



Hospital lobby flexes GOP muscle

By: [David Rogers](#)

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At the insistence of top Republicans, House negotiators last week agreed to drop from a wartime spending bill Senate language that sought to limit the growth of physician-owned hospitals qualifying for Medicare payments.

Despite the savings of \$1.3 billion over 10 years promised by the measure, House Minority Leader John A. Boehner (R-Ohio) demanded the last-minute concession as part of the final bargain that cleared the way for House passage of the war funds, together with new benefits for the jobless and veterans.

With the war funding package now poised to come before the Senate, the behind-the-scenes House dealing is drawing more attention. While the White House supported Boehner's position, the incident is most revealing about the power of the physician hospital lobby within the House Republican Conference.

Influential Texans, such as former House Energy and Commerce Committee Chairman Joe Barton (R), are strong allies for physician hospitals, and among those lobbying on the issue was former Connecticut Republican Rep. Nancy Johnson, who had been a major player on health care issues in the House under Republican rule.

To be sure, Democrats are not immune. Senate Finance Committee Chairman Max Baucus (D-Mont.) was forced to water down his initial Senate proposal to appease Sen. Patty Murray (D-Wash.), who has a specialty hospital in her state. And Texas developer Alonzo Cantu, a major fundraiser for New York Democratic Sen. Hillary Rodham Clinton's presidential campaign and for House Speaker Nancy Pelosi (D-Calif.), is also an investor in a specialty hospital.

But Boehner was the driving force in the talks last week.

"The Republicans were dug in," said House Appropriations Committee Chairman Dave Obey (D-Wis.). And at a time when Republicans and the White House were already making concessions, this was a victory Boehner could take back to his party and avoid stirring up his members.

Physician, or specialty, hospitals, which typically focus on cardiac or orthopedic procedures, are heavily concentrated in Texas and neighboring states such as Louisiana and Oklahoma. But their numbers have grown to about 200 nationally, and there has been growing criticism that they siphon off the most highly profitable medical operations under Medicare and thereby hurt more-traditional hospitals.

"They will do the high-margin, low-risk business," said Rep. Pete Stark (D-Calif.), a senior Democrat on health policy issues. "Traditional hospitals have also enjoyed the high

margins, but they have used the money to cost shift and pay for emergency rooms, burn centers — those things that don't pay for themselves.”

The American Hospital Association and the Federation of American Hospitals backed the Senate language, which would have barred Medicare from qualifying any new physician hospitals after Sept. 1 and also imposed new limits on the expansion of those physician hospitals now operating.

Traditional hospitals “don't like competition,” said Randy Fenninger, who lobbies on behalf of the Physician Hospital Association. And he complained that only about nine of the existing hospitals would qualify for expansion under the rules set down by the amendment.

“It's the way medicine got started in America. Health care providers, doctors, started their own clinics, their own practices,” Barton said in defense of physician ownership. “If it's OK for individuals to own their own grocery stores, insurance companies, real estate offices, it ought to be OK for the doctors to have an equity interest in the hospitals. You just take care of something better if you have an investment yourself.”

Nonetheless, the fact that the Congressional Budget Office would credit such savings to the proposed limits indicates that independent experts believe that specialty hospitals are a drain on Medicare. And an investigative report last January within the Department of Health and Human Services raised major concerns about the inadequacy of some specialty hospitals' capacity to handle emergencies — beyond calling 911 and having a patient taken to a community facility.

The House has twice approved even stricter limitations on physician ownership as part of separate bills in this Congress. And while Boehner had the leverage he needed in the final talks, lawmakers are already facing new demands for Medicare savings to help avoid a scheduled 10 percent cut in physician reimbursements taking effect next week.

The White House was stunned Tuesday when the House approved a plan to forestall this cut but help pay for the cost by demanding savings from Medicare Advantage fee-for-service plans, which the administration has encouraged as a private, free-market alternative to conventional Medicare.

Stark on Wednesday released a General Accountability Office report that shows that private Medicare Advantage plans have actually been more profitable than their bids have suggested. GAO studied 2005 bids submitted by the plans versus their actual costs and found that the plans had spent \$1.14 billion less than projected. Stark argued this justified the demands for new savings.

The Senate is slated to take up the House bill, possibly Thursday, but if Democrats can't get the two-thirds needed to override a White House veto, the administration is hoping it will bring both sides back to the table. And whether specialty hospitals will again be a target is an open question.

