



Michael D. Maves, MD, MBA, Executive Vice President, CEO

March 13, 2008

The Honorable Jason Altmire
U.S. House of Representatives
1419 Longworth House Office Building
Washington, DC 20515

Dear Representative Altmire:

On behalf of the American Medical Association (AMA), I am writing in regard to your widely-circulated February 28, 2008, letter to Speaker Pelosi regarding physician-owned specialty hospitals. We are concerned that some of the assertions made in the letter do not reflect a complete examination of the issue and would welcome the opportunity to discuss the matter with you further.

The central premise of the letter seems to be that elimination of the choice of these facilities for Medicare beneficiaries is central to continued financial survival of community hospitals. However, congressionally-mandated studies by the U.S. Government Accountability Office (GAO), Medicare Payment Advisory Commission (MedPAC), and Centers for Medicare and Medicaid Services (CMS) confirm that general hospitals are largely unaffected by competition from specialty hospitals. The GAO found that there was little evidence to suggest that general hospitals made substantially more or fewer operational or service changes, or different types of changes, where some of their competition came from a specialty hospital. Similarly, MedPAC has reported to Congress that specialty hospitals do not have a statistically significant effect on the total revenue or total margins of community hospitals in their markets.

The letter also raises questions about the benefits and quality improvement characteristics of these facilities. However, the study referred to in the letter from the Department of Health and Human Services-Office of Inspector General did not look at issues of quality of care. Other government studies provide unambiguous evidence of the benefits of specialty hospitals. A CMS-funded study published in *Health Affairs* in 2006 found clear quality advantages in specialty hospitals, including significantly lower risk-adjusted 30-day mortality rates than community hospitals and very high Medicare patient satisfaction. This same study also found that specialty hospitals provide more net community benefits through uncompensated care and taxes than not-for-profit competitors as a share of total revenues.

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Finally, the physician-owned hospitals referenced in the HHS-OIG report have been surveyed regarding their emergency response and patient transfer policies and were found to be in compliance with Medicare's conditions of participation as well as their respective state laws.

We believe that Medicare beneficiaries should have access to a choice of high-quality options when choosing their medical care. We urge you to examine the complete body of evidence regarding physician-owned specialty hospitals and to reconsider your opposition. Again, we would welcome the opportunity to discuss this issue with you further and look forward to continuing to work with you to ensure that all Americans have access to high-quality affordable health care.

Sincerely,

A handwritten signature in black ink, reading "Mike Maves", written over a thin red horizontal line.

Michael D. Maves, MD, MBA