

Payer's Perspective on Procedure Migration

Interview with Donald Sacco

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Interviewer: Vincent Ma, TMTG

VM: What do you think about the migration of medical procedures into the office? Is this a desirable trend?

DS: Office based surgery can be a real benefit to patients. It can add to their convenience and comfort, and it also has the real opportunity to be more cost effective. Concerns that I have are primarily related to safety and quality. From a safety and quality perspective we have to be assured that the procedures can be done safely by qualified staff and that we have a system for reporting all of the experiences in the office setting. We don't have that today. Utilization is a secondary concern. In the past we have seen that when we have an abundance of facilities we end up with a higher volume of services. That is a concern in terms of cost effectiveness for the whole system.

VM: Reimbursement can influence a physician practice. If a procedure performed in the office is better reimbursed than the same procedure performed at the hospital, clearly physicians will have a financial incentive to do more in their office. When payers, set office reimbursement rates, what motivates their decision?

DS: Historically, the initial reaction was to discourage movement of procedures from the hospital to freestanding surgical centers and physician offices. More recently the insurance benefit structure has begun to change. There have been efforts to get consumers more engaged in the healthcare process. In most cases today benefits for surgery include a co-payment. Patients are paying a percentage of the charges or acceptable costs at the time of service. So it then becomes a benefit for patients to look for the lowest cost setting. In essence, reimbursement is moving away from variable payments based on location, to getting the consumer more engaged by lowering out-of-pocket costs when they choose the lower cost setting.

More recently the insurance benefit structure has begun to change. There have been efforts to get consumers more engaged in the healthcare process. In most cases today benefits for surgery include a co-insurance. Patients are paying a percentage of the charges or acceptable costs at the time of service. So it then becomes a benefit for patients to look for the lowest cost setting.

VM: From a public health policy standpoint, would the availability of more treatment options in the physicians office lower the cost of healthcare?

DS: In theory, quality care rendered at the lowest cost setting obviously helps improve the whole system's effectiveness. Growth in office procedures certainly can add to the convenience and comfort for a patient. Access for patients is definitely improved. From a consumer standpoint, the main issue becomes whether the office is an appropriate setting for the type of surgery proposed. Is the staff trained? Is the equipment appropriate? This is an issue of safety. As we see more types of surgery migrate to the office setting, I believe that there will be even stronger calls for office based standards in order to be eligible for reimbursement.

VM: What are the pros and cons of this trend in regard to a patient's interests and experience? What concerns do patients need to have?

DS: It boils down to the issue of safety first and quality outcomes second. Obviously, the cost implication is something that we've already talked about. I think that patients need to be assured that when a surgery is proposed to be performed in an office setting, it is safe to do so and that the physician and staff in that office are capable and have the appropriate experience for providing that service.

VM: In your opinion, would shifting the point of care to the office increase or decrease the quality of care?

DS: Everyone is aware that we have a number of trends at work that include changing technology, especially when it comes to being able to perform surgery with minimum impact to the body. Minimally invasive surgery has begun to take hold in all kinds of surgical areas and that trend itself is going to shift more services from the inpatient to the outpatient setting. This will encourage more services to be provided in the office. As that happens, and as anesthesia continues to improve, and as the population ages, more surgeries will migrate to the office setting.

VM: What do you think clinicians' reaction is to the migration of procedures

DS: Clinicians are obviously highly capable people, but they are also very smart from a business perspective. They will respond based on what makes good economic sense. For example, being able to perform office surgery requires a relatively expensive investment in equipment. Physicians will want to make sure that there is some reasonable assurance that there is going to be a return based on the volumes that they anticipate and the level of reimbursement. Those issues will be either a barrier or assistance to entry. If volumes can be forecasted to provide enough incremental revenue and the safety and quality requirements, which will increasingly be applied to office based surgery, don't become too onerous, I think clinicians will continue to develop the capacity to perform office based surgery.

VM: Will the migration trend continue or has the trend reached a plateau? In which particular clinical areas do you believe the migration is intensifying and in which clinical areas is the trend reversing?

DS: No, I think we'll continue to see a shift in surgeries to the office for the reasons that I talked about before. I think the minimally invasive aspect of surgery today provides many more opportunities for it to be done in an office setting. Anesthesia has changed dramatically over the years and this again allows for the patient to be safely released within a few hours of surgery. The baby boomer population will stimulate additional demand, thereby putting pressure on existing capacity. These factors will act as incentives for further development of office based procedures.

While I admit that you are testing the limits of my expertise in terms of the clinical side, I do think that in the diagnostic categories, be they imaging or even invasive procedures such as endoscopy and so on, these types of procedures will offer opportunities to be performed in the office. As arthroscopic surgery becomes more and more pervasive for different parts of the body, it will allow for at least the consideration of migrating procedures to a lower level setting. I think that there are a number of trends in place that will stimulate the continued migration. The first place that experiences the growth is the freestanding outpatient facility, but it begins to impact physician office settings as well.

Medical device companies should definitely continue to invest in research and development to discover smaller and easier-to-use devices to continue the trend. It is more than just a cost savings issue. If you take a look at what we have been able to accomplish over the years in surgical techniques, there is a tremendous positive impact on the quality of care. That has continued to be an overriding emphasis in terms of what is needed in the health care systems. Medical device companies that offer an opportunity for both cost effectiveness and improved quality have a positive and bright future.



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