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OIG releases its report on Physician-Owned Distributorships – Shows Prevalence of Such Arrangements

Physician-owned distributorships, known as "POD's," are a hot area of discussion right now. The focus has been on arrangements by which spine surgeons have some kind of ownership share in companies that design, manufacture, or distribute implants that the surgeon/owners use in their surgeries. Since the surgeon/owner is entitled to some share of the POD's profit, some have raised questions about the propriety of allowing doctors to profit on the "back end" of their decisions to implant certain devices. Some have alleged that these are nothing more than improper kickbacks, though others argue as emphatically that they are nothing of the sort.

On October 23, 2013, the Office of Inspector General of the Department of Health and Human Services released a report of its study the data related to POD's. The report is available at:

http://oig.hhs.gov/oei/reports/oei-01-11-00660.asp

Although media coverage of the report makes it sound much more damning than it really is, to me the most telling item in the report is its finding that:

In FY 2011, PODs supplied the devices used in nearly one in five spinal fusion surgeries billed to Medicare

Earlier this year, OIG released a Special Fraud Alert saying that POD's are "inherently suspect." That Alert is available at:
https://oig.hhs.gov/fraud/docs/alertsandbulletins/2013/POD_Special_Fraud_Alert.pdf
Suffice it to say that something, somewhere isn't working when a full 20% of the surgeries involve a practice that OIG is now claiming poses a kickback. There may be some bad apples out there but 20% of all surgeries is just too many bushels. If HHS wants to issue regulations on POD's, they should do so but "retroactively" criticizing such a common practice isn't very persuasive.