

Another view of physician-owned companies

The article "[Psst! Have I got a deal for you!](#)" by Stephen J. Immelt, JD, is biased, inaccurate, and offensive. Starting with the title, the reader is made to believe that physician-owned distribution companies are nothing but sham operations. Our certainty that this assessment is unfounded is based on our own experience and legal review. We developed our distribution model under the oversight of the largest law firm in the United States dedicated exclusively to health care. It has been extensively reviewed by independent corporate legal counsels for several large hospital systems, small community hospitals, and surgeon practice groups [and has] on all occasions, passed.

To say that physician-owned companies (POCs) "exist primarily to provide direct remunerations to physicians" asserts that physicians have no credible or ethical reason to create an ancillary service. POCs create significant efficiencies that benefit hospitals, third-party payors, patients, and surgeons. With so much talk about keeping down the cost of health care, more attention should be given to the considerable efficiencies and cost savings these entities show.

Rather than "distort physician-investor dealings with hospitals and eventually cause higher costs," POCs enhance physician-hospital relationships and put them on the same side in their common goal to keep down the total cost of health care.

What basis does Mr. Immelt have in suggesting that "surgeons lack purchasing, distribution, or management expertise"? Surgeons make purchasing decisions of implants on a daily basis ... we manage more than 100 employees in our medical practices and handle day-to-day business decisions.

A legally compliant POC will have assets, employees, and inventory and will perform necessary distribution functions. Mr. Immelt would want everyone to conclude that such legal, ethical, and successful POCs do not exist. Legitimate physician-owned distribution companies are growing, creating greater efficiencies, and enhancing value.

We resent that Mr. Immelt discounts the role of surgeons in medical research, patient education, and patient outcomes. We have firsthand data showing that a physician-owned entity beat prices of the traditional channels by 34 percent. And who better than the surgeon to assess implant quality and select the implant rep best able to perform the necessary supportive functions.

In a legitimate physician-owned distribution company, each surgeon-owner invests personal capital to fund company operations and the purchase of orthopaedic implant inventory. The POC hires staff with medical and orthopaedic experience to support standard distribution functions and provide these distribution services to hospitals. A business model that encourages surgeons to make decisions on products in advance and purchase that product in bulk instead of one-at-a-time is a cost-efficient, sensible system.

As for the issue of conflicts of interest, we should recognize that the fee-for-service system itself presents a conflict of interest from the moment a surgeon sees a patient. Surgeons have proven they can manage these conflicts and maintain the best interests of their patients ... in ambulatory surgery centers, physical and occupational therapy, and imaging. Medical device distribution is no different.

Although all professions have members who demonstrate unethical behavior and should be removed from their ranks, surgeons are, by-and-large, ethical individuals with a great track record for working very hard in their patients' best interest. In addition, they are clearly the most qualified individuals to perform functions of implant purchasing, implant rep training, and patient education.

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Editor's note: Drs. Steinmann, Matiko, Hopkins, Skubic, and Burton practice at Redlands Orthopaedics and are principals in Inland Spine, a physician-owned distribution company in Redlands, Calif. The headline for Mr. Immelt's article on physician-owned distribution companies was not written by Mr. Immelt, but by AAOS staff and was designed to catch the reader's attention.

Editorial is on target

I just read the editorial "[Cover my back, Michael](#)". It was well written, timely, and important for orthopaedic surgeons, particularly when they reach our level of maturity and, in fact, have depended on residents and fellows to do much of their prescription writing. I love the concept of using only four drugs for one's entire practice and that one knows everything about the few drugs that one uses. This is great advice.

Also, the overall tone of your editorials are very useful; obviously, this is a very dynamic and stimulating job for you. Keep up the good work!

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Dental procedures and joint infection

Numerous dental scientists have objected to the AAOS antibiotic prophylaxis guidelines, claiming that most late joint infections are caused by *Staphylococcus aureus* and *Staphylococcus epidermidis*, which make up only 0.005 percent of oral flora. Thus they claim dental procedures