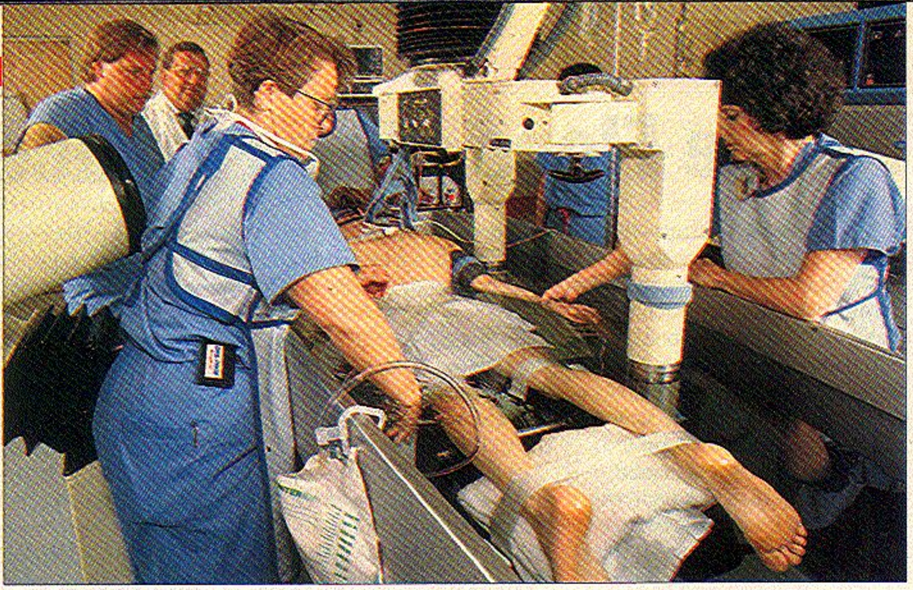
MEDICINE

A Little Clinic on the Side

Should doctors profit from their referrals?



BRIAN BAER—FLORIDA FOTOBANC

A sound investment: *Treating kidney stones in a physician-owned facility*

Rosana Trinidad feels betrayed. On the advice of her gynecologist last summer, the 38-year-old mother of two went to a clinic in Titusville, Fla., for a mammography exam. Two sets of X-rays revealed a mysterious formation in her right breast, so Trinidad was scheduled for a biopsy at the local hospital. Three agonizing weeks later, just minutes before the operation, the hospital's radiologists performed their own preliminary mammography—and found there was nothing wrong with her breast.

Trinidad's euphoria was short-lived. Hospital officials told her that her doctor holds a financial stake in the clinic to which he had referred her. Worse, that facility had no on-site radiologist reading X-rays. Trinidad now believes she was sent to an inferior clinic and put through a terrifying ordeal just to line her physician's pockets. "If you can't trust the doctor who sees the most private parts of your body," she wonders, "who can you trust?"

Who indeed? Physicians nationwide are possessed of the entrepreneurial spirit, and one of its most controversial symptoms is a business arrangement called "self-referral." For the enterprising doctor, it can be a great deal: instead of sending patients to independent providers for medical services, he refers them to a facility in which he has part ownership. With scores of doctors furnishing hundreds of patients, some of these joint ventures are obscenely profitable. But it's not always clear whose interests they serve, and that has prompted outrage from government regulators and from within the profession itself.

In addition to muddying the interests of the physician and the patient, there is now compelling evidence that the practice is inflating the bill. A study by the Florida Health Care Cost Containment Board last year found that 40 percent of the physicians in that state have investments in medical businesses to which they can refer patients. An estimated 60 percent of Florida's clinical labs are owned by doctors, as are 93 percent of the diagnostic-imaging facilities, 80 percent of the radiation-therapy centers and 40 percent of the physical-therapy centers. Many of these joint ventures thrive despite charging higher fees and performing more procedures per patient than facilities without physician investors. The Center for Health Policy Studies estimated last month that overcharges and overutilization of services at joint ventures are adding $500 million to health-care costs every year in Florida alone.

The American Medical Association (AMA) is now urging physicians to refrain from self-referral, but the move comes too late to quell a burgeoning regulatory rebellion. In Washington, the Department of Health and Human Services has issued "safe harbor" regulations limiting physician ownership in facilities to which Medicare patients are referred. The Federal Trade Commission is investigating several joint ventures for possible violations of antitrust law. This month in Florida the state legislature passed a bill that would phase out self-referring imaging centers, clinical labs and physical-therapy facilities by 1995. So angered were lawmakers that they approved a fee schedule dictating the prices these businesses may levy. In California, legislators are debating an even more restrictive proposal that would curtail certain forms of group practice.

Gross overreaction? The vehemence of public reaction has caught the medical community by surprise. While they concede there have been abuses, many doctors maintain that banning self-referral outright is a gross overreaction. "If you look at rural America and inner-city America, much of the diagnostic equipment wouldn't be there if it weren't for physician investors," says Dr. Robert E. McAfee, vice chairman of the AMA board of trustees, who has invested in a vascular laboratory. On Florida's west coast, elderly patients had to drive 120 miles to Gainesville for treatment while three hospitals squabbled over rights to the area's first lithotripter, an ultrasound machine that pulverizes gallstones and kidney stones without surgery. Fifty exasperated urologists finally banded together and bought a lithotripter themselves, later adding a mobile unit. Now patients are treated less expensively and often returned home before dinner.

Defenders of joint ventures are also quick to point out that the alternative to physician ownership isn't necessarily a competitive marketplace. Many national health-care chains are poised to fill the void in Florida and in other states as physicians are forced to abandon their partnerships. Says Thomas Mills, a lobbyist for medical companies specializing in physician partnerships: "If we ban self-referral, we'll be left with fewer providers for each service in the community." So for consumers, perhaps the real question is this: whom do we trust not to gouge us for necessary medical services? Not long ago, doctors would have been the clear choice.

MICHAEL MASON

Diagnosis: Profit

Prices vary widely across the country for many of the procedures associated with self-referral. Here are some examples:

PROCEDURE	COST RANGE
CAT Scan	$300-$600
Magnetic Resonance Imaging	$600-$1,200
Mammogram	$75-$150
Cataract Surgery	$1,600-$3,000
Arthroscopic Surgery	$1,200-$2,500
Blood Workup	$20-$75
Pap Smear	$15-$30

SOURCE: CENTER FOR HEALTH POLICY STUDIES