PHYSICIAN EMPLOYMENT BY HOSPITALS INCREASED MEDICARE COSTS FOR FOUR SERVICES BY $3.1 BILLION FROM 2012-2015

As rates of physician employment by hospitals rise dramatically, costs for Medicare beneficiaries and programs may increase as a result of patients being seen in higher cost settings of care

WASHINGTON, DC—A 49 percent increase in physician employment by hospitals caused Medicare costs for four healthcare services to rise $3.1 billion between 2012 and 2015, according to a new study released by the Physicians Advocacy Institute (PAI).

The analysis, conducted by Avalere Health, shows that for four specific cardiology, orthopedic, and gastroenterology services, Medicare paid $2.7 billion more for services performed in hospital outpatient settings, with beneficiaries facing $411 million more in financial responsibility for these services than they would have if they were performed in independent physicians’ offices.

“Hospital consolidation pushes healthcare costs upward,” said Robert Seligson, PAI president. “The impact of hospitals owning outpatient practices places a greater financial burden on Medicare beneficiaries and on taxpayers.”

Researchers analyzed certain cardiology, orthopedic, and gastroenterology services and found that practice patterns for hospital-employed physicians resulted in up to 27 percent higher costs for the Medicare program and 21 percent higher costs for patients.

The study looked at practice patterns and found that physicians employed by hospitals deliver a higher volume of services in the more costly hospital outpatient setting than independent physicians. Avalere researchers then analyzed how costs of care for patients treated by hospital-employed physicians would change if they had the same practice patterns as independent physicians in their geographic area, and assumed the same patients would receive the same procedures, just in a different setting. Once the costs were determined, researchers calculated the difference in costs to Medicare and costs shared by the patient.

“This study underscores the fact that independent physicians continue to provide patients with affordable, quality care every day,” noted Kelly Kenney, executive vice president and CEO of PAI.
PAI is examining these trends as part of an ongoing effort to better understand how physician employment affects the practice of medicine and impacts patients.

Full methodology is available in the analysis.

If you would like to speak with an expert from the Physicians Advocacy Institute about the analysis, please contact Will Walters at wwalters@MessagePartnersPR.com or (202) 868-4821.

The Physicians Advocacy Institute, Inc. (PAI) is a not-for-profit 501(c) (6) advocacy organization established in 2006 whose mission is to advance fair and transparent payment policies in order to sustain the profession of medicine for the benefit of patients.

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