, Sanford, the CEO of First Premier Bank and Premier Bankcard, stood before a gathering of South Dakota's power elite to announce his $400 million gift, the equivalent of more than one-third of the state's annual general budget.

The goal, he said, is to create "a Mayo Clinic for kids."

Or as Krabbenhoft put it even more ambitiously, to "improve the human condition."

Among other things, the plan calls for:

• A "campus of the future" in Sioux Falls, complete with a transparent dome and a kids' hospital shaped like a medieval castle.

• Five new Sanford children's clinics in other, needy parts of country, as well as one each in Mexico and Canada.

• The Sanford Project, a massive effort to lure scientists to Sioux Falls, a city of 125,000, to focus on a single medical breakthrough -- which one, they haven't yet decided.

"Why am I doing this?" Sanford said at the formal announcement. "Well, number one, I guess I can."

Sanford, who was born at "the height of the Depression," as his

official biography puts it, has had a golden touch for business.

After graduating from the University of Minnesota in 1958, he made his first fortune selling technical equipment. Then he bought a bank and started a credit card company in South Dakota in 1986, and made an even bigger fortune. By 1995, he was worth $55 million, according to court papers. Last year, Forbes magazine put his fortune at $2.5 billion.

Twice divorced, with two grown sons, Sanford has called himself "the WOLT" -- the World's Oldest Living Teenager. He owns a private jet and multiple homes in Arizona and Colorado.

"I am already successful," he told the Chronicle of Philanthropy this month. "Now I need to be significant."

Failed stadium plan was start

In one of his earlier stabs at philanthropy, Sanford offered the University of Minnesota $35 million in 2003 to help build a new football stadium bearing his name. But the university balked at his conditions. The fine print showed he wouldn't pay until after the stadium was built, and only if it was built to his liking.

The two sides parted bitterly in December 2003, with the university later teaming up with TCF Corp. as a lead contributor for its stadium.

Within days of Sanford's university donation falling through, Krabbenhoft, of the Sioux Valley hospital group, asked Sanford whether he'd like his name on a new children's hospital. Sanford promptly donated $16 million for the T. Denny Sanford Children's Hospital in Sioux Falls.

That was the beginning of a beautiful friendship.

In the fall of 2005, Krabbenhoft flew to Sanford's mountaintop home in Colorado with a grander plan. In an interview, Krabbenhoft recalled sitting at the kitchen table and laying out the $400 million dream for his organization.

"Let's get it done," he said Sanford told him.

The only condition was that the Sioux Valley name be dropped in favor of Sanford's. "That was not at Denny's request," Krabbenhoft said. "That was ours."

And Sanford didn't protest.

"I can't think of a greater honor," he told the Star Tribune in an e-mail, "than to have my name live on far beyond my own lifetime."

Slate Magazine – February 16, 2007

Nonprofit Uses the Web to Work Marketplace Magic

By Jonathan Alter

Four years ago, my office phone at Newsweek rang: a cold call from Charles Best, a 26-year-old Yale graduate who was teaching in a public school in the Bronx. He told me he had just launched a tiny Web site in a corner of his parents' apartment, a part-time project aimed at helping some of his fellow teachers. By the end of the call, I knew I had seen the future of American philanthropy.

Why? Because nonprofits need to capture the magic of the marketplace if they want to make a serious dent in big social problems. Douglas K. Smith has written for Slate about one way to do this that's brilliant but still theoretical. The organization that Charles Best founded, DonorsChoose, is already using market principles to change American education and the nonprofit world. Some day, the idea behind it will flatten, democratize, and take the intermediary out of all giving.

Full disclosure: After first writing about Best in 2002, I broke my no-boards policy and joined his, which at that time consisted of a handful of volunteers with no clue of what we were getting into. Today, DonorsChoose has won several awards as the most innovative nonprofit in the United States. Best's brainchild was to create a market in teacher proposals, which are posted on donorschoose.org in informal, non-grants-proposal language by the teachers themselves. So for example, this week a teacher in Richton, Mo., posted a request for a $392 camcorder for her kids to act out stories they're reading; a teacher in New York City asked for a rug on which to read stories to kindergarteners ($474); and a teacher in a 100 percent low-income school in Los Angeles wants a $414 telescope to teach astronomy to her students. Donors scroll through the hundreds of proposals (searchable by region, subject, level of school poverty, etc.) and fund them in whole or in part with a couple of clicks. If there's no market for the proposal, it doesn't get funded, though most eventually do. DonorsChoose handles all of the discounted purchasing from vendors, so no money goes directly to the teacher.

