

Presidential Address

Can the Private Practice of Orthopaedic Surgery Survive the 21st Century?

I would like to offer two very different true stories to you that I hope you will find relevant to my presentation. "There were devastating losses on Wall Street, our economy was frozen by uncertainty, there were massive layoffs, the government was stretching to meet its obligations, and millions of families lost their savings." This could have been the latter half of 2008 into 2009, but these comments were made in the *New York Times* in March of 1933 when Franklin Delano Roosevelt made his famous statement, "The only thing we have to fear, is fear itself." But he furthermore stated, "We now realize as we have never realized before our interdependence on one another."

The second true story is different but relevant to the purpose of my presentation. Twelve years ago in Iowa, the Paralympics were being held. As the 8 finalists, all with lower extremity disabilities, lined up on the starting line, crouched down, and the starting gun sounded, one of the finalists began to pull away ever so slightly ahead of the others. As he got about half way down the track, he tripped and fell, landing flat on his belly. All the other runners behind him stopped in unison, quietly looked at one another, lifted him up, and 2 of the runners put his arms over their shoulders slowly walking down the track across the finish line, all of them finishing at exactly the same time. The entire crowd of some 7,000 onlookers in the stadium rose to their feet and applauded for several minutes. There was not a dry eye in the stadium. The judges unanimously awarded them all the Paralympics gold medal for the 100 yard dash.

After my orthopaedic residency training, I began as a solo practitioner in St. Paul, Minnesota in 1978, and grew from a 2-man practice in 1982, to a 4-man practice in 1985 and practiced for a decade during what many have called the "golden years" of practicing

medicine. We rarely had to have preapprovals for surgery, we got reimbursed without hassle, and we were all as busy as we wanted to be. However, in the early 1990s it became apparent that the landscape was dramatically changing. Reimbursements began to drop as more and more MCOs (managed care organizations) captured increased market share. Newer technology such as the widespread use of MRI, increased use of the arthroscope with more cases being performed, and a dramatic rise in the number of total joint arthroplasties began to significantly increase the cost of orthopaedic medical care. We had grown to 5 orthopaedists, 2 of whom were hand surgeons, and we decided to open the first single-room in-office surgery center in the country, beginning the process in 1993 and adding an extremity scanner in 1994. After long discussions with the other competitive group in our area, we merged our 2 groups in an "umbrella merger fashion" in 1995 with just a common provider number and a common pension plan. A year later, we completed a full asset merger because we realized that we really could get along with one another and had a common purpose. During the next 14 years, we selectively have hired other orthopaedic surgeons in our community, and we are now a 32-man group (soon to be 39), consisting of board-certified orthopaedic surgeons, 2 chiropractors, 2 podiatrists, 3 occupational health physicians, a pain management anesthesiologist, a sports medicine-trained family physician, and several conservative care orthopaedists nearing retirement. Our pending hires are a physical medicine and rehabilitation specialist, a third spine surgeon, and a neurosurgeon. We have over 375 employees, including 24 physician assistants. We have a 3-room ambulatory surgery center with a pain center (a fourth room with a separate recovery area), a joint venture 3-room ASC with a hospital owned MCO that controls 250 family practitioners (we manage it and charge a management fee), 4 physical therapy departments, 3 MRIs, an occupational health department that services

over 500 businesses in the Minneapolis/St. Paul area run by 3 occupational health doctors, an independent medical examination company, an after-hours "Ortho quick" clinic staffed by PAs, a durable medical equipment department (with orthotics, braces, "game-ready" units, and continuous passive motion devices), a full-time orthotist, and in-office pharmacy (we are now converting to "vending machine pharmacies"), and a continued growth of non-orthopaedist "doctors" providing conservative care.

I humbly stand before you today to attempt to convey this life experience as an orthopaedic surgeon and to try to convince you that it is critical to adopt some of the principles within this story so that you and your orthopaedic group are not only successful, but that you also avoid many of the tragic consequences that so many groups around the country have faced or are now experiencing. I feel very strongly—and will attempt to explain why—that in order to save the private practice of orthopaedic surgery, we simply cannot get along by ourselves as soloists or even as small group practices in the future. Our environment, much like the current economic climate, has forever changed. Success in our specialty will be harder to obtain without understanding the necessity of interdependence with one another as was noted by President Roosevelt in 1933, to build a large group practice structure that can survive a decreasing rate of reimbursement, and what the paraolympians exhibited helping each other on that Iowa running track over a decade ago in order to remain viable in private practice.

