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Total Expenditures per Patient in Hospital-Owned and Physician-Owned Physician Organizations in California

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ABSTRACT

ABSTRACT | METHODS | RESULTS | DISCUSSION | CONCLUSIONS | ARTICLE INFORMATION | REFERENCES

Importance Hospitals are rapidly acquiring medical groups and physician practices. This consolidation may foster cooperation and thereby reduce expenditures, but also may lead to higher expenditures through greater use of hospital-based ambulatory services and through greater hospital pricing leverage against health insurers.

Objective To determine whether total expenditures per patient were higher in physician organizations (integrated medical groups and independent practice associations) owned by local hospitals or multihospital systems compared with groups owned by participating physicians.

Design and Setting Data were obtained on total expenditures for the care provided to 4.5 million patients treated by integrated medical groups and independent practice associations in California between 2009 and 2012. The patients were covered by commercial health maintenance organization (HMO) insurance and the data did not include patients covered by commercial preferred provider organization (PPO) insurance, Medicare, or Medicaid.

Main Outcomes and Measures Total expenditures per patient annually, measured in terms of what insurers paid to the physician organizations for professional services, to hospitals for inpatient and outpatient procedures, to clinical laboratories for diagnostic tests, and to pharmaceutical manufacturers for drugs and biologics.

Exposures Annual expenditures per patient were compared after adjusting for patient illness burden, geographic input costs, and organizational characteristics.

Results Of the 158 organizations, 118 physician organizations (75%) were physician-owned and provided care for 3 065 551 patients, 19 organizations (12%) were owned by local hospitals and provided care for 728



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608 patients, and 21 organizations (13%) were owned by multihospital systems and provided care for 693 254 patients. In 2012, physician-owned physician organizations had mean expenditures of \$3066 per patient (95% CI, \$2892 to \$3240), hospital-owned physician organizations had mean expenditures of \$4312 per patient (95% CI, \$3768 to \$4857), and physician organizations owned by multihospital systems had mean expenditures of \$4776 (95% CI, \$4349 to \$5202) per patient. After adjusting for patient severity and other factors over the period, local hospital-owned physician organizations incurred expenditures per patient 10.3% (95% CI, 1.7% to 19.7%) higher than did physician-owned organizations (adjusted difference, \$435 [95% CI, \$105 to \$766], $P = .02$). Organizations owned by multihospital systems incurred expenditures 19.8% (95% CI, 13.9% to 26.0%) higher (adjusted difference, \$704 [95% CI, \$512 to \$895], $P < .001$) than physician-owned organizations. The largest physician organizations incurred expenditures per patient 9.2% (95% CI, 3.8% to 15.0%, $P = .001$) higher than the smallest organizations (adjusted difference, \$130 [95% CI, \$-32 to \$292]).

Conclusions and Relevance From the perspective of the insurers and patients, between 2009 and 2012, hospital-owned physician organizations in California incurred higher expenditures for commercial HMO enrollees for professional, hospital, laboratory, pharmaceutical, and ancillary services than physician-owned organizations. Although organizational consolidation may increase some forms of care coordination, it may be associated with higher total expenditures.

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