Testimony to Joint Hearing Federal Trade Commission & Department of Justice "Physician Information Sharing"

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Agenda Overview

- Brief Introduction
- Clarifying the concepts of “Competition” and “Value” in the healthcare marketplace
- Conflicts that arise in the promotion of competition and releases of information
- Suggestions about how a truly competitive marketplace can be promoted

Introduction

- PriMed's demographics
  - 60 physician group owned by its partner members
  - Primary care (IM, Peds, FP) plus cardiology and podiatry
  - 20 locations in all regions of Greater Dayton, OH
  - 225,000 patients
- Ongoing dialogue with Dayton's employers
  - Large employers like GM, NCR, Lexus-Nexus
  - Small employers of 75 – 300
- Both our patients and the employers tell us that "healthcare is too expensive"
  - Premiums for family coverage for some smaller companies exceed $1000/mo/family or $12,000/mo/family
  - Employers turn to employees for up to half of the monthly premium *plus* the cost of co-pays for drugs and medical care
  - Increasing numbers of employees are losing coverage either because the employer drops the plan or because the employee cannot afford his/her portion of the premium
- We, as a company, struggle with our annual healthcare renewals

Who Is the Customer?

From our perspective at PriMed Physicians we see our customer as:

1. The patient

2. Very often, the employer who pays some portion of the cost

3. NOT the health insurance company

What Does A Medical Group Do To Address Our Customer's Needs?

For PriMed:

- Six Sigma Quality Improvement
  - 15 Managers are Black Belt Trained
- $2+M IT investment
- Special emphasis on Disease Management for all chronic diseases and in correctly assessing risks and preventing health degradations
- Dialogue with employers about adding value by "managing care," a service they no longer receive from insurance carriers. Our goals are to reduce the cost of healthcare inflation by more than half.
- Every doctor required to participate in some team or project to improve quality

“Single Service” vs “Rolled Up” Healthcare Purchases

“Single service”

- The customer can do comparison shopping more readily and clearly “sees” value in the purchase.
- Examples:
  - A physician visit or surgical procedure for an uninsured person who will pay “out of pocket”
  - Elective plastic surgery
  - Eye Surgery
  - Botox Injections

“Roll-up Purchases”

- The customer buys an array of services rolled into one premium or purchase agreement. For example a health benefit includes both the total array of medical services (i.e. hospital, pharma, physician, etc.) *plus* insurance services plus the administrative/ transactional services of the insurer.

What is “Value” in Healthcare?

The standard, economic definition:

$$\text{Value} = \frac{\text{Quality}}{\text{Cost}}$$

- In healthcare, the quality part of the equation is an ever increasing as a focus of purchaser attention (i.e. the Leapfrog Group).
- Successful companies know well the cost of errors in their own businesses and are alarmed at error rates of 45% (or 450,000 errors per million opportunities) in healthcare (New England Journal of Medicine, June 26, 2003). There are two types of error:
  - Errors of Commission (i.e. wrong drug, wrong dose, wrong surgery)
  - Errors of Omission (i.e. failure to meet the evidence based standard)
- The employers that we speak with KNOW that they are paying too much for error.
- The cost of care is also a great concern. While we acknowledge that “unit costs” (like a day in the hospital, a prescription or a physician visit) are one part of the total cost, the actual cost of care is more complex.

Our Hypotheses About Dayton Healthcare

1. Dayton's health insurance market is controlled by two huge health plans both of whom appear to us to display a sense of impunity ("Whether we are right or wrong, we have 250K+ members and these are the rules….")
2. Dayton's hospital market has two hospital systems – one dominates the north of the region, the other dominates the south. It is generally acknowledged that any health plan's products must have both hospital systems. This has resulted in the hospital's ability to achieve pricing that is above the 50th percentile nationally. The health plans tell us directly that physicians are 2nd in line for pricing, after the hospitals.
3. Greater Dayton (or any other city) competes against all other markets for healthcare talent and capital. If a major health plan decides to pay physicians 40% *per procedure* more in a market 2 hours away than in Dayton, doctors will move there. If a market gets the reputation as "one of the worst," then physicians are warned not to accept positions in that area. Dayton has achieved this distinction.
4. Sensitive to the specialties that are highly visible or not so, health plans have cut spending in areas where the damage is less visible but not less costly.

