THE STATE OF RHEUMATOLOGY

Paul H. Caldron, DO, FACP, FACR, MBA
Coalition of State Rheumatology Organizations
Fellows Conference

February 20, 2016
San Francisco, California
USA
Prosperity rising
The Success of Global Development - And How to Keep It Going

Foreign Affairs
Monday, December 14, 2015

Steven Radelet
Donald F. Henry Chair in Global Human Development
Georgetown University

Global Health

• 1960 22% of LMIC countries died before age 5; 2013 5%
• 1990 Diarrhea killed 5 million children; 2014 1 million
• Half as many people die of malaria as in 2000
• Deaths from HIV and TB have dropped by one-third
• Chronic hunger has dropped almost half since 1995
• Life expectancy up one-third in LMICs (from 50 to 65) since 1960
• All countries involved, even the worst governed
Overview

Rheumatology as an Industry
History and Perspectives

Rheumatology as a Service Business
Durable concepts

Where Are We Going
How do we develop Sustainable Systems
US Rheumatology Manpower Distribution

75% Private Practice (proportion owned by rheumatologists unknown)

16% Academic

9% Government and Industry
Industry Analysis of Rheumatology

The Bigger View

- Strong professional associations (guilds) – ACR, EULAR
- Strong scientific and technological advances in the 1990s forward
- Strong market – large and expanding
- Relatively decreasing numbers of rheumatologists

Why the decrease?
American College of Rheumatology (ACR)
Work Force Study 2006

Projection 2005 – 2025

Number of rheumatologists will increase by 1.2%

Demand for rheumatology services will increase by 46%

2013-2014 48% of Fellowship applicants are IMGs

Radiology-Orthopedics-Anesthesiology-Dermatology
R-O-A-D to riches
Industry Analysis of Rheumatology

Why Do We Love Rheumatology?

Intellectual Stimulation

Considered Intellectual (Respect of Colleagues)

Lifestyle (Few emergencies)

Long-term Relationships With Patients

Exciting new therapies

Income ❓

< Opportunity Cost
Physician Compensation in 2012

Medscape Lifestyles Survey 2012: mean
Industry Analysis of Rheumatology

The Bigger View

- Law of Supply and Demand not working
- Market Distortions
  
  Payers – Government
  Managed Care
  Anti-trust laws – Insurance may collude on price
  Physicians may not collude on price
  Cognitive/Procedural Discrepancy

Lack of business and economic knowledge in rheumatologists

*An Inconvenient Truth*
The State of Rheumatology

Becoming a Businessman

An Inconvenient Truth

• Cost Consciousness – A learned and tested performance characteristic

• Profit Motive - The morality of wealth accumulation

• Who should profit? – An underlying question to stewardship of the profession and meeting the demand for services, grounded in economic reality

• Working in the Business vs. Working on the Business
  Both necessary and Both honorable
US Rheumatology
- Pallet of management services
- Membership fees, access to services
- Pathways: Aggregated data for sale
- Management Group
- Capitalization
  - Membership in LLC, Curascripts

American Arthritis and Rheumatology Associates
- Multistate group – single Federal Tax ID
- Common EHR
- Educational business unit
- Pathways: Aggregated data for sale
- Management Group (Bendcare); Percent of revenues
- Capitalization
  - Membership in LLC (ownership shares)

US Rheumatology Network (USRN)
- Network for contract negotiation
- Pallet of management services
- Favorable supply pricing - must procure buy-and-bill pharmaceuticals through McKesson
- Capitalization
  - McKesson

Arizona Arthritis and Rheumatology Associates, PC
- C-corporation - All shareholders are practicing rheumatologists
- Single group, fully integrated management structure. 9 offices, all metros of Arizona
- Pooled investment, risk
- Selective recruitment
- CORRONA database; Pathways: Aggregate data for sale
- Integrated business units (physician – APC teams)
- Integrated business units (“ancillaries”)
- Exploring contiguous cross-state border growth
- Capitalization
  - Self
Strategies for Addressing the Shortage of Rheumatologists

See Only Immunological Disease

Design More Efficient Practices

Advanced Practice Clinicians (NP/PAs)

Attract New Blood
Guiding Principles for Promoting the Profession of Rheumatology

1. The greatest risk to the quality of care of a patient with rheumatic disease is:
   The unavailability of a rheumatologist

2. Private practice rheumatologists must optimize business practices

   To optimize profitability

   To compete for young doctors

   To meet the US demand
Managing the Internal Environment

Company

Services Marketing Triangle

Where most of the failures are: Building the internal customer.

Don’t create expectations that can’t be met.

