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## The Truth About Physician-Owned Hospitals

02/09/2009

By John W. Dietz, Jr., MD

*Editor's note: At the time this article was submitted, Congress was taking its final vote on the SCHIP bill.*

The State Children's Healthcare Insurance Program (SCHIP) has passed the Senate and is headed back to the House for reconciliation and a final vote. This legislation, long overdue, would provide health coverage to an additional 4 million disadvantaged children not now covered. SCHIP is pro-child. Unfortunately, hidden in the fine print is a provision that denies Medicare and Medicaid patients access to some of the best hospitals in the country.

No one is against getting healthcare coverage to underprivileged children. However, some members of Congress philosophically opposed to physicians owning hospital have inserted language into the SCHIP bill that would prohibit Medicare patients and others with government insurance from obtaining care at hospitals owned by doctors.

The SCHIP bill has nothing to do with the issue of physician ownership of hospitals. The Congressional leadership should strip out this language and save this discussion for healthcare reform. The Congressional Budget Office claims the ban might save the government \$1.2 billion over 10 years, money to offset the cost of SCHIP. For a program with a \$34 billion budget, \$120 million yearly is not a significant offset.

It's interesting—before the 1960s, physician-owned hospitals were the norm. Physicians started two of the world's most renowned healthcare providers—the Mayo Clinic and the Cleveland Clinic. Today, doctors have developed new, innovative hospitals to improve the quality of care. Yet, for the past several years, physician ownership of hospitals has been under attack.

Every imaginable argument has been used to justify closing perfectly good hospitals. We are told that doctors would over-utilize services, "cherry pick" the best cases for financial profit, doctors are greedy and don't provide charity care. These allegations are false, and public and private studies confirm this.

No physician true to his oath and his patients' interests would perform unnecessary procedures or knowingly order unnecessary tests. The Woods 2005 study of a group of orthopedic surgeon-owners found that neither annual patient volume nor the percentage of patients who had surgery changed significantly after the surgeons opened their specialty hospital. Following a review, the Congressional Budget Office reported to Congress in December 2007 it was unaware of any evidence proving this allegation.

Our review at my hospital, the Indiana Orthopaedic Hospital, showed the ratio of surgeries to new-patient visits with our physician owners actually went down slightly after our hospital opened.

Most physicians who start specialty hospitals do so to improve their patient outcomes. Opponents of physician hospitals continue to allege that physicians start hospitals primarily for financial gain. The Medicare Payment Advisory Commission (MedPac) examined this and reported to Congress in 2005 that the vast majority of physicians who started specialty hospitals did so to take greater control of patient care and reduce hospital bureaucracy.

We started the Indiana Orthopaedic Hospital because we saw a stark contrast between the efficiency in the major not-for-tax hospitals where we worked and what we experienced in our orthopaedic practice. We have improved the patient experience overall, improved patient outcomes and reduced bureaucracy.  
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