Sample PMPM Health Spending

Hospital/Inpatient	$44.04	18.7%
Hospital/Outpatient	$35.53	15.1%
Pharmacy	$29.98	12.7%
PCP	$16.38	7.0%
SPEC	$49.13	20.9%
Physician Total	$65.52	27.9%
Ancillary & Other	$20.36	8.6%
Medical Total	$195.43	83.0%
Administration & Margin	$40.03	17.0%
Total Premium	$235.45	100.0%

What Dayton Physicians Believe That The Data Will Demonstrate

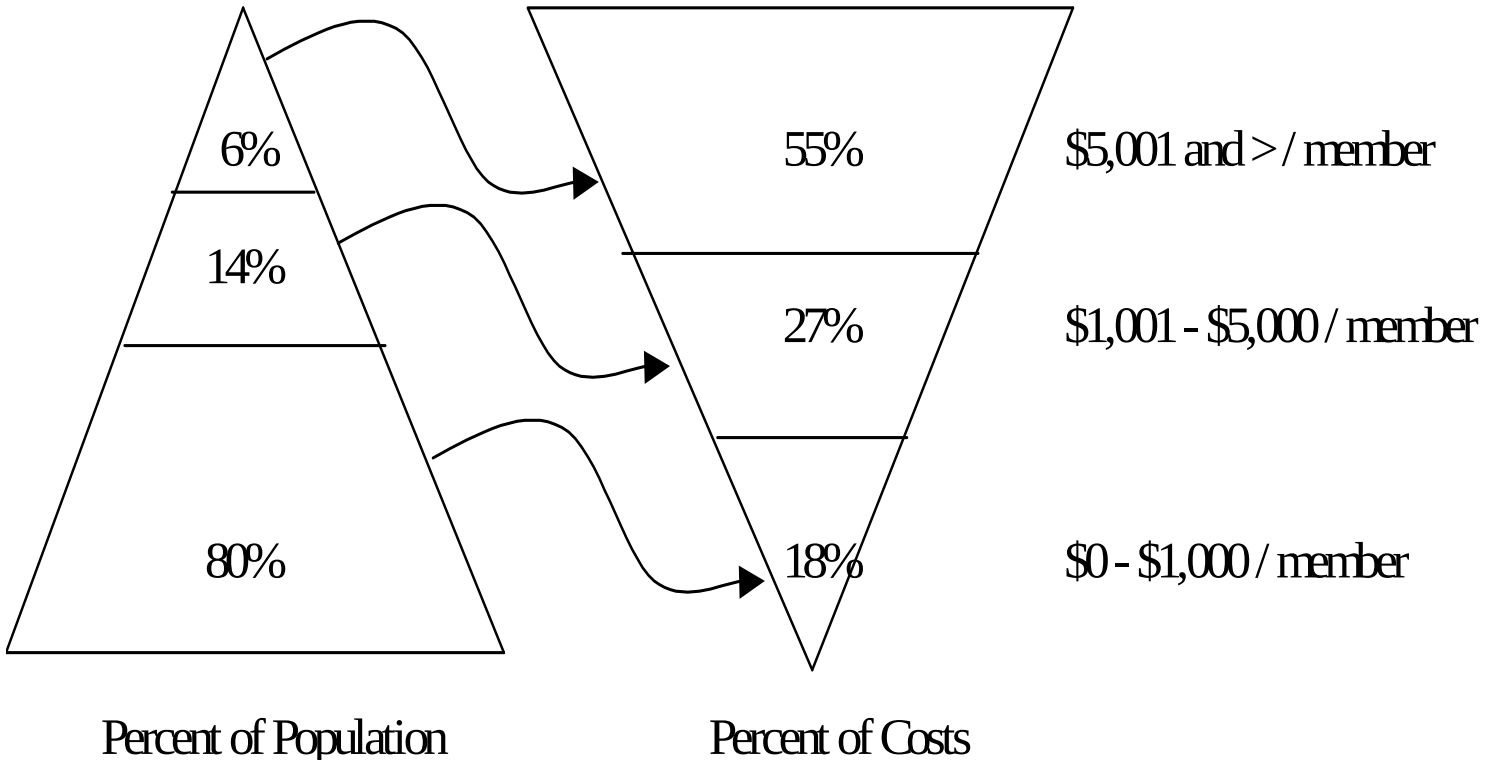
1. That some insurance companies treat providers in our market significantly differently (>40%) than other, adjacent markets where they hold major positions resulting in a loss of medical talent and the patient's inability to access
2. That some insurance companies use subterfuge to withhold care that is necessary for patients
3. That some insurance companies make decisions that save pennies today but that will significantly increase costs in the mid-term future (i.e. Rheumatology, Endocrinology, etc.)

