

Scientific Article

The Effect of Payer Type on Orthopaedic Practice Expenses

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Investigation performed at the Center for Musculoskeletal Research and Outcomes Studies, Fondren Orthopedic Group, Texas Orthopedic Hospital, Houston; and the Texas Orthopaedic Association, Austin, Texas

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Background: Orthopaedic practice expenses are the costs associated with providing treatment that are incurred by a physician's practice. Certain payer types are thought to increase orthopaedic practice expenses by increasing paperwork and other administrative activities. Our study investigated the hypothesis that orthopaedic practice expenses would vary significantly by payer type.

Methods: With use of the method of activity-based costing, data on the orthopaedic practice expenses for 518 consecutive patients (286 men and 232 women) who had a sports-related knee condition were collected. For each patient enrolled in the study, all employees recorded the actual amount of time that they spent on each of seventeen specific activities previously shown to be associated with orthopaedic practice. The seventeen activities were categorized as either a value-added activity, which adds value to the services provided to the patient, or a nonvalue-added activity, which does not add value. The total orthopaedic practice expense was the sum of the value-added and nonvalue-added activity expenses. To capture all practice expenses associated with a particular episode of care, data collection continued until the patient was discharged and the financial account had been settled. We evaluated the differences in orthopaedic practice expenses among six payer types: self-pay, indemnity plan, Medicare, health maintenance organization/point-of-service plan (HMO/POS), preferred provider organization (PPO), and Workers' Compensation.

Results: The differences among payer types with respect to orthopaedic practice expenses were significant ($p = 0.0000000004$). The total orthopaedic practice expense per episode of care was \$123 for self-pay, \$195 for an indemnity plan, \$148 for Medicare, \$178 for PPO, \$208 for HMO/POS, and \$299 for Workers' Compensation. These differences among payer types persisted even after accounting for patient age, gender, treatment type (nonoperative versus operative), and number of office visits. Nonvalue-added activity expenses differed to a greater degree among the payer types than did value-added activity expenses.

Conclusions: The payer type was found to be an important factor affecting orthopaedic practice expenses, particularly with respect to nonvalue-added activity expenses.