We Are Seeing Physicians Less and Nurse Practitioners More - Do You Want Brand Name or Generic?

By Chuck Dinerstein, MD, MBA — November 20, 2018

A recent study of commercial insurance claims for patients under 65 found that total visits to primary care providers (PCP) [1], mid-level providers, and specialists fell 4% from 2012 to 2016. The decline was seen to varying degrees in every state, but was not felt evenly across these groups:

- PCPs experienced an 18% decrease in visits
- Mid-level providers, both nurse practitioners (NPs) and physician assistants (PAs) experienced a 14% increase in visits
- Specialist visits were essentially unchanged
- These trends have been accelerating since 2013

Disruption of medicine

Clayton Christensen is arguably the father of disruption, a word often coupled with innovation, and heard almost daily. Christensen demonstrated that simpler, cheaper and unexpected services, activities frequently out-sourced by larger firms to smaller non-competitors, could strengthen those smaller firms sufficiently that they could ultimately challenge and displace the larger firms.

Christensen’s predictions largely hold in medicine. The increasing use of urgent care and retail store based care displacing emergency room visits, preventative care and treatment for minor conditions are examples of both unexpected services and simpler care. The increasing utilization
of mid-level providers, originally out-sourced from physicians to handle simpler matters, also fits the narrative of disruption.

But if you are looking for savings, substitution of these “cheaper” services has not resulted in any real savings for commercial insurers, and by extension the real payers, you and me. Why would that be?

**Market forces**

To understand why the market forces behind Christensen’s disruption are not lowering price we can consider another strategic voice, Michael Porter; who identified five forces that shape competition. Briefly, they are:

- **First mover advantage** – Simply put, the first one into a market has the opportunity to create a “lock” by building an insurmountable market share or erecting barriers for other businesses to enter. In medicine, physicians were the first primary care providers and have used state licensing and controlling what mid-level providers can do, their scope of practice, as a means of increasing the barrier to entry. Physician dominance in these two areas also impacts the next two forces.

- **Bargaining power of suppliers** – This describes the leverage of suppliers to control their importance in the marketplace. Physicians have for the most part shunned organizing as a labor force, considering themselves as professionals, above the fray. Hospital systems have taken advantage of this when they bargain with insurance companies and will trade a better rate for less common expensive procedures for a much lower payment for high volume, primary care services. The PCPs lose out to their specialist brethren. And health systems pay mid-levels a fraction of what they pay PCPs even though, according to this study, the disparity between insurance payments to primary care physicians and mid-level providers is $3 – mid-levels bring in a higher return on the investment.

- **Competitive Rivalry** – To what degree competitors, physicians, and mid-levels compete? Physicians have an advantage through state regulation of scope of services and the supervisory requirements for mid-level providers, but again health systems level the competition because of the way they deploy mid-levels in providing primary care.

- **Bargaining power of customers** – What leverage can customers use in “shopping around” for the best care? For many patients, the primary concern is convenience; these are frequently people with acute problems with simple fixes people who have little experience with long-term health issues -the price conscious, willing to use an equally effective generic. Mid-levels are particularly economically useful here providing satisfactory “service” at a lower price point. For complex long-term problems patients more frequently seek confidence and trust, they want the brand name; and physicians, have the appropriate gravitas in those situations.

- **Ease of substitution** – How readily can one product be substituted for another, our physicians and mid-levels interchangeable. For many simple or preventative primary care services, vaccinations, sore throats, flu, school examinations, a nurse practitioner or physician assistant can be easily substituted – most of that care is protocol driven. At the same time, the increasing demand by physicians for a better “work, life balance” has resulted
in moving away from the traditionally strong relationship of physician and patient to a belief that any willing provider is equivalent. That shift aligns very well with the corporate view of labor as measured by full-time equivalents and relative value units – dimensionless numbers stripping away the bespoke nature of health care.

The solution to the shortage of primary care physicians will be their replacement by any willing providers and mid-levels – the Marcus Welbys will be replaced by the ensemble, by the Grey’s Anatomy of care. The small difference in fees for the disrupters and the disrupted means that the savings Christensen “promised” will not appear. But the disruption of healthcare is well underway.

[1] PCP were considered physicians practicing family, internal, preventative or geriatric medicine

Source: Health Care Cost Institute *Trends in Primary Care Visits* (based upon claims data from 2007 to 2016 from 4 national health insurers Aetna, Humana, KP, and United Healthcare)