



It is a time of very taut emotions and I debated not even sending a newsletter out until feelings could calm down on both sides of the aisle. But, I decided to send a newsletter out because I believe the more informed private practice physicians are, the better decisions they can make. In addition, the flames of rhetoric appear to be rising higher, so waiting did not seem an option. I am going to try to present facts. But as you realize, these are facts as I see them. I think I have been pretty accurate in my health care predictions, but only time will tell. With that in mind, let's delve into healthcare and 2017.

In order to understand the place where we stand, we must comprehend the market forces and political forces that have got us to this point. Healthcare has undergone massive consolidation. Currently, there are only really three massive insurance providers, two massive medical suppliers and one massive group purchasing organization. Hospital consolidation has kept pace, frequently resulting in regional

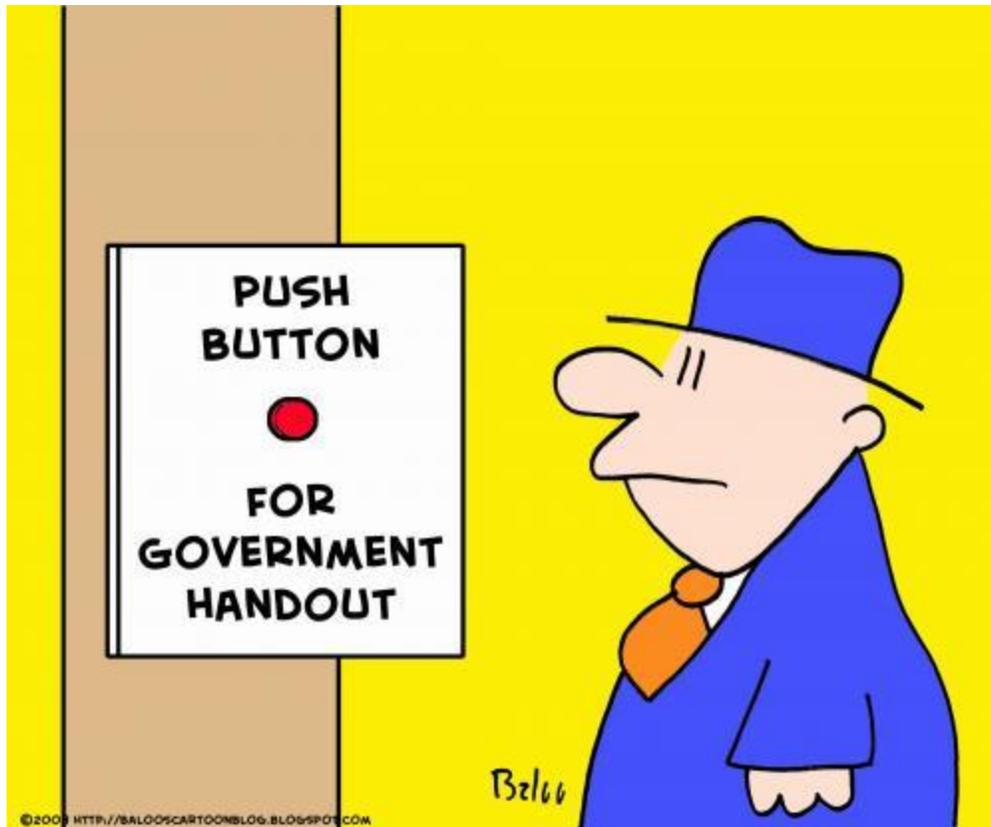
monopolies, and hospital-physician consolidation has been taking place on a massive scale.



No one should be surprised that all this consolidation has led to a lack of competition and higher overall healthcare costs. For example, if hospital/physician mergers reduce local competition, the new hospital entities have greater leverage to inflate medical bills. This leads to higher health insurance rates which, in turn, leads to those with private health insurance choosing plans with higher deductibles and copays and higher taxes for government controlled healthcare (think Medicare and Medicaid). Proving this point are the results from a study of more than 150 hospital owned and physician owned organizations that found that patient costs are almost 20% higher in physician groups that are part of multi-hospital systems compared to physician owned organizations (JAMA. 2014;312(16):1663-1669).

No one, either Democrat or Republican, batted an eye-lash as merger after merger took place. In my opinion, there is enough blame to go around. These consolidations met with little resistance and have been an unmitigated disaster for American healthcare. A recent article in the WSJ noted that US Oncology, a

network of more than 1000 oncologists, takes care of 20% of all US cancer patients. This behemoth was acquired by McKesson in 2010, one of the largest drug distributors (<https://www.wsj.com/articles/the-obamacare-effect-hospital-monopolies-1429480447>). Is this really good for patients? As this article states, “If management decides that its doctors can only use one chemo drug for a



particular cancer, or if the central leadership elects to not adopt a new surgical technology system-wide, will patients be told about other options?”

Now that we have a new administration, these large entities are going to be the first with their hats in their hands to make sure, through their money and power, that any changes in the current law will protect their financial bottom line. Hospital executives are hurriedly getting on their private jets to Washington not to protect our patients’ health, but to make sure that if the ACA is dismantled they don’t lose

insured patients' revenue. Although President Trump and Secretary of HHS Price may want to do away with Obamacare, they have a hornet's nest of special interests with which to contend. Excuse my cynicism, but those elected representatives of the people are about to be held hostage to financial donations from the large players in healthcare, each seeking to protect their own turf. This was done with the writing of the ACA and will probably be done with the unwinding of the ACA. There already have been meetings between lawmakers and healthcare executives who don't want to lose the money they receive under the Obamacare.