Enabling the promise
(let the staff member know what the promise is)
“Internal Marketing”

Staff Member (internal customer)

Setting the promise
(what I’ll do and what I’ll not do)

Customer

Delivering the promise
Managing the External Environment

- Evaluation and Management—Contracts
- Functional Relationships with our Exchange Network
  Suppliers
  Other consultants
  Legal entities and regulators
- Cooperating with our professional organizations to influence policy in Government and Managed Care
- Vertical and Horizontal Integration
Vertical and Horizontal Integration

- Laboratory
- X-ray
- Densitometry
- MRI
- Diagnostic / Interventional US
- Orthotics, Supportive devices
- Non Pharmacy Dispensing Site
- Infusion Services
- Clinical research
- Physical / Occupational Therapy
- Electrodiagnostic Studies
- CORRONA Database Entry
- Theralogix
- Complementary Therapies

Suppliers
- Owning the Building
- Group Purchasing Organization

Rheumatologist’s Core Competency Diagnosis and Treatment

Buyers
- Employer based Contracting
ACR Benchmarking Survey 2003

Direct Correlation with Ancillary Services

Proper coding (ICD-9)

Minimal delays in seeing patients

Use of Physician Extenders (Nurse Practitioners/Physician Assistants)
Rheumatologists practicing in private practice indicate nearly three-fourths of all personal sources of compensation come from direct patient care.

- Direct patient care: 72%
- Infusion therapies: 9%

2014

- Research: 24.7%
- Infusion: 39.3%
- X-ray/MRI/DEXA: 5.1%
- Lab: 4.2%
- Office: 27.6%

Percentage of Rheumatologists (n=186)
Have we done the right thing?

Can we create a more sustainable practice model?
• 4% annual increases in HC costs 2000-2009
• 0.3% annual increases 2009-14
• Possibly temporary related to 2008 economic downturn
• 6-8% expected increase over 2015-2035
Health expenditure per capita varies widely across OECD countries. The United States spends two-and-a-half times the OECD average.

Health expenditure per capita, 2011 (or nearest year)

1. In the Netherlands, it is not possible to clearly distinguish the public and private share related to investments.
2. Current health expenditure.

2011 (or nearest year)

Life expectancy in years

GDP per capita (USD PPP)

Life expectancy in years

Health spending per capita (USD PPP)

2009

R² = 0.55
Practising doctors per 1 000 population, 2000 and 2011 (or nearest year)

1. Data include not only doctors providing direct care to patients, but also those working in the health sector as managers, educators, researchers, etc. (adding another 5–10% of doctors).
2. Data refer to all doctors licensed to practice (resulting in a large over-estimation of the number of practising doctors in Portugal).

Reforming US Healthcare – The Value Agenda


Health care costs of smoking $289 billion (four times the federal budget for education)

US smoking rates 42% in 1965
18% in 2013

Savings from smoking bans begin immediately

Obesity – 1/3 of Americans are obese

CDC – Health care costs $142 Billion
Choosing Wisely in Rheumatology

The ACR established a Top 5 Task Force to oversee the creation of the following recommendations:

1. Don't test antinuclear antibody (ANA) subserologies without a positive ANA screen and clinical suspicion of immune-mediated disease.

2. Don't test for Lyme disease as a cause of musculoskeletal symptoms without an exposure history and appropriate examination findings.

3. Don't perform MRI of the peripheral joints to routinely monitor inflammatory arthritis.

4. Don't prescribe biologics for RA before a trial of methotrexate (or other conventional non-biologic DMARDs).

5. Don't routinely repeat DXA scans more often than once every 2 years.

www.rheumatology.org

www.acponline.org
Megatrends (a la John Naisbitt)

- Pressure on US physicians - the perfect storm:
  - Consumerism
  - Payers
  - Peer pressure
  - Litigious environment
  - EHR/MU/Pay-for-performance
  - Heavy schedules

- Pressure on rheumatologists:
  - Existential pressure on solo/small practice - complexity of execution.
  - Move to employed status and potential exploitation.
  - Other responses are hard to understand (US Rhm, USRN, AARA, AzARA)

- Big Data implementation/Predictive Analytics/Population Management vs. personal care - more relevant in alternative payment models

- Success in rheumatology will require the skill of team management and development of efficient operating systems
Healthcare Evolution

My Take…

Dramatic changes in other sectors:

• Travel – Airlines, Uber, AirBNB
• Education – MOOCs, Community College, distance, mergers
• Communication – mobile, devices, payment
• Entertainment - movies, television, news
• Banking, finance – Mpesa, crowd sourcing/lending facilitators (“Fintech”)
• Medical technology – human exoskeletons, self-driving cars, CRISPR-Cas9 gene splicing, oncology/immunology therapeutics momentum
• Healthcare – expect continued change to outpatient management, “population management”, bundling, “direct or concierge” modeling, risk shifting and sharing, measures, big data implementation

Dynamic Disruptive Gradual

You are the generation that can handle this
THE STATE OF RHEUMATOLOGY

Paul H. Caldron, DO, FACP, FACR, MBA
Coalition of State Rheumatology Organizations
Fellows Conference

February 20, 2016
San Francisco, California
USA