As practicing orthopaedists, we have 2 major and critically confounding problems to deal with. The first involves external sources that are attempting to control our every movement, and the second are the internal problems, i.e., ourselves. I have become convinced that the second problem is the most difficult to deal with, but I'd like to begin with the external sources that have the ability and desire to forever control us. These external forces basically consist of (1) MCOs and managed care health plans, (2) hospital systems, (3) the federal and state controlled health care plans, and (4) private insurance plans. The MCOs and hospital systems want to hire us or bury us. Some of you already work for them. In fact, a recent survey of Academy members published by Shapiro 6 months ago in *AAOS NOW* showed that 48% of orthopaedists are in a private orthopaedic group and 24% are in private solo practice, indicating that 72% of orthopaedic surgeons still remain in private practice, 7% are in private multispecialty groups, and 19% are in other

environments including academic employment, MCOs, hospitals, the military, or in a combination of academic and private practice. Of interest is that the percentage of surgeons leaving private practice is increasing with the reasons listed being a decrease in reimbursements, difficulty in managing their practice, problems with perceived marketing to keep up with their competition, increased malpractice insurance premiums, an unwillingness to provide uncompensated care while on call, and lifestyle issues (i.e., decreasing worry about management issues). Ironically, 58% of those in private practice say they would consider moving to becoming employed full-time, and among those currently employed, about the same percentage say they would consider making a move to private practice! This schizophrenic response is interesting but also worrisome because it indicates that those in private practice feel so helpless in their environments that they may be willing to "give in" to someone else controlling them because of the stress of private practice, yet those employed by a hospital or managed care plan obviously are unhappy as well and wish they could either return to or enter private practice. This control by managed health care plans in many areas now consists of hospital ownership, insurance plan ownership, and finally employed physician control, which in essence allows for a monopoly of the local marketplace, thus allowing the managed care organization to basically charge and do whatever it would like as long as it can control a significant portion of the market. Ironically, the administrators who control these organizations are in it for only one reason, and as one of my partners has said on many an occasion, "It's not the money, it's the money!" Once a managed care organization owns every aspect of the health care delivery system, including physician ownership, hospital ownership, and ancillary services ownership, it can force all patient care through its captured service lines. At this point, a private group will be allowed to see patients on a consulting basis only and be forced to send patients to the MCO's hospital and the ancillary services that it owns. Basically, this "doomsday" scenario for the private practice orthopaedic group has only one further outcome, and that is when the MCO hires its own orthopaedic department. This exact scenario played out in our community in the Minneapolis/St. Paul area when a group of several very good orthopaedists gradually saw more and more of their patients from a single MCO. As the percentage of patients grew over a period of several years to eventually become over 50% of their patient visits, they awoke one day to find

that the MCO had hired its own orthopaedists. Within a 24-hour time frame, they lost over 50% of their patient base, and within a few months they went bankrupt and the group was dissolved. Sadly, this particular group fell into the deadly trap of being too small to influence the marketplace in any significant manner and allowed a single payer to dominate their patient volume.

Goal Number 1 for the 21st Century: Never, Ever Let a Single Payer Control Your Patient Source or It Will Eventually Control Your Future!

The same factions that are attempting to control the marketplace have done a fantastic job of conveying to the public, to Congress, and to state and local governments that doctors are greedy, self-serving individuals who want to derive income from the services normally provided by a hospital system or radiology group and keep this income for themselves. The lobbyists for the hospital systems and MCOs have testified before legislators both in state government and to the federal government that physicians who own x-ray machines, MRIs, surgery centers, specialty hospitals, and physical therapy departments increase the total cost of medical care by over prescribing and over utilizing these services. The *truth* is that when physicians own and control their own ancillary services, just the opposite happens. It was recently reported that when an orthopaedic group began its own surgery center, its volumes did not increase, but the cost of providing that medical care actually decreased. There are now multiple articles that debate whether competition in the marketplace actually decreases medical care costs, but there has never been a single objectively based article showing that competition *increases* medical care costs. Unfortunately, there is no consensus on this simply because this type of competitive environment truly doesn't exist with fixed insurance reimbursements by the payors. As was demonstrated during an internal audit of a large MCO health insurer in Minnesota 2 to 3 years ago, 44 cents of every dollar collected for health care insurance was spent on claims management, profit for the insurer, and dividends to stockholders. Thus, only 56% of the money collected from businesses and policy holders was actually used for patient care. The MCO continues to argue that this audit, done by an attorney in the Minnesota Attorney General's office, was flawed. In contrast, the cost of administering a Medicare claim is between 7% and 9%, with over 90% of every dollar

used for patient care. Thus, the impetus by some to offer a single government Medicare type program to pay for medical care costs. This is obviously being vehemently opposed by private insurers. However, as long as third-party insurers continue to capture the majority of health care customers with their unwieldy administrative expenses, it will be impossible to significantly decrease the cost of medical care. If the current third-party administration of medical care continues to exist, it will be necessary for all of us to confront our legislators as to the absurdity of this system, in that not only are the insurers controlling the health care costs, but they clearly are not allowing physician groups to compete for the lowest case cost based on the patient's diagnosis and treatment care scenario. For example, what if we could go to the state government and offer direct care to all state employees with knee pain, shoulder, hip, ankle, elbow, wrist and hand, neck, and back pain? We would control the costs of care of these symptom pathways, be totally transparent, there would be no third-party administrator to pay the expense of claims administration, and all care would be run through physician-owned ancillary services, except in the case of major surgery requiring hospitalization (unless, of course, there was physician-owned or joint-ventured ownership of the hospital system). Can you imagine the cost savings for government employees?

