

# National Issues and the Future of Orthopaedics

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# The Last 39 months

- **ARRA – America’s Recovery and Reinvestment Act**
- **HITECH – Health Information Technology for Economic and Clinical Health**
- **Meaningful use and EHR**
- **Patient Protection and Affordable Care Act – PPACA**
- **Recovery Audit Contractors - RAC**
- **Comprehensive Error Rate Testing – CERT**
- **Medicare Reporting & Returning of Overpayments Rules**

# SCOTUS and PPACA

- 🌐 Judicial review and diversity
- 🌐 Anti-Injunction Act
- 🌐 Individual Purchase Mandate
  - 🌐 Guaranteed Issue
  - 🌐 Community Ratings
- 🌐 Severability
- 🌐 State Medicaid Mandate

# PPACA is Constitutional



# PPACA is Unconstitutional

A photograph of a green street sign with the word "Hell" written on it in white, serif font. The sign is mounted on a wooden post and is surrounded by a thick layer of icicles hanging from the top edge. The background is a blurred, snowy landscape.

Hell

# If PPACA is Constitutional

- 🌐 \$900B original advertised cost for 10 years
- 🌐 Latest CBO revised to \$1.76T
- 🌐 Senate Budget staff found another \$2.6T costs
- 🌐 Long Term hidden Liabilities \$17T
- 🌐 Medicare SGR is still broke
- 🌐 Medicaid payments are inadequate

# If PPACA is Unconstitutional

- 🌐 Still need sustainable fix for existing programs
- 🌐 Medicare costs now projected to be \$340 – 530B more than CBO estimate for next 10 years
- 🌐 \$494B tax hike for every marginal bracket on 1.1.2013
  - 🌐 70% on low & middle incomes
  - 🌐 Child tax credit cut in half and marriage penalty returns
  - 🌐 Dividends taxed at nearly triple
  - 🌐 AMT will apply to 34 million filers in 2013

# Replacement Alternatives

- 🌐 Patient Centric Model - EHR and HSA controlled by patients with Patient Reported Outcomes
- 🌐 AMA model – advanceable refundable tax credit
- 🌐 State Initiatives
- 🌐 Market driven by purchasers
- 🌐 Rationing
  - 🌐 Government
  - 🌐 Payers
  - 🌐 Patients



# Long term outlook

- 🌐 Quality, Transparency, and Value
- 🌐 Payers replaced by Purchasers
- 🌐 Entitlement Tsunami
- 🌐 Pay for volume replaced by what?
- 🌐 Integration: Who gets to drive my bus?

# Quality, Transparency, and Value

- Who gets to define Quality?
  - PQRI – now a negative reinforcement model
  - SCIP – aggregate only small effect
  - PCPI – Piecemeal approach
  - NQF – only endorse/approve
  - CER – can't factor costs
  - Why aren't patients consulted – PRO
- Data so far has shown little if any improvement.
- Transparency – is everyone ready to be transparent?
- Value = Outcomes/Costs

# Entitlement Tsunami

- 🌐 State Medicaid budgets are busted
- 🌐 36% of Texas state budget and growing at 6% annually
- 🌐 Dual eligible seniors are over half the budget
- 🌐 Boomers turning 65 last year
- 🌐 Pre-senile Medicare enrollees exploding
- 🌐 No relief for Orthopaedics
- 🌐 Defined benefit needs to become defined contribution

# Payers replaced by Purchasers

- 🌐 Orthopaedics is now on their radar
- 🌐 Concerns are costs, appropriateness, quality & safety
- 🌐 Interested in improved function, low complications, and durable results.
- 🌐 They want US data – International data variability




# Purchasers are driving your bus

- 🌐 2006 TKA costs \$21B for 583,000 joints of which 42% were under age 65 costing them \$8B
- 🌐 2006 THA costs \$16B for 408,000 joints of which 45% were under age 65 costing them \$5B
- 🌐 Why am I paying for your mistakes and bad choices?
- 🌐 Why aren't you affordable, accountable and innovative like I have had to be in my business model?

# Trends in implant costs from 1992 to 2008 costs

- 🌐 Surgeon -39%
- 🌐 Hospital +27%
- 🌐 Standard implant +132%
- 🌐 Top line implant +204%
- 🌐 If Purchasers know this, why don't we?
- 🌐 What are we going to do about it?

# What are Purchasers looking for?

-  **Affordability** – Appropriate use of expensive treatments and technology through shared patient decision making , rewarding efficient physicians.
-  **Accountability** – Metrics of appropriateness and health outcomes for optimal patient experience.
-  **Innovative delivery** – Redesign of payment based on higher levels of evidence, IT infrastructure, and CER.

# Purchasers response





- 🌐 **Maximum bundled payment**
- 🌐 **Carve out services for double deductibles**
- 🌐 **Contract with high value providers**
- 🌐 **Higher co-pays for low value providers**
- 🌐 **Exclusive Provider Organizations - EPO**



# Pay for volume replaced by what?

- 🌐 Salary, Capitation, and Fee for service
- 🌐 Hybrids
- 🌐 Contingency fee contract?
- 🌐 Pay for outcomes?
- 🌐 Warranties?

# AAOS Quality Initiatives

-  American Joint Replacement Registry – AJRR
-  Clinical Practice Guidelines – CPG
-  Appropriate Use Criteria – AUC
-  Value project

# Workforce

- 🌐 Changing values in surgeons
- 🌐 Changing gender in orthopaedics
- 🌐 GME funding
- 🌐 Primary care vs. specialists
- 🌐 Fellowships vs. need
- 🌐 Doctor surrogates

# Bone Home Alone?

- 🌐 Can we play well with others?
- 🌐 Can we learn to lead a team?
- 🌐 Can we take an alternate role?
- 🌐 Who will be left to take care of us?

# Under Age 40 Physicians

- 🌐 57% Pessimistic to Highly Pessimistic
  - 🌐 #1 new government healthcare legislation
  - 🌐 #2 government involvement
- 🌐 80% Highly to Somewhat Satisfied in current practice
- 🌐 58% are employees, 26% owners, 39% want to be owners
- 🌐 7 years is average plan to stay in current practice position

# Thoughts for Discussion

- 🌐 New technology is always more expensive.
- 🌐 Medically necessary is this pen in my hand.
- 🌐 Doctors can't control spending without data.
- 🌐 Patients will quit spending when it costs them.
- 🌐 Alignment of incentives is outcome focused.

# Who lives; Who dies; Who pays; Who decides?

- 🌐 Cradle to grave individual tax advantaged HSA.
- 🌐 Gov't programs morph to defined contribution.
- 🌐 Indigent enrollment and advanceable tax credits.
- 🌐 Individual contracting with patients.
- 🌐 EHR is owned/controlled by patient.
- 🌐 Value is payment driver and user defined.
- 🌐 24/7 access outside the ED.

# Questions?

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