Looking back and looking forward: Implications of the Recession and Health Care Reform for the Orthopedic Industry

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The orthopedic industry encompasses all muscle and skeletal trauma accidents resulting in joint, muscle, and ligament damage. The field of orthopedics and medical devices continues to grow; in 2010 worldwide orthopedic sales were reported at $39.5 billion.\(^1\) However, recent reforms to the healthcare industry along with an economic recession have forced the orthopedic industry to change their operations and prepare for the future.

Recent healthcare reform has affected the operations of orthopedic companies both currently and in the future, and also the availability and costs of the implants to patients. The Affordable Care Act became law on March 23, 2010 and changed the orthopedic industry immediately. The new law guarantees more individual’s insurance coverage and eliminates life time limits on insurance. Additionally the law created the medical device tax effecting any company producing medical devices, which will be a $20 billion dollar tax placing a 2.3% excise tax on revenue of companies regardless of profitability. The new law will force companies to explore operating and spending changes.

The recent economic recession has further complicated the outlook for the orthopedic industry. The current recession forced some patients to question the need for orthopedics in situation where procedures are more optional or cosmetic. Consumers of orthopedic implants are very price elastic and commonly search for the best price of replacement. Studies of the recession show an inverse relationship between unemployment rates and orthopedic trauma cases. The relationship suggests during times of recession, unemployment raises, causing risky behavior to drop, consequently reducing trauma incident and the need for orthopedic procedures.

I intend to get medical data from HealthCare Cost Utilization Project (HCUP). HCUP is a nationwide inpatient sample; it is the largest all-payer inpatient care database in the United States, containing data on more than seven million hospital stays from approximately 1,000 hospitals'. I intend to determine the relationship between the recession and orthopedic procedures. Additionally I intend to analyze the costs and changes healthcare reform will have on the orthopedic industry.

\(^1\) https://www.orthoworld.com/index.php/products/oiar_pressrelease