Goal Number 2 for the 21st Century: We Must Get Involved in the Political Process Predominantly Within Our Own States and Attempt to Explain to the Legislators Where the Costs of Medical Care Really Are

Our legislators don't have a clue because they are being educated by lobbyists who are hired by the American Hospital Association and MCOs. They have no idea what the real truth is! We must attempt to take back the control of medical care from hospital systems and MCOs that are only interested in making money and *not* in administering the highest quality care at the lowest cost, which we as physicians can do if we own and control ancillary services as well as ambulatory surgery centers, and in some cases the hospitals themselves! Choose someone in your group to be "the politician" and interact with the state legislators. Pay him or her well because your economic future just may be a result of his or her success at the state level!

This discussion implies a major argument that all of you in the audience must make whenever confronted by a legislator or hospital administrator, which is: *who*

knows better how to order tests and render care to that patient than the physician who is caring for that patient? When have any of you ever witnessed a hospital administrator, claims adjuster, health care lobbyist, or a supposedly knowledgeable health care legislator ever care for a sick patient? We must never, ever let anyone in these positions control or even get close to winning these arguments if we are to have any control of the medical care that we deliver.

I know it is easy to sit back and say, as many of you may be thinking at this point, "I just want to practice medicine, why do I have to get involved in any of this BS?" And that truly is the dictum of someone who admits defeat. We all agree that our mission as physicians is to render high-quality patient care. Unfortunately, unless you control the service rendering the care, in the future you may not be able to achieve the mission that you were trained for, which is to provide high-quality, efficient patient care at a reasonable cost. I'm sure all of us in this room have had the incredibly frustrating experience of having to fight with a claims examiner to obtain an MRI, perform surgery, or send someone for physical therapy. Claims examiners are hired to deny claims; that's what they do! So as a private practicing physician, if you want to stay independent, you must become more active, and even if it's not in your nature to do so, become more aggressive, or choose someone in your group who has those personality characteristics to do so. Psychologists have written book chapters about the psychopathology of physician behavior. Our basic desire is to be independent, yet we're unwilling to accept that we don't know everything since we perceive ourselves to be "all knowing." We were trained to be independent thinkers, to be confident in a crisis. Yet, from a monetary and even a control situation, we are being told what to do on a daily basis by those with much less education, training, and quite frankly, often less intelligence. This is the true irony of what has happened to us! We are being controlled either indirectly or directly by insurers, hospital administrators, managed care executives, claims managers, or government employees. Unfortunately, this constant struggle leads to frustration, and many studies have documented stress and higher than expected rates of psychiatric morbidity in physicians. Doctors are particularly prone to substance abuse and have higher than normal rates of suicide and alcoholism, even leading to spousal misuse of drugs and alcohol. It is clear that jobs become stressful if they combine high demands with no power or authority to alter the situation. This is called "perception of low control" and is considered a major

source of work stress and worsening mental health outcomes. Surveys of physicians consistently experiencing high intensity of work, conflicting time demands, heavy professional responsibility, and the ever-present threat of medico-legal action, clearly tend to exhibit high levels of stress. The majority of physicians have limited power to alter the conditions under which they work. This results in a sense of powerlessness and negative reward that we tend to feel as physicians. Furthermore, we tend to be obsessively committed to perfection (remember that the enemy of good is perfection), we tend to be inflexible (doctors don't tend to play well together), and to show dogged persistence and often an inability to relax. These overly obsessive individuals have an intense perceived need to control their environment. This is what confuses me so much. If the psychologists are right, why do we so easily give in when we are unable to solve a political, hospital, physician personality, or business issue? Why do we join a hospital system or MCO and let an administrator with a bachelor's degree control our future? The answer is really quite simple. Since we don't feel we have control of our environment, don't understand business issues, and don't understand the political landscape in our area, we will just let someone else make these decisions for us; it just seems easier that way. However, the result is even less control, which causes increased stress and a greater sense of powerlessness, resulting in more personal depression. All of this occurs as the result of allowing others to control our destiny!

