

The Ramifications to MHCC of Substantial Overcapacity in Orthopedic Surgical Services In Natrona and Converse Counties

Background:

- It is estimated that there will soon be eighteen orthopedic surgeons practicing in the two county area. (1)
- The estimated population in the two county area is 100,000 +/-
- The required physician to population ratio based on national statistics is six orthopedists per 100,000 people. (2)
- Eighteen practicing orthopedists at a ratio of eighteen per 100,000 people is excess capacity of twelve surgeons or 200% excess surgical capacity. (3)
- Casper, WY is the fourth highest price orthopedic surgery market in the United States. (4)

Ramifications:

- Serious oversupply in any market will lead to price cutting by market participants seeking to acquire or preserve market share.
- For budget planning purposes MHCC should assume a significant reduction in surgical revenues as we meet price competition.
- Summit Medical Center's current advertising is promoting their transparent/fixed price approach to attract patients (hospital charges only, excludes physician charges).

- It is reasonable to assume a 50% orthopedic surgery price reduction over the next several years as physician overcapacity is rationalized by the market.
- Additional downward price pressure will result from the decline of “Fee for Service” pricing to new pricing models including: “Bundled Pricing”, “Reference Pricing”, “Capitation” and “Price Transparency”.
- Other Wyoming rural hospitals should expect to lose surgical volume as Natrona County orthopedists reach out to those outlying communities to gain necessary volume.

References:

- (1) Estimate based on today’s knowledge of the five providers in the two county market – Wyoming Medical Center/Advantage Orthopedics (two), Mountain View Regional Hospital (four), Summit Medical Center/Casper Orthopaedic Associates (nine), Premier Bone & Joint (one) and Memorial Hospital Converse County (two). Additional non-affiliated or visiting providers may also be present in the market area.
- (2) Solucient (now Thompson Healthcare) and MGMA estimates as reported by the Merritt-Hawkins physician recruiting firm.
- (3) The overcapacity estimate does not account for outmigration of orthopedic surgeries to Colorado and other border states due do employer mandates. This effectively reduces the population base further exacerbating the overcapacity situation. This surgeon oversupply results in one orthopedic surgeon per 5,555 residents – an uneconomic patient base.
- (4) BlueCross/BlueShield – Blue Health Intelligence, “A study of Cost Variations for Knee and Hip Replacement Surgeries in the U.S.”, January 21, 2015. This study indicates the “market clearing” price in highly competitive markets is \$20,000 +/- less than charges in the Casper market.

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