

Dr. Stephen Hochschuler: 6 Points on Healthcare Spending for Spine and Orthopedics

Written by Laura Miller | May 23, 2011

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Stephen Hochschuler, MD, co-founder of Texas Back Institute and former president of the Spine Arthroplasty Society, discusses the biggest concerns of physicians in the wake of healthcare reform.

1. Lowering the high cost of implants and devices. Over the past decade, the physician's income has decreased by 30 percent while medical device companies have experienced a 154 percent increase in revenue, according to Dr. Hochschuler. "The device representatives are making more money than most of the physicians they are serving," he says. "Between 8 percent and 32 percent of the cost of these expensive implants go to the salesman or the distributor."

To combat these costs, he suggests purchasing just-in-time inventory over the Internet. Companies can also use online communication technology, such as Skype, to consult with surgeons about problems in the OR, thus eliminating the need for a representative presence in the room during surgery. "One of the cuts in the cost of healthcare will be getting a new, modern distribution in healthcare," says Dr. Hochschuler. "If the surgeon has a problem in the OR, there's Skype or other free communication tools that will help surgeons solve the problem right there."

2. Disarray of the FDA. The Food and Drug Administration has been unpredictable in the recent past as to which medical devices will or won't be approved, and this is adding extra stress to orthopedic and spine device companies' research and development. New regulations focus attention on whether additional technology will improve the standard of care, and unless the technology can produce better results than what is already available on the market, it runs the risk of being denied. Companies are also forced to conduct their own trials for each device seeking approval instead of citing previous studies of similar devices, which was common practice in the past.

All of these new regulations are making it difficult for orthopedic and spine device companies and physician entrepreneurs to advance medical technology, which now includes robotic and biologic solutions. "President Obama says one of the best things we have is BioScience in the market, but on the other hand development is being crippled because the rules and regulations in the FDA aren't straightened out," says Dr. Hochschuler. "The biologic sciences have really been stymied."

New development doesn't always come out of large companies, says Dr. Hochschuler, but often begins with small operations willing to take on the risk of something new. If the risk pans out and the technology is proven successful, the large companies will form ownership or distribution agreements for the intellectual property. The uncertainty surrounding the FDA approval process will most likely make this practice more common in the future. "By 2012, depending on the tax code people with money will put it in seed deals," he says. "The large companies don't want your technology unless you have FDA approval, as well as CMS coverage."

3. Managing healthcare entitlement programs. A large portion of the healthcare spending in this country goes toward entitlement programs such as Medicare and Medicaid to serve the elderly and uninsured populations. CMS has been unpredictable about which procedures will receive a CPT code for reimbursement, and those that do receive codes are experiencing a decline in reimbursement