Thus, most psychologists believe that physicians must reclaim control of their workplace and change their lives in ways that address the imbalance between excessive demand and perceived low control. In a recent survey of 600 physicians in California, it was found that a sense of control over the practice environment was the most important predictor of psychological well being, satisfaction, and professional commitment, and this clearly explains why over 60% of employed physicians wish they were in private practice. So, what is the answer in today's environment? You absolutely must get as big as you can in your marketplace. Why did Northwest and Delta Airlines merge? To get bigger in order to control their marketplace. I would argue that you need to find legal help to see how big you can get and yet satisfy the Herfindahl Index (the term used to avoid a monopoly in your geographic location). Remember that the other orthopods in your community are not your enemies! Most everyone else, however, is!

Goal Number 3 for the 21st Century: Get Bigger and Attempt to Control the Marketplace and Develop Your Own Ancillaries

It is a huge mistake if you don't do this because as clinical and surgical reimbursements decrease, ancillary service revenue may be your primary source of income in the future. In order to control the type and quality of care you deliver, you have to control the service lines that you use. This means that you should try to own your own ambulatory surgery center, physical therapy unit, MRI, and potentially a specialty hospital. If you are in a certificate-of-need state, consider joint venturing with a hospital system and managing its service lines, its operating rooms, its inpatient units. Yes, it can be done legally, and that is an entirely different discussion.

Ladies and gentlemen, the answer is right there in front of you and many, many groups have figured it out! Get together with your colleagues, embrace them, work with them, ignore their bizarre personality traits, ignore the fact that someone said something that you didn't like or treated you with disrespect 10 years ago. I happened to give a talk several years ago to a state society on practice management, and at the faculty dinner one of the surgeons came up to me and asked about the umbrella merger concept. This means basically that you merge with other groups but keep your own offices, your own employees, and your own culture, but you must have a common provider number and pension plan to begin with. His response was, "Heck, I could never do that with the other group in town." I asked why not? He said because one of the other group's orthopaedist's wives had insulted his wife at a country club party over a decade ago. Of course, my response was, "What in the world does that have to do with anything? You don't have to be social with your colleagues, you only have to work with them toward a common goal, and that is to exert influence in your community that will allow you to achieve some sense of control of your environment with the payers!" When my 5-man group approached the other 6-man group in town regarding an umbrella merger in the early 1990s, I was later told that one of the senior partners in the other group said, "I'd like to merge with Bert about as much as I'd like to merge with a ham sandwich!" Yet, after we were together for about a year, we realized that our competitive paranoia was just that. . . unfounded paranoia. All the nonsense about other groups in town "not being good doctors" or being "impossible to get along with" is

usually just rumor founded on jealousy and distrust. Once you get past the competition issues, you will realize that the other group has the same fears as you do. I've said it before and I will say it again! Your colleagues are not your enemies! Getting bigger is going to be absolutely necessary to succeed, to wield influence, and gain some control of the marketplace. Why do other corporations want to get larger, merge companies, and capture market share? So they can have some control of their marketplace! Remember all the psychological opinions and the physician surveys that I described: the happiest physicians are those who feel at least some sense of control.

Goal Number 4 for the 21st Century: Don't Ignore Your Family and Partners

This is a very personal comment after being married for 34 years, undergoing cancer treatment, supporting others every month in a cancer workshop I am proud to be a member of, and having a very supportive group of partners surrounding me. They have been helpful in every way possible, allowing me to spend a great deal of time away from my practice. For you personally to be a productive surgeon, you must be happy with who you are and have a strong family structure. This sense of security and well being will be evident to all that you encounter. In our profession, we are truly blessed that we can help others and see the benefits of that success in the vast majority of patient encounters. We will all have bad days, complications that will confound and depress us, and almost all of us will get sued, and many of us have to go to court and be told we are the worst doctor in the country by someone who makes his or her living testifying against other physicians. It's happened to me and may happen again. However, the people who are most important to you will always be your family members, and they will give you the strength to get through the most difficult times of your career. Do everything in your power on a daily basis to tell them how much you care about them, and show them in both words and actions. How many times have we come home from a difficult day at the office, we're tired, and guess whom this frustration is taken out on—our family!

Goal Number 5. Don't Ever Forget Who You Are!

We all do this a lot. Try to remember, you are all gifted physicians, or you wouldn't be sitting in this room. You have taken the time out of your busy

schedule to attend a meeting to improve your clinical and surgical skills as an arthroscopic surgeon. You have come to learn from the best and the brightest, from the largest and most respected arthroscopic surgery association in the world. It has been my honor serving as your president. As I step down from this position today, I know that you will be in the best of hands with Rick Ryu, Buddy Savoie, and Rick Angelo as your future presidents. If I can ever do anything for any of you on a

personal or educational level in the future, please do not be afraid to call on me. Thank you for the honor of serving as your president.

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