The transaction is totally transparent: If you fund a proposal and want to see the bill of sale for the materials, you get it. A few

weeks after buying something, you receive handwritten thank-you letters from the teacher and students telling you how they are using the gift. Many teachers write that it would have been impossible to obtain the materials from the district office. After years of writing checks to charities and not knowing if the money is going for the receptionist, the foundation executive's fancy lunch, or some meaningless paper-shuffling, donors find this a tremendously gratifying philanthropic experience. The recipients are poor kids—now numbering more than half a million—who are finally getting a little of the enrichment that children of the wealthy take for granted.

The key is preventing anyone from controlling the market, so no administrators, unions, school boards, or other nonprofits are allowed to get between teachers and potential donors. Beyond weeding out some obviously inappropriate proposals ("Send teacher and class to Paris to study cooking!!!"), DonorsChoose doesn't get in the way, either.

Early on, some well-meaning but clueless Harvard Business School graduates instructed us that DonorsChoose had to automatically take 15 percent off the top of every gift for overhead. Otherwise, the HBS team warned, our organization would never sustain itself. In fact, these gents withdrew a large gift because they thought our business plan didn't work without the automatic deduction. We said we wanted to offer DonorsChoose donors the option of whether to give us additional money for overhead at checkout. If the donor wants, 100 percent of his or her donation can go directly into the classroom, but he or she is also invited to contribute to covering the organization's expenses. The HBS experts said we would be lucky if 10 percent of our donors voluntarily ponied up extra. But they were living in a pre-Web world in which people weren't used to being asked what specific uses their money could be put to. How many of the thousands of DonorsChoose donors give us 15 percent extra to fund ongoing operations? Try 93 percent.

This year, DonorsChoose will expand from 12 regions to the entire country, which will allow any public school teacher in the United States to post a proposal. China has already imitated the software, so rich Chinese can fund village schools. There's no reason the DonorsChoose model can't apply across philanthropic sectors. It could work for the developing world (where relief workers on the ground could post requests for filtration equipment, mosquito netting, and other projects, with the compelling human stories behind them); for hospitals (where doctors could post their cancer-research projects in layman's terms), and certainly for cultural institutions. ("Our museum wants to buy this Vermeer. Will you help?")

This future is scary for foundation executives, development officers, and the whole industry that has grown up around spending other people's charitable donations. They needn't worry. Philanthropy will always be large enough for different approaches, and many donors will still want someone else's guidance. But thanks to the Internet and clever adapters like Charles Best, market philanthropy is not off in the distance. It's here.

Jonathan Alter is a columnist for Newsweek.

Wall Street Journal – February 16, 2007

With a Quirk in Visa Law, Small Towns Lose Doctors

By Miriam Jordan

YAKIMA, Wash. -- For the past decade, a steady flow of foreign doctors helped Yakima Neighborhood Health Services take care of its growing patient caseload. "There was never a day when I didn't get a résumé" from a foreign doctor, says Anita Monoian, the community clinic's director.

But in the past few years, the supply of doctors has begun to dry up in this agricultural valley famed for its apples and vineyards. These days, Ms. Monoian says she rarely even sees a résumé, much less a doctor, headed Yakima's way.

Across the nation, the flow of overseas doctors to small towns and rural areas has slowed to a trickle. Behind the shift: an unusual tale of two visa programs.

One is the H1-B, which helps U.S. companies temporarily hire skilled foreign workers for jobs that are difficult to fill domestically. Hungry to lure more high-skilled tech workers, American employers have been pushing to expand the H1-B. But in an inadvertent consequence, it's now undercutting the pipeline to the J-1 waiver, a little-known provision that for years has funneled thousands of physicians to parts of the country that needed them the most.

