Physicians Weigh Cost vs. Benefit of New Medical Technology

By Ed Rabinowitz

http://www.pfnlive.com/in-depth-for-doctor/New_medical_technology

---

Every day, physicians are making important decisions regarding the health and well-being of their patients. That's their job. It doesn't mean it's easy, just necessary. But the important decision-making doesn't stop there. New medical technology—from a $50,000 account and electronic health record system all the way up to a CT scanner with a $1 million price tag—hit the market with regularity.

Are they better than the current models? More cost-effective? Easy questions to ask, but not always easy to answer.

"A lot of the new technologies have clear-cut benefits in certain limited situations," says Tom Weisman, MD, chief medical officer for American Imaging Management, a radiology benefit management and technology company. "The temptation we see is to use the technology in situations beyond where it is of proven value."

The end result, of course, is a contribution to a healthcare system whose costs are already spiraling out of control.

The layering effect

Weisman says that one of the problems with some new technology is that it lends itself to what is called layering, or situations where additional patient tests are performed even though they do not add value in terms of reaching a diagnosis more quickly. Nor do they eliminate the need for another test that is just as effective. As an example, he points to the currently used 64-slice, or detector, CT scanners, which produce a detailed image of the heart.

"They're pretty expensive," says Weisman. "But within a year, there [are] going to be 256- and 320-slice machines, which will be even more expensive. These tests are actually useful among a small percentage of people who are very low risk, but have something awry, and doing the scan could eliminate the need for angiography."

The problem, says Weisman, is that when physicians own this expensive technology, they use it, often layering it on top of things like nuclear stress tests that have already suggested the presence of disease in a patient who is at moderate or higher risk. “All you’re doing is increasing the cost, increasing the [radiation] exposure, without any clinical benefit to the patient—but at a definite financial benefit to the physician who owns the equipment.”

Weisman suggests that physicians who are thinking about buying a CT scanner first consider using AMI’s OptiNet tool. Logging on to OptiNet, physicians enter information ranging from credentialing, accreditation, age, and type of equipment they’re currently using, and where they’re located. The information is assessed, and a score is issued. The higher the score, the more likely purchasing the new technology would be an advantage.

“Physicians might not have the kind of infrastructure to score high on the tool,” says Weisman, explaining that beyond the cost to purchase the equipment, there’s an even greater cost to develop the infrastructure around it. “Unless this is your core competency, you can’t afford to be at the forefront.”

The leasing option

Leasing is an attractive option for physicians to obtain new technology while still conserving cash. And many finance companies, such as Key Equipment Finance, will finance not only the cost of the equipment, but the installation, training, and support as well. For physicians in smaller practices, leasing offers cash flow benefits. For larger practices, or where more expensive equipment—like a $1 million CT scanner—is concerned, leasing enables physicians to guard against equipment obsolescence, upgrading or adding new equipment that may hit the market.

“Cutting-edge doctors or imaging clinics may say, ‘I always want the best in technology; that’s one of my competitive advantages,’” says Mark Erickson, senior vice president for Key Equipment Finance’s healthcare practice and public finance group. “If it’s a machine or product subject to frequent upgrades or major improvements, a lot of imaging clinics will lease the equipment, reasonably confident that in 3 years there will be a new generation of product. It’s the same reason why people lease cars.”

Erickson explains that leasing also enables large healthcare facilities such as hospitals to better manage their balance sheet. That’s because a true operating lease is not typically recorded as a balance sheet liability. “A lot of our larger, corporate clients have bank covenants with regard to their bank loans and lines of credit that limit how much debt can be put on their balance sheet,” says Erickson. “An operating lease is a way for them to manage their balance sheet.”

And if you’re looking for a test drive, Erickson says he works with many equipment manufacturers who have try-before-you-buy programs, enabling healthcare practices to work with a demo or loaner model for 60 or 90 days. “At the end of that period you can return the equipment, you can buy it, or you can enter into a longer-term lease of the product,” adds Erickson. “There is tremendous flexibility with a lease. And the bottom line is, it makes [the technology] more affordable."

Ed Rabinowitz is a veteran healthcare reporter and writer. He welcomes comments at edwardr@frontiernet.net.