

# California and National News

## **Record Number of Medical School Applicants:**

The 31,946 first-time allopathic medical school applicants for the 2007 to 2008 academic year were the highest in history—an increase of 8 percent over the past year—perhaps reflecting an awareness of the predicted future shortage of physicians, perhaps influenced by our softening economy, since medicine is considered more recession-proof. The MCAT scores for allopathic applicants also were the highest ever recorded, increasing from 27.6 to 28 (45 max), while GPAs increased to 3.5 (4.0 max). Of note, the osteopathic schools also reached a record high of 11,500, with similar increases in MCAT and GPAs. Nationally, the allopathic 2007 to 2008 class was 17,800, a 2.3 percent increase, while osteopathic classes increased by 11.8 percent. In 2005, the Association of American Medical Colleges had encouraged an increased class size of 30 percent by 2015. (From an article by Myrle Croasdale, *AMA News*, November, 5, 2007.)



**Governor Signs Whistleblower Protection Bill:** Physicians now are legislatively protected as whistleblowers when they give information to a health care facility, government accreditation committee, or peer review body. A 1999 bill had granted whistleblower protection to employees and patients of health care facilities by prohibiting a health facility from discriminating against a patient or employee who presents a grievance or cooperates in any investigation against the facility. However, the resulting Health and Safety Code was ambiguous, and the new law provides the necessary clarification that physicians also are protected. (From the *CMA Legislative Hot List*, October 16, 2007.)

**Kickbacks to Orthopods:** The five largest manufacturers of knee and hip implants—Zimmer, Depuy, Smith and Nephew, Biomet, and Stryker—have been forced by the U.S. Government, as part of a deferred prosecution agreement, to disclose the names of almost 2,000 “medical consultants” that they paid over \$1 million each during 2007. These are kickbacks prohibited by law, but poorly camouflaged in crude behavior behind closed OR doors. There have been hundreds of millions of dollars in fines paid to avoid criminal charges if these companies coupled this pittance of fines with reform of their criminal practices within 18 months. Almost 700,000 joint replacements in the U.S. contribute to this \$10 billion business worldwide. Anti-kickback statutes that were violated included payment to physicians for exclusive use of a company’s products. Each company now has a monitor to oversee (or outwit) reforms, and new consulting payment agreements, now capped at \$500/hour, still permit royalties for helping to develop products, train colleagues, conduct research, or monitor devices on the market. (From David Woreacos, *Bloomberg Report*, November 1, 2007.)

### **Insurance Commissioner Poizner Proposes \$1.3 Billion Fines for UnitedHealthcare:**

California regulators are seeking \$1.3+ billion fines from PacifiCare pursuant to the ubiquitous illegal activities following its takeover by United Healthcare Group, Inc. Investigations by the State Department of Insurance, strongly prompted by Commissioner Steve Poizner following a multitude of complaints (largely PPOs and POS plans for which the DOI has jurisdiction), have uncovered 133,000 alleged violations of state law and regulations involving payments for medical care. Each of these violations has a maximum penalty of \$10,000. I like the mathematics. The Department of Managed Health Care found independently that about one-third of the medial claims it reviewed (historically the purview of its poorly regulated HMO territory) were denied improperly, and it is seeking \$3.5 million in fines—another one of the DMHC's traditional "slaps on the wrist" when compared with the DOI's more meaningful punishment. Poizner said, "If PacifiCare can't understand the ABCs of basic claims payment, maybe it will understand the dollars and cents of regulatory action." In 2006, PacifiCare was purchased by UnitedHealth for \$9.2 billion, adding 3+ million Californians to its almost 30 million enrollees nationwide. UnitedHealthcare offered token regrets and downplayed the effects of their transgressions on enrollees and their care, characterizing the errors as "administrative," thereby disregarding and downplaying the adverse impact wrought on patient care and physician and hospital reimbursement. You might recall the outrageous abuses of former Chief Executive William McGuire, who resigned in 2006 and agreed to pay \$468 million to avoid trial on charges that he manipulated stock options to ensure exceedingly large financial benefits for himself. (Original information source: Lisa Girion, *Los Angeles Times*, January 29, 2008.)

### **Medicare Expenses Becoming Uncontrollable and Unfathomable:**

The federal government reports that Medicare and U.S. health care spending will double by the end of the next decade, with Medicare exceeding two trillion dollars and total health care closing in on five trillion. Health care expenditures are predicted to grow an average of almost seven percent yearly, three to four times the anticipated growth of the general economy. The Medicare population will expand dramatically as the baby boomers enter unless there is some adjustment in eligibility. Medical technology and pharmaceutical costs will skyrocket and generate huge profits unless significant price controls emerge. The Medicare spending growth will outpace private medical expenditure growth, resulting in a cost shift from the private to the governmental sector. Medicare will occupy one-fifth of national health spending, which itself will be one-fifth of the gross domestic product. Rationing will become a hot societal issue. (From a study by the Centers for Medicare and Medicaid, *Health Affairs*, February 26, 2008.)