

Regulation

## Congress Mounts New Attack On Specialty Hospitals

David Whelan, 03.07.08, 3:31 PM ET

Congress is again poised to eradicate physician-owned specialty hospitals. This time the vehicle is a mental health bill.

The smaller facilities in question are popular with patients and typically have better medical outcomes than large community hospitals because they focus on a particular kind of surgery or disease. As unwanted competition, they have been targeted for the last decade by big hospitals and their allies in Congress.

For three years, until 2006, new specialty hospitals were effectively banned by Medicare regulations. Opponents argued the facilities stripped away big hospitals' most profitable offerings and represented an unmanageable conflict of interest for the doctor owners. (For a history of the controversy, see: "[Bad Medicine](#)."

Since then, more facilities have been built. Yet efforts to ban them continue. Last year Representative Pete Stark, D-Calif., added language to a bill expanding the SCHIP program aiming to ban these doctor-owned facilities. The bill was passed by the House but never signed.

Wednesday the House passed a "mental health parity" bill forcing health insurers to make their physical and mental health benefits symmetrical. To pay for the bill, which will make some government health programs more expensive, specialty hospitals will again be banned. The Congressional Budget Office estimates that a ban will provide \$2 billion in funds for the mental health bill over the next 10 years.

Why would a ban save money? The question is hotly debated. Big hospitals say specialty hospitals drive up costs because the doctors who own facilities have an incentive to over treat patients with expensive procedures. Specialty hospital proponents disagree. They counter that if smaller facilities were banned patients would be forced to go to big hospitals, which they say deliver lower-quality and thus costlier care.

Those in Congress who support a blanket ban have not been successful in getting their legislative bodies to vote on that specific matter. Instead, the issue has always been slipped quietly into other bills—a tactic that raises questions about the ban's popularity with legislators and voters. "Mental health parity is fine," says Molly Sandvig, the head of the specialty hospital trade group Physician Hospitals of America. "But this bill is loaded with so much else."

The doctors' lobby, the American Medical Association, also thinks that the unrelated ban should not be weighing down an otherwise noble bill. "We strongly oppose the House provision that would ... [restrict] specialty hospitals that offer high-quality care," said Edward Langston, a doctor on the AMA's board.

The American Hospital Association says it supports a permanent ban on doctor-owned specialty hospitals. "The practice of physician self-referral is anti-competitive and, according to independent research, results in over-utilization of services that takes away precious resources from the Medicare program," the AHA said in a statement. The Federation of American Hospitals, which represents for-profit hospitals, issued a similar statement in support of the ban, adding that specialty hospitals are "ill-prepared to handle emergency medical care."

The special interest groups have time to battle it out, as the proposal must still pass through a conference committee with the Senate and, assuming the ban survives in the final version of the bill, be signed by the president.

In a statement from the President's Office of Management and Budget, the Bush administration says it opposes the bill, and specifically opposes attempts to ban specialty hospitals as a funding mechanism, arguing the provision "could restrict patient choice without decreasing Medicare costs."