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Plans for New Physician-Owned Hospitals Would be Virtually Wiped Away if Current Versions of Health Reform Were Passed, Executive Says

Written by Leigh Page | **December 16, 2009**



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Plans for new physician-owned hospitals would have little or no chance of beating a proposed ban if current language in the Senate and House reform bills is passed, according to the executive of the national physician hospitals organization.

Molly Sandvig, executive director of Physician Hospitals of America, says she is still hopeful that the provision can be removed from the bills or significantly altered. It is also possible that the Senate won't pass its bill, because proponents still don't have the 60 votes needed.

However, if the current language is signed into law, she says there would be little room for the estimated 125 physician-owned hospitals under development to get started.

The House bill, which was passed last month, is retroactive, requiring that all hospitals have Medicare certification by Jan. 1, 2009, while the Senate bill would require Medicare certification by Feb. 1, 2010. If the Senate bill passes, a conference committee would work out the difference between the dates.

Ms. Sandvig says there is no way around this hurdle. Hospitals that did not meet the deadline would have to forgo income from Medicare and Medicaid, which she thinks would be necessary to remain financially viable.

Although the Senate deadline is still just under two months away, the facility would already have to be up and running and have received its Medicare provider number to meet it, and it can take months to get the provider number, Ms. Sandvig said.

Moreover, even hospitals that are up and running would not be able to grow and change with the market. Ms. Sandvig

says the bills would not allow them to change the number of beds, ORs and procedure rooms or alter the aggregate percentages of physician ownership.

She thinks many physicians planning new hospitals probably don't realize how onerous the provision is. "If you try reading through the legislation without background knowledge, the language is hard to follow," she said. "There are references to other sections and you have to look those up and piece it together. Unfortunately, I believe there are physician-owned hospitals out there that do not even realize the serious challenges they currently face."

PHA is working with Congressional allies to remove or modify the Senate language, which is similar to language in 12 previous bills, all of which failed to pass. "We've made it out from under these bills 12 times in row," Ms. Sandvig says, "and we hope to do it again."

Ms. Sandvig says her group enjoys strong support from both Republicans and some Democrats from Texas and some other states where physician-owned hospitals are prevalent. Opponents to physician ownership include Sen. Chuck Grassley (R-Iowa), Sen. Max Baucus (D-Mont.) and Rep. Pete Stark (D-Calif.).


She says the opposition is strong because powerful organizations like the American Hospital Association and the Federation of American Hospitals have made the campaign against physician-owned hospitals one of their top priorities.

"The arguments of the opponents are simply rhetoric, unsupported by facts and, at this point, it is straight politics," she said. "There is plenty of evidence, including multiple governmental and private studies, that physician ownership is a good thing."

Studies show that physician-owned hospitals cost less, have better outcomes and do not harm the financial standing of other hospitals. This evidence, gathered several years ago, helped the industry re-emerge from temporary moratoriums that lasted from Nov. 2003 to Aug. 2006, made up of an 18-month moratorium on new physician-owned hospitals and a somewhat less onerous 16-month moratorium.

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