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Beaufort, SC 29902

May 30, 1995

Assistant Attorney General  
Antitrust Division  
United States Department of Justice  
10th & Constitution Avenue, NW  
Washington, D. C. 20530

Dear Assistant Attorney General:

I am requesting a statement of the Department's current enforcement intentions pursuant to the expedited business review procedure announced on 12/1/92 (58 Fed. Reg. 6132 (1993)).

At present I am exploring the possibility of establishing a provider network among the majority of dermatologists in my state who are certified by the American Board of Dermatology. By means of the rule of reason analysis described in step one on page 72 of your Statements of Enforcement Policy and Analytical Principles Relating to Health Care and Antitrust of 9/27/94, I believe the network would be procompetitive. Board certified dermatologists comprise less than 1.7% of the physicians in South Carolina (85 of 5,020) and now provide only 40% of the care for skin disease according to the National Center for Health Statistics. The other 60% of care for skin disease is provided by a mixture of family practitioners, internists, plastic and general surgeons, pathologists and other specialists. Dermatology accounted for only 3.6% of all office visits in the latest statistics. Hospital privileges are not an issue, as dermatological services are rarely provided in a setting other than the office. Hospital admissions, and any procedure that dermatologists are found to perform a volume of more than 30% in the relevant market, would be carved out of any contract with a purchaser of dermatologic services.

1. The goal of this network would be to reduce the cost of provision of dermatologic care through :
  - (a) Reduced administrative costs for providers and for managed care entities with which the network would contract.
  - (b) Improved utilization review, which is not performed now.
  - (c) Quality assurance, through review and analysis of outcomes data.
  - (d) Economies of scale through a joint purchasing cooperative for supplies.
  - (e) The ability to market dermatologists as the best quality providers for the treatment of skin disease.
  - (f) The ability to compete with other providers of treatment for skin disease.
2. The network would assume risk for these efficiencies by joint pricing at a capitated rate and/or fee withholds.
3. The network would be non-exclusive in that providers could contract with other networks or purchasers.
4. No efforts or agreements have yet been made, either verbal or written, to form this network.
5. The largest customers would be Health Maintenance Organizations licensed in the State of South Carolina. Presently they are Companion Health Care Corporation, Healthsource South Carolina, Inc., HMO Blue, Maxicare Southeast Health Plans, Inc., Physicians Health Plan of South Carolina, Preferred Health Systems, Inc., and Provident Health Care Plan of South Carolina, Inc.

Please let me know if there is any additional information you require. My telephone number is 803-525-9277. Thank you for your assistance.

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Sincerely,

O. L. Mikell

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