Today hundreds of doctors from India, Pakistan and other countries are bypassing the J-1, which gives doctors eligibility for a green card if they first spend three years in an underserved area. Instead, many foreign doctors are securing an H1-B, which doesn't require the rural

stint, and are working in the big urban areas they prefer for professional and lifestyle reasons.

Like their American counterparts, foreign doctors say working in rural areas often means few chances to hone their specialties or work with cutting-edge technology. Working in an underserved area can also mean long and lonely hours. "It's like serving jail time," says Minoo Kavarana, a Mumbai native working in Appalachia as a heart surgeon on a J-1 waiver. While Dr. Kavarana calls his work rewarding, he says he will leave London, Ky., after his required three years unless the hospital builds a new heart-surgery facility.

The number of foreign doctors in the U.S. on a J-1 visa has plummeted, falling about 45% to almost 6,000 in 2005-06, compared to nearly 11,000 in 1995-96. Connie Berry, a senior health official in Texas, says the total number of foreign doctors hasn't changed -- it's just that many have defected to the H1-B.

'Life-and-Death Situation'

The effect is profound in small towns and rural areas, where the dearth of doctors is already acute. About 25% of all physicians in practice or in training across the U.S. are foreign, but in rural areas the percentage is often much higher.

Without J-1 physicians, some rural residents might have to travel more than 100 miles to reach a hospital. "It's a life-and-death situation," says Rep. Jerry Moran, who represents a rural constituency in Kansas where several hospitals haven't successfully recruited an American physician in more than a decade.

Back in 2001, Crosby, N.D., a remote farming community, received 150 applications for two physician slots at its 25-bed hospital. This year, the sole doctor, from the nation of Georgia, is on call around the clock. Six recruiting firms and numerous ads in medical journals have failed to draw qualified applicants for the second opening.

In Gilmer, Texas, population 3,000, a Sri Lankan doctor on a J-1 waiver reopened the 20-bed hospital three years ago. He hasn't taken a vacation in two years, having just found an Indian doctor to join him. In North Carolina's tobacco-growing region, Pender Memorial Hospital lost three of six physicians last year and is scrambling to replace them.

The situation is so bad that when war was raging in Lebanon last summer, Sen. Kent Conrad of North Dakota mobilized the State Department, the Department of Homeland Security and the embassies of Norway and Canada to ensure that a Lebanese oncologist visiting Beirut could return to his job in Fargo.

Sweeping Changes

Signed into law in 1990, the H1-B visa was created to address the shortage of experts in such fields as high technology and the sciences. Later that decade, amid a worker shortage created by the dot-com boom, leaders of Silicon Valley companies such as Intel Corp. lobbied Congress heavily, arguing that the visa's limits were making corporate America less competitive globally. In October 2000, Congress passed sweeping changes to H1-B regulations.

In order to boost the number of H1-B workers that corporate America could hire, Congress exempted research institutions and universities from a ceiling on the number of workers they could bring on the H1-B. That meant teaching hospitals were suddenly free to use the H-1B visa as much as they wanted.

"The 2000 act opened the gates for universities to use the H-1B for physician training," says Jan Pederson, an immigration attorney in Washington, D.C., who specializes in visas for foreign physicians.

The J-1 Exchange Visitor program has a very different provenance, harking back to the days when American doctors were still in ample supply in rural areas. From 1977, it let foreign medical graduates come to the U.S. to learn new skills that they could then use back home.

By law, foreign physicians on the J-1 visa are required to return to their countries of origin for at least two years to use their skills there. After that, they can then attempt to re-enter the U.S. to seek work and permanent residency.

By the 1990s, the number of U.S. doctors willing to work in rural areas was dwindling. While some federal agencies had sent foreign doctors to certain needy areas in the past, a national system wasn't formalized until 1994. That year, Sen. Conrad created a provision allowing each state to enlist up to 20 J-1 foreign medical graduates annually to work in their underserved communities. The new law waived the requirement that doctors return to their home countries for two years and let them become eligible for a green card after spending three years in an underserved area.

