Florida study uncovers joint-venture problems

August 28, 1991 | Residents [1]

A state-sponsored study has found that Florida residents pay more and are referred to diagnostic imaging services more often than residents of other states. The study attributes this imbalance to the virtual monopolization of outpatient MRI and CT services by physician-owned joint ventures.

Results from the Florida study add fuel to the fire of national debate on medical joint venturing. Policy-makers in Washington and elsewhere have anticipated the report since last November, when research published in the New England Journal of Medicine indicated that self-referred medicine costs more and increases utilization. Supporters of joint venturing criticized the study because it was limited to referral patterns for equipment based in physician-owner offices.

The draft report released this month by the Florida health care cost containment board highlights diagnostic imaging and two other medical joint-venture arrangements as problematic because of their high cost and utilization. The other joint-venture classifications are clinical laboratories and physical therapy and rehabilitation centers. Congress singled out physician joint ventures in clinical laboratories for stringent Medicare anti-kickback regulation in 1989.

Although the Florida report focused on self-referral to freestanding centers, it was hampered by methodological weaknesses in the evaluation of diagnostic imaging, a cost containment board official conceded.

The problems mean the study cannot definitively say whether self-referral to freestanding diagnostic imaging centers is a bad deal for the health-care consumer. It provides considerable political ammunition, but not the smoking gun that joint venturing's opponents sought from the investigation. The Florida survey found self-referring physicians have a virtual lock on the state's outpatient diagnostic imaging services. All but 11 of the 160 imaging centers that responded to the questionnaire are joint-ventured facilities. Only one of the 11 non-joint-ventured centers is equipped with MRI and CT. The remaining 10 specialize in x-ray.

MRI joint venturing is so pervasive that researchers were forced to use utilization statistics from non-joint-ventured centers in Baltimore as a basis for comparison. The out-of-state comparisons may have weakened results pertaining specifically to diagnostic imaging, said David Coley, public information director with the cost containment board.

On the whole, however, the data spun from this effort bolsters the arguments of political forces opposed to joint venturing. They show that most of the nine types of joint-ventured medical businesses charge more and use more services than those that are not joint ventured. The board reported substantially higher MRI utilization rates in each of four Florida cities, compared to Baltimore. There were 12.3 MRI scans per 1000 population in Baltimore in 1989, the study concluded. It found that Miami had the highest rate of MRI utilization, with 20.3 scans per 1000 population.

Survey results show that most imaging joint ventures are more profitable than other types of medical joint ventures in Florida. Joint-ventured MRI centers reported about $521 in operating income per procedure. That translates into 54% of income for every dollar of revenue following contractual deductions. Multimodality imaging centers that offer MRI converted 45% of every adjusted revenue dollar into operating income. They reported an average of $500 in operating income per procedure for MRI, CT, x-ray and other diagnostic modalities.

Imaging centers that do not offer MRI had poorer results. The survey found they converted 42.5% of their adjusted revenue into profits and generated about an average of $153 in operating income for each procedure.

In comparison, joint-ventured surgery centers realized about 33 cents of profit from every adjusted revenue dollar, according to the report. The study found joint-ventured physical therapy facilities had
Florida study uncovers joint-venture problems
Published on Diagnostic Imaging (http://www.diagnosticimaging.com)

a 37.8% operating margin adjusted for contractual expenses. Non-joint-ventured physical therapy facilities reported a 26.7% margin on adjusted revenue.

The study also indicates that radiologists are rarely included among the investors in diagnostic imaging centers. About 9.8% of the 2258 physicians who reported owning shares in outpatient imaging in Florida are radiologists.

Internists constitute 35.1% of the physician owners. Surgeons and general practitioners rank second and third among 10 subspecialties that have bought into outpatient imaging. Their shares are 16.6% and 12.2%, respectively.

The study's conclusions are based on a survey of 3000 freestanding medical businesses and more than 10,000 medical business investors in 1990. The board reported an 82.4% overall response rate. The response rate for diagnostic imaging centers was 72.7%.

Disclosures:

Source URL:
http://www.diagnosticimaging.com/taxonomy/term/18850/florida-study-uncovers-joint-venture-problems

Links: