

Office Visit: Orthopedic Surgeons Face Challenges in Today's Market

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As a longtime orthopedic surgeon who has been practicing more than 25 years in Oklahoma, I believe there are six key challenges orthopedic surgeons are facing in today's health care climate. These challenges are government involvement in the practice of medicine, decreasing Medicare and Medicaid reimbursement, decreasing third-party reimbursement, increasing hospital competition and recruitment, difficulty in recruiting physicians and staff and the need to develop ancillary services and revenues.

To break it down one issue at a time:

- **Government involvement.** One of the biggest challenges facing all physicians today is the government's involvement in the practice of medicine. Whether it's the Medicare physician payment formula, access to specialty care, medical liability reform, physician ownership and self-referral or scope of practice, legislative issues are affecting the quality of our profession. Physicians' roles in the political arena are more important now than ever before. As President Obama's national health care plan takes shape, physicians – and specifically orthopedic surgeons – must be involved in the design and decision-making process.

- **Medicare and Medicaid payment cuts.** Physicians face drastic cuts to their professional fees. Soon there will be double-digit reductions in reimbursement rates and the impact of those reductions will be very significant, particularly for Medicare and Medicaid. Medicare's sustained growth rate – used to calculate payment rates – is flawed. Cuts in reimbursement have been delayed over the past several years, but the formula is still in place with increased cuts looming on the horizon.

The potential effect of these cuts is limited access to care. Physicians will end up limiting the number of Medicare and Medicaid patients they're treating or choose to opt out of Medicare altogether. This will result in a ripple effect on commercial payer contracts if they are tied to federal rates.

- **Contracts with third-party payers.** Orthopedic and surgical practices have been facing significant challenges from large payers who are making aggressive efforts to rebalance payments. What this means is that they are trying to pay less to proceduralists and more to those who provide evaluation and management services for independent orthopedic practices from where a large percentage of revenues come.

This effort, combined with increasing payer leverage in many markets, has the potential to greatly decrease orthopedic revenues in the short and long run.

- **Increasing hospital competition.** The relationship between hospitals and physician practices is continuously changing. Many hospitals are once again acquiring and employing orthopedic and neurosurgical practices with a focus on high revenues for their facilities.

In the past, hospitals have not always been supportive of physician-owned facilities. The opening of an ambulatory surgical center (ASC) can alter the relationship between hospitals and surgeons, making the facilities more competitive. This is a good thing for the free market and gives incentives to both sides to lower costs, which is the No. 1 concern in the U.S.

Hospitals and ASCs each have different functions and different efficiencies – and as long as the differences are recognized and appreciated, each can thrive in its own area. Hospitals and ASCs together can streamline the system and eliminate redundant usage and waste in the delivery system.

- Recruiting clinical and business office staff. There are fewer orthopedic physicians nationwide these days, so recruiting can be a challenge. It's also an ongoing challenge to have skilled support staff such as coders, insurance billers and administrators. Offering training support can be beneficial to recruiting and retaining, while at the same time keeping a facility on the cutting edge of technology. It's important to train staff so that you can implement new technology, but it does cost money to do so. This can help with recruiting efforts in the long run.
- Developing ancillary services. Orthopedic groups can offer a range of integrated services to patients, including physical therapy and MRIs. If professional fees are going down, other revenue sources such as physical therapy, MRI, durable medical equipment, bone-density screenings and ASCs become increasingly important. Continuing to explore further options makes good business sense.

The goal of physicians has always been to deliver high-quality health care and be able to apply it to the breadth of the population. We as physicians were never trained to have to discriminate in health care delivery. We continue to work toward improving quality and maintaining access to care, even as we face 15 years of diminishing reimbursements and increasing costs of doing business. If allowed to do so, we will work toward the same goals with our leaders in Washington.

Dr. David Holden is a board-certified orthopedic surgeon and currently serves on the board of directors with McBride Clinic Inc. in Oklahoma City.