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CONTENT FROM OUR FRIENDS OVER AT THE TEXAS TRIBUNE

Friday, November 20, 2009



Texas' physician-owned hospitals may be in danger

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by [Emily Ramshaw](#) of *The Texas Tribune*

The gleaming mahogany floors, elegant track lighting and high-speed wireless Internet at the [Texas Institute for Surgery](#) scream “upscale hotel,” not “demise of American health care.”



But to many traditional hospitals and health care experts, the latter is exactly what physician-owned specialty hospitals like this one represent.

And as lawmakers in Washington hammer out a health care reform bill to expand access and control costs, these physician-owned facilities — a quarter of them in Texas — face an uncertain fate. Those under development could see bulldozers, not cranes. Those already in operation may face serious limits on growth.

“There are a lot of facilities under construction, where physicians and partners have put in a lot of money to try to get these going,” said Debbie Hay, president of the Texas Institute for Surgery, a physician-owned facility partnered with [Presbyterian Hospital Dallas](#). “In this time where people are struggling to find good health care, why would you do away with an option such as this?”


Opponents say physician-owned specialty hospitals — which are funded by doctor investors, generally in partnership with large hospital companies — have contributed to the country’s health care woes, not alleviated them.

They say the specialty hospitals’ narrow focus on lucrative fields like cardiology and orthopedic surgery has allowed them to profit by siphoning off business from community hospitals. Community hospitals, which treat far more Medicaid patients than specialty hospitals, rely on those procedures to subsidize the money-losing services they offer to

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indigent patients, such as emergency rooms, obstetrics and mental health.

And they argue there's an inherent conflict of interest when doctors refer patients to hospitals where they have a financial interest. Over-utilization is a leading cause of disparate health care costs in the U.S., they say. What's to stop doctors from ordering unnecessary tests or procedures when they stand to benefit financially from them?

"All the studies show that physician ownership of these entities does drive utilization up and creates financial incentives for them to refer more patients for surgery," said Dan Waldmann, vice president for government relations for [Tenet Healthcare Corporation](#), which operates 49 hospitals, two of them in partnership with physician owners. Tenet officials said they would readily eliminate those partnerships if physician-owned hospitals were banned.

"At a time when we're trying to get more out of every health care dollar we spend as a system," Waldmann said, physician-owned hospitals "really are a very large barrier."

For now, most federal lawmakers appear to agree. The version of the health care bill that passed the House caps growth for existing physician-owned hospitals, and effectively bans new facilities by prohibiting them from treating Medicare and Medicaid patients. Some specialty hospitals currently under development would be grandfathered in. The bill under consideration in the Senate is similar.

"A big part of the game is how to save money. Hospital and physician reimbursement is of course going to be part of that debate," said Dr. James Swan, a health care policy expert at the [University of North Texas](#). "The physician-owned hospitals, let's face it, have got a great big bull's-eye painted on them."

But the physician-owned hospitals are formidable — and vocal — opponents. And they've got staunch allies in the Texas delegation, working overtime to preserve a hospital model that has flourished in their home state. So far, Texas has nearly 70 physician-owned hospitals in operation, and at least 50 others either under construction or in development.

Health care experts say the physician-owned specialty hospitals have taken off in Texas because of the state's business climate. Texas doesn't have the "certificate of need" laws many states have, which require hospital developers to prove there's a health care void in their community.

But physician-owned hospitals say they've also flourished because of the top-notch care and comfort they provide.

The patient receiving a hip arthroscopy at the Texas Institute for Surgery will retire to a quiet, private room with wireless Internet and his own bathroom, with meals that look decidedly unlike hospital food. Compare that to a high-traffic community hospital ward, Hay says, where surgical patients share a hall with people suffering from pneumonia and staph infections.

The resistance these specialty hospitals are getting isn't from consumers, who give them markedly higher ratings than non-physician owned hospitals. The [Heart Hospital of Austin](#), a physician-owned facility, ranks

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first in the nation for the percentage of patients who survive a heart attack. The [Baylor Heart and Vascular Hospital](#) in Dallas, another physician-owned hospital, has the nation's lowest readmission rate for heart patients – though the facility's chief medical officer [told *The Dallas Morning News*](#) he sends the sickest patients to the [Baylor University Medical Center](#) next door. That facility's heart attack mortality rate is higher than the national average.

Advocates for specialty hospitals say the pushback comes from health care company executives who don't want the competition, and are trying to choke them out with legislation. Though community hospitals say they see a decline in high-grossing medical procedures when specialty hospitals open up nearby, the specialty hospitals note that few, if any, have actually shut their doors.

“When you're starting to tread into a financial area where other companies are established, obviously that's a threat,” said the Texas Institute for Surgery's Hay, a registered nurse who also leads the board of directors of the [Texas Physician Hospitals Advocacy Center](#). “If the patients are given a choice, does it matter what the ownership is as long as they're being well cared for?”

It's not the first time federal lawmakers have tried to crack down on physician self-referrals. In 1989, they passed the [Stark Law](#), designed to keep doctors from making referrals to their own clinical laboratories. The law was expanded to other services over the last two decades, but kept an exception for doctors invested in the “whole hospital” — not just a specific laboratory or department.

The specialty hospitals say they fall squarely into this exception. Almost all of them perform multiple procedures, and have fully-stocked — if small — emergency rooms.

But opponents say many of them are really just large departments pretending to be whole hospitals. Two-thirds of these facilities tell their staff to call 911 in the event of a medical emergency, according to a 2008 report from the inspector general of the [U.S. Department of Health and Human Services](#). Fifty-eight percent have an emergency room with just a single bed.

Said Tenet's Waldmann: “Since they tend to focus on the more profitable service line, the more profitable payer line, the concern is that you undermine the ability of community hospitals to address health care reform and the needs of the uninsured.”


Editor's note: [Go here](#) to hear competing views on proposed restrictions on physician-owned specialty hospitals from Texas Institute for Surgery President Debbie Hay and Dan Waldmann, Tenet Healthcare's vice president for government relations.

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