Healthcare executives demand that if the ACA repeal passes, that Congress restore the literally billions of dollars of federal funding they lost when the ACA started. They want their funds back that help them pay for uninsured or low income patients and the annual raises the government pays hospitals for Medicare patients. According to reports, this message is not only being brought to Washington by large healthcare executives, but also by huge organizations such as the American

Hospital Organization and the Federation of American hospitals. Now compare the might and power of you, the private practice physician, with the 5000 hospital member strong American Hospital Organization.

GOP leaders promised to repeal and replace the ACA, but consensus on a full repeal is far from established.

Congressional leaders are already whining that the law is more difficult to replace than expected. Special interests are rearing their ugly heads for both parties. And you wonder why this fiasco, which should never have been instituted, is proclaimed to be turning into a quagmire.

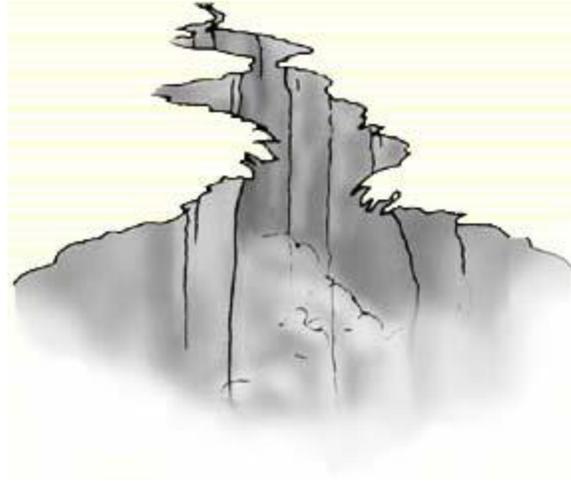


But there is hope. Don't believe all that you read and hear. Dr. Tom Price, the lead in repeal and replace, should be confirmed this week after pointless delaying tactics that have accomplished nothing to help the situation. One good thing is that Dr. Price is a physician who has practiced in the private sector and the academic sector. He was Chairman of the House Budget Committee and served as a member of the Ways and Means Committee. He knows doctors and patients, he knows government and budgeting. Therefore, there is some hope that with the Trump administration cabinet finally in place, directives will come down from HHS on

exactly how to tackle the albatross of Obamacare. In fact, although the media will not report it, some positive steps have taken place.

First, one of the President's first acts was an executive order to defer and waive burdensome rules and regulations of the ACA. This order should be used to deregulate Obamacare's most burdensome portions. Two immediate impact rule changes would be easing the "essential benefits" that each plan must have and making it easier to vary prices between individuals depending on risk. These two quick measures could actually achieve an overall premium decrease. Another interim change that could rapidly be implemented is to shorten the 90-day Obamacare grace period. Currently, Obamacare gives consumers a 90-day grace period during which they fail to pay their premiums but still continue to receive their coverage. Roughly 20% of enrollees stop paying during a given year and half of these individuals reenroll in the same plan the next year and thereby get 3 months free coverage. Clever, but a real price raiser!

I am not a big fan of insurance companies. But it has been suggested that Congress could eliminate the 10 year \$145-billion-dollar tax on insurance industries that is currently part of the ACA. If you don't think this is passed directly to consumers through higher premiums, you really live in an alternate universe. President Obama already gave a one-year suspension in 2017, but expect those entrenched in the system to fight this tooth and nail even though a Democratic president already saw its folly. It is estimated that just delaying it another year would see a 3% drop in insurance rates for consumers.



If you believe the news, there has been no work on the replacement plan in Congress, but this is not true. Several House Committees have held hearings on various aspect of a new bill. With Sec. Price leading the charge, expect the pace to pick up dramatically. Do not expect the special interests to go down without a fight. In my humble opinion, there is a widening chasm between the interest of our patients and that of the conglomerated health care hospital system. We, private practice physicians are interested in the health and welfare of our patients. I leave you to your own opinion on the motives of the conglomerated health care system.

Finally, I cannot begin to tell you how amazing the last 6 months have been for Private Practice Doctors. It's almost as though we are seeing a new phoenix arising. It is truly gratifying to see the energy building up and the growth of our contracts. If you are not a member of PPD, there is no longer any excuse not to join. First, we are the only entity of our kind that supports you, the private practice physician. No one else has the reach, the contracts and the contacts that PPD does.



You may already know that we have a unique and amazing contract with McKesson for medical supplies. You may already know that we offer killer merchant account rates through B of A for your credit card customers. With higher deductibles and higher co-pays, if you are not getting the best merchant account rates on credit cards, you are throwing money down the drain.

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- We can provide you with unbelievable rates on insurance for your employees?
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- We have access to huge discounts on FedEx for all your shipping needs?
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We represent Private Practice Doctors. We have contacts throughout the country fighting for you. There is no other organization like us. Please help us, help yourself and join now.