Is This Wise?

- Pay Cardiology and Orthopaedics @ 115% of RBRVS
  - Procedural specialty
  - Highly visible
- Pay Endocrinology, Rheumatology and Primary Care @ 95% of RBRVS
  - Non-procedural specialty
  - Not highly visible
  - Often can help prevent disease processes that lead to major events and/or procedures

Physician Component

Specialty	Current	% of Total
Primary Care	$16.53	25.2%
Allergy	$1.77	2.7%
Anesthesiology	$5.64	8.6%
Cardiology	$2.37	3.6%
Chiropractor	$0.06	0.1%
Clin. Genetics	$0.01	0.0%
Dentist	$0.04	0.1%
Dermatology	$1.81	2.8%
Endocrinology	$0.13	0.2%
ER Physician	$1.44	2.2%
Gastroenterology	$1.30	2.0%
General Surgery	$1.65	2.5%
Hematology	$0.01	0.0%
Hematology/Oncology	$1.25	1.9%
Infectious Disease	$0.04	0.1%
Mental health	$4.77	7.3%
Neonatology	$0.19	0.3%
Nephrology	$0.35	0.5%
Neurology	$0.52	0.8%
Neurosurgery	$1.01	1.5%
OB/GYN	$8.09	12.4%
Opthalmology	$2.19	3.3%
Optometrist	$0.71	1.1%
Oral Surgeon	$0.15	0.2%
Ortho & Sports Medicine	$4.66	7.1%
Otolaryncology	$2.68	4.1%
Pediatric Hypertension	$0.00	0.0%
Plastic Surgery	$0.52	0.8%
Podiatrist	$0.84	1.3%
Proctology	$0.19	0.3%
Pulmonary	$0.14	0.2%
Rad. Oncology	$0.37	0.6%
Rehab Medicine	$0.72	1.1%
Rheumatology	$0.24	0.4%
Thoracic/Cardio Surg	$1.26	1.9%
Urgent Care	$0.37	0.6%
Urology	$1.47	2.2%
Vascular Surgery	$0.01	0.0%
Total	$65.51	100.0%


6%
14%
80%
55%
27%
18%
$5,001 and > / member
$1,001 - $5,000 / member
$0 - $1,000 / member
Percent of Population
Percent of Costs

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2. That some insurance companies use subterfuge to withhold care that is necessary for patients
3. That some insurance companies make decisions that save pennies today but that will significantly increase costs in the mid-term future (i.e. Rheumatology, Endocrinology, etc.)
4. That the harm caused to our medical delivery system by insurers today is leading to a downward spiral from which the market may take decades to recover.

Physician Data Sharing Issues

- PriMed asked that we be able to gather and publish information to test and dis/prove our hypotheses about certain degradations in healthcare value in our community.
  - Thus, PriMed's request to the FTC asked that you balance the disclosure of physician fee information on the one hand;
  - Against the benefit of breaking open a variety of value equations that are "rolled up" in decisions that health plans make – decisions that affect the purchasers today and into the future.

Issues With Respect To Promoting Competition

1. What principles apply if one proposes to disclose one type of discreet information (i.e. physician fee schedule) in order to provide more information and competition across a broader spectrum of the equation (i.e. insurer behavior with respect to the entire premium)?
2. Is the fact that certain kinds of information are fairly well known meaningful when evaluating our ability to publish it?
3. Some hospitals have purchased significant numbers of physician practices, typically operating these at huge losses – in competition with private practicing physicians who cannot operate at a loss – and use their combination of hospital and physician market penetration as a negotiating advantage. Is there any anti-trust implication to these behaviors?
4. What will it take to increase REAL competition in the most meaningful purchase decisions that employers and patients make?