The arrangement has its detractors, who worry it drains skilled doctors away from countries that need them. Last year, the World Health Organization urged developed countries to reduce their reliance on foreign physicians. In the Feb. 1 issue of the New England Journal of Medicine, Fitzhugh Mullan, a professor of health policy at George Washington University, writes that the huge U.S. market for foreign

physicians is "inadvertently destabilizing the medical systems of countries that are battling poverty and epidemic disease."

The J-1 waiver program has provided more than 1,000 doctors annually to underserved areas, outperforming scholarship and loan programs designed to attract young U.S. doctors to these same places. The program's success in its early years prompted Congress to expand it in 2002. Late last year, Congress extended the J-1 waiver program until 2008.

But those efforts have been undermined by the changes to the H1-B. It allows foreign physicians to remain in the U.S. after their training, instead of returning home for two years. It also lets them apply immediately for a green card without having to work in a rural community.

Teaching hospitals in big cities now use the H1-B to lure foreign medical graduates to their facilities. Despite the fact that obtaining an H1-B visa for a doctor can cost more than $1,000, hospitals at universities are increasingly turning to the visa, particularly to court promising international medical graduates to their programs. The J-1 costs employers almost nothing.

Fixing the Problem

Some state health officials have started to mobilize to fix the problem. Ms. Berry, the Texas health official, says that one idea is to require all foreign medical graduates to spend time in an underserved area, regardless of which visa they use to enter the U.S. for training.

Situated in a valley near the Cascade Mountains, Yakima is typical of U.S. towns that had come to rely on J-1 waiver doctors. "Just like we can't get American kids to pick our apples, we can't get American doctors to treat patients in needy areas," says Michael Maples, chief executive of Community Health of Central Washington, a nonprofit agency that operates local community health centers.

In recent years, a significant reduction in timber harvesting on federal lands and a program to protect endangered species eroded one of Yakima Valley's main economic activities. When the lumber mills disappeared, many residents lost their jobs and health insurance. Meanwhile, field workers rarely get any health benefits. The average family income in Yakima is $28,000 a year, and 42% of Yakima County residents are on some form of public assistance.

Yakima Neighborhood Health, a nonprofit facility in the city's downtown, opened in 1975 with a small all-American staff that treated about 12 patients a day. But as demand for low-cost care surged, it added a medical clinic. Today, the sprawling clinic's internists, family doctors and pediatricians see 600 patients a day. About 80% of the facility's $12 million annual budget is covered by federal or state reimbursements.

Ms. Monoian, the chief executive, set out to hire the clinic's first J-1 waiver physician in 1995. Jocelyn Pedrosa, a pediatrician on a J-1 visa from the Philippines, was completing her residency at the University of Illinois, Chicago. Aware that Ms. Pedrosa was also considering positions in South Carolina and Texas, Ms. Monoian sent her a brochure about Yakima that featured white-water rafting on the cover and touted its outdoor life. She also informed the young physician that the town boasted the only Nordstrom department store outside a major city.

Under her watch, the facility has more than doubled in size. Foreign doctors on J-1 waivers have formed the backbone of this growth. "I don't know how we would have bridged the 1990s to the present without" foreign physicians, says Ms. Monoian.

Currently, seven of 12 full-time physicians at the clinic are foreign. But the facility is short three physicians. Two foreign doctors left two months ago after doing their time. Another is due to leave in a month.

Like other facilities, Yakima Health advertises in medical publications, such as the New England Journal of Medicine. It also receives referrals from Washington state's health department, whose officials attend job fairs to meet potential J-1 waiver physicians.

But the entire state is suffering. Between October 2006 and January 2007, the state health department received only two applications from J-1 waiver doctors. The previous year, the health department had received seven applications by Jan. 31. And, two years ago, the state had received 13 inquiries by that date. "It's simply alarming," says Jennell Prentice, program manager for the state.

Among the patients in the packed waiting room at Yakima Health one recent Wednesday were gas-station attendant Colin Cunningham, his wife, Amanda and their 1-year-old, Braden, who came to see James Jabile, a pediatrician from the Philippines.

Dr. Jabile, who completed his J-1 residency in a New York City hospital, says he hasn't decided whether he will stay or leave once he completes his three-year stint later this year. The clinic's primary-care administrator Rhonda Hauff, who has been trying to fill the existing vacancies, says: "We're praying he'